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CHERISH SUNSHINE INTERNATIONAL LIMITED

承輝國際有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 1094)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

The board (the “**Board**”) of directors (the “**Directors**”) of Cherish Sunshine International Limited (the “**Company**”) announces the unaudited condensed consolidated interim results and financial position of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2022 (the “**Period**”) with comparative figures for the six months ended 30 June 2021. The condensed consolidated interim results had not been audited by the Company’s auditor, but had been reviewed by the audit committee of the Company (the “**Audit Committee**”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022 — UNAUDITED

		Six months ended	
		30 September 2022	30 June 2021
	Notes	HK\$’000 (Unaudited)	HK\$’000 (Unaudited)
Revenue	6	69,908	20,200
Cost of sales and services rendered		<u>(54,765)</u>	<u>(10,319)</u>
Gross profit		15,143	9,881
Other income and (losses)/gains	7	(2,313)	2,746
Administrative expenses		(27,812)	(17,201)
Reversal of impairment loss for loan receivables		2,196	—
Reversal of impairment loss for trade and other receivables, net		<u>880</u>	<u>1,003</u>
Loss from operations		(11,906)	(3,571)
Finance costs	8	<u>(1,576)</u>	<u>(925)</u>

		Six months ended	
		30 September	30 June
		2022	2021
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Loss before tax		(13,482)	(4,496)
Income tax credit	9	<u>2,303</u>	<u>889</u>
Loss for the period	10	<u>(11,179)</u>	<u>(3,607)</u>
(Loss)/profit attributable to:			
Owners of the Company		(11,706)	(4,072)
Non-controlling interests		<u>527</u>	<u>465</u>
		<u>(11,179)</u>	<u>(3,607)</u>
Loss per share			
Basic (HK cents per share)	11	(3.99)	(1.67)
Diluted (HK cents per share)	11	<u>(3.99)</u>	<u>(1.67)</u>

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

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

	Six months ended	
	30 September 2022 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Unaudited)
Loss for the period	<u>(11,179)</u>	<u>(3,607)</u>
Other comprehensive (expense)/income: <i>Item that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	<u>(25,007)</u>	<u>3,085</u>
Other comprehensive (expense)/income for the period, net of tax	<u>(25,007)</u>	<u>3,085</u>
Total comprehensive expense for the period	<u><u>(36,186)</u></u>	<u><u>(522)</u></u>
Total comprehensive (expense)/income attributable to:		
Owners of the Company	<u>(37,311)</u>	<u>(820)</u>
Non-controlling interests	<u>1,125</u>	<u>298</u>
	<u><u>(36,186)</u></u>	<u><u>(522)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2022

		As at 30 September 2022	As at 31 March 2022
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	13	6,235	3,760
Investment properties		259,759	294,488
Right-of-use assets	14	10,111	10,230
Intangible assets		12,205	13,769
Pledged bank deposit		7,701	—
Total non-current assets		296,011	322,247
Current assets			
Inventories — raw materials		65	95
Trade and other receivables	15	13,777	18,453
Contract assets		1,074	831
Loan receivables	16	—	—
Financial assets at fair value through profit or loss ("FVTPL")		880	—
Derivative component of convertible bonds	19	11,871	—
Bank and cash balances		6,672	27,592
Total current assets		34,339	46,971
TOTAL ASSETS		330,350	369,218
EQUITY			
Share capital		29,309	29,309
Reserves		140,293	177,604
Equity attributable to owners of the Company		169,602	206,913
Non-controlling interests		(11,129)	(12,254)
TOTAL EQUITY		158,473	194,659

		As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Bank borrowing	17	16,503	20,964
Deferred income		3,397	3,808
Lease liabilities		693	36
Other payable	18	—	22,500
Convertible bonds	19	22,978	—
Deferred tax liabilities		34,436	41,281
		<hr/>	<hr/>
Total non-current liabilities		78,007	88,589
		<hr/>	<hr/>
Current liabilities			
Bank borrowing	17	4,401	4,933
Lease liabilities		1,150	1,008
Trade and other payables	18	37,878	40,792
Derivative component of convertible bonds	19	16,267	—
Contract liabilities		3,178	5,839
Current tax liabilities		30,996	33,398
		<hr/>	<hr/>
Total current liabilities		93,870	85,970
		<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES		330,350	369,218
		<hr/> <hr/>	<hr/> <hr/>
Net current liabilities		(59,531)	(38,999)
		<hr/> <hr/>	<hr/> <hr/>
Total assets less current liabilities		236,480	283,248
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

	Six months ended	
	30 September	30 June
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(13,482)	(4,496)
Adjustments for:		
Amortisation of intangible assets	194	63
Depreciation of property, plant and equipment	474	429
Depreciation of right-of-use assets	1,126	1,231
Net fair value losses on investment properties	3,113	—
Reversal of impairment loss for loan receivables	(2,196)	—
Reversal of impairment loss for trade and other receivables	(880)	(1,003)
Other operating activities	7,168	(889)
	<u>(4,483)</u>	<u>(4,665)</u>
NET CASH USED IN OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans repaid	2,196	537
Placement of pledged bank deposit	(7,701)	—
Other investing activities	(3,839)	20
	<u>(9,344)</u>	<u>557</u>
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of bank borrowing	(2,311)	(2,402)
Principal elements of lease payments	(952)	(1,152)
Interest paid	(644)	(835)
	<u>(3,907)</u>	<u>(4,389)</u>

	Six months ended	
	30 September	30 June
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
CASH USED IN FINANCING ACTIVITIES	<u>(3,907)</u>	<u>(4,389)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(17,734)	(8,497)
Effect of foreign exchange rate changes	(1,856)	61
CASH AND CASH EQUIVALENTS AT 1 APRIL 2022/ 1 JANUARY 2021	<u>26,000</u>	<u>15,402</u>
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER 2022/30 JUNE 2021	<u><u>6,410</u></u>	<u><u>6,966</u></u>
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	6,672	7,478
Less: Restricted bank balances	<u>(262)</u>	<u>(512)</u>
	<u><u>6,410</u></u>	<u><u>6,966</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

1. GENERAL INFORMATION

The Company was incorporated in Bermuda with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of its head office and principal place of business in the People's Republic of China (the "PRC") is Unit 109-14, Block 1, No. 1818-2 Wenyi West Road, Yuhang Street, Yuhang District, Hangzhou, Zhejiang Province, the PRC. The principal place of business of the Company in Hong Kong is Unit 705, 7/F, Nam Wo Hong Building, 148 Wing Lok Street, Sheung Wan, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

During the Period, the Company changed its name from "China Public Procurement Limited" to "Cherish Sunshine International Limited" and adopted the Chinese name of "承輝國際有限公司" as the secondary name to replace "中國公共採購有限公司". The change of name was approved by the shareholders of the Company by way of special resolution at the annual general meeting held on 3 August 2022 and has become effective from 23 August 2022.

The Company is an investment holding company. The principal activities of its subsidiaries are provision of procurement services, trading business, provision of corporate IT solution, energy management contracting business and leasing of the Group's investment properties located in Wuhan, Hubei Province, the PRC.

2. CHANGE OF FINANCIAL YEAR END DATE

Pursuant to the resolution of the Board of the Company dated 30 November 2021, the financial year end date of the Company has been changed from 31 December to 31 March. Accordingly, the financial period for fiscal period 2022 covered a fifteen months period from 1 January 2021 to 31 March 2022. These unaudited condensed consolidated financial statements cover a six month period from 1 April 2022 to 30 September 2022 and the comparative figures cover a six month period from 1 January 2021 to 30 June 2021.

3. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange (the “**Listing Rules**”).

The Group incurred a net loss of approximately HK\$11,179,000 during the Period, and as at that date, the Group had net current liabilities of approximately HK\$59,531,000. At the same date, the Group’s bank and cash balances were approximately HK\$6,672,000, and the Group had current bank borrowing and current tax liabilities of approximately HK\$4,401,000 and HK\$30,996,000, respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in normal course of business.

The Directors are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months from 30 September 2022 after taking into consideration of the following:

- (a) The Group has been taking stringent cost controls;
- (b) As at 30 September 2022, the Group had a bank borrowing of RMB19,000,000 (equivalent to approximately HK\$20,904,000) from a bank in the PRC by pledging the Group’s building, investment properties, certain right-of-use assets, certain trade receivables, certain bank balances and rental income of which RMB15,000,000 (equivalent to approximately HK\$16,503,000) was classified as non-current liabilities. As at 30 September 2022, the fair value of the Group’s investment properties amounted to approximately HK\$259,759,000. The Group will also negotiate with its banks for additional banking facilities when necessary; and
- (c) The Company will continue to adopt the equity financing approach to strengthen the financial position of the Group and to raise additional funds for the Group to replenish its working capital.

Accordingly, the Directors are of the opinion that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis. If adequate financing is not available, the Group may be unable to meet its obligations as and when they fall due in the foreseeable future. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their estimated recoverable amounts, to provide for further liabilities which may arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effects of these adjustments have not been reflected in the condensed consolidated financial statements.

4. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and financial assets at FVTPL, which are measured at fair values.

The condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the 2022 financial statements for the 15 months period ended 31 March 2022, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements due to the amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA which came into effect during the Period and application of the following accounting policies which became effective to the Group upon issuance of convertible bonds during the Period. Details of any changes in accounting policies and the amendments to the HKFRSs which came into effect during the Period are set out below.

The preparation of condensed consolidated financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The condensed consolidated financial statements contain unaudited condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 financial statements for the 15 months period ended 31 March 2022. The condensed consolidated financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

The condensed consolidated financial statements for the six months ended 30 September 2022 have not been audited but have been reviewed by the Audit Committee.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 April 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

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 condensed consolidated financial statements.

Application of new accounting policies

Convertible bonds which do not contain an equity component

At initial recognition the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the host liability component. Transaction costs that relate to the issue of the convertible bonds are allocated to the host liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the host liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

The derivative component is subsequently remeasured. The host liability component is subsequently carried at amortised cost. Interest expense recognised in profit or loss on the host liability component is calculated using the effective interest method.

If the bonds are converted, the shares issued are measured at fair value and any difference between the fair value of shares issued and the carrying amounts of the derivative and liability components are recognised in profit or loss. If the bonds are redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in profit or loss.

Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period, the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

5. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (“**CODM**”). CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive Directors that makes strategic and operating decisions.

The Group has five operating segments as follows:

Provision of procurement services	—	provision of procurement services to governmental authorities and private enterprises
Trading business	—	trading of different kinds of products
Provision of corporate IT solution	—	development of software and provision of maintenance services to customers
Rental income	—	leasing of the Group’s investment properties located in Wuhan, Hubei Province, the PRC
Energy management contracting business	—	Provision of energy management contracting services in the PRC

The Group’s reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

	Provision of procurement services HK\$'000	Trading business HK\$'000	Provision of corporate IT solution HK\$'000	Rental income HK\$'000	Energy management contracting business HK\$'000	Total HK\$'000
Six months ended						
30 September 2022						
(unaudited):						
Revenue from external customers	9,765	41,679	7,172	8,441	2,851	69,908
Segment profit	<u>7,328</u>	<u>225</u>	<u>2,874</u>	<u>4,107</u>	<u>1,423</u>	<u>15,957</u>
<i>Amounts included in the measure of segment profit or loss</i>						
(Reversal of impairment loss)/ impairment loss for trade and other receivables	<u>(6)</u>	<u>(111)</u>	<u>(816)</u>	<u>119</u>	<u>—</u>	<u>(814)</u>
As at 30 September 2022						
(unaudited):						
Segment assets	<u>19,944</u>	<u>157</u>	<u>4,107</u>	<u>260,631</u>	<u>42</u>	<u>284,881</u>
Segment liabilities	<u>12,275</u>	<u>220</u>	<u>3,520</u>	<u>4,948</u>	<u>401</u>	<u>21,364</u>
Six months ended 30 June						
2021 (unaudited):						
Revenue from external customers	4,924	—	5,940	9,336	—	20,200
Segment profit	<u>2,576</u>	<u>—</u>	<u>2,466</u>	<u>5,826</u>	<u>—</u>	<u>10,868</u>
<i>Amounts included in the measure of segment profit or loss</i>						
Reversal of impairment loss for trade and other receivables	<u>(1)</u>	<u>—</u>	<u>(981)</u>	<u>(5)</u>	<u>—</u>	<u>(987)</u>
As at 31 March 2022						
(audited):						
Segment assets	<u>13,580</u>	<u>12,466</u>	<u>1,293</u>	<u>296,631</u>	<u>—</u>	<u>323,970</u>
Segment liabilities	<u>3,505</u>	<u>1,135</u>	<u>4,137</u>	<u>6,330</u>	<u>2,289</u>	<u>17,396</u>

	Six months ended	
	30 September	30 June
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Reconciliations of reportable segment profit or loss:		
Total profit of reportable segments	15,957	10,868
Administrative expenses	(27,812)	(17,201)
Other income and (losses)/gains	(2,313)	2,746
Finance costs	(1,576)	(925)
Unallocated reversal of impairment loss for loan receivables	2,196	—
Unallocated reversal of impairment loss for trade and other receivables	66	16
	<hr/>	<hr/>
Consolidated loss before tax	<u>(13,482)</u>	<u>(4,496)</u>

6. REVENUE

An analysis of the Group's revenue for the Period is as follows:

	Six months ended	
	30 September	30 June
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Provision of procurement services	9,765	4,924
Trading of goods	41,679	—
Provision of corporate IT solution services	7,172	5,940
Rental income	8,441	9,336
Provision of energy management contracting services	2,851	—
	<hr/>	<hr/>
	<u>69,908</u>	<u>20,200</u>

Disaggregation of revenue from contracts with customers by major products or services lines and the timing of revenue recognition for the Period are as follow:

	Six months ended	
	30 September	30 June
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
Recognised at point in time:		
— Trading of goods	41,679	—
— Provision of procurement services	9,765	4,924
— Sales of online procurement software	1,179	3,630
Recognised over time:		
— Licensing online procurement platform income	153	687
— Provision of maintenance services	5,840	1,623
— Provision of energy management contracting services	2,851	—
	61,467	10,864
Revenue from other source		
— Rental income	8,441	9,336
	69,908	20,200

All of the above revenue were arisen in the PRC.

Contracts with customers with unsatisfied performance obligations on the aforementioned revenue, have original expected duration of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

7. OTHER INCOME AND (LOSSES)/GAINS

	Six months ended	
	30 September 2022 <i>HK\$'000</i> (Unaudited)	30 June 2021 <i>HK\$'000</i> (Unaudited)
Amortisation of deferred day-one gain of the convertible bonds (<i>note 19</i>)	49	—
Bank interest income	28	13
Exchange gain	23	—
Gains on disposals of financial assets at FVTPL	—	6
Net fair value losses on investment properties	(3,113)	—
Gains on disposals of property, plant and equipment	—	15
Government grants — amortisation of deferred income	—	330
Government grants (<i>note</i>)	206	385
Interest income on loan receivables	—	116
Over-provision for expenses in previous years	—	1,706
Sundry income	494	175
	(2,313)	2,746

Note: The government grants represented financial subsidies for compensating expenses already incurred or giving immediate financial support to the Group. There are no unfulfilled conditions or contingencies in relation to the grants and the grants were determined at the sole discretion of relevant government authorities.

8. FINANCE COSTS

	Six months ended	
	30 September 2022 <i>HK\$'000</i> (Unaudited)	30 June 2021 <i>HK\$'000</i> (Unaudited)
Interest on bank borrowing	644	835
Interest on lease liabilities	26	90
Effective interest on convertible bonds (<i>note 19</i>)	906	—
	1,576	925

9. INCOME TAX CREDIT

	Six months ended	
	30 September	30 June
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current tax — the PRC		
Provision for the period	209	23
Deferred tax	<u>(2,512)</u>	<u>(912)</u>
	<u>(2,303)</u>	<u>(889)</u>

No provision for Hong Kong Profits Tax is required since the Group has no assessable profits for the Period (six months ended 30 June 2021: Nil).

Pursuant to relevant laws and regulations in the PRC, the PRC Enterprise Income Tax rate of subsidiaries registered in the PRC is 25% (six months ended 30 June 2021: 25%).

Pursuant to the rules and regulations of Bermuda and the British Virgin Islands (“BVI”), the Group is not subject to any income tax in Bermuda and BVI for both periods.

10. LOSS FOR THE PERIOD

The Group's loss for the Period is stated after charging the following:

	Six months ended	
	30 September	30 June
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Staff costs		
— Directors' emoluments	1,275	1,190
— Salaries, bonuses and allowances	21,669	11,489
— Retirement benefits scheme contributions	1,739	1,024
	<u>24,683</u>	<u>13,703</u>
Total staff costs	<u>24,683</u>	<u>13,703</u>
Amortisation of intangible assets (included in administrative expenses)	194	63
Depreciation of property, plant and equipment (included in administrative expenses)	474	429
Depreciation of right-of-use assets (included in administrative expenses)	1,126	1,231
	<u>1,126</u>	<u>1,231</u>

11. LOSS PER SHARE

	Six months ended	
	30 September	30 June
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss:		
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share (<i>notes (i) & (ii)</i>)	<u>(11,706)</u>	<u>(4,072)</u>

Six months ended	
30 September	30 June
2022	2021
'000	'000
(Unaudited)	(Unaudited)

Number of shares:

Weighted average number of ordinary shares for the purpose of basic and diluted loss per share
(notes (i) & (ii))

<u>293,084</u>	<u>244,284</u>
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Notes:

- (i) The calculation of diluted loss per share for the Period did not assume the conversion of CB 2029 (as defined in note 19 to the condensed consolidated financial statements) since the conversion would result in an anti-dilutive effect on loss per share.
- (ii) No share option was vested during the Period, and there is no impact on the computation of diluted loss per share for the Period.

For the six months ended 30 June 2021, the computation of diluted loss per share did not assume the exercise of share options because their exercise price was higher than the average share price.

12. DIVIDEND

The Directors do not recommend the payment of any dividend for the Period (six months ended 30 June 2021: Nil).

13. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group has additions to property, plant and equipment of approximately HK\$3,501,000 (unaudited) (six months ended 30 June 2021: Nil (unaudited)). Certain property, plant and equipment with a carrying amount of Nil (unaudited) was disposed of during the Period (six months ended 30 June 2021: Nil (unaudited)), resulting no gain or loss on disposal (unaudited) (six months ended 30 June 2021: gain on disposal of approximately HK\$15,000 (unaudited)).

14. RIGHT-OF-USE ASSETS

During the Period, the Group entered certain leases amounting to approximately HK\$2,107,000 (unaudited) (six months ended 30 June 2021: Nil (unaudited)). As at 30 September 2022, the right-of-use assets' carrying amount was approximately HK\$10,111,000 (unaudited) (31 March 2022: approximately HK\$10,230,000 (audited)).

15. TRADE AND OTHER RECEIVABLES

	As at 30 September 2022 <i>HK\$'000</i> (Unaudited)	As at 31 March 2022 <i>HK\$'000</i> (Audited)
Trade and other receivables comprises:		
Trade receivables	4,068	16,096
Less: allowance for credit loss	<u>(396)</u>	<u>(1,205)</u>
	3,672	14,891
Other receivables	1,032	988
Prepayment	8,448	1,818
Deposits	<u>625</u>	<u>756</u>
	<u><u>13,777</u></u>	<u><u>18,453</u></u>

Movement in the loss allowance for trade and other receivables during the Period is as follows:

	30 September 2022 <i>HK\$'000</i> (Unaudited)	31 March 2022 <i>HK\$'000</i> (Audited)
At 1 April 2022/1 January 2021	98,037	95,895
Net reversal for the period	(880)	397
Written off for the period	—	(197)
Exchange differences	<u>(5,545)</u>	<u>1,942</u>
At 30 September 2022/31 March 2022	<u><u>91,612</u></u>	<u><u>98,037</u></u>

At 30 September 2022, the carrying amount of trade receivables charged as security for the Group's bank borrowing amounted to approximately HK\$872,000 (unaudited) (31 March 2022: approximately HK\$2,143,000 (audited)).

For trading business, the Group generally grants a credit period of 30 days (31 March 2022: 30 days) to its customers. Rental income is paid in accordance with the terms of respective agreements. For provision of procurement services and corporate IT solution services, the Group mainly requires customers to pay certain of the contract sum in advance and settle the remaining balances within 30 days (31 March 2022: 30 days) from the date of acceptance. For energy management contracting business, the customers paid certain of contract sum in advance in accordance with the terms of respective agreements. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the management.

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

Included in trade and other receivables are trade receivables, net of allowance for impairment, of approximately HK\$3,672,000 (unaudited) (31 March 2022: approximately HK\$14,891,000 (audited)) and an ageing analysis based on the invoice date at the end of the reporting period, is as follows:

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
0 to 90 days	3,521	14,885
91 to 180 days	147	—
181 to 365 days	—	6
Over 365 days	4	—
	<u>3,672</u>	<u>14,891</u>

16. LOAN RECEIVABLES

	As at 30 September 2022 <i>HK\$'000</i> (Unaudited)	As at 31 March 2022 <i>HK\$'000</i> (Audited)
Unsecured fixed-rate loan receivables	113,477	117,450
Less: allowance for credit loss	<u>(113,477)</u>	<u>(117,450)</u>
	<u>—</u>	<u>—</u>

Movement in the loss allowance for loan receivables during the Period is as follows:

	30 September 2022 <i>HK\$'000</i> (Unaudited)	31 March 2022 <i>HK\$'000</i> (Audited)
At 1 April 2022/1 January 2021	117,450	119,062
Net (reversal on impairment losses)/impairment losses made for the period	(2,196)	2,651
Written off for the period	—	(4,847)
Exchange differences	<u>(1,777)</u>	<u>584</u>
At 30 September 2022/31 March 2022	<u>113,477</u>	<u>117,450</u>

Loan receivables represented advances to independent third parties.

As at 30 September 2022, loan receivable at principal amount of HK\$100,000,000 (unaudited) (31 March 2022: HK\$100,000,000 (audited)) was unsecured, interest-free and repayable in June 2015 and correlated to a cooperation arrangement with an independent third party. Further details of such were set out in the Company's announcement dated 5 June 2014. The remaining loan receivables at principal amount of approximately HK\$13,477,000 (unaudited) (31 March 2022: approximately HK\$17,450,000 (audited)) were unsecured, interest bearing at a range of 0.3% to 0.5% (unaudited) (31 March 2022: 0.3% to 0.6% (audited)) per month and repayable on respective maturity dates.

As at 30 September 2022, included in the Group's loan receivables balance were debtors with aggregate carrying amounts of approximately HK\$113,477,000 (unaudited) (31 March 2022: approximately HK\$117,450,000 (audited)) which were past due as at the reporting date, of which approximately HK\$113,477,000 (unaudited) (31 March 2022: approximately HK\$117,450,000 (audited)) had been past due 90 days or more.

As disclosed in the Company's 2021/2022 annual report and the Company's announcement dated 10 August 2022 in respect of the loan receivables of the Group, through continuous negotiations with the debtors and legal actions taken by the Group, the Group recovered an aggregate amount of approximately HK\$2,196,000 (unaudited) from two of the debtors during the Period (six months ended 30 June 2021: Nil (unaudited)). Based on the abovementioned circumstances, the Group recognised an allowance for credit loss of approximately HK\$113,477,000 (unaudited) as at 30 September 2022 (31 March 2022: approximately HK\$117,450,000 (audited)) to reflect the expected credit losses at the end of the reporting period.

17. BANK BORROWING

	As at 30 September 2022 <i>HK\$'000</i> (Unaudited)	As at 31 March 2022 <i>HK\$'000</i> (Audited)
Bank borrowing	<u>20,904</u>	<u>25,897</u>
The bank borrowing is repayable as follows:		
	As at 30 September 2022 <i>HK\$'000</i> (Unaudited)	As at 31 March 2022 <i>HK\$'000</i> (Audited)
Within one year	4,401	4,933
More than one year, but not exceeding two years	4,401	4,933
More than two year, but not exceeding five years	12,102	14,799
More than five years	—	1,232
	<u>20,904</u>	25,897
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(4,401)</u>	<u>(4,933)</u>
Amount due for settlement after 12 months	<u>16,503</u>	<u>20,964</u>

The carrying amount of the Group's bank borrowing is denominated in RMB.

All of the bank borrowing is measured at amortised cost. None of the non-current portion of interest-bearing borrowing is expected to settled within one year.

The effective interest rate of bank borrowing was as follows:

	As at 30 September 2022 (Unaudited)	As at 31 March 2022 (Audited)
Bank borrowing	<u>5.19%–5.39%</u>	<u>5.39%</u>

At 30 September 2022 and 31 March 2022, the bank borrowing was secured by a charge over the Group's building, investment properties, certain right-of-use assets, certain trade receivables, certain bank and cash balances and rental income (see note 20).

Bank borrowing is arranged at floating interest rate at 5-year Loan Prime Rate plus 74 basis points announced by the Central Bank of the PRC and exposes the Group to cash flow interest rate risk.

18. TRADE AND OTHER PAYABLES

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Trade and other payables (current portion):		
Trade payables	3,746	4,632
Bill payables	7,701	—
Other payables (current portion):		
— Accruals	7,427	8,136
— Security deposits under provision of procurement services business	2,633	2,239
— Security deposits for issuance of convertible bond (<i>note (iii)</i>)	—	4,933
— Receipt in advance	751	1,826
— Other payables	11,180	14,049
— Amounts due to an ex-substantial shareholder and its subsidiaries (<i>note (i)</i>)	2,570	2,881
— Payables for acquisition of intangible assets	1,870	2,096
	<u>37,878</u>	<u>40,792</u>
Other payable (non-current portion):		
— Receipt in advance (<i>note (ii)</i>)	<u>—</u>	<u>22,500</u>

Notes:

- (i) The amounts are unsecured, interest-free and repayable on demand.
- (ii) As at 31 March 2022, the Group received a sum of HK\$22,500,000 from one of the convertible bonds placees (“**Placee A**”) which is independent of the Group. The aforesaid sum shall be used as the consideration for the issuance of convertible bonds to Placee A with a principal amount of HK\$22,500,000 which shall be due in 2029. The Company issued the convertible bonds to Placee A subsequently on 19 April 2022 (see note 19).
- (iii) As at 31 March 2022, the Group received a sum of RMB4,000,000 (equivalent to approximately HK\$4,933,000) from one of the convertible bonds places (“**Placee B**”) who is independent of the Group. The aforesaid sum was security deposit for the issuance of convertible bonds and was refunded to Placee B when proceeds of convertible bonds was received from Placee B. The Company issued the convertible bonds to Placee B subsequently on 19 April 2022 (see note 19).

Included in trade and other payables are trade payables of HK\$3,746,000 (unaudited) (31 March 2022: HK\$4,632,000 (audited)) and an ageing analysis based on the invoice date at the end of the reporting period, is as follows:

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
0 to 90 days	1,180	3,145
91 to 180 days	1,075	186
181 to 365 days	1,491	918
Over 365 days	—	383
	<u>3,746</u>	<u>4,632</u>

The carrying amounts of the Group's trade payables are denominated in RMB. All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

19. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL INSTRUMENTS

(a) Convertible bonds

CB 2029

On 19 April 2022, the Company had successfully placed convertible bonds to Placee A and Placee B, who are independent of the Group, in an aggregate principal amount of HK\$27,500,000 with a term of 7 years (together referred to as "**CB 2029**"). CB 2029 carry coupon interest at a rate of 5% per annum which is payable on the last business day before each of the anniversary of the issue date and thereafter and on the maturity date (the "**Maturity Date**") (i.e. the date falling on the expiry of seven years from the date of issue of the CB 2029, provided that if such date is not a business day, the business day immediately after such date). Backgrounds of Placee A and Placee B are further set out in the announcement of the Company dated 19 April 2022.

CB 2029 are denominated in Hong Kong dollars which entitle Placee A and Placee B to convert them into ordinary shares of the Company at any time commencing on the issue date of convertible bonds and up to 4:00 p.m. on the five business days immediately before the Maturity Date, at a conversion price of HK\$1.50 per conversion share (subject to anti-dilutive adjustments).

Placee A and Placee B have the right to convert the whole or any part (in the minimum amount of or in multiple of HK\$1,000,000) of the outstanding principal amount of convertible bonds into such number of ordinary shares of the Company as will be determined by dividing the principal amount of convertible bonds to be converted by the conversion price in effect on the date of conversion. In addition, the Company has the right to redeem the whole outstanding principal amount of CB 2029 by giving not less than 30 nor more than 60 days' notice (the "**Early Redemption Notice**") to Placee A and Placee B, on the date specified in the Early Redemption Notice at 100% of the outstanding principal amount held by Placee A and Placee B together with interest accrued but unpaid to such date (if any).

The fair value of CB 2029 upon issuance is determined using valuation model which involved unobservable inputs. The day-one gain of approximately HK\$685,000, which represented the difference between the nominal value and the fair value of CB 2029 at the issue date, is not recognised in the unaudited condensed consolidated statement of profit or loss and other comprehensive income immediately but is deferred.

Upon issuance of CB 2029, amounts of approximately HK\$22,419,000, HK\$16,267,000 and HK\$11,871,000 were recognised as liability component, derivative component embedded in CB 2029 (liability) and derivative component embedded in CB 2029 (asset), respectively. The day-one gain of approximately HK\$685,000 is included in the liability component of convertible bonds and will be amortised over the term of CB 2029.

During the Period, no convertible bonds were converted by Placee A and Placee B, and the Company did not redeem any part of CB 2029.

As at 30 September 2022, the outstanding principal of CB 2029 were HK\$27,500,000.

The inputs used in the binomial option pricing model adopted by the independent professional valuer in determining the derivative components of CB 2029 as follows:

	CB 2029 As at 19 April 2022 <i>(issue date)</i>
Share price	HK\$1.29
Dividend yield	0%
Expected volatility	101.01%
Risk-free rate	<u>2.72%</u>

The movements of the liability components of convertible bonds are set out below:

	Liability component <i>HK\$'000</i>	Deferred day-1 gain <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 April 2022 (audited)	—	—	—
Fair value of liability component as at the issue date	22,419	685	23,104
Transaction costs	(983)	—	(983)
Effective interest on convertible bonds	906	—	906
Amortisation of deferred day-1 gain (<i>note 7</i>)	—	(49)	(49)
	<u>—</u>	<u>(49)</u>	<u>(49)</u>
As at 30 September 2022 (unaudited)	<u>22,342</u>	<u>636</u>	<u>22,978</u>

The effective interest rate of the liability components of CB 2029 is 9.45%.

(b) Derivative components of convertible bonds

The movements of the derivative components of convertible bonds are set out below:

	Assets – CB 2029 <i>HK\$'000</i>	Liabilities – CB 2029 <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 April 2022 (audited)	—	—	—
Fair value of derivative components as at the issue date	<u>(11,871)</u>	<u>16,267</u>	<u>4,396</u>
As at 30 September 2022 (unaudited)	<u><u>(11,871)</u></u>	<u><u>16,267</u></u>	<u><u>4,396</u></u>

The Directors are of the opinion that the carrying values of the Group's derivative components of convertible bonds as at 30 September 2022 are not materially different from their fair values at that date. Accordingly, no change in fair value of derivative components of convertible bonds has been recognised for the Period.

20. PLEDGE OF ASSETS

The following assets and their respective carrying values as at the end of the reporting period are pledged to secure the Group's bank borrowing:

	As at 30 September 2022 <i>HK\$'000</i> (Unaudited)	As at 31 March 2022 <i>HK\$'000</i> (Audited)
Investment properties	259,759	294,488
Property, plant and equipment — building	1,803	2,108
Right-of-use assets	8,179	9,292
Trade receivables — rental receivables	872	2,143
Bank and cash balances — restricted bank balances	<u>262</u>	<u>1,592</u>
	<u>270,875</u>	<u>309,623</u>

21. CAPITAL COMMITMENTS

Capital commitments contracted for at the end of the reporting period but not yet incurred are as follows:

	As at 30 September 2022 <i>HK\$'000</i> (Unaudited)	As at 31 March 2022 <i>HK\$'000</i> (Audited)
Acquisition of intangible assets	<u>7,430</u>	<u>8,329</u>

In addition, as at 30 September 2022, there is a capital commitment in further capital injection to an associate, namely Guocai South China Metal Exchange Service Limited, of approximately RMB17,200,000 (unaudited) (31 March 2022: approximately RMB17,200,000 (audited)).

MANAGEMENT DISCUSSION AND ANALYSIS

(I) BUSINESS REVIEW

The principal business of the Group are provision of procurement services, trading business, provision of corporate IT solution, leasing of the Group's investment properties located in Wuhan, Hubei Province, the People's Republic of China (the "PRC") and provision of energy management contracting services in the PRC.

Although the impact brought by strict control measures against COVID-19 taken by the governments at all levels continued to disturb the normal economic activities in the PRC, the Group has more than tripled its total revenue during the Period compared with that of the first six months of the financial year of 2021 ended 30 June 2021. Except for the slight decrease of rental income from the segment of property leasing, the Group was pleased to see revenue increase in all other business segments during the Period as compared to the six months ended 30 June 2021. That was largely due to the expansion of our procurement services to the trading industry supported by the fund raised from the issue of convertible bonds that was completed in April 2022. We witnessed not only the revenue and profit growth in the procurement services business segment but also a big increase of revenue for the trading business segment. Encouraged by the experimental success in the non-governmental sector, the Group will further explore into the new energy industry as elaborated previously in the annual report of 2021/2022.

In addition to planning business expansion, the Group will also enhance its technological competence by increasing its input into its information technology research and development activities. Because of the continuously changing global economic environment, the central government of the PRC has escalated its campaign to promote the replacement of foreign-branded IT related software and hardware with domestic alternatives. The Group therefore plans to increase its training and recruitment of its IT staff and/or replace some of its equipments, so that our procurement related software could be upgraded with more functions and be able to cater for new needs arising out of such campaign, and hence maintaining and increasing the competitiveness of the Group. The Group is committed to striving for the position as a leading IT solution provider in relation to procurement services in the PRC and will continue its efforts in the current and upcoming financial years.

As the US government is increasing its interest rate to curb the fast rising inflation, the US dollar has been appreciating against all major currencies including Renminbi (“RMB”). Since the Hong Kong dollar (“HKD” or “HK\$”) is pegged to the US dollar, the Hong Kong dollar has been appreciating against RMB and therefore has caused a large foreign exchange revaluation loss in our financial accounts which is denominated in Hong Kong dollars. Although the foreign exchange loss is an accounting loss and has no impact on the real cash flow of the Group, the management is keeping a close eye on the currency movement and will take actions to safeguard shareholders interests when necessary.

Provision of procurement services

During the Period, the Group made good progress in the development of the non-public sector business. For example, it has deepened its engagement with one of the largest national electricity grid companies to become one of its largest clients. It has also attracted clients from the trading industry who have used our procurement servicing software. As a result, the Group’s revenue from the provision of procurement services for the Period nearly doubled to HK\$9.8 million as compared with the revenue of HK\$4.9 million for the six months ended 30 June 2021. Encouraged by the successful experiment of tapping into the trading industry, and given the fact that the new energy industry is one of the fastest growing industries currently in China thanks to strong support from the governments at all levels, the Group plans to expand further into the new energy industry because there are many business opportunities worth exploring and exploiting as the new energy generation farm development projects create many purchase orders from various vendors.

Trading business

The Group had planned to market its procurement servicing software to the trading industry and was pleased to see an encouraging business result, thanks to the funding from the issuance of the convertible bonds which had been completed in April 2022, the Group recorded a revenue of approximately HK\$41.7 million for its trading business during the Period whereas nil revenue was recorded for the six months ended 30 June 2021. The Group will continue its efforts in this newly entered market and is confident in the steady growth of its trading business, despite facing the risk that the very strict measures against the COVID-19 pandemic may still disturb the normal trade and logistical activities from time to time.

Provision of corporate IT solution services

The management regards IT services provision as one of its most competitive business segments and has taken various measures to enhance it. On one hand, the Group started to broaden its service scope and expanded its IT service portfolio by offering general IT maintenance service as well as bespoke software design and development services to a wider client base. On the other hand, the Group plans to increase its input into the IT staff training and hardware equipment replacement in the near future. That is partly in response to the requests from our public-sector clients to promote the replacement of foreign-branded IT related software and hardware with domestic alternatives. The revenue from the provision of corporate IT solution for the Period increased by approximately 21% to HK\$7.2 million as compared with HK\$5.9 million for the six months ended 30 June 2021. The increase was mainly attributable to the growth of new miscellaneous IT software maintenance or software development services that commenced from this financial year. The management believes that the wider recognition of our IT solutions by both the public and non-public clients provides a solid base of growth for the foreseeable future and will continue its inputs into its IT servicing business.

Rental income

During the Period, the rental income of the Group decreased by approximately 10% to HK\$8.4 million as compared with HK\$9.3 million for the six months ended 30 June 2021. The revenue dropped mainly because one of the largest tenants of the Group's own commercial building located in Donghu New Technology Development Zone, Wuhan City, Hubei Province, the PRC, terminated its leasing with the Group. It took time for the Group to secure new tenants to fill up the vacant space. Although the occupancy rate has climbed back to its normal level, the management was cautious about the leasing business since the overall property market in China kept cooling down due to general macro-economic factors.

Provision of energy management contracting services

The provision of the energy management contracting services provided a steady revenue stream for the Group as expected. During the Period, the Group provided such services to several polar generation farms owned by local governments and recorded a revenue of approximately HK\$2.9 million which accounted for approximately 4% of the total revenue of the Period. The management is satisfied with the business experimenting result and believes that the energy management contracting services segment has a great potential to become a new main contributor to the overall revenue growth of the Group and will explore further business opportunities, since more new energy generation farms, such as polar and wind farms, will be built in the coming years.

(II) FINANCIAL REVIEW

As announced by the Company on 30 November 2021, the Company changed its financial year end date from 31 December to 31 March. The unaudited condensed consolidated financial statements were prepared for the current period covering a six month period from 1 April 2022 to 30 September 2022 with comparative figures and notes covering a six month period from 1 January 2021 to 30 June 2021, hence the comparative amounts may not be directly comparable.

Operational Performance

1. Revenue

Revenue for the Period was HK\$69,908,000, representing an increase of HK\$49,708,000 or 246.1% as compared to HK\$20,200,000 for the six months ended 30 June 2021.

The revenue included revenue from (i) provision of procurement services of HK\$9,765,000, accounting for 13.9% of the total revenue (30 June 2021: HK\$4,924,000, 24.4%); (ii) trading business of HK\$41,679,000, accounting for 59.6% of the total revenue (30 June 2021: Nil); (iii) provision of corporate IT solution services of HK\$7,172,000, accounting for 10.3% of the total revenue (30 June 2021: HK\$5,940,000, 29.4%); (iv) rental income of HK\$8,441,000, accounting for 12.1% of the total revenue (30 June 2021: HK\$9,336,000, 46.2%); and (v) provision of energy management contracting services of HK\$2,851,000, accounting for 4.1% of the total revenue (30 June 2021: Nil).

2. Cost of sales and services rendered

Cost of sales and services rendered for the Period was HK\$54,765,000, representing an increase of HK\$44,446,000 or 430.7% as compared to HK\$10,319,000 for the six months ended 30 June 2021. Cost of sales and services rendered mainly comprised cost of goods purchased for trading business and procurements, costs of the provision of service of technical staff which could generate income in the Period, the cost of authentication key, water, electricity and utility cost incurred by leased properties, direct surtax and costs of appointment of a property management company.

3. Gross profit

Gross profit for the Period was HK\$15,143,000, representing an increase of HK\$5,262,000 or 53.3% as compared to HK\$9,881,000 for the six months ended 30 June 2021. Gross profit margin for the Period was 21.7%, representing a decrease of 27.2% compared to the gross profit margin of 48.9% for the six months ended 30 June 2021.

The decrease in gross profit margin for the Period was mainly attributable to the increase in transactions volume with lower gross profit margin for the Period, especially in segments of trading business and provision of procurement services.

4. *Other income and other (losses)/gains*

Other income and other (losses)/gains for the Period amounted to losses of HK\$2,313,000, as compared to gains of HK\$2,746,000 for the six months ended 30 June 2021. Such change is mainly due to fair value loss on investment properties.

5. *Administrative expenses*

The administrative expenses for the Period was HK\$27,812,000, representing an increase of HK\$10,611,000 or 61.7% as compared to HK\$17,201,000 for the six months ended 30 June 2021. The administrative expenses mainly comprised staff cost and benefits, office expenses, rental expenses and professional fees. The increase mainly resulted from business expansion. More staff costs were incurred for business development especially in sectors of procurement and IT services in the Period.

6. *Reversal of impairment loss for trade and other receivables and reversal of impairment loss for loan receivables*

We made a reversal of impairment loss for loan receivables amounting to HK\$2,196,000 (for the six months ended 30 June 2021: Nil) as these loan receivables were recovered during the Period. In addition, we made a reversal of the impairment loss for trade and other receivables under the expected credit loss model amounting to HK\$880,000 (for the six months ended 30 June 2021: HK\$1,003,000) due to settlement made by certain debtors as included in trade and other receivable.

7. *Finance costs*

Finance costs for the Period was HK\$1,576,000, representing an increase of HK\$651,000 or 70.4% as compared to HK\$925,000 for the six months ended 30 June 2021. The finance costs increased mainly due to recognition of effective interest on convertible bond amounting to HK\$906,000 (for the six months ended 30 June 2021: Nil) during the Period.

8. *Income tax credit*

Income tax credit for the Period amounted to HK\$2,303,000, representing an increase of HK\$1,414,000 as compared to HK\$889,000 for the six months ended 30 June 2021. The tax credit for both periods ended mainly arose from reversal of the deferred taxation on land appreciation of our commercial building located in Wuhan City, Hubei Province, the PRC.

9. *Loss for the Period*

Loss for the Period was HK\$11,179,000 as compared to the loss of HK\$3,607,000 for the six months ended 30 June 2021. Such increase was mainly due to the increase in staff costs incurred for business development especially in sectors of procurement and IT services in the Period.

Financial Position

1. *Liquidity and capital resources*

As at 30 September 2022, the Group maintained bank and cash balances of HK\$6,672,000 of which HK\$4,433,000 (31 March 2022: HK\$25,180,000) were denominated in RMB, representing a decrease of HK\$20,920,000 or 75.8% as compared to HK\$27,592,000 as at 31 March 2022. During the Period, the net cash used in operating activities amounted to HK\$4,483,000 (30 June 2021: HK\$4,665,000); the net cash flows used in investing activities amounted to HK\$9,344,000 (30 June 2021: net cash generated from investing activities: HK\$557,000); and the cash used in financing activities amounted to HK\$3,907,000 (30 June 2021: HK\$4,389,000).

2. *Capital structure*

As at 30 September 2022, the total assets of the Group amounted to HK\$330,350,000 (31 March 2022: HK\$369,218,000), the total equity amounted to HK\$158,473,000 (31 March 2022: HK\$194,659,000), the total liabilities amounted to HK\$171,877,000 (31 March 2022: HK\$174,559,000). The assets-liabilities ratio (total assets over total liabilities) was 1.92:1 (31 March 2022: 2.12:1), the current ratio (current assets over current liabilities) was 0.37:1 (31 March 2022: 0.55:1) and the gearing ratio (total bank borrowing and convertible bonds over total equity) was 0.28:1 (31 March 2022: 0.13:1).

3. *Structure of interest-bearing bank and other borrowing*

As at 30 September 2022, the Group's interest-bearing bank borrowing amounted to approximately HK\$20,904,000 (31 March 2022: HK\$25,897,000) which were all denominated in RMB (31 March 2022: all denominated in RMB).

The percentage of interest-bearing bank borrowings wholly repayable within one year and in the second to the fifth years were 21.05% and 78.95% (31 March 2022: 19.05% and 76.19%), respectively. As at 30 September 2022, all interest-bearing bank borrowing was arranged at floating rate and secured by a charge over the Group's building, investment properties, certain right-of-use assets, certain trade receivables, certain bank and cash balances and rental income as set out above in note 20 to the condensed consolidated financial statements of the Group.

(III) OTHER ISSUES

1. Material investment and material acquisition and disposal of subsidiaries

The Group did not have any material investment and material acquisition or disposal of subsidiaries during the Period.

2. Pledge of assets

As at 30 September 2022, the Group has obtained a credit facility of RMB80,000,000 (equivalent to approximately HK\$88,014,000) (31 March 2022: RMB80,000,000 (equivalent to HK\$98,656,000)) from a bank in the PRC by pledging the Group's properties. Bank borrowing of the Group as at 30 September 2022 and 31 March 2022 was secured by a charge over the Group's building, investment properties, certain right-of-use assets, certain trade receivables, certain bank and cash balances and rental income as set out above in note 20 to the condensed consolidated financial statements of the Group. As at 30 September 2022, the remaining balance to be repaid by the Group amounted to RMB19,000,000 (equivalent to approximately HK\$20,904,000) (31 March 2022: RMB21,000,000 (equivalent to HK\$25,897,000)).

3. Litigation and contingent liabilities

In November 2019, Beijing Dongcheng District People's Court (北京市東城區人民法院) ("**Beijing Dongcheng District Court**") published an announcement regarding a summons issued to Gongcai Network Technology Limited (公採網絡科技有限公司) ("**Gongcai Network**"), a wholly-owned subsidiary of the Company, in respect of a civil case relating to a license fee income recognised as other income by the Group during 2012. Guocai South China Metal Exchange Service Limited (國採華南金屬市場服務有限公司) (the "**Plaintiff**") claimed that the relevant work and services mentioned in the services contracts and supplemental contracts entered into between the Plaintiff, Gongcai Network and other parties in 2012, were not performed by Gongcai Network. As a result, the Plaintiff claimed for a refund from Gongcai Network of RMB13,500,000

(equivalent to approximately of HK\$14,852,000) paid on 3 January 2013 together with accrued interests for the period from 4 January 2014 to 4 September 2019 of RMB7,506,000 (equivalent to approximately of HK\$8,258,000) (collectively the “**Claimed Amounts**”). Due to the outbreak of Covid-19 pandemic, the hearing that had been scheduled to be conducted on 17 February 2020 was postponed, and based on the judgement made by Beijing Dongcheng District Court on 29 December 2020, the claims from the Plaintiff was rejected.

On 12 January 2021, the Plaintiff filed an appeal to No. 2 Intermediate People’s Court of Beijing Municipality (“**No. 2 Intermediate Court**”) on the Claimed Amounts. Based on the judgement made by No. 2 Intermediate Court on 30 June 2021, the claims from the Plaintiff was rejected, and the judgement was finalised.

On 22 October 2021, the Plaintiff filed a retrial application with the Higher People’s Court of Beijing Municipality (“**Higher People’s Court**”) for the final judgment. On 11 February 2022, the Higher People’s Court made the final judgement and rejected the retrial application from the Plaintiff.

On 6 September 2022, the Plaintiff filed a procuratorate application to No. 2 People’s Procuratorate of Beijing Municipality and the application was accepted. Although the Plaintiff initiated the procuratorate process, the Directors considered that the probability of resuming the case is remote as advised by the Group’s PRC legal advisers. Therefore, the Directors considered the possibility of an outflow of resources embodying economic benefits is remote and it does not constitute a contingent liability to the Group at the end of the reporting period.

4. Foreign exchange exposure

For the Period, the Group mainly earned revenue in RMB and incurred costs in HKD and RMB. In the Group’s operation, minimal exposure to fluctuation in exchange rates is expected. The exposure to fluctuation in exchange rates will mainly arise from the translation of the functional currency, being RMB, to the presentation currency, being HKD, of the Group. As the Group does not foresee any significant currency exposure in the near future, the Group did not resort to any currency hedging facilities for the Period. However, the management will enhance the monitoring on the Group’s foreign currency exposure, should the need arise.

5. Staff and remuneration policy

The Group determines staff remuneration in accordance with market terms, individual qualifications and performances. Staff recruitment and promotion is based on individuals’ merit and their development potential for the positions

offered. As at 30 September 2022, the Group employed approximately 195 employees (as at 31 March 2022: 135), and the total remuneration of employees (including the Directors), was approximately HK\$24,683,000 during the Period (for the six month ended 30 June 2021: HK\$13,703,000). During the Period, the Company adopted a new share option scheme and a new share award plan to replace its existing share option scheme which will expire next year, with a view to attract and retain quality personnel and to provide them with incentive to contribute to the business and operations of the Group.

6. Completion of the placing of convertible bonds

To facilitate the business development of the Group, on 3 December 2021 (after trading hours), the Company entered into a convertible bond placing agreement with the placing agent (the “**CB Placing Agreement**”), pursuant to which the Company proposed to offer for subscription, and the placing agent had agreed to procure subscriptions for, the convertible bonds in the principal amount of up to HK\$75,000,000 (the “**Convertible Bonds**”) on a best effort basis and subject to the terms and conditions set out in the CB Placing Agreement. On 19 April 2022, all conditions precedent to the CB Placing Agreement had been fulfilled and completion of the placing of the Convertible Bonds took place. Convertible Bonds in the aggregate principal amount of HK\$27,500,000, which may be converted into 18,333,333 conversion shares of the Company based on the initial conversion price of HK\$1.50 (subject to adjustment) per share upon full conversion, were issued by the Company to Sea Best Group Limited and Mr. Wu Feng. The conversion shares shall rank pari passu in respect of the voting rights with all other shares of the Company in issue on the date of issue and allotment of the conversion shares. The Convertible Bonds carry coupon interest at the rate of 5% per annum with a term of 7 years. The closing price of the shares of the Company on the date of the CB Placing Agreement was HK\$1.53 per share. The net proceeds from the placing of the Convertible Bonds of approximately HK\$26,300,000 had been used for expansion of the existing procurement and tendering business to customers in trading industry and general working capital purposes.

7. Purchase, sale or redemption of the Company’s listed securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the Period.

8. Events after the Period

Proposed Increase in Authorised Share Capital

As disclosed in the announcement of the Company dated 18 October 2022, the Board proposed to increase its authorised share capital from HK\$50,000,000 divided into 400,000,000 ordinary shares and 100,000,000 preference shares of par value of HK\$0.10 each to HK\$500,000,000 divided into 4,900,000,000 ordinary shares and 100,000,000 preference shares of par value of HK\$0.10 each by creating an additional 4,500,000,000 unissued ordinary shares of the Company (the “**Increase in Authorised Share Capital**”).

The proposed Increase in Authorised Share Capital is subject to the approval of the shareholders of the Company by way of an ordinary resolution at the special general meeting to be held (the “**SGM**”).

Proposed Rights Issue

On 18 October 2022, in order to satisfy the funding needs of the Group for the Group’s business expansion, the Company proposed to conduct rights issue on the basis of five rights shares (the “**Rights Shares**”) for every eight shares of the Company held by the qualifying shareholders on the record date at the subscription price of HK\$0.63 per Rights Share (the “**Rights Issue**”), representing a discount of approximately 13.70% to the closing price of HK\$0.730 per share as quoted on the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 18 October 2022. The proposed Rights Issue will raise not more than approximately HK\$126.9 million before expense by issuing not more than 201,366,286 Rights Shares, with an aggregate nominal value of not more than HK\$20,136,628.6 (assuming no changes in the share capital on or before the record date of the Rights Issue except the conversion in full of the Convertible Bonds). The net price per Rights Share is approximately HK\$0.62. The Rights Shares (when allotted, fully paid or credited as fully paid and issued) will rank pari passu in all respects among themselves and with the shares of the Company in issue on the date of allotment and issue of the Rights Shares.

An underwriting agreement has been entered into between the Company and Eastmount Global Limited, the substantial shareholder of the Company, as the Underwriter on 18 October 2022 (the “**Underwriting Agreement**”). Pursuant to the Underwriting Agreement, the Rights Issue will be conducted on a fully underwritten basis. A placing agreement (the “**Placing Agreement**”) has also been entered into between the Company and Eddid Securities and Futures Limited as the placing agent (the “**Placing Agent**”) on the same day, pursuant to which the Placing Agent has agreed to procure placee(s), on a best effort basis, to subscribe for unsubscribed Rights Shares.

Assuming no Rights Shares are taken up by the qualifying shareholders, and no unsubscribed Rights Shares are successfully placed by the Placing Agent, the Underwriter will be required to take up all underwritten Rights Shares. In such circumstances and upon completion of the Rights Issue, the Underwriter and parties acting in concert with it will, in aggregate be interested in more than 50% of the issue share capital of the Company as enlarged by the issue of the Rights Shares, triggering the requirement to make a mandatory offer for all shares of the Company not already owned or agreed to be acquired by the Underwriters and parties acting in concert with it under Rule 26 of the Code on Takeovers and Mergers (the “**Takeovers Code**”). An application has been made by the Underwriter to the executive director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong (the “**SFC**”) or any of its delegate(s) (the “**Executive**”) for the whitewash waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code (the “**Whitewash Waiver**”).

The Rights Issue is conditional on, among other things, the granting of the Whitewash Waiver by the Executive, the approval by the shareholders of the Company at the SGM in respect of the Increase in Authorised Share Capital and the approval by independent shareholders of the Company at the SGM in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder, and the Whitewash Waiver as mentioned above.

For further details of the proposed Increase in Authorised Share Capital and Rights Issue, please refer to the announcement of the Company dated 18 October 2022.

Issue of Awarded Shares

At the special general meeting of the Company held on 25 October 2022, relevant resolutions have been passed by the shareholders of the Company approving the allotment and issue of in aggregate 10,769,000 new shares of the Company (the “**Awarded Shares**”) pursuant to the share award plan of the Company adopted on 29 April 2022 (the “**Share Award Plan**”) to the trustee of the trust administering the Share Award Plan, to hold on trust for 44 share award grantees. The allotment and issue of the Awarded Shares to the trustee had been completed on 27 October 2022.

For further details, please refer to the announcements and circular of the Company dated 2 September 2022, 5 October 2022 and 25 October 2022.

(IV) BUSINESS PROSPECTS

The outlook for the international and domestic business environment is very challenging. Because of the military conflict between Ukraine and Russia, the world's energy supply was completely disrupted and has pushed up the inflation rate to a level that has not been seen for years in many countries. The International Monetary Fund (the "IMF") warned that the global economic prospects have worsened significantly since its forecast in January 2022. China's economy also faces unprecedented challenges and the continuation of the policy of dynamic clearing of coronavirus disease 2019 ("COVID-19") pandemic in the PRC means that the domestic enterprises still have to live up with the disturbance to the business caused by the abrupt and sudden lockdown measures taken by governments of different regions in China.

The management fully appreciates the challenges brought by the external adverse factors and is working hard to seek development opportunities for the Group. Encouraged by the rising revenues derived from the non-public sector business, the management believes that it is right for the Group to further explore the opportunities in a wider market in the non-public sector.

The Group published an announcement on 18 October 2022 proposing to raise more funds via Rights Issue and planned to apply the proceeds of the Rights Issue to, among others, expand its procurement and trading businesses. A portion of the funds raised will be applied to the EPC business (Engineering, Procurement and Construction) of the new energy generation development projects. Leveraging on the good relationships with the governments of different regions, the Group believes that it has a unique competitiveness of penetrating quickly into this niche but large market which is full of business opportunities thanks to the initiatives of Carbon Peak by 2030 and Carbon Neutrality by 2060 which have been strongly supported and promoted by the central government of the PRC. The reason for that is because the local governments and power companies of state-owned backgrounds are usually the major players and investors in the new energy development construction projects. As the Group has years' of experience dealing with governmental institutions, it can act as an effective conduit of communication between various project stakeholders as well as offer efficient, transparent and fair one-stop solutions for procurement services for new energy projects in different areas. Apart from that, the Group is also interested in securing long term business growth with large power companies via different means. For example, the Group could try forming joint ventures with large power companies to align the business interests with those large and credible players to seek more sustainable businesses whilst reducing the business risks at the same time.

All in all, the management of the Group holds an optimistic view of its business development in the foreseeable future and is alert to the uncertainties caused by the challenging external factors, such as rising inflation, COVID-19 pandemic and so on. The management will be abreast of its responsibilities for its stakeholders and do what it can to grow the business sustainably.

CORPORATE GOVERNANCE

1. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the Period, the Company has complied with the code provisions of the Corporate Governance Code as set out in Part 2 of the Appendix 14 to the Listing Rules (the “CG Code”) except for the following deviation.

Ms. Wu Siyuan (“**Ms. Wu**”), who has been appointed as an executive Director and chief executive of the Company on 19 November 2021, has been further appointed as the chairman of the Board with effect from 29 April 2022. According to code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Being aware of the said deviation from code provision C.2.1 of the CG Code, but in view of the current rapid development of the Group, the Board believes that with the support of the management, vesting the roles of both chairman and chief executive in the same person allows the Company to have consistent leadership and ensures effective implementation and promotion of the overall strategy of the Company. At the same time, since all major decisions of the Company are discussed by the Board, the Board committees and the senior management of the Company, the Board is of the view that the appointment of Ms. Wu as both the chief executive and the chairman of the Board would not compromise the balance of power and authority and is in the interest of the shareholders of the Company as a whole. The Board will review the effectiveness of this arrangement from time to time and may recruit and/or appoint a new chief executive if and when the Board considers necessary.

2. AUDIT COMMITTEE

As at the date of this announcement, the Audit Committee comprises three members, namely, Mr. Zhong Dengyu (Chairman), Mr. Jiang Jun and Ms. Deng Hua. All of them are independent non-executive Directors. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed with the management in respect to the financial reporting matters, including review of the unaudited interim results of the Group for the Period, the Audit Committee has no disagreement with the accounting treatment adopted by the Group and is also of the opinion that such statements comply with the applicable accounting standards and the Listing Rules and that adequate disclosures have been made.

3. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct for securities transactions by Directors and the relevant employees of the Group. The Company, having made specific enquiry of all Directors, confirmed that all Directors have complied with the required standard of dealings set out therein throughout the Period.

DIVIDEND

The Directors do not recommend the payment of any dividend for the six months ended 30 September 2022 (30 June 2021: Nil).

By order of the Board
Cherish Sunshine International Limited
Wu Siyuan
Chairman and Chief Executive

Hong Kong, 28 November 2022

As at the date of this announcement, the Board comprises two executive directors, namely Ms. Wu Siyuan (Chairman & Chief Executive) and Ms. He Qian; three non-executive directors, namely Ms. Liu Qian, Mr. Li Shun and Mr. Li Guanghua; and three independent non-executive directors, namely Mr. Zhong Dengyu, Mr. Jiang Jun and Ms. Deng Hua.