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HONG KONG CHAOSHANG GROUP LIMITED

香港潮商集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 2322)

**INTERIM RESULTS FOR THE SIX MONTHS ENDED
30 SEPTEMBER 2022**

INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of Hong Kong ChaoShang Group Limited (the “Company”) presents the unaudited condensed consolidated financial statements of the Company and its subsidiaries (together, the “Group”) for the six months ended 30 September 2022 together with the comparative figures for the corresponding period in 2021. The unaudited condensed consolidated financial statements have been reviewed by the Company’s audit committee.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

		Six months ended	
		30 September	
	<i>Notes</i>	2022	2021
		HK\$'000	HK\$'000
		Unaudited	Unaudited
Revenue	3	138,359	90,499
Cost of sales		(117,445)	(67,742)
Gross profit		20,914	22,757
Other income	5	2,912	2,048
Impairment loss on finance lease receivables		(2,598)	(3,786)
Impairment loss on trade receivables		(1,979)	(6,807)
Impairment loss on account receivables from margin clients		(7,611)	(1,839)
Reversal of impairment loss/(Impairment loss) on factoring receivables		218	(88)
Impairment loss on loan and interest receivables		(2,308)	(10,133)
Impairment loss on deposit and other receivables		(578)	(202)
Impairment loss on intangible assets		(4,700)	–
Impairment loss on goodwill		(3,995)	(58,000)
Gain on changes in fair value of other financial assets		9,650	54,579
Loss on changes in fair value of held-for-trading investments		(770)	(2,668)
Gain on disposal of held-for-trading investments		9,651	5,919
Gains on bargain purchase of interest in an associate		–	12,636
Share of results of an associate		(3,297)	(1,724)
Administrative expenses		(31,238)	(31,077)

		Six months ended	
		30 September	
		2022	2021
	<i>Notes</i>	HK\$'000	HK\$'000
		Unaudited	Unaudited
Operating loss		(15,729)	(18,385)
Finance costs	7	<u>(984)</u>	<u>(1,015)</u>
Loss before taxation	6	(16,713)	(19,400)
Taxation	8	<u>1,061</u>	<u>1,472</u>
Loss for the period		<u>(15,652)</u>	<u>(17,928)</u>
Other comprehensive (loss)/income:			
<i>Items that may be reclassified subsequently</i>			
<i>to profit or loss:</i>			
– Share of other comprehensive income of an associate		42	–
– Exchange differences arising on translation of foreign operations		<u>(71,474)</u>	<u>11,013</u>
Total comprehensive loss for the period		<u>(87,084)</u>	<u>(6,915)</u>
Loss for the period attributable to:			
Owners of the Company		(15,632)	(17,249)
Non-controlling interests		<u>(20)</u>	<u>(679)</u>
Loss for the period		<u>(15,652)</u>	<u>(17,928)</u>

	Six months ended	
	30 September	
	2022	2021
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	Unaudited	Unaudited
Total comprehensive (loss)/income for the period attributable to:		
Owners of the Company	(88,523)	(6,016)
Non-controlling interests	1,439	(899)
	<u> </u>	<u> </u>
Total comprehensive loss for the period	<u>(87,084)</u>	<u>(6,915)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY		
Basic and diluted loss per share	<i>10</i> <u>HK(0.38) cents</u>	<u>HK(0.42) cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2022

		30 September 2022	31 March 2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		Unaudited	Audited
ASSETS			
Non-current assets			
Property, plant and equipment		38,186	44,810
Investment property		40,590	45,387
Right-of-use assets		20,908	8,100
Net investment in sublease		2,821	3,717
Interest in an associate		16,709	19,964
Intangible assets		16,800	21,500
Goodwill		1,000	4,995
Other non-current assets		230	230
Other financial assets		–	43,250
Finance lease receivables	11	2,513	7,827
Loan and interest receivables	14	55,000	18,450
Deferred tax assets		15,510	14,203
		210,267	232,433
		210,267	232,433
Current assets			
Amount due from an associate		1,868	175
Trade and account receivables	12	297,766	288,791
Factoring receivables	13	40,502	51,483
Finance lease receivables	11	47,201	59,518
Loan and interest receivables	14	61,201	77,678
Deposits, prepayments and other receivables		35,642	38,798
Tax recoverable		7,757	7,476
Other financial assets		52,900	–
Held-for-trading investments		10,230	7,987
Net investment in sublease		1,771	2,214
Cash held on behalf of clients		19,526	35,081
Cash and bank balances		145,789	217,023
		722,153	786,224
		722,153	786,224
Total assets		932,420	1,018,657

	<i>Notes</i>	30 September 2022 HK\$'000 Unaudited	31 March 2022 HK\$'000 Audited
EQUITY			
Capital and reserves			
Share capital		82,412	82,412
Reserves		<u>767,196</u>	<u>855,719</u>
Total equity attributable to owners of the Company		849,608	938,131
Non-controlling interests		<u>(12,356)</u>	<u>(13,795)</u>
Total equity		837,252	924,336
LIABILITIES			
Non-current liabilities			
Retained consideration payables		–	14,211
Lease liabilities		15,482	8,901
Deferred tax liabilities		<u>4,613</u>	<u>4,748</u>
		20,095	27,860
Current liabilities			
Account payables	15	22,148	34,915
Retained consideration payables		14,537	–
Lease liabilities		10,296	4,308
Accruals, other payables and deposit received		18,577	18,217
Amount due to a Director		1,198	1,214
Amount due to non-controlling interests		235	263
Tax payables		<u>8,082</u>	<u>7,544</u>
		75,073	66,461
Total liabilities		95,168	94,321
Total equity and liabilities		932,420	1,018,657
Net current assets		647,080	719,763
Total assets less current liabilities		857,347	952,196

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The Company is a limited liability company incorporated in Bermuda with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Company’s registered office is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of the Company’s business in Hong Kong is situated at Suite 2202, 22/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding. The Group is principally engaged in trading, money lending, factoring, finance leasing and financial services businesses.

These unaudited condensed consolidated financial statements have been reviewed by the audit committee of the Company and approved for issue by the Board on 28 November 2022.

2 BASIS OF PREPARATION

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

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 March 2022.

These condensed consolidated financial statements have been prepared under the historical cost convention, except for investment property, held-for-trading investments and other financial assets, which have been measured at fair value.

The accounting policies adopted for preparation of these condensed consolidated financial statements are consistent with those applied in the preparation of the Group’s consolidated financial statements for the year ended 31 March 2022 except as disclosed below.

(a) **Amended standards adopted by the Group**

Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations
HKAS 16 (Amendments)	Property, Plant and Equipment – Proceeds before Intended Use
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract
HKFRS 3 (Amendments)	Reference to the Conceptual Framework
Annual Improvements	Annual Improvements to HKFRSs 2018-2020

Those amendments that are expected to be applicable to the Group are described below, but the application of the above amendments in the current period has no material impact on the Group's financial performance and positions for the current or prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Amendments to HKAS 16

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

Amendments to HKAS 37

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g. direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

Amendments to HKFRS 3

Amendments to HKFRS 3 are intended to replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Annual Improvements to HKFRSs 2018-2020

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's consolidated financial statements.
- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

(b) Amended standards not yet adopted

HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
HKAS 1 (Amendments) and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
HKAS 8 (Amendments)	Definition of Accounting Estimates ¹
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
HKFRS 17 and HKFRS 17 (Amendments)	Insurance Contracts and the related Amendments ¹

¹ *Effective for annual periods beginning on or after 1 January 2023*

² *Effective for annual periods beginning on or after a date to be determined*

The Group is in the process of making a detailed assessment of the possible impacts on the future adoption of the amended standards. So far it is expected that the adoption of the amended standards will not have any significant impact on these condensed consolidated financial statements.

3 REVENUE

Revenue represents (i) net invoiced value of goods sold, after allowances for returns and trade discount; (ii) interest income from money lending, factoring, finance leasing and margin financing; (iii) consultancy fee and handling fee income from money lending, factoring and finance leasing; (iv) brokerage commission income from securities dealing; (v) underwriting and placing commission income; and (vi) asset management fee income.

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

	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	Unaudited	Unaudited
Sales of goods	119,972	68,939
Interest income from money lending, factoring, finance leasing and margin financing	12,661	14,908
Consultancy fee and handling fee income from money lending, factoring and finance leasing*	–	124
Brokerage commission income from securities dealings	1,417	2,347
Underwriting and placing commission income	4,159	4,021
Asset management fee income	150	160
	138,359	90,499
Revenue from contracts with customers within HKFRS 15:		
<i>Recognised at a point of time</i>		
Sales of goods	119,972	68,939
Consultancy fee and handling fee income from money lending, factoring and finance leasing*	–	124
Brokerage commission income from securities dealings	1,417	2,347
Underwriting and placing commission income	4,159	4,021
	125,548	75,431
<i>Recognised over time</i>		
Asset management fee income	150	160
	125,698	75,591
Revenue from other sources:		
Interest income from money lending, factoring, finance leasing and margin financing calculated using effective interest method	12,661	14,908
	138,359	90,499

- * *Contract liabilities primarily relate to the Group's unfulfilled performance obligations to transfer goods or services to customers for which consideration has been received at the reporting date. The contract liability is recognised in revenue in the period when performance obligations are fulfilled.*

During the period, the Group did not have revenue (six months ended 30 September 2021: approximately HK\$40,000) recognised from consultancy fee income that was included in contract liabilities at the beginning of the period.

As at 30 September 2022, no transaction price was allocated to the remaining performance obligation under the Group's existing contracts (31 March 2022: Nil), which represents revenue expected to be recognised in the future from the consultancy contracts entered into with the Group's customers.

4 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Board. The Board reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Group's operating businesses are structured and managed separately according to the nature of the operations. Each of the Group's reportable operating segments represents a strategic business unit that is subject to risks and returns that are different from other reportable operating segment.

The Group's reportable and operating segments are as follows:

- Trading segment engaged in trading of goods in the PRC;
- Money lending and factoring segment engaged in provision of loan financing in Hong Kong, loan and factoring financing in the PRC;
- Finance leasing segment engaged in provision of finance leasing and sale-leaseback in the PRC; and
- Financial services segment engaged in provision of securities dealing broking, placing, underwriting, margin financing and asset management services in Hong Kong.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit/loss represents the profit/loss earned by each segment without allocation of incomes or expenses which are not recurring in nature and unrelated to the Group's operating performance, including central administration costs, Directors' emoluments, gain/loss on changes in fair value of investment property, gain/loss on changes in fair value of other financial assets, gain/loss on changes in fair value of held-for-trading investments, gain/loss on disposal of held-for-trading investments, gains on bargain purchase of interest in an associate, share of results of an associate, finance costs, impairment loss on deposits and other receivables (non-trading nature), exchange gain/loss, rental income, sublease interest income and interest income from cash and bank balances.

For the purposes of monitoring segment performances and allocating resources between segments, all assets are allocated to operating segments other than investment property, net investment in sublease, interest in an associate, other financial assets, deferred tax assets, amount due from an associate, tax recoverable, held-for-trading investments, cash and bank balances and other corporate assets. All liabilities are allocated to operating segments other than retained consideration payables, deferred tax liabilities, amount due to a Director, tax payables and other corporate liabilities.

(a) **Segment revenue and results**

Segment revenue and results	Six months ended 30 September 2022				
	Trading HK\$'000 Unaudited	Money lending and factoring HK\$'000 Unaudited	Finance leasing HK\$'000 Unaudited	Financial services HK\$'000 Unaudited	Total HK\$'000 Unaudited
Segment revenue	<u>119,972</u>	<u>8,408</u>	<u>1,109</u>	<u>8,870</u>	<u>138,359</u>
Segment results	(1,573)	5,081	(3,605)	(15,331)	(15,428)
Impairment loss on intangible assets	-	-	-	(4,700)	(4,700)
Impairment loss on goodwill	-	-	-	(3,995)	(3,995)
	<u>(1,573)</u>	<u>5,081</u>	<u>(3,605)</u>	<u>(24,026)</u>	<u>(24,123)</u>
Corporate expenses					<u>(8,544)</u>
Operating loss					(32,667)
Corporate income					1,704
Gain on changes in fair value of other financial assets					9,650
Loss on changes in fair value of held-for-trading investments					(770)
Gain on disposal of held-for-trading investments					9,651
Share of results of an associate					(3,297)
Finance costs					<u>(984)</u>
Loss before taxation					(16,713)
Taxation					<u>1,061</u>
Loss for the period					<u><u>(15,652)</u></u>

Segment revenue and results	Six months ended 30 September 2021				
	Trading <i>HK\$'000</i> Unaudited	Money lending and factoring <i>HK\$'000</i> Unaudited	Finance leasing <i>HK\$'000</i> Unaudited	Financial services <i>HK\$'000</i> Unaudited	Total <i>HK\$'000</i> Unaudited
Segment revenue	<u>68,939</u>	<u>8,171</u>	<u>3,500</u>	<u>9,889</u>	<u>90,499</u>
Segment results	(7,791)	(3,035)	(4,195)	(6,076)	(21,097)
Impairment loss on goodwill	<u>–</u>	<u>–</u>	<u>–</u>	<u>(58,000)</u>	<u>(58,000)</u>
	<u>(7,791)</u>	<u>(3,035)</u>	<u>(4,195)</u>	<u>(64,076)</u>	<u>(79,097)</u>
Corporate expenses					<u>(9,683)</u>
Operating loss					(88,780)
Corporate income					1,653
Gain on changes in fair value of other financial assets					54,579
Loss on changes in fair value of held-for-trading investments					(2,668)
Gain on disposal of held-for-trading investments					5,919
Gains on bargain purchase of interest in an associate					12,636
Share of results of an associate					(1,724)
Finance costs					<u>(1,015)</u>
Loss before taxation					(19,400)
Taxation					<u>1,472</u>
Loss for the period					<u><u>(17,928)</u></u>

(b) Segment assets and liabilities

	As at 30 September 2022 and six months ended 30 September 2022				
	Trading	Money lending and factoring	Finance leasing	Financial services	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Segment assets					
Non-current assets					
Property, plant and equipment	1,018	1,082	31,381	4,337	37,818
Right-of-use assets	-	-	-	14,158	14,158
Intangible assets	-	-	-	16,800	16,800
Goodwill	-	-	1,000	-	1,000
Other non-current assets	-	-	-	230	230
Finance lease receivables	-	-	2,513	-	2,513
Loan and interest receivable	-	55,000	-	-	55,000
	<u>1,018</u>	<u>56,082</u>	<u>34,894</u>	<u>35,525</u>	<u>127,519</u>
Current assets	<u>252,247</u>	<u>101,727</u>	<u>49,395</u>	<u>80,967</u>	<u>484,336</u>
	<u><u>253,265</u></u>	<u><u>157,809</u></u>	<u><u>84,289</u></u>	<u><u>116,492</u></u>	<u><u>611,855</u></u>
Unallocated:					
Net investment in sublease					4,592
Interest in an associate					16,709
Cash and bank balances					145,789
Others					153,475
					<u>320,565</u>
Total assets per statement of financial position					<u><u>932,420</u></u>
Segment liabilities					
	<u>3,745</u>	<u>588</u>	<u>8,605</u>	<u>37,641</u>	<u>50,579</u>
Unallocated:					
Amount due to a Director					1,198
Others					43,391
					<u>44,589</u>
Total liabilities per statement of financial position					<u><u>95,168</u></u>
Other segment information					
Capital expenditure	-	-	14	8	22
Unallocated capital expenditure					-
					<u>22</u>
Depreciation					
- Right-of-use assets	-	-	-	2,832	2,832
- Property, plant and equipment	249	236	661	1,450	2,596
Unallocated depreciation					1,435
					<u>6,863</u>

	As at 30 September 2021 and six months ended 30 September 2021				
	Money lending and factoring				Total
	Trading HK\$'000	factoring HK\$'000	Finance leasing HK\$'000	Financial services HK\$'000	HK\$'000
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Segment assets					
Non-current assets					
Property, plant and equipment	932	1,650	35,550	7,512	45,644
Right-of-use assets	–	–	–	4,195	4,195
Intangible assets	–	–	–	21,500	21,500
Goodwill	–	–	1,000	17,695	18,695
Other non-current assets	–	–	–	230	230
Finance lease receivables	–	–	16,531	–	16,531
	932	1,650	53,081	51,132	106,795
Current assets	222,899	139,938	62,738	97,829	523,404
	<u>223,831</u>	<u>141,588</u>	<u>115,819</u>	<u>148,961</u>	630,199
Unallocated:					
Interest in an associate					23,887
Cash and bank balances					237,514
Others					134,494
Total assets per statement of financial position					<u>1,026,094</u>
Segment liabilities					
	<u>3,925</u>	<u>668</u>	<u>12,219</u>	<u>33,481</u>	50,293
Unallocated:					
Amount due to a Director					1,262
Others					57,479
Total liabilities per statement of financial position					<u>109,034</u>
Other segment information					
Capital expenditure	–	–	4	275	279
Unallocated capital expenditure					10
					<u>289</u>
Depreciation					
– Right-of-use assets	–	–	–	4,195	4,195
– Property, plant and equipment	193	242	749	1,698	2,882
Unallocated depreciation					1,903
					<u>8,980</u>

5 OTHER INCOME

	Six months ended	
	30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	Unaudited	Unaudited
Bank interest income	927	991
Sublease interest income	123	–
Rental income	644	661
Government grants (<i>Note</i>)	728	–
Others	490	396
	<u>2,912</u>	<u>2,048</u>

Note: Government grants were mainly government subsidies received by the Group from relevant government bodies for, including but not limited to, relieving pressures from businesses during the COVID-19 pandemic.

6 LOSS BEFORE TAXATION

The Group's loss before taxation has been arrived at after charging/(crediting):

	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	Unaudited	Unaudited
Cost of inventories sold	117,404	67,657
Salaries and wages included in administrative expenses:		
Directors' emoluments (including contribution to defined contribution plans)	2,826	2,826
Salaries, wages and other benefits (excluding directors' emoluments)	7,503	9,506
Contribution to defined contribution plans (excluding directors)	494	554
	10,823	12,886
Auditor's remuneration	239	198
Depreciation of property, plant and equipment	2,681	3,025
Depreciation of right-of-use-assets	4,182	5,955
Rental expenses in respect of short-term lease	354	173
Impairment loss on finance lease receivables	2,598	3,786
Impairment loss on trade receivables	1,979	6,807
Impairment loss on account receivables from margin clients	7,611	1,839
(Reversal of impairment loss)/Impairment loss on factoring receivables	(218)	88
Impairment loss on loan and interest receivables	2,308	10,133
Impairment loss on deposit and other receivables	578	202
Impairment loss on intangible assets	4,700	–
Impairment loss on goodwill	3,995	58,000
Gain on changes in fair value of other financial assets	(9,650)	(54,579)
Loss on changes in fair value of held-for-trading investments	770	2,668
Gain on disposal of held-for-trading investments	(9,651)	(5,919)
Gains on bargain purchase of interest in an associate	–	(12,636)
Share of results of an associate	3,297	1,724

7 FINANCE COSTS

	Six months ended	
	30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	Unaudited	Unaudited
Interest on bond payable	–	53
Interest on lease liabilities	659	225
Interest on retained consideration payables	325	737
	<u>984</u>	<u>1,015</u>
	<u>984</u>	<u>1,015</u>

8 TAXATION

	Six months ended	
	30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	Unaudited	Unaudited
Current income tax		
– Hong Kong profits tax	–	3
– PRC corporation income tax	1,223	1,518
	<u>1,223</u>	<u>1,521</u>
Deferred tax	(2,284)	(2,993)
	<u>(1,061)</u>	<u>(1,472)</u>
	<u>(1,061)</u>	<u>(1,472)</u>

Hong Kong profits tax

Under the two-tiered profits tax rates regime, Hong Kong profits tax is provided at the rate of 8.25% on the first HK\$2,000,000 of the estimated assessable profits of the qualifying entity of the Group and 16.5% on the estimated assessable profits above HK\$2,000,000. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime are taxed at a flat rate of 16.5%.

PRC corporate income tax

PRC corporate income tax has been provided for at applicable tax rates under the relevant regulations of the PRC after considering the available preferential tax benefits from refunds and allowances, and on the estimated assessable profit of entities within the Group established in PRC. The general tax rate is 25%. A subsidiary of the Company is entitled to the preferential tax rate of 5% upon fulfillment of certain requirements.

Withholding tax on distributed/undistributed profits

The PRC tax law imposes a withholding tax at 10%, unless reduced by a tax treaty, for dividends distributed by PRC subsidiaries to its immediate holding company outside the PRC for earnings generated beginning on 1 January 2008.

Deferred taxation has not been provided in the condensed consolidated financial statements in respect of the temporary difference attributable to retained profits of the PRC subsidiaries as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not release in the foreseeable future.

9 INTERIM DIVIDENDS

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

10 LOSS PER SHARE

	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	Unaudited	Unaudited
Loss attributable to shareholders	(15,632)	(17,249)
Weighted average number of ordinary shares, for the purposes of calculating basic loss per share (<i>shares in thousands</i>)	<u>4,120,600</u>	<u>4,120,600</u>
Basic and diluted loss per share	<u><u>HK\$(0.38) cents</u></u>	<u><u>HK\$(0.42) cents</u></u>

As there are no dilutive potential ordinary shares outstanding as at 30 September 2022 and 2021, the diluted loss per share is equal to the basic loss per share.

11 FINANCE LEASE RECEIVABLES

	30 September 2022 HK\$'000 Unaudited	31 March 2022 HK\$'000 Audited
Current portion of finance lease receivables	58,667	69,545
Non-current portion of finance lease receivables	2,526	7,905
	61,193	77,450
<i>Less:</i> Impairment loss	(11,479)	(10,105)
	49,714	67,345

	Minimum finance lease receivables		Present value of minimum finance lease receivables	
	30 September 2022 HK\$'000 Unaudited	31 March 2022 HK\$'000 Audited	30 September 2022 HK\$'000 Unaudited	31 March 2022 HK\$'000 Audited
Within one year	48,115	61,408	47,201	59,518
In the second to fifth years, inclusive	2,591	8,250	2,513	7,827
	50,706	69,658	49,714	67,345
<i>Less:</i> Unearned finance income	(992)	(2,313)	N/A	N/A
Present value of minimum finance lease receivables	49,714	67,345	49,714	67,345
<i>Less:</i> Current portion of finance lease receivables			(47,201)	(59,518)
Non-current portion of finance lease receivables			2,513	7,827

The movement of provision for impairment of finance lease receivables is as follows:

	30 September 2022 HK\$'000 Unaudited	31 March 2022 HK\$'000 Audited
At beginning of the reporting period	10,105	6,998
Provision for impairment	2,598	2,765
Currency translation difference	(1,224)	342
At end of the reporting period	<u>11,479</u>	<u>10,105</u>

As at 30 September 2022 and 31 March 2022, the finance lease receivables were secured over the leased assets mainly by machineries and equipment. The carrying amounts of finance lease receivables are denominated in RMB.

The maturity date for each finance lease contract is normally not more than 3 years. The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The effective interest rate is approximately 10% to 15% (31 March 2022: 10% to 15%) per annum. The maximum exposure to credit risk at each of the end of the reporting period is the carrying value of the finance lease receivables.

There was no unguaranteed residual values of assets leased under finance leases as at 30 September 2022 and 31 March 2022. The Group applies the simplified approach to provide lifetime ECL prescribed by HKFRS 9 for finance lease receivables. The management assessed the expected loss on all finance lease receivables individually and the credit quality of finance lease receivables has been assessed by reference to historical information about counterparty default rates and fair value of collaterals, if any.

12 TRADE AND ACCOUNT RECEIVABLES

	30 September 2022 HK\$'000 Unaudited	31 March 2022 HK\$'000 Audited
Receivables arising from securities broking business:		
– Loans to margin clients	61,592	67,411
– Clearing houses	<u>16,441</u>	<u>327</u>
	78,033	67,738
Less: Impairment loss	<u>(28,697)</u>	<u>(21,086)</u>
	----- 49,336	----- 46,652
Receivables arising from trading business	286,835	283,002
Less: Impairment loss	<u>(38,405)</u>	<u>(40,863)</u>
	----- 248,430	----- 242,139
Total trade and account receivables	<u><u>297,766</u></u>	<u><u>288,791</u></u>

Receivables arising from securities broking

With regard to receivables arising from securities broking, the Group seeks to maintain tight control over its outstanding receivables and has procedures and policies to assess its clients' credit quality and define credit limits for each client. All client acceptances and credit limits are approved by designated approvers according to the clients' credit quality.

The normal settlement term of cash clients and clearing houses receivables arising from the ordinary course of business of securities broking is two trading days after the trade date.

Loans to margin clients are secured by the underlying pledged securities, repayable on demand and bear interest at commercial rates. As at 30 September 2022, the total market value of securities pledged as collateral in respect of the loans to margin clients amounted to approximately HK\$187,367,000 (31 March 2022: HK\$255,114,000). Securities are assigned with specific margin ratios for calculating their margin values.

Receivables arising from trading business

The Group's trade receivables are generally with credit periods of 60 to 120 days (31 March 2022: 60 to 120 days).

The maximum exposure to credit risk at each of the end of the reporting period is the carrying amount value of the trade and account receivables. The Group does not hold any collateral as security.

The carrying amounts of trade and account receivables are denominated in following currencies:

	30 September	31 March
	2022	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	Unaudited	Audited
HK\$	49,336	46,652
RMB	248,430	242,139
	297,766	288,791

No ageing analysis of cash client receivables and loans to margin clients is disclosed as in the opinion of the Directors, the ageing analysis is not meaningful in view of the nature of the cash client receivables arising from securities broking and the revolving margin loans.

An aged analysis of receivables arising from trading business, net of allowance for impairment, at the end of the reporting period, based on the date of invoice (or date of revenue recognition, if earlier), is as follows:

	30 September	31 March
	2022	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	Unaudited	Audited
0 to 30 days	3,100	6,831
31 to 60 days	10,797	5,921
61 to 90 days	563	25,263
91 to 180 days	107,074	25,482
More than 180 days	126,896	178,642
	248,430	242,139

The Group applies the simplified approach to provide lifetime ECL prescribed by HKFRS 9 for all trade and account receivables. The management assessed the expected loss on trade and account receivables individually.

The individually impaired trade and account receivables are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions and are adjusted for forward-looking information that is available without undue cost or effort.

The movement of provision for impairment of trade and account receivables is as follows:

	30 September	31 March
	2022	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	Unaudited	Audited
At beginning of the reporting period	61,949	49,155
Provision for impairment	9,590	11,275
Currency translation difference	(4,437)	1,519
	<hr/>	<hr/>
At end of the reporting period	<u>67,102</u>	<u>61,949</u>

13 FACTORING RECEIVABLES

	30 September	31 March
	2022	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	Unaudited	Audited
Factoring receivables	39,820	52,152
Interest receivables	1,877	895
	<hr/>	<hr/>
	41,697	53,047
<i>Less: Impairment loss</i>	<u>(1,195)</u>	<u>(1,564)</u>
	<hr/>	<hr/>
	<u>40,502</u>	<u>51,483</u>

The movement of provision for impairment of factoring receivables is as follows:

	30 September 2022 HK\$'000 Unaudited	31 March 2022 HK\$'000 Audited
At beginning of the reporting period	1,564	531
(Reversal of)/Provision for impairment	(218)	993
Currency translation difference	(151)	40
	<u>1,195</u>	<u>1,564</u>
At end of reporting period	<u>1,195</u>	<u>1,564</u>

The carrying amounts of factoring and interest receivables are denominated in RMB.

14 LOAN AND INTEREST RECEIVABLES

	30 September 2022 HK\$'000 Unaudited	31 March 2022 HK\$'000 Audited
Loan receivables	124,213	105,167
Interest receivables	21,792	20,385
	<u>146,005</u>	<u>125,552</u>
Loan and interest receivables	146,005	125,552
Less: Impairment loss	(29,804)	(29,424)
	<u>116,201</u>	<u>96,128</u>
	<u>116,201</u>	<u>96,128</u>
Current portion of loan and interest receivables	61,201	77,678
Non-current portion of loan and interest receivables	55,000	18,450
	<u>116,201</u>	<u>96,128</u>
	<u>116,201</u>	<u>96,128</u>
Analysed as:		
Within one year	61,201	77,678
In the second to fifth years, inclusive	55,000	18,450
	<u>116,201</u>	<u>96,128</u>
	<u>116,201</u>	<u>96,128</u>

The movement of provision for impairment on loan and interest receivables are as follows:

	30 September 2022 HK\$'000 Unaudited	31 March 2022 HK\$'000 Audited
At beginning of the reporting period	29,424	14,760
Written off	–	(2,325)
Provision for impairment	2,308	16,403
Currency translation difference	(1,928)	586
	<u>29,804</u>	<u>29,424</u>

The carrying amounts of loan and interest receivables are denominated in the following currencies:

	30 September 2022 HK\$'000 Unaudited	31 March 2022 HK\$'000 Audited
HK\$	35,222	35,501
RMB	80,979	60,627
	<u>116,201</u>	<u>96,128</u>

Loan receivables are interest-bearing at approximately 8% to 18% (31 March 2022: 8% to 18%) and are repayable with fixed terms agreed with the Group's clients. The maturity date for each loan contract is normally not more than 3 years and is unsecured, which the performance of certain loans are covered by personal guarantees. The maximum exposure to credit risk at each of the reporting dates is the carrying value of the loan and interest receivables.

The Group applies the general approach to provide for ECL prescribed by HKFRS 9 for loan and interest receivables, which permits the use of the 12 months ECL provision for these loan and interest receivables, unless there has been a significant increase in credit risk since initial recognition, which the Group then recognises lifetime ECL. The management assessed the expected loss on all loan and interest receivables individually and the credit quality of loan and interest receivables has been assessed by reference to historical information about counterparty default rates and credit enhancement measures taken out by the clients, if any.

15 ACCOUNT PAYABLES

	30 September	31 March
	2022	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	Unaudited	Audited
Payables arising from securities broking business:		
– Cash clients account payables	5,305	7,120
– Margin clients account payables	16,843	25,185
– Clearing houses	–	2,610
	<u> </u>	<u> </u>
Total account payables	<u>22,148</u>	<u>34,915</u>

The carrying amounts account payables are denominated in HK\$.

No ageing analysis is disclosed as in the opinion of the Directors, the ageing analysis is not meaningful in view of the nature of the payables arising from securities broking. The normal settlement terms of payables due to clearing houses are two trading days after the trade date.

16 COMMITMENTS

The Group as lessee

At the end of the reporting period, the lease commitments for short-term leases are as follows:

	30 September	31 March
	2022	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	Unaudited	Audited
Not later than 1 year	<u>26</u>	<u>26</u>

None of the leases include contingent rentals.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group recorded a turnover of approximately HK\$138.4 million with a gross profit of approximately HK\$20.9 million for the six months ended 30 September 2022 as compared to approximately HK\$90.5 million and HK\$22.8 million respectively for the last corresponding period. The loss for the current period was approximately HK\$15.7 million as compared to approximately HK\$17.9 million for the last corresponding period. The decrease in loss for the period was mainly attributable to the followings:

- i. a decrease in provision for impairment loss on receivables of approximately 8.0 million;
- ii. an increase in gain on disposal/changes in fair value of held-for-trading investments of approximately HK\$5.6 million;
- iii. a decrease in impairment loss on intangible assets and goodwill of approximately HK\$49.3 million, which was offset by a decrease in gain on changes in fair value of other financial assets (which represents the fair value of the profit guarantee) of approximately HK\$44.9 million, please refer to “Financial Services Business” section under “Business Review and Outlook” below for further details;
- iv. an increase in share of loss of an associate of approximately HK\$1.6 million; and
- v. there were gains on bargain purchase of approximately HK\$12.6 million arising from the acquisition of interest and additional interest in an associate during the last corresponding period.

As at 30 September 2022, the total assets and net assets of the Group amounted to approximately HK\$932.4 million (31 March 2022: HK\$1,018.7 million) and HK\$837.3 million (31 March 2022: HK\$924.3 million) respectively. The decreases in total assets and net assets were mainly caused by the exchange losses recognised as other comprehensive loss due to the depreciation of Renminbi against Hong Kong Dollars in the current period.

BUSINESS REVIEW AND OUTLOOK

Trading Business

The Group is principally engaged in trading of food and electronic products in the PRC. The Group recorded a turnover of approximately HK\$120.0 million with a loss of approximately HK\$1.6 million from its trading business during the current period as compared to approximately HK\$68.9 million with a loss of approximately HK\$7.8 million for the last corresponding period. The decrease in loss recorded for the current period was mainly caused by the increase in gross profit generated as a result of the increase in revenue and a decrease in provision for impairment loss on trade receivables.

Turnover of approximately HK\$53.4 million was attributed from trading of food products for the current period, as compared to approximately HK\$22.6 million for the last corresponding period. In addition, the Group also recorded a turnover of approximately HK\$66.6 million for the current period from trading of electronic parts for production of electronic equipment mainly for local consumption in the PRC, as compared to approximately HK\$46.3 million for the last corresponding period. The gross profit attributed by the trading business was approximately HK\$2.6 million for the current period whilst it was approximately HK\$1.3 million for the last corresponding period.

During the last corresponding period, the continued impact of the COVID-19 pandemic and the signs of the down-turning economy in the PRC affected the demand of higher-priced food products which led to the management of the Group taking a more prudent business strategy to minimise the Group's business risk. The management has noted the increase in the ageing of trade receivables regarding certain customers of the seafood trading business. One of whom even defaulted in settlement and legal proceeding has been taken by the Group for recovery of the amount outstanding. Hence, the management prudently decided to hold up further businesses with these customers during the last corresponding period. However, as the COVID-19 pandemic has persisted for over 2 years since its outbreak, people is becoming more adapted in living with the pandemic around and anti-pandemic measures are gradually optimised and relaxed. The disrupted supply chains are gradually improving, and in light with the introduction of the economic dual circulation strategy by the PRC government with an emphasis on the domestic market, the management has been sourcing new potential customers for our trading business. According to the statistics from the National Bureau of Statistics of the PRC, there were increases in both dispensable income and personal spending during the first half of 2022. All of the above contributed to the increase in revenue from the trading business during the current period. The Group is prudently optimistic of the prospects of the trading business while remains vigilant in the development of the pandemic.

Money Lending and Factoring Business

The Group offers corporate and personal loans in Hong Kong and the PRC to well-established businesses and affluent individuals of occupations ranging from executives, businessmen and professionals. Clients are generally solicited through (i) the directors and senior management of the subsidiaries whom are in charge of each of the lending businesses; (ii) direct approaches from clients; and (iii) referral from existing clients.

The loan portfolio consists of loans with initial terms generally ranging from 1 to 3 years and outstanding balances of approximately HK\$5 million to HK\$30 million which are principally for the development and expansion of their businesses and their corporate and personal needs. The Group also offers factoring loans on trade receivables in the PRC with initial terms of not more than 6 months and sizes ranging from approximately RMB10 million to RMB20 million in general. The financing purpose of the Group's clients is principally for their operation requirements.

The Group has outstanding loan portfolios in Hong Kong and the PRC amounted to approximately HK\$146.0 million and factoring receivables of approximately HK\$41.7 million as at 30 September 2022. The Group recognised an aggregate interest income of approximately HK\$8.4 million and a profit of approximately HK\$5.1 million for the current period as compared to approximately HK\$8.2 million and a loss of approximately HK\$3.0 million respectively for the last corresponding period. The turnaround was mainly caused by the decrease in provision for impairment loss on loan and interest receivables for the current period, as expected credit losses for the clients who were more severely affected by the COVID-19 pandemic have been provided for during the last corresponding period.

Collaterals and guarantors would be obtained from the clients as appropriate on a case-by-case basis by considering the background, repayment ability and credit worthiness of the potential clients a whole. While the Group aims to have securities over the loans granted in accordance with the industry practice and in compliance with the relevant regulations, if applicable, unsecured loans may also be granted which is considered by the Group as a balance of our product-mix and part of our portfolio. Nevertheless, the Group is conservatively prudent in assessing the creditworthiness of the unsecured loans including but not limited to the review and inspection of asset title, asset portfolio, leverage level and liquidity conditions before approval.

Since the start of 2022, the lending prime rate of the PRC has been decreasing and new bank lendings in the PRC has been increasing. Amid the introduction of policy-easing measures including policies to stabilise economy by the PRC government, the Group will keep on cautiously adjusting its loan portfolio to take advantage of the market opportunities to generate revenue for the shareholders of the Company under acceptable and controllable levels of risk. The Group will closely monitor the credit worthiness of our clients and, when necessary, formulate the appropriate actions to reduce our credit risk and recovery of the outstanding amounts.

Finance Leasing Business

The Group is engaged in finance leasing business in the PRC and mainly offers machinery/equipment-based finance leases, the terms of which generally ranges from 1 to 3 years and the size of which generally ranges from RMB5 million to RMB30 million. The Group provides both direct leasing and sale-leaseback services to customers and the financing purpose of the Group's customers is principally for the development and expansion of their business.

The finance leasing business maintained a portfolio with outstanding principal amount of approximately HK\$61.2 million as at 30 September 2022. The finance leasing portfolio has attributed a turnover of approximately HK\$1.1 million with a loss of approximately HK\$3.6 million to the Group during the current period as compared to approximately HK\$3.5 million and HK\$4.2 million respectively for the last corresponding period. As the management considered asset-heavy clients faces more business risks in this turbulent economic environment and hence was more prudent in accepting new businesses, no finance lease was granted during the period, resulting with decrease in interest income generated. As previously reported, there were clients who were severely affected by the down-turning economy and the incidental disruption of supply chains caused by the COVID-19 pandemic, resulting with default in repayments on schedules. While the Group has taken necessary legal proceedings to seize and safeguard the assets secured, a further provision for impairment loss on finance lease receivables of approximately HK\$2.6 million was made which attributed to the loss recorded for the current period. The provision for impairment loss on finance lease receivables decreased during the current period as expected credit losses have been provided for during the prior years/periods. The Group will closely monitor the credit worthiness of the clients and formulate appropriate actions for recovery of the outstanding lease receivables.

Financial Services Business

The Group acquired the financial services business in December 2019 (the “Acquisition”) which is principally engaged in provision of securities dealing broking, placing, underwriting, margin financing and asset management services in Hong Kong.

The market sentiment was generally positive and the market was flourishing since the Acquisition, meanwhile the Hong Kong stock market reached its highest point during the first half of 2021. Thereafter, the stock market was dragged by unfavorable news including government policies reforms in the PRC, the sky-rocketing inflation in the United States and the outbreak of the Russia-Ukraine war, etc. Since then, the market sentiment deteriorated and investors’ mentality eroded. The market downturn of Hong Kong persisted and plummeted to a new low point during the period. The management expects the stock market sentiment may not recover soon and will remain very volatile and turmoil.

The financial services business has attributed a turnover of approximately HK\$8.9 million with a loss of approximately HK\$15.3 million to the Group during the current period, as compared to approximately HK\$9.9 million and HK\$6.1 million respectively for the last corresponding period. The increase in loss recorded for the current period was mainly caused by increased provision for impairment loss on account receivables from margin clients and costs for soliciting bond placing clients.

Considering that the stock market was under-performing, in order to increase the Group’s exposure within the capital markets, the management has actively explored the probability on the development of the debt financing market so as to enlarge the sources of income. However, due to unstable economic conditions, the bond market was also not performing well with many firms have delayed their plans.

During the Company’s preparation of these condensed consolidated financial statements, based on the latest financial information available and the deteriorating market conditions as mentioned above, the Group re-assesses its position, with reference to the actual results up to the date of this announcement and the prospects of the financial services business. As such, the profit and cashflow forecast prepared by the Group for the assessment of the recoverable amounts of the financial services business has incorporated the most updated information for the best estimate of the impairment of intangible assets and goodwill, if any, and the corresponding changes in fair value of other financial assets arising from the profit guarantee given by the vendors of this business unit.

Based on the impairment assessment on the assets of this business unit, the Group noted that the carrying amounts of this business unit exceeded their recoverable amounts, and thus, impairment losses on intangible assets and goodwill of approximately HK\$4.7 million and HK\$4.0 million respectively were recognised in the current period. The Group has also re-assessed the fair value of the profit guarantee. As a result of the actual and expected shortfall of the profit guarantee, a fair value gain on other financial assets of approximately HK\$9.7 million was recognised in the current period. The net effect in aggregate of the impairments and changes in fair value of other financial assets is not significant to the Company's consolidated net assets or operating results for the period as they were substantially compensated by each other.

In respect of the profit guarantee given by the vendors of the Acquisition, there is a net amount receivable from the vendors of approximately HK\$13.1 million after setting off the amounts payable by the Group to the vendors including the relevant retained considerations as at the end of the reporting period. During the period, the Group has actively negotiated with the vendors for the settlement but no concrete plan has yet been received. The Group has instructed our lawyers to issue a writ of summons to initiate legal proceedings against the vendors for recovery of the amount receivable. Further updates regarding this profit guarantee will be announced by the Company as and when appropriate.

The COVID-19 Pandemic

The rebounds of COVID-19 pandemic has significant impact on and brought uncertainty to the global economy and the Group would review and adjust its business strategies on a regular basis with a prudent and balanced risk management approach so as to cope with the current economic situation. Save as disclosed above, as at the date of this announcement, the Group was not aware of any material adverse impact on the condensed consolidated financial statements as a result of the COVID-19 outbreak.

Looking forward, the Group will actively identify and explore other investment and business opportunities to broaden its assets and revenue base. The Group will cautiously search for investment opportunities so as to produce a steady growth in the Group's long term performance.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

The Group generally finances its operations with internally generated resources.

As at 30 September 2022, the Group had cash and bank balances of approximately HK\$145.8 million (31 March 2022: approximately HK\$217.0 million) and total borrowings of approximately HK\$27.0 million (31 March 2022: approximately HK\$14.4 million). The Group's gearing ratio, calculated by dividing total borrowings by total equity, was 3.22% (31 March 2022: 1.56%) and liquidity ratio, being the ratio of current assets over current liabilities, was 9.62 (31 March 2022: 11.83) as at 30 September 2022.

The increase in gearing ratio is mainly due to the increase in lease liabilities which arose from the Group's entering into new lease agreements during the current period. The decrease in liquidity ratio was mainly due to the depreciation of assets denominated in Renminbi and re-classification of retained consideration payable from non-current to current liabilities during the current period.

FOREIGN EXCHANGE EXPOSURE

Operations of the Group are mainly conducted in Hong Kong dollar ("HK\$"), Renminbi ("RMB") and US dollar ("US\$"), and its revenue, expenses, assets, liabilities and borrowings are principally denominated in HK\$, RMB and US\$.

The Group does not enter into any instruments on the foreign exchange exposure. The Group will closely monitor exchange rate movement and will take appropriate activities to reduce the exchange risk as appropriate.

INTERIM DIVIDENDS

The Board does not recommend the payment of interim dividends for the six months ended 30 September 2022.

CAPITAL STRUCTURE

As at 30 September 2022, the total number of issued shares of the Company was 4,120,600,000.

There was no change in the capital structure of the Company during the period.

CHARGES ON GROUP ASSETS

As at 30 September 2022, none of the Group's asset was pledged.

SIGNIFICANT ACQUISITION AND DISPOSAL OF ASSETS

Save as the acquisition and disposal of held-for-trading investments in securities, there has been no significant acquisition and disposal of assets by the Group during the period.

SECURITIES INVESTMENTS HELD

As at 30 September 2022, the Group had held-for-trading investments in securities in Hong Kong (the "Securities Investments") with a market value of approximately HK\$10.2 million. The Group recorded a realised gain of approximately HK\$9.7 million in respect of the Securities Investments during the six months ended 30 September 2022. The other details of the Securities Investments as at 30 September 2022 are as follows:

Company name	Stock code	Principal activities	Number of shares held	% of shareholdings	Cost of acquisition <i>HK\$'000</i>	Fair value as at 30 September 2022 <i>HK\$'000</i>	% of net assets of the Group as at 30 September 2022	Loss on changes in fair value for the period <i>HK\$'000</i>
1 Yue Kan Holdings Limited	2110	Provision of marine construction works, other civil engineering works and vessel chartering services	110,000,000	4.95%	11,000	10,230	1.22%	(770)

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 September 2022.

COMMITMENTS

Details of the Group's commitments as at 30 September 2022 are set out in Note 16 to this announcement.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2022, the Group employed 51 employees. The Group continues to maintain and upgrade the capabilities of its workforce by providing them with adequate and regular training. The Group remunerates its Directors and employees mainly based on industry practices and individual's performance and experience. On top of regular remuneration, discretionary bonus and share options may be granted to eligible staff by reference to the Group's performance as well as individual's performance.

DIRECTORS' INTERESTS IN CONTRACTS

Save as the related party transactions as disclosed in the interim report for the six months ended 30 September 2022, no contracts of significance in relation to the Company's business to which the Company or any of its subsidiaries was a party in which a Director had a material interest, whether directly or indirectly, subsisted at 30 September 2022 or at any time during the period then ended.

CORPORATE GOVERNANCE

The Company endeavors in maintaining good corporate governance for the enhancement of shareholders' value. The Company has adopted the code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules. The Company has complied with all the applicable code provisions in the CG Code throughout the six months ended 30 September 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

To the best knowledge of the Directors, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the six months ended 30 September 2022.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the period under review and up to the date of this announcement, the Directors having an interest in business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business that need to be disclosed pursuant to Rule 8.10 of the Listing Rules were as follows:

Director	Name of company	Nature of business	Nature of interests
Mr. Chan Chi Yuen	Royal Century Resources Holdings Limited ("Royal Century") and its subsidiaries	Money lending and financial services business	Chairman and executive director of Royal Century

As the Board is independent to the boards of the above mentioned companies, the Group is capable of carrying on its business independently of, and at arm's length, from the business of those companies.

Save as disclosed above, none of the Directors was interested in any business (apart from the Group's business) which competed or was likely to compete, either directly or indirectly, with the business of the Group during the period.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions.

Having made specific enquiry of all Directors, the Directors have confirmed that they have complied with the Model Code throughout the six months ended 30 September 2022.

AUDIT COMMITTEE

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Chi Chi Hung, Kenneth (Chairman), Mr. Yu Pak Yan, Peter and Mr. Man Kwok Leung. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters including the review of the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2022.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The results announcement of the Group for the period is published on the websites of The Stock Exchange of Hong Kong Limited (<http://www.hkexnews.hk>) and the Company (<http://www.chaoshang.hk>) respectively. The 2022 interim report of the Company will be despatched to the shareholders of the Company and made available on the above websites in due course.

APPRECIATION

On behalf of the Board, I would like to thank all of our shareholders, employees, customers and suppliers for their continued support.

By order of the Board

HONG KONG CHAOSHANG GROUP LIMITED

Ms. Zheng Juhua

Chairlady

Hong Kong, 28 November 2022

As at the date of this announcement, the executive Directors are Ms. Zheng Juhua and Mr. Chan Chi Yuen; the independent non-executive Directors are Mr. Man Kwok Leung, Mr. Yu Pak Yan, Peter and Mr. Chi Chi Hung, Kenneth.