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CHINA BEST GROUP HOLDING LIMITED
國華集團控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 370)

ANNOUNCEMENT OF RESULTS
FOR THE YEAR ENDED 31 MARCH 2023

The board (the “Board”) of directors (the “Directors”) of China Best Group Holding Limited (the “Company”) hereby announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2023, together with the comparative figures for the year ended 31 March 2022, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023

| | <i>NOTES</i> | 2023 HK\$'000 | 2022 HK\$'000 |
|-----------------------------------------------------------------------------------------------------|--------------|--------------------------------|--------------------------------|
| Turnover | 3 | <u>504,665</u> | <u>858,457</u> |
| Revenue: | 4 | | |
| – Trading of goods | | 111,478 | 345,620 |
| – Provision of international air and sea freight forwarding services | | 1,816 | 1,242 |
| – Consultancy income from finance leases | | 537 | 2,296 |
| – Interest income from money lending | | 7,902 | 23,763 |
| – Brokerage commission and consultancy income from securities and future brokerage related services | | 293 | 364 |
| – Brokerage commission and consultancy income from property brokerage service | | 814 | – |
| – Heating and cooling supply by geothermal energy | | 18,718 | 18,410 |
| – Construction contracting services fee income | | 230,100 | 329,451 |
| – Heating supply and industrial steam income | | 60,406 | 64,629 |
| – Project management service income | | 31,371 | 44,758 |
| – Interior design service income | | 6,482 | 10,024 |
| – Rental income | | 6,624 | 7,075 |
| – Data analytical service income | | 28,124 | 10,825 |
| | | <u>504,665</u> | <u>858,457</u> |

* *For identification purposes only*

| | <i>NOTES</i> | 2023 HK\$'000 | 2022 HK\$'000 |
|--------------------------------------------------------------------------------------------------------|--------------|--------------------------------|------------------|
| Operating costs: | | | |
| – Cost of trading goods sold | | (109,829) | (340,515) |
| – Cost of providing international air and sea freight forwarding services | | (1,184) | (810) |
| – Cost of providing securities and futures brokerage related services | | (1) | (1) |
| – Cost of providing property brokerage and consultancy services | | (1,012) | (2,077) |
| – Cost of heating and cooling supply by geothermal energy | | (13,338) | (14,011) |
| – Cost of providing construction contracting services | | (191,813) | (287,317) |
| – Cost of providing heating supply and industrial steam | | (73,961) | (65,065) |
| – Cost of providing project management service | | (4,843) | (8,261) |
| – Cost of providing interior design services | | – | (1,346) |
| – Cost of providing data analytical services | | (5,111) | (8,566) |
| | | (401,092) | (727,969) |
| Other income | 6 | 10,133 | 10,632 |
| Administrative and other expenses | | (50,717) | (51,135) |
| Staff costs | 7 | (72,652) | (81,398) |
| Finance costs | 7 | (36,452) | (37,357) |
| Fair value (loss)/gain on step acquisition of subsidiaries | | (1,059) | 4,198 |
| Unrealised gain on fair value change on investment properties | | 2,051 | 6,572 |
| Realised/unrealised gain on fair value change on financial assets at fair value through profit or loss | | 6,837 | 18,521 |
| Gain on disposal of subsidiaries | | – | 48,221 |
| Gain on deregistration of a subsidiary | | 2,769 | – |
| Impairment loss on finance lease receivable | | – | (10,296) |
| Impairment loss on trade and other receivables | 12(1)&(2) | (198,933) | (548) |
| Impairment loss on loans and interest receivables | 13 | (59,616) | (22,987) |
| Impairment loss on goodwill | | (12,197) | (14,000) |
| Impairment loss on contract assets | 12(2) | (9,331) | – |
| Share of loss of associates | | (482) | (406) |
| Share of loss of a joint venture | | – | (1,593) |
| Loss before tax | | (316,076) | (1,088) |
| Income tax expense | 8 | (16,054) | (10,035) |
| Loss for the year | 7 | (332,130) | (11,123) |

| | <i>NOTES</i> | 2023 HK\$'000 | 2022 HK\$'000 |
|--------------------------------------------------------------------------------------|--------------|--------------------------------|----------------------|
| Other comprehensive income (expenses) | | | |
| <i>Items that may be reclassified to profit or loss:</i> | | | |
| Exchange differences arising on translation of foreign operations | | (44,779) | 21,583 |
| Translation reserve released upon deemed disposal of a joint venture | | 51 | – |
| Translation reserve released upon deregistration of a subsidiary | | 38 | – |
| Translation reserve released upon deemed disposal of associates | | – | 7 |
| Translation reserve released upon disposal of subsidiaries | | – | (934) |
| <i>Items that will not be subsequently reclassified to profit or loss:</i> | | | |
| Fair value gain on financial assets at fair value through other comprehensive income | | 140 | – |
| | | <u>(44,550)</u> | <u>20,656</u> |
| Total comprehensive (expenses)/income for the year | | <u>(376,680)</u> | <u>9,533</u> |
| (Loss) Profit for the year attributable to: | | | |
| – owners of the Company | | (333,793) | (6,349) |
| – non-controlling interests | | 1,663 | (4,774) |
| | | <u>(332,130)</u> | <u>(11,123)</u> |
| Total comprehensive (expenses)/income for the year attributable to: | | | |
| – owners of the Company | | (374,665) | 12,325 |
| – non-controlling interests | | (2,015) | (2,792) |
| | | <u>(376,680)</u> | <u>9,533</u> |
| Loss per share | <i>10</i> | | |
| – Basic and diluted (<i>HK cents</i>) | | <u>(21.88)</u> | <u>(0.45)</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

| | <i>NOTES</i> | 2023 HK\$'000 | 2022 HK\$'000 |
|----------------------------------------------------------------------|--------------|--------------------------------|------------------|
| Non-current assets | | | |
| Property, plant and equipment | | 295,437 | 286,958 |
| Right-of-use assets | | 3,716 | 17,663 |
| Investment properties | | 121,433 | 129,026 |
| Goodwill | | 255,626 | 273,707 |
| Intangible asset | | 811 | 811 |
| Interests in associates | | 22,251 | 24,572 |
| Interests in joint ventures | | – | 5,192 |
| Financial assets at fair value through profit or loss | | – | 29,633 |
| Financial assets at fair value through other comprehensive income | | 8,780 | 8,640 |
| Loans receivables | <i>13</i> | 44,300 | 30,113 |
| Regulatory deposits | | 205 | 205 |
| Deferred tax assets | | – | 9,410 |
| | | 752,559 | 815,930 |
| Current assets | | | |
| Inventory | | 6,416 | 4,430 |
| Finance lease receivables | <i>11</i> | 4,546 | 4,914 |
| Loans and interest receivables | <i>13</i> | 297,773 | 369,117 |
| Other loan and interest receivables | | 24,564 | 9,252 |
| Trade and other receivables | <i>12</i> | 450,696 | 624,359 |
| Contract assets | | 303,604 | 370,760 |
| Promissory note receivable | | – | 90,000 |
| Amounts due from a joint venture | | – | 2,222 |
| Bank balances and cash | | | |
| – trust and segregated accounts | | 3,867 | 3,855 |
| Bank balances and cash | | | |
| – general accounts | | 50,134 | 46,049 |
| | | 1,141,600 | 1,524,958 |

| | <i>NOTES</i> | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|----------------------------------------------|--------------|---------------------------------------|-------------------------|
| Current liabilities | | | |
| Trade and other payables | <i>14</i> | 620,765 | 655,202 |
| Contract liabilities | | 15,419 | 10,805 |
| Lease liabilities | | 3,682 | 14,944 |
| Trust loans | | 228,472 | 246,940 |
| Short term loans | | 6,529 | 27,286 |
| Bank loans | | 93,674 | 88,900 |
| Amounts due to a joint venture | | – | 123 |
| Tax liabilities | | 34,880 | 32,339 |
| | | <u>1,003,421</u> | <u>1,076,539</u> |
| Net current assets | | <u>138,179</u> | <u>448,419</u> |
| Total assets less current liabilities | | <u>890,738</u> | <u>1,264,349</u> |
| Non-current liabilities | | | |
| Long-term loan | | 343 | – |
| Lease liabilities | | – | 3,841 |
| | | <u>343</u> | <u>3,841</u> |
| NET ASSETS | | <u>890,395</u> | <u>1,260,508</u> |
| Capital and Reserves | | | |
| Share capital | | 152,529 | 152,529 |
| Share premium and reserves | | 688,798 | 1,056,896 |
| Equity attributable to owners of the Company | | 841,327 | 1,209,425 |
| Non-controlling interests | | 49,068 | 51,083 |
| TOTAL EQUITY | | <u>890,395</u> | <u>1,260,508</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments and investment properties that are measured at fair values at the end of each reporting period.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) New and amended standards adopted by the Group

In the current year, the Group has adopted the following new and revised HKFRSs (which include all HKFRSs, Hong Kong Accounting Standards (“HKAS”), and Interpretations) issued by HKICPA for the first time for the consolidated financial statements.

| | |
|----------------------|---------------------------------------------------------------------------------------|
| HKAS 16 (Amendments) | Property, plant and equipment: Amendments in relation to Proceeds before Intended Use |
| HKAS 37 (Amendments) | Amendments in relation to Onerous Contracts – Cost of Fulfilling a Contract |
| HKFRS 3 (Amendments) | Conceptual Framework for Financial Reporting |
| Amendments to HKFRSs | Annual improvements to HKFRS Standards 2018-2020 Cycle |

The Group concluded that the application of the Amendments to Reference to the Conceptual Framework in HKFRSs and the amendments to HKFRSs in the current year has had no material impact on the amounts reported and/or disclosures set out in the consolidated financial statements.

(b) **New standards and amendments to standards issued but not yet effective for the accounting period beginning on 1 April 2022 and not early adopted by the Group**

| | | Effective for accounting periods beginning on or after |
|-----------------------------------|------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------|
| HKAS 8 (Amendments) | Amendments in relation to definition of accounting estimates | 1 January 2023 |
| HKAS 1 (Amendments) | Amendments in relation to disclosure of accounting policies | 1 January 2023 |
| HKAS 12 (Amendments) | Amendments in relation to deferred tax related to assets and liabilities arising from a single transaction | 1 January 2023 |
| HKFRS 17 | Insurance contracts | 1 January 2023 |
| HKAS 1 (Amendments) | Classification of liabilities as current or non-current | 1 January 2024 |
| HKAS 1 (Amendments) | Non-current liabilities with covenants | 1 January 2024 |
| HKFRS 16 | Amendments in relation to lease liability in a sale and leaseback | 1 January 2024 |
| HK – Int 5 | Amendments in relation to Amendments to HKAS 1 | 1 January 2024 |
| HKFRS 10 and HKAS 28 (Amendments) | Sale or contribution of assets between an investor and its associate or joint venture | To be determined |

The Group is in the process of making an assessment on the impact of these new standards and amendments to standards but is not yet in a position to state whether these new standards and amendments to standards would have a material impact on its result of operations and financial position.

3. TURNOVER

An analysis of the Group's turnover for the year is as follows:

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|------------------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| Trading of goods | 111,478 | 345,620 |
| Provision of international air and sea freight forwarding services | 1,816 | 1,242 |
| Consultancy income from finance leases | 537 | 2,296 |
| Interest income from money lending | 7,902 | 23,763 |
| Brokerage commission and consultancy income from securities and future brokerage related services | 293 | 364 |
| Brokerage commission and consultancy income from property brokerage service | 814 | – |
| Heating and cooling supply by geothermal energy | 18,718 | 18,410 |
| Construction contracting services fee income | 230,100 | 329,451 |
| Interior design service income | 6,482 | 10,024 |
| Project management service income | 31,371 | 44,758 |
| Heating supply and industrial steam income | 60,406 | 64,629 |
| Rental income | 6,624 | 7,075 |
| Data analytical service income | 28,124 | 10,825 |
| | <u>504,665</u> | <u>858,457</u> |

4. REVENUE

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|-----------------------------------------------------------------|-------------------------|-------------------------|
| Revenue from contracts with customers (<i>Note</i>) | 490,139 | 827,619 |
| Revenue from other sources: | | |
| Interest income from money lending | 7,902 | 23,763 |
| Rental income from investment properties | 6,624 | 7,075 |
| | <u>504,665</u> | <u>858,457</u> |
| Timing of recognition of revenue from contracts with customers: | | |
| At a point in time | 113,295 | 346,863 |
| Over time | 376,844 | 480,756 |
| | <u>490,139</u> | <u>827,619</u> |

Note:

Disaggregation of revenue from contracts with customers:

Year ended 31 March 2023

| | Trading of goods <i>HK\$'000</i> | Finance leasing <i>HK\$'000</i> | Securities and futures brokerage <i>HK\$'000</i> | International air and sea freight forwarding <i>HK\$'000</i> | Property brokerage <i>HK\$'000</i> | Heating and cooling supply of geothermal energy <i>HK\$'000</i> | Building construction contracting <i>HK\$'000</i> | Customised technical support <i>HK\$'000</i> | Project management <i>HK\$'000</i> | Centralised heating <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|-----------------------------------------------------------------------|----------------------------------------|---------------------------------------|-----------------------------------------------------------|--------------------------------------------------------------------------|------------------------------------------|--------------------------------------------------------------------------------|------------------------------------------------------------|-------------------------------------------------------|------------------------------------------|-------------------------------------------|--------------------------|
| Geographic Markets | | | | | | | | | | | |
| Hong Kong | - | - | 293 | - | - | - | - | - | - | - | 293 |
| People's Republic of China ("PRC") | 111,478 | 537 | - | - | 814 | 18,718 | 230,100 | 34,606 | 31,371 | 60,406 | 488,030 |
| Singapore | - | - | - | 1,816 | - | - | - | - | - | - | 1,816 |
| | <u>111,478</u> | <u>537</u> | <u>293</u> | <u>1,816</u> | <u>814</u> | <u>18,718</u> | <u>230,100</u> | <u>34,606</u> | <u>31,371</u> | <u>60,406</u> | <u>490,139</u> |
| Major Products/Services | | | | | | | | | | | |
| Trading of electronic products | 111,478 | - | - | - | - | - | - | - | - | - | 111,478 |
| Financial services | - | 537 | 293 | - | - | - | - | - | - | - | 830 |
| International air and sea freight forwarding services | - | - | - | 1,816 | - | - | - | - | - | - | 1,816 |
| Property brokerage and consultancy services | - | - | - | - | 814 | - | - | - | - | - | 814 |
| Heating and cooling supply by geothermal energy | - | - | - | - | - | 18,718 | - | - | - | - | 18,718 |
| Building construction contracting services | - | - | - | - | - | - | 230,100 | - | - | - | 230,100 |
| Interior design services | - | - | - | - | - | - | - | 6,482 | - | - | 6,482 |
| Data analytical services | - | - | - | - | - | - | - | 28,124 | - | - | 28,124 |
| Project management services | - | - | - | - | - | - | - | - | 31,371 | - | 31,371 |
| Heating supply and industrial steam | - | - | - | - | - | - | - | - | - | 60,406 | 60,406 |
| | <u>111,478</u> | <u>537</u> | <u>293</u> | <u>1,816</u> | <u>814</u> | <u>18,718</u> | <u>230,100</u> | <u>34,606</u> | <u>31,371</u> | <u>60,406</u> | <u>490,139</u> |
| Timing of recognition of revenue from contracts with customers | | | | | | | | | | | |
| At a point in time | 111,478 | - | 1 | 1,816 | - | - | - | - | - | - | 113,295 |
| Over time | - | 537 | 292 | - | 814 | 18,718 | 230,100 | 34,606 | 31,371 | 60,406 | 376,844 |
| | <u>111,478</u> | <u>537</u> | <u>293</u> | <u>1,816</u> | <u>814</u> | <u>18,718</u> | <u>230,100</u> | <u>34,606</u> | <u>31,371</u> | <u>60,406</u> | <u>490,139</u> |

Year ended 31 March 2022

| | Trading of goods <i>HK\$'000</i> | Finance leasing <i>HK\$'000</i> | Securities and futures brokerage <i>HK\$'000</i> | International air and sea freight forwarding <i>HK\$'000</i> | Heating and cooling supply of geothermal energy <i>HK\$'000</i> | Building construction contracting <i>HK\$'000</i> | Customised technical support <i>HK\$'000</i> | Property development and project management <i>HK\$'000</i> | Centralised heating <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|-------------------------------------------------------------------|----------------------------------------|---------------------------------------|-----------------------------------------------------------|--------------------------------------------------------------------------|--------------------------------------------------------------------------------|------------------------------------------------------------|-------------------------------------------------------|-------------------------------------------------------------------------|-------------------------------------------|--------------------------|
| Geographic Markets | | | | | | | | | | |
| Hong Kong | - | - | 364 | - | - | - | - | - | - | 364 |
| PRC | 345,620 | 2,296 | - | - | 18,410 | 329,451 | 20,849 | 44,758 | 64,629 | 826,013 |
| Singapore | - | - | - | 1,221 | - | - | - | - | - | 1,221 |
| North and South of America | - | - | - | 21 | - | - | - | - | - | 21 |
| | <u>345,620</u> | <u>2,296</u> | <u>364</u> | <u>1,242</u> | <u>18,410</u> | <u>329,451</u> | <u>20,849</u> | <u>44,758</u> | <u>64,629</u> | <u>827,619</u> |
| Major Products/Services | | | | | | | | | | |
| Trading of electronic products | 345,620 | - | - | - | - | - | - | - | - | 345,620 |
| Financial services | - | 2,296 | 364 | - | - | - | - | - | - | 2,660 |
| International air and sea freight forwarding services | - | - | - | 1,242 | - | - | - | - | - | 1,242 |
| Heating and cooling supply by geothermal energy | - | - | - | - | 18,410 | - | - | - | - | 18,410 |
| Building construction contracting services | - | - | - | - | - | 329,451 | - | - | - | 329,451 |
| Interior design services | - | - | - | - | - | - | 10,024 | - | - | 10,024 |
| Data analytical services | - | - | - | - | - | - | 10,825 | - | - | 10,825 |
| Project management services | - | - | - | - | - | - | - | 44,758 | - | 44,758 |
| Heating supply and industrial steam | - | - | - | - | - | - | - | - | 64,629 | 64,629 |
| | <u>345,620</u> | <u>2,296</u> | <u>364</u> | <u>1,242</u> | <u>18,410</u> | <u>329,451</u> | <u>20,849</u> | <u>44,758</u> | <u>64,629</u> | <u>827,619</u> |
| Timing of recognition of revenue from contracts with customers | | | | | | | | | | |
| At a point in time | 345,620 | - | 1 | 1,242 | - | - | - | - | - | 346,863 |
| Over time | - | 2,296 | 363 | - | 18,410 | 329,451 | 20,849 | 44,758 | 64,629 | 480,756 |
| | <u>345,620</u> | <u>2,296</u> | <u>364</u> | <u>1,242</u> | <u>18,410</u> | <u>329,451</u> | <u>20,849</u> | <u>44,758</u> | <u>64,629</u> | <u>827,619</u> |

Trading of goods

Revenue from the trading of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Sales to customers are normally made with credit terms of 90 days.

Finance leasing

Consultancy income from finance leasing is recognised in the accounting period in which the services are rendered. The customers pay the consultancy service fee to the Group according to the payment schedules as stipulated in the contracts.

Securities and futures brokerage

Commission income on dealing in securities and futures contract is recognised on a trade date basis when the services are rendered, the amount for which can be reliably estimated and it is probable that the income will be received. The commission income is due on the settlement date of their respective trade dates, normally two or three business days after the respective trade date.

Consultancy income from securities and future brokerage related services is recognised in the accounting period in which the services are rendered. The customers pay the consultancy service fee to the Group according to the payment schedules as stipulated in the contracts.

International air and sea freight forwarding

Income from provision of freight forwarding services is recognised when the services are provided. The Group normally allow credit period of 90 days.

Property brokerage

Commission income on dealing in property agency contract is recognised when the services are rendered, the amount for which can be reliably estimated and it is probable that the income will be received. The customers pay the commission income to the Group upon the sales of property is completed.

Consultancy income from property brokerage related services is recognised in the accounting period in which the services are rendered. The customers pay the consultancy service fee to the Group according to the payment schedules as stipulated in the contracts.

Heating and cooling supply by geothermal energy

Income from heating and cooling supply by geothermal energy is recognised when the services are rendered. The customers pay the fee according to the heating and cooling supply actually consumed.

Building construction contracting

The Group provides construction contracting services to the customers. When the progress towards complete satisfaction of the performance obligations of a construction contract can be measured reasonably, revenue from the contract and the contract costs are recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to the estimated total contract costs for the contract. This method provides the most reliable estimate of the percentage of completion.

When the progress towards complete satisfaction of the performance obligations of a construction contract cannot be measured reasonably, revenue is recognised only to the extent of contract costs incurred that is expected to be recoverable.

The customers pay the contract prices to the Group according to the payment schedules as stipulated in the contracts. If the service rendered by the Group exceeds the payments, a contract asset is recognised. If the payments exceed the service rendered, a contract liability is recognised.

Customised technical support

The Group provides customised technical support services which include building architecture and interior design services and data analytical services to the customer. Building architecture and interior design services income and data analytical services income are recognised when the services are rendered, the amount for which can be reliably estimated and they are probable that the income will be received. The customers pay the services income to the Group according to the payment schedules as stipulated in the contracts.

Project management

Revenue from the Group's project management business derived from entrusted construction agreements and management services. Project management service income is recognised when the services are rendered, the amount for which can be reliably estimated and it is probable that the income will be received. The customers pay the service income to the Group according to the payment schedules as stipulated in the contracts.

Centralised heating

Heating supply and industrial steam income is recognised when the services are rendered. The customers pay the fee according to the heating and industrial steam actually consumed.

5. SEGMENT INFORMATION

Information reported to the Directors, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on the type of goods sold or services delivered or provided. The Directors have chosen to organise the Group around difference in products and services. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable segments are as follows:

- (a) Trading of goods segment engages in trading of products including but not limited to electronic appliance in the PRC;
- (b) Finance leasing segment engages in finance leasing of plant and machinery as well as providing consultancy services with respect of finance leasing in the PRC;
- (c) Money lending segment engages in money lending in Hong Kong;
- (d) Securities and futures brokerage segment engages in securities and futures dealing services as well as providing consultancy services with respect of securities and futures brokerage in Hong Kong;
- (e) International air and sea freight forwarding segment engages in the provision of international air and sea freight forwarding and logistic services to customers in Singapore;
- (f) Securities trading segment engages in trading of equity securities and dividend income from held for trading investments in Hong Kong;
- (g) Property investment segment engages in investments of properties for rental income and capital appreciation in the PRC;
- (h) Customised technical support segment engages in provision of building architecture and interior design services and data analytical services in the PRC;
- (i) Property brokerage segment engages in provision of property agency and consultancy service in the PRC;
- (j) Project management segment engages in entrusted construction and projects management services in the PRC;
- (k) Geothermal energy segment engages in provision of heating and cooling supply by geothermal energy to buildings in the PRC;
- (l) Building construction contracting segment engages in provision of building construction contracting service on project basis in the PRC; and
- (m) Centralised heating segment engages in the business of using coal-fired boilers to provide centralised heating, including industrial steam, through centralised pipe networks in the PRC.

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

Year ended 31 March 2023

| | Trading of goods | Finance leasing | Money lending | International Securities and futures brokerage | air and sea freight forwarding | Securities trading | Property investment | Customised technical support | Property brokerage | Project management | Geothermal energy | Building construction contracting | Centralised heating | Total |
|--------------------------------------------------------|---------------------|--------------------|------------------|---------------------------------------------------------|--------------------------------------|-----------------------|------------------------|------------------------------------|-----------------------|-----------------------|----------------------|-----------------------------------------|------------------------|-----------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Turnover | 111,478 | 537 | 7,902 | 293 | 1,816 | - | 6,624 | 34,606 | 814 | 31,371 | 18,718 | 230,100 | 60,406 | 504,665 |
| Revenue from external customers | 111,478 | 537 | 7,902 | 293 | 1,816 | - | 6,624 | 34,606 | 814 | 31,371 | 18,718 | 230,100 | 60,406 | 504,665 |
| Reportable segment profit/(loss) | (192,228) | (100) | (55,380) | (16,761) | (310) | - | 7,342 | 13,307 | (6,399) | (26,987) | (2,985) | 14,827 | (22,285) | (287,959) |
| Share of loss of associates | | | | | | | | | | | | | | (482) |
| Gain on deregistration of a subsidiary | | | | | | | | | | | | | | 2,769 |
| Fair value loss on step acquisition of subsidiaries | | | | | | | | | | | | | | (1,059) |
| Unallocated corporate income | | | | | | | | | | | | | | 11,664 |
| Unallocated corporate expenses | | | | | | | | | | | | | | (41,009) |
| Loss before tax | | | | | | | | | | | | | | (316,076) |

Year ended 31 March 2022

| | Trading of goods | Finance leasing | Money lending | International Securities and futures brokerage | air and sea freight forwarding | Securities trading | Property investment | Customised technical support | Property brokerage | Property development and project management | Geothermal energy | Building construction contracting | Centralised heating | Total |
|--------------------------------------------------------|---------------------|--------------------|------------------|---------------------------------------------------------|--------------------------------------|-----------------------|------------------------|------------------------------------|-----------------------|------------------------------------------------------|----------------------|-----------------------------------------|------------------------|----------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Turnover | 345,620 | 2,296 | 23,763 | 364 | 1,242 | - | 7,075 | 20,849 | - | 44,758 | 18,410 | 329,451 | 64,629 | 858,457 |
| Revenue from external customers | 345,620 | 2,296 | 23,763 | 364 | 1,242 | - | 7,075 | 20,849 | - | 44,758 | 18,410 | 329,451 | 64,629 | 858,457 |
| Reportable segment profit/(loss) | (8,652) | (12,210) | (3,756) | (19,079) | (410) | - | 12,005 | (724) | (5,724) | (13,094) | (6,918) | 29,735 | (7,680) | (36,507) |
| Share of loss of associates | | | | | | | | | | | | | | (406) |
| Share of loss of a joint venture | | | | | | | | | | | | | | (1,593) |
| Gain on disposal of subsidiaries | | | | | | | | | | | | | | 48,221 |
| Fair value gain on step acquisition of subsidiaries | | | | | | | | | | | | | | 4,198 |
| Unallocated corporate income | | | | | | | | | | | | | | 25,267 |
| Unallocated corporate expenses | | | | | | | | | | | | | | (40,268) |
| Loss before tax | | | | | | | | | | | | | | (1,088) |

Segment results represent the (loss from) profit earned by each segment without allocation of central administration costs, Directors' emoluments, depreciation of certain property, plant and equipment and right-of-use assets, realised/unrealised gain on fair value change on financial assets at fair value through profit or loss, share of loss of associates, share of loss of a joint venture, gain on disposal of subsidiaries, gain on deregistration of a subsidiary, fair value (loss) gain on step acquisition of subsidiaries, net foreign exchange gain (loss), loss on disposal of property, plant and equipment, gain on lease modification, interest expense on certain lease liabilities, short term loans and trust loans, interest expenses on consideration payables, interest income from promissory note receivable, interest income from other loan receivables, bank interest income and sundry income. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

6. OTHER INCOME

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|---------------------------------------------------------|-------------------------|-------------------------|
| Interest income from | | |
| – bank | 66 | 83 |
| – other loans receivables | 1,406 | 558 |
| – promissory note receivable | 3,055 | 5,400 |
| Government grant (<i>Note</i>) | 4,610 | 3,886 |
| Sundry income | 251 | 600 |
| Reversal of impairment loss on finance lease receivable | 696 | – |
| Gain on lease modification | 49 | 39 |
| Net foreign exchange gain | – | 66 |
| | <u>10,133</u> | <u>10,632</u> |

Note: During the year, the government grants received by the Group included:

- (i) a government grant from Singapore of approximately HK\$4,000 (2022: HK\$128,000) in relation to the job credit scheme in Singapore on the condition that the Group has made CPF contributions in Singapore. The government grant has been recognised in the same years in which the expenses were recognised;
- (ii) a government grant from Hong Kong of approximately HK\$624,000 (2022: HK\$Nil) in relation to the tranche of Employment Support scheme in Hong Kong; and
- (iii) a government grant from the PRC of approximately HK\$3,982,000 (2022: HK\$3,758,000) mainly in relation to the subsidies on heating supply services provided by geothermal energy segment and centralised heating segment without condition.

7. LOSS FOR THE YEAR

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

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|--------------------------------------------------------------------------|-------------------------|-------------------------|
| Finance costs | | |
| Interest expense on lease liabilities | 1,452 | 2,578 |
| Interest expense on bank loans | 5,265 | 1,790 |
| Interest expenses on short-term loans | 311 | 3,141 |
| Interest expense on trust loans | 28,594 | 27,983 |
| Interest expense on consideration payable | 830 | 1,865 |
| | <u>36,452</u> | <u>37,357</u> |
| Staff costs | | |
| Directors' emoluments | 6,860 | 7,087 |
| Other staff costs | 51,239 | 62,911 |
| Retirement benefits scheme contributions (excluding those for Directors) | 10,103 | 11,400 |
| Share-based payment – employees | 4,450 | – |
| | <u>72,652</u> | <u>81,398</u> |
| Other items | | |
| Auditor's remuneration | 1,300 | 1,300 |
| Depreciation of property, plant and equipment | 13,511 | 11,127 |
| Depreciation of right-of-use assets | 14,020 | 13,463 |
| Net foreign exchange loss | 47 | – |
| Loss on disposal of property, plant and equipment | 230 | 1,239 |
| Share-based payment – consultants | 2,117 | – |
| Cost of inventories recognised as expenses | <u>109,829</u> | <u>340,515</u> |

8. INCOME TAX EXPENSE

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|----------------------------------------|-------------------------|-------------------------|
| Current tax: | | |
| PRC Enterprise Income Tax | <u>7,593</u> | <u>9,988</u> |
| (Over)/Under provision in prior years: | | |
| PRC Enterprise Income Tax | <u>(223)</u> | <u>47</u> |
| Deferred tax: | | |
| Current year | <u>8,684</u> | <u>–</u> |
| | <u><u>16,054</u></u> | <u><u>10,035</u></u> |

Hong Kong Profits Tax has not been provided for the year ended 31 March 2023 and 2022 as the loss for the taxation purpose is estimated during both periods.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries, except for Beijing Shuwu Big Data Research Company Limited* (北京數巫大數據研究有限公司)(“Beijing Shuwu”), is 25%.

Beijing Shuwu, which is principally engaged in provision of financial information, solution and data analytical services in the PRC and qualified as high-tech enterprise that needs key support, is entitled to enjoy a lower tax rate of 15% pursuant to Article 28 of the EIT Law.

No provision for Singapore and the United States of America Profits Tax has been made as the Group did not generate any assessable profits in Singapore and the United States of America for the year ended 31 March 2023 and 2022.

9. DIVIDEND

No dividend was paid or proposed during the year ended 31 March 2023, nor has any dividend been proposed since the end of the reporting period (2022: nil).

10. LOSS PER SHARE

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

| | 2023 | 2022 |
|-----------------------------------------------------------------------------------------------------------------------|-------------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Loss | | |
| Loss for the purpose of basic and diluted loss per share (Loss for the year attributable to owners of the Company) | <u>(333,793)</u> | <u>(6,349)</u> |

| | 2023 | 2022 |
|--|-------------|-------------|
| | '000 | '000 |

Number of shares

| | | |
|---------------------------------------------------------------------------------------------------|-------------------------|------------------|
| Weighted average number of ordinary shares for the purpose of basic and diluted loss per share | <u>1,525,285</u> | <u>1,423,026</u> |
|---------------------------------------------------------------------------------------------------|-------------------------|------------------|

The computation of diluted loss per share for the year ended 31 March 2023 does not assume the exercise of the Company's outstanding share options because the exercise price of those shares is higher than the average market price of the Company's shares.

There was no dilutive potential ordinary shares during the year ended 31 March 2022, and therefore, diluted loss per share is equal to basic loss per share.

11. FINANCE LEASE RECEIVABLES

All interest rates inherent in the leases are fixed at the contract date over the lease terms.

| | 2023 | 2022 |
|-------------------------------------------------------------|------------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Finance lease receivables | 47,897 | 51,769 |
| Less: allowance for impairment of finance lease receivables | <u>(43,351)</u> | <u>(46,855)</u> |
| Finance lease receivables, net | <u>4,546</u> | <u>4,914</u> |
| Analysed for reporting purposes as current assets | <u>4,546</u> | <u>4,914</u> |

| | Minimum lease payments | | Present value of minimum lease payments | |
|------------------------------------------------------------------------|------------------------|-----------------|-----------------------------------------|-----------------|
| | 2023 | 2022 | 2023 | 2022 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Finance lease receivables comprise: | | | | |
| Within one year and present value of minimum lease payment receivables | <u>4,546</u> | <u>4,914</u> | <u>4,546</u> | <u>4,914</u> |

As at 31 March 2023, there were a total 4 (31 March 2022: 4) outstanding finance leases, with outstanding principal amounts of from approximately HK\$4,546,000 (31 March 2022: approximately HK\$4,914,000) to approximately HK\$20,055,000 (31 March 2022: approximately HK\$21,676,000), amounting to a total outstanding principal amount of approximately HK\$47,897,000 (31 March 2022: approximately HK\$51,769,000). To the best knowledge, information and belief of the Directors, all these corporate borrowers and their respective ultimate beneficial owners are independent of the Company and its connected persons (as ascribed under the Listing Rules).

Effective interest rates of the above finance leases is 6% (2022: 6%) per annum. As at 31 March 2023 and 2022, all the finance lease are secured by the leased assets, such as motor vehicle, plant and machinery leased and/or share pledges, and/or are guaranteed by individual who is the corporation's owner or connected person of the owner, and/or other corporation which is a related party to the corporate client.

Before accepting any finance lease arrangement, the Group assesses the financial strength of the lessee and considers the credit limit granted to the lessee. In addition, the Group may request for the guarantor with strong financial status where necessary.

As at 31 March 2023, finance lease receivables before allowance for impairment of approximately RMB41,928,000, equivalent to approximately HK\$47,897,000 (2022: approximately RMB41,928,000, equivalent to approximately HK\$51,769,000) was past due. Included in the carrying amount of the above finance lease receivables as at 31 March 2023 are three individually impaired receivables of approximately RMB37,948,000, equivalent to approximately HK\$43,351,000 (2022: approximately RMB37,948,000, equivalent to approximately HK\$46,855,000) which impairment was made due to customers' default in payment and/or having liquidity problem due to the impact of the COVID-19 epidemic in recent years. The Group has either taken legal actions or assessed the latest operating and financial position by site visit against these customers and considered the legal opinion from independent legal advisers during impairment assessment. For the remaining past due amount of approximately RMB3,980,000, equivalent to approximately HK\$4,546,000 (2022: approximately RMB3,980,000, equivalent to approximately HK\$4,914,000), the Group is still negotiating practicable repayment terms and schedules subsequent to the end of the reporting period. Accordingly, the Directors considered no further impairment loss needs to be recognised.

Management closely monitors the credit quality of finance lease receivables. As at 31 March 2023, the age of the finance lease receivables was over three years (2022: over three years) based on the effective dates of the relevant lease contracts.

12. TRADE AND OTHER RECEIVABLES

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|--------------------------------------------------------------------------------------|-------------------------|-------------------------|
| Trade receivables arising from trading business | 179,320 | 169,565 |
| Less: allowance for impairment | (179,320) | – |
| | – | 169,565 |
| Trade receivables arising from finance leasing business | 5,083 | 4,877 |
| Less: allowance for impairment | (514) | (556) |
| | 4,569 | 4,321 |
| Trade receivable arising from project management business | 67,508 | 37,776 |
| Less: allowance for impairment | (15,084) | – |
| | 52,424 | 37,776 |
| Trade receivable arising from customised technical support business | 32,778 | 14,488 |
| Less: allowance for impairment | (400) | – |
| | 32,378 | 14,488 |
| Trade receivable arising from property brokerage business | 14,655 | 15,772 |
| Less: allowance for impairment | (4,629) | – |
| | 10,026 | 15,772 |
| Trade receivables arising from international air and sea freight forwarding business | 32 | 1,487 |
| Less: allowance for impairment | – | (1,463) |
| | 32 | 24 |
| Trade receivables arising from the securities and futures brokerage business | 228 | 228 |
| Trade receivable arising from geothermal energy business | 1,473 | 1,619 |
| Trade receivable arising from building construction contracting business | 18,404 | 21,570 |
| Trade receivable arising from centralised heating business | 321 | 2 |
| Prepayments | 103,025 | 89,778 |
| Value-added tax recoverable | 5,244 | 16,205 |
| Deposits and other receivables | 78,101 | 96,862 |
| Receivables from disposal of a subsidiary | 24,523 | 26,505 |
| Construction deposits | 119,948 | 129,644 |
| | 450,696 | 624,359 |

The Group allows an average credit period normally ranging from 30 days to 180 days (2022: 30 days to 180 days) to its customers. The following is an aged analysis of trade receivables (net of allowance for doubtful debt) presented based on the invoice date or the payment date as stated in the respective contracts at the end of the reporting period, which approximates the respective revenue recognition date.

| | Trading business <i>HK\$'000</i> | Finance leasing business <i>HK\$'000</i> | International air and sea freight forwarding business <i>HK\$'000</i> | Geothermal energy business <i>HK\$'000</i> | Building construction contracting business <i>HK\$'000</i> | Centralised heating business <i>HK\$'000</i> | Project management business <i>HK\$'000</i> | Customised technical support business <i>HK\$'000</i> | Property brokerage business <i>HK\$'000</i> |
|----------------|----------------------------------------|---------------------------------------------------|--------------------------------------------------------------------------------------|-----------------------------------------------------|------------------------------------------------------------------------|-------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------|------------------------------------------------------|
| 2023: | | | | | | | | | |
| Within 30 days | - | - | 32 | - | - | 167 | 2,833 | 14,268 | 173 |
| 31-60 days | - | - | - | - | - | 14 | 2,250 | 537 | - |
| 61-90 days | - | - | - | - | - | 140 | 2,250 | 537 | - |
| Over 90 days | - | 4,569 | - | 1,473 | 18,404 | - | 45,091 | 17,036 | 9,853 |
| | <u>-</u> | <u>4,569</u> | <u>32</u> | <u>1,473</u> | <u>18,404</u> | <u>321</u> | <u>52,424</u> | <u>32,378</u> | <u>10,026</u> |
| | | | | | | | | | |
| | Trading business <i>HK\$'000</i> | Finance leasing business <i>HK\$'000</i> | International air and sea freight forwarding business <i>HK\$'000</i> | Geothermal energy business <i>HK\$'000</i> | Building construction contracting business <i>HK\$'000</i> | Centralised heating business <i>HK\$'000</i> | Property development and project management business <i>HK\$'000</i> | Customised technical support business <i>HK\$'000</i> | Property brokerage business <i>HK\$'000</i> |
| 2022: | | | | | | | | | |
| Within 30 days | - | 103 | 12 | 548 | 15,387 | 2 | 3,772 | 352 | - |
| 31-60 days | - | 103 | - | 279 | - | - | 1,025 | 142 | - |
| 61-90 days | 73,355 | 103 | - | 279 | - | - | 1,025 | 327 | - |
| Over 90 days | 96,210 | 4,012 | 12 | 513 | 6,183 | - | 31,954 | 13,667 | 15,772 |
| | <u>169,565</u> | <u>4,321</u> | <u>24</u> | <u>1,619</u> | <u>21,570</u> | <u>2</u> | <u>37,776</u> | <u>14,488</u> | <u>15,772</u> |

The settlement term of trade receivables arising from the securities brokerage business are two trade days after the trade execution date. The trade receivables from futures brokers are repayable on demand which represent amounts deposited for trade execution purpose.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately HK\$100,701,000 (2022: HK\$168,015,000) which were past due at the end of the reporting period and for which the Group has not provided for doubtful debt. The Group does not hold any collateral over these balances.

The aging analysis of trade receivables that were past due but not impaired based on the invoice date or the payment date as stated in the respective contracts at the end of reporting date, which approximately the respective revenue recognition date, is as follows:

| | 2023 | 2022 |
|----------------|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| Within 30 days | 340 | – |
| 31-60 days | 2,019 | – |
| 61-90 days | 2,145 | – |
| Over 90 days | 96,197 | 168,015 |
| | 100,701 | 168,015 |

Trade receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on the past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balance are still considered fully recoverable.

Trade receivables that were neither past due nor impaired related to customers for whom there was no recent history of default.

The allowances of impairment recognised during the year ended 31 March 2023 are mainly as follows:

- (1) In January 2023, two customers of the Group's trading business, namely, Shenzhen Wu Feng Ying Technology Co., Ltd.* (深圳市五豐盈科技有限公司) ("Wu Feng Ying") and Shenzhen Feng Lei Industrial Co., Ltd.* (深圳市風雷實業有限公司) ("Feng Lei"), were found deregistered. All sales to Wu Feng Ying and Feng Lei were guaranteed by Shenzhen Shi Jia Hao Commercial Operation Co., Ltd.* (深圳市世佳豪商業運營有限公司) ("Shi Jia Hao"). In February 2023, Shi Jia Hao was also found deregistered. The Group had instructed its PRC legal adviser to demand Wu Feng Ying, Feng Lei, Shi Jia Hao and their respective beneficial owner(s) (the "Defaulted Persons") for settlement of the overdue amounts and had engaged the PRC legal adviser to file a lawsuit against the Defaulted Persons in front of the courts located at Shenzhen (the "Courts"). Further details are set out in the Company's announcement dated 23 March 2023. As at the date of this announcement, the Courts have not begun the relevant civil trial. Having consulted with the PRC legal adviser, the possibility of collecting overdue amounts owed by the Defaulted Persons is subject to the result of the Courts' judgement and the traceability and possibility in enforcement of the assets or properties of the Defaulted Persons. The Directors are of the view that the Group has sufficient evidences and grounds in such civil proceedings but does not have concrete information about traceable and enforceable assets or properties of the Defaulted Persons for the time being. Considering high uncertainty in the enforcement, the Group recognised the impairment loss on the entire amount due from the Defaulted Persons of approximately RMB156,973,000 (equivalent to approximately HK\$178,869,000) for the year ended 31 March 2023.

- (2) One of the Group's customers under real estate related businesses, namely, Ningbo Tiegong Real Estate Co., Ltd.* (「寧波鐵工置業有限公司」) (“Ningbo Tiegong”) was filed a winding-up petition by its creditors on the ground of insolvency and the court appointed a manager for its liquidation accordingly. As at 31 March 2023, the total amount due by Ningbo Tiegong was approximately RMB106,171,000 (equivalent to approximately HK\$121,286,000), representing receivables under various real estate related businesses in amount of approximately RMB75,037,000 (equivalent to approximately HK\$85,719,000) and contract assets in amount of approximately RMB31,134,000 (equivalent to approximately HK\$35,567,000). All amounts due by Ningbo Tiegong were secured by certain properties and lands located in Xiangshan, Ningbo provided by Ningbo Tiegong as collaterals. Based on the updated liquidation status of Ningbo Tiegong, the result of lawsuits against Ningbo Tiegong and the manager of liquidation, and the estimated value of collaterals held by the Group, the Group recognised the impairment loss of approximately RMB17,607,000 (equivalent to approximately HK\$20,064,000) on receivables under various real estate related businesses and the impairment loss of approximately RMB8,189,000 (equivalent to approximately HK\$9,331,000) on contract assets for the year ended 31 March 2023.

13. LOANS AND INTEREST RECEIVABLES

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|-----------------------------------------------------------------|-------------------------|-------------------------|
| Loans receivables: | | |
| Secured | 40,000 | 40,000 |
| Unsecured | 378,404 | 365,249 |
| | 418,404 | 405,249 |
| Interest receivables | 49,738 | 60,434 |
| Less: allowance for impairment of loan and interest receivables | (126,069) | (66,453) |
| Loans and interest receivables, net | 342,073 | 399,230 |
| Analysed for reporting purposes as: | | |
| – Non-current assets | 44,300 | 30,113 |
| – Current assets | 297,773 | 369,117 |
| | 342,073 | 399,230 |

As at 31 March 2023, there were a total of 15 (31 March 2022: 15) outstanding loans, out of which 7 (31 March 2022: 7) loans were loans to individuals and 8 (31 March 2022: 8) loans were loans to corporations, with principal amount per loan ranging from HK\$3,101,000 (31 March 2022: HK\$4,000,000) to approximately HK\$46,690,000 (31 March 2022: approximately HK\$45,222,000). Loans to the largest customer and top 5 customers constituted approximately 11% and 51% (31 March 2022: approximately 13% and 58%) of the total outstanding principal and interest amount of the loans respectively as at 31 March 2023. To the best knowledge, information and belief of the Directors, all these borrowers and their respective ultimate beneficial owners (in case of corporate clients) are independent of the Company and its connected persons (as ascribed under the Listing Rules).

The loans to individuals in aggregate amount of approximately HK\$147,833,000 (31 March 2022: approximately HK\$150,929,000) are unsecured and unguaranteed. Considering the corporation is in the nature of limited liability, the loans to corporations in aggregate amount of approximately HK\$270,571,000 (31 March 2022: approximately HK\$254,320,000) are either secured or guaranteed. Among the loans to corporations, one loan in the amount of HK\$40,000,000 (31 March 2022: HK\$40,000,000) is secured by a segregated portfolio account of an investment fund and the remaining loans in the total amount of approximately HK\$230,571,000 (31 March 2022: approximately HK\$214,320,000) are backed by guarantees respectively provided by individual who is the corporation's owner or connected person of the owner, and/or other corporation which is a related party to the corporate borrower.

The loans advanced to the borrowers under the Group's money lending business normally had loan periods from 6 to 54 months (2022: 6 to 54 months). The loans provided to borrowers bore interest rate ranging from 8%-15% per annum (2022: 8%-15% per annum), depending on the individual credit evaluations of the borrowers. These evaluations focus on the borrowers' financial background, individual credit rating, current ability to pay, and take into account information specific to the borrowers as well as the guarantees and/or security from the borrowers (where necessary). The loans provided to borrowers are repayable in accordance with the loan agreements, in which the principal amounts are repayable on maturity and the interests are repayable half-yearly, yearly or on maturity.

The following is an aged analysis of loans and interest receivables (net of allowance for impairment), presented based on the dates which loans are granted to borrowers and interests are accrued.

| | 2023 | 2022 |
|----------------|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| Within 90 days | 15,245 | 15,170 |
| 91 – 180 days | 1,034 | 1,129 |
| 181 – 365 days | 29,792 | 10,037 |
| Over 365 days | 296,002 | 372,894 |
| | 342,073 | 399,230 |

As at 31 March 2023, loans and interest receivables before allowance for impairment of approximately HK\$378,735,000 (2022: approximately HK\$420,558,000) were past due. Included in the carrying amount of the above loans and interest receivables as at 31 March 2023, receivables of approximately HK\$126,069,000 (2022: HK\$66,453,000) which impairment was made based on the credit risks assessed. During the year ended 31 March 2023, impairment of approximately HK\$59,616,000 (2022: HK\$22,987,000) has been made for loans and interest receivables of which the related credit risks increased. The Group assessed the credit risks associated with loan and interest receivable of each borrower by assigning the credit rating with reference to the repayment track record, the financial position and market benchmark to compute the impairment ratio (or expected credit loss ratio). Details are as follows:

| Borrowers | Principal <i>HK\$'000</i> | Interest receivables <i>HK\$'000</i> | Impairment ratio (c) | Impairment | Impairment | Impairment |
|------------|------------------------------|--------------------------------------------|----------------------------|---------------------------------------------|----------------------------------------------------------------------|----------------------------------------------|
| | | | | as at 1 April 2022 <i>HK\$'000</i> | loss recognised/ (reversed) for the year <i>HK\$'000</i> | as at 31 March 2023 <i>HK\$'000</i> |
| | (a) | (b) | (c) | (d) | (e)=(f)-(d) | (f)=(a+b) x c |
| Category A | 63,628 | 5,243 | 100% | 51,450 | 17,421 | 68,871 |
| Category B | 82,016 | 5,055 | 42.3%-57.3% | – | 44,116 | 44,116 |
| Category C | 200,287 | 33,511 | 1.2%-11.8% | 15,003 | (2,580) | 12,423 |
| Category D | 72,473 | 5,930 | 0.8% | – | 659 | 659 |
| | | | | <u>66,453</u> | <u>59,616</u> | <u>126,069</u> |

In computing the impairment ratio (or expected credit loss ratio), the Group performed the following procedures:

- (a) to identify categories of loans and interest receivables with the same or similar credit risks by considering the following factors:
- (1) whether the borrower and guarantor (if applicable) is in bankruptcy and/or has ceased the operation in case of corporate client;
 - (2) whether the borrower has settled the principal and/or interest during the year;
 - (3) whether the principal has been defaulted;
 - (4) whether the borrower can provide supporting documents to demonstrate its or his solvency;
 - (5) whether the borrower is a public figure; and

(6) whether the borrower can provide other indications of recoverability.

the main characteristic of each category is as follows:

Category A: Borrower(s) and guarantor (if applicable) have been in bankruptcy and/or ceased the operation in case of corporate client.

Category B: Borrower(s) defaulted the principal amount upon maturity and could not provide supporting documents to demonstrate its or his solvency.

Category C: Borrower(s) defaulted the principal amount upon maturity but could be able to provide supporting documents to demonstrate its or his solvency or is a public figure.

Category D: Borrower(s) did not default the principal amount upon maturity and had settled some principal and/or interest during the year.

(b) to refer to the historical rates of the respective categories based on the market benchmark;

(c) to adjust the historical rates by forward-looking factors such as the GDP movements; and

(d) to compute impairment ratio (or expected credit loss ratio) for impairment loss assessment.

Subsequent to the end of the reporting period, approximately HK\$3,364,000 were settled. The remaining past due amount of approximately HK\$249,302,000 are due from several borrowers with whom the Group is negotiating practicable repayment terms and schedules. The Group's neither past due nor impaired loan receivables mainly represented loans granted to creditworthy customers for whom there was no recent history of default. Accordingly, the Directors considered that no further impairment loss is necessary. Save for the aforesaid secured loans, the Group does not hold collateral over other balances.

14. TRADE AND OTHER PAYABLES

| | 2023 | 2022 |
|-----------------------------------------------------------------------------------|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Trade payables arising from securities and futures brokerage business | 4,095 | 4,082 |
| Trade payables arising from international air and sea freight forwarding business | 63 | 665 |
| Trade payables arising from property brokerage business | 484 | 276 |
| Trade payables arising from geothermal energy business | 56,905 | 45,872 |
| Trade payables arising from centralised heating business | 49,068 | 24,379 |
| Trade payables arising from building construction contracting business | 271,267 | 322,759 |
| Earnest money from finance lease receivables | 1,828 | 1,976 |
| Accrued charges | 17,264 | 19,492 |
| Consideration payables | 37,847 | 88,183 |
| Advance from subcontractor | 102,375 | 110,299 |
| Trust loans interest payable | 30,312 | 7,939 |
| Other payables | 49,257 | 29,280 |
| | <u>620,765</u> | <u>655,202</u> |

For trade payables arising from the securities and futures brokerage business, no aging analysis is disclosed for the Group's margin and cash clients as these clients were carried on an open account basis, the aging analysis does not give additional value in the view of the nature of business of securities brokerage.

For trade payables arising from property brokerage business, no aging analysis is disclosed as the Group is yet to receive invoices at the end of the reporting period. The payables is accrued based on the monthly statements agreed with the respective agents. According to the relevant agency contracts, the invoices will be billed in the following month and the settlement terms is within 3 business days from the invoices date.

The average credit period on international air and sea freight forwarding services is normally ranging from 30 days to 90 days (2022: 30 days to 90 days). For trade payables arising from geothermal energy business, centralised heating business and building construction contracting business, they are mainly accrued and settled based on the progress of performance and the settlement obligation as stipulated in the respective contracts. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

The following is an aged analysis of trade payables from international air and sea freight forwarding business, geothermal energy business, centralised heating business and building construction contracting business presented based on the invoice date and/or the settlement obligation as stipulated in the respective contracts at the end of the reporting period:

| | International air and sea freight forwarding business HK\$'000 | Geothermal energy business HK\$'000 | Centralised heating business HK\$'000 | Building construction contracting business HK\$'000 |
|----------------|-------------------------------------------------------------------------------------------|--------------------------------------------------------|----------------------------------------------------------|----------------------------------------------------------------------------|
| 2023 | | | | |
| Within 30 days | 62 | 64 | 4,185 | 362 |
| 31-60 days | 1 | 92 | 8,230 | – |
| 61-90 days | – | 70 | 18,341 | 11,308 |
| Over 90 days | – | 56,679 | 18,312 | 259,597 |
| | <u>63</u> | <u>56,905</u> | <u>49,068</u> | <u>271,267</u> |
| | | | | |
| | International air and sea freight forwarding business HK\$'000 | Geothermal energy business HK\$'000 | Centralised heating business HK\$'000 | Building construction contracting business HK\$'000 |
| 2022 | | | | |
| Within 30 days | 41 | 126 | 14,184 | 287,114 |
| 31-60 days | – | – | 3,030 | – |
| 61-90 days | – | – | 5,051 | 13,608 |
| Over 90 days | 624 | 45,746 | 2,114 | 22,037 |
| | <u>665</u> | <u>45,872</u> | <u>24,379</u> | <u>322,759</u> |

15. CONTINGENT LIABILITIES

- (1) In January 2020, the Group acquired 100% equity interest in Jiangsu Meili Kongjian Construction Design Development Co., Ltd.* (江蘇美麗空間建築設計產業發展有限公司) (“Jiangsu Meili Kongjian”) from Ningbo Sixing Information Technology Co., Ltd.* (寧波思行信息科技有限公司) (“Ningbo Sixing”) at cash consideration of RMB41,000,000 of which the remaining RMB31,000,000 was recorded as consideration payable (the “Consideration Payable”). In March 2022, the Group disposed of 100% equity interest in Jiangsu Meili Kongjian to Beijing Taolichunfeng Property Development Co., Ltd.* (北京桃李春風房地產開發有限公司) (“Taolichunfeng”) by entering into a disposal agreement (the “Disposal”) and agreed with Ningbo Sixing in a supplemental agreement that the Consideration Payable shall be fully set-off against an underlying interest in properties with a construction area of 4,200 square meters (the “Offsetting Arrangement”). Further details of the Disposal and the Offsetting Arrangement are set out in the Company’s announcement dated 29 March 2022. In April 2022, at the request of Ningbo Sixing, the Group provided a guarantee for Taolichunfeng’s responsibilities and obligations after completion of the Disposal, including implementation of the Offsetting Arrangement. In this regard, the Group has also obtained a counter-guarantee from Taolichunfeng. In December 2022, Ningbo Sixing denied the Offsetting Arrangement and brought the civil proceedings against Taolichunfeng, Jiangsu Meili Kongjian and the Group to jointly liable to repay RMB35,440,000 (the “Claimed Amount”), including the Consideration Payable, in cash. As at the date of this announcement, the Group has submitted the statement of defense to the court and the relevant civil trial has not begun. Based on the PRC legal adviser’s opinion, the Group has reasonable grounds in this case. Accordingly, the Directors are of the view that the liability of the Claimed Amount is not probable.
- (2) A wholly-owned subsidiary of the Company, Huaihua Qinneng Technology Development Co., Ltd.* (懷化勤能科技開發有限公司) (“Huaihua Qinneng”) was under dispute with Beijing Aoke Ruifeng New Energy Co., Ltd.* (北京奧科瑞豐新能源股份有限公司), (“Beijing Aoke”) regarding the value of assets of approximately RMB18,850,000 which were transferred from Beijing Aoke to the Group. Such assets, mainly consisting of plant and machinery, were utilised in the Group’s centralised heating business operated by Yuncheng Baoshihua Regional Energy Technology Co., Ltd.* (運城寶石花區域能源科技有限公司) (“Yuncheng Baoshihua”). Yuncheng Baoshihua is wholly-owned by Huaihua Qinneng. Beijing Aoke won the case in the arbitration proceedings for claiming back, *inter alia*, the value of the transferred assets and applied for the court’s enforcement. The Intermediate People’s Court of Yuncheng* (運城市中級人民法院) ordered Huaihua Qinneng to enforce the arbitration award and to, *inter alia*, freeze Huaihua Qinneng’s equity interest in Yuncheng Baoshihua. The Group has accounted for the value of the transferred assets in its consolidated financial statements for the year ended 31 March 2023 and currently is negotiating the settlement plan with Beijing Aoke. According to the PRC legal adviser’s opinion, the Directors are of the view that the court order will not have a material impact on the operation of Yuncheng Baoshihua as well as the Group’s financial position.

MANAGEMENT DISCUSSION AND ANALYSIS

| | Year ended 31 March | |
|---------------------------------------------------------|---------------------|---------------|
| | 2023 | 2022 |
| | <i>HK\$'M</i> | <i>HK\$'M</i> |
| Financial Results Highlight | | |
| Turnover | 504.7 | 858.5 |
| Total operating costs | (401.1) | (728.0) |
| Total expenses | (159.8) | (169.9) |
| Net loss before tax and non-controlling interests | (316.1) | (1.1) |
| Loss for the year attributable to owners of the Company | (333.8) | (6.3) |

| | As at | |
|--|---------------|---------------|
| | 31 March | 31 March |
| | 2023 | 2022 |
| | <i>HK\$'M</i> | <i>HK\$'M</i> |

Extract of Financial Position

| | | |
|-------------------------------------------|------------------|-----------|
| Total assets | 1,894.2 | 2,340.9 |
| Total liabilities | (1,003.8) | (1,080.4) |
| Net current assets | 138.2 | 448.4 |
| Bank balances and cash – general accounts | 50.1 | 46.0 |
| Net assets | 890.4 | 1,260.5 |

OVERVIEW

For the year ended 31 March 2023, the Group's turnover was approximately HK\$504.7 million, representing a decrease of 41.2% as compared with approximately HK\$858.5 million last year. The net loss for the year ended 31 March 2023 attributable to owners of the Company was approximately HK\$333.8 million as compared with approximately HK\$6.3 million last year. The significant increase in such loss was mainly attributable to the combined effect of, among other thing, (i) the impairment loss on trade and other receivables in amount of approximately HK\$198.9 million; (ii) the impairment loss on loans and interest receivables in amount of approximately HK\$59.6 million; and (iii) the impairment loss on contract assets in amount of approximately HK\$9.3 million.

BUSINESS AND FINANCIAL REVIEW

Finance Leasing Business

The Group commenced its finance leasing business in July 2015 and has been engaged in providing finance lease services in the PRC. The finance lease customers are corporate clients which are engaged in various businesses including trading, food industry, product processing, and manufacturing of machinery and equipment. The principal focus of the Group's finance leasing business is to provide an alternative way of financing to corporate clients in the PRC via a sale and lease-back arrangement of tangible assets, like plant and machinery, as well as to render consultancy services with respect of finance leasing. For the year ended 31 March 2023, the turnover of the Group's finance leasing business amounted to approximately HK\$0.5 million (2022: approximately HK\$2.3 million). Corresponding segment loss of approximately HK\$0.1 million was incurred for the year ended 31 March 2023 (2022: approximately HK\$12.2 million, including the impairment loss of approximately HK\$10.8 million).

Money Lending Business

The Group holds a money lenders licence in Hong Kong pursuant to the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) and provides loan facilities to prospective customers including enterprises and individuals. The Group earns interest income from the provision of such loan facilities. The money lending customers are mainly referrals from the business partners/existing clients of the Group and business contacts of the Group's senior management, who are high net worth individuals or companies engaged in various industries including investment fund, trader of hi-tech equipment, investor of tourism-related activities, etc. This segment has begun to generate returns to the Group since April 2016. For the year ended 31 March 2023, the turnover of the Group's money lending business amounted to approximately HK\$7.9 million (2022: approximately HK\$23.8 million). Taken into account credit risks associated with various borrowers, the Group assessed their financial positions and solvency and accordingly recorded an impairment loss on loans and interest receivable of approximately HK\$59.6 million in the year ended 31 March 2023. Corresponding segment loss of approximately HK\$55.4 million was incurred for the year ended 31 March 2023 (2022: approximately HK\$3.8 million, including the impairment loss on loans and interest receivables of approximately HK\$23.0 million).

Securities and Futures Brokerage Business

The Group has been providing brokerage services for securities and futures traded on exchanges in Hong Kong and major overseas countries since August 2017. For the year ended 31 March 2023, the turnover of the Group's securities and futures brokerage business amounted to approximately HK\$0.3 million (2022: approximately HK\$0.4 million). Due to the gradual saturation of the market for SFC licensed corporations in the financial services industry and the intensifying competition with the other market players, the operating results of the regulated financial services business of the Group was lower than those expected at the time when the licensed corporations were acquired by the Group in August 2017. The situation is exacerbated by the unsatisfactory market sentiment, uncertainties in the economy and complexities and challenges in the business environment. Given the aforesaid unfavorable circumstances, an impairment loss on goodwill of approximately HK\$12.2 million was recognised in the year ended 31 March 2023 with the reference to the valuation result conducted by an independent professional valuer. Corresponding segment loss of approximately HK\$16.8 million was incurred for the current year (2022: approximately HK\$19.1 million, including the impairment loss on goodwill of approximately HK\$14.0 million).

Trading Business

With the established distribution channels and upstream suppliers network in niche market of electronics, the trading of goods business mainly focuses on trading of semi-finished electronic components produced in mainland China and Taiwan which are equippable to mobile electronic appliances and laptops computers. For the year ended 31 March 2023, the turnover of the Group's trading business amounted to approximately HK\$111.5 million (2022: approximately HK\$345.6 million) whereas the gross profit was approximately HK\$1.6 million (2022: approximately HK\$5.1 million). In January 2023 and February 2023, the Group found two customers under its trading business, namely Wu Feng Ying and Feng Lei, and their guarantor, namely Shi Jia Hao, deregistered respectively. The Group has taken legal actions against these customers and guarantor and their ultimate beneficial owners. According to consultation with its PRC legal adviser, the recoverability of the amounts due from the Defaulted Persons mainly depends on the traceability and possibility in enforcement of the assets or properties of the Defaulted Persons even though the Group wins the case in such civil proceedings. Considering high uncertainty in the enforcement, the Group recognised the impairment loss on the entire amount due from the Defaulted Persons of approximately HK\$178.9 million in the year ended 31 March 2023. As a result, the Group recorded a loss of approximately HK\$192.2 million in this segment for the current year (2022: approximately HK\$8.7 million).

Securities Investment Business

It represents trading of listed equity securities in the Hong Kong stock market and dividend income (if any) from such listed equity securities. For the year ended 31 March 2023, the Group did not trade any listed equity securities and hence no turnover and no realised gain/loss of the Group's securities investment business was generated (2022: nil). As the Group did not hold any trading securities during the year and at the end of the reporting period (2022: nil), the Group did not receive any dividend income (2022: nil) and did not record any unrealised fair value gain/loss on the Group's securities investment for the year ended 31 March 2023 (2022: nil).

Freight Forwarding Business

The freight forwarding business of the Group provides international air and sea freight forwarding and logistic services to local customers in Singapore which consist of small and medium trading companies and forwarders. For the year ended 31 March 2023, the turnover of the Group's freight forwarding business amounted to approximately HK\$1.8 million (2022: approximately HK\$1.2 million). Corresponding gross profit of approximately HK\$0.6 million and segment loss of approximately HK\$0.3 million were made for the current year respectively (2022: gross profit of approximately HK\$0.4 million and segment loss of approximately HK\$0.4 million).

Property Investment Business

The Group acquired a group of companies in January 2019 which mainly hold the investment properties in the PRC for rental income and capital appreciation. For the year ended 31 March 2023, the rental income generated from such investment properties amounted to approximately HK\$6.6 million (2022: approximately HK\$7.1 million). Corresponding profit of approximately HK\$7.3 million (2022: approximately HK\$12.0 million) was made in this segment. As at 31 March 2023, the fair value of the investment properties was approximately HK\$121.4 million after addition of unrealised fair value gain of approximately HK\$2.1 million with reference to the valuation result conducted by an independent professional valuer (2022: approximately HK\$129.0 million).

Property Brokerage Business

The Group has been engaged in provision of residential and commercial property brokerage and consultancy services in the PRC since June 2019. Currently, the major places of business activities are in Xi'an, Shaanxi Province and Xiangshan City, Zhejiang Province of the PRC. For the year ended 31 March 2023, the turnover of the Group's property brokerage business amounted to approximately HK\$0.8 million (2022: nil) and the gross loss of approximately HK\$0.2 million was recorded (2022: approximately HK\$2.1 million). One of the Group's customers in real estate related businesses, namely Ningbo Tiegong to whom the Group has started to provide various real estate related services, including the property brokerage services, since May 2020, was under winding-up procedures. Based on the updated liquidation status of Ningbo Tiegong, the result of lawsuits against Ningbo Tiegong and the manager of liquidation, and the estimated value of collaterals held by the Group, the Group recognised the impairment loss of approximately HK\$4.6 million on the partial amount due by Ningbo Tiegong in relation to property brokerage business in the year ended 31 March 2023. Corresponding loss of approximately HK\$6.4 million was made in this segment (2022: approximately HK\$5.7 million).

Customised Technical Support Business

After the Group acquired a group of companies in August 2021 which are principally engaged in the provision of financial information, solutions and data analytical services to customers in finance and property related field in the PRC, the Group combined such newly acquired business with its building architecture and interior design business so as to provide customised technical support services to customers in the PRC. For the year ended 31 March 2023, the turnover of the Group's customised technical support business amounted to approximately HK\$34.6 million (2022: approximately HK\$20.8 million) and the gross profit of approximately HK\$29.5 million was recorded (2022: approximately HK\$10.9 million). The Group was providing customized technical support services to Ningbo Tiegong. Taken into account the status of Ningbo Tiegong as disclosed in previous section headed "Property Brokerage Business", the Group recognised the impairment loss of approximately HK\$0.4 million on the partial amount due by Ningbo Tiegong in relation to customised technical support business in the year ended 31 March 2023. Segment profit of approximately HK\$13.3 million was made during the current year (2022: loss of approximately HK\$0.7 million).

Project Management Business

The Group has commenced to provide project management services in the PRC since July 2020. For the year ended 31 March 2023, the turnover of the Group's project management business amounted to approximately HK\$31.4 million (2022: approximately HK\$44.8 million) and the gross profit of approximately HK\$26.5 million was recorded (2022: approximately HK\$36.5 million). The Group was providing project management services to Ningbo Tiegong. Taken into account the status of Ningbo Tiegong as disclosed in previous section headed "Property Brokerage Business", the Group recognised the impairment loss of approximately HK\$15.0 million on the partial amount due by Ningbo Tiegong in relation to project management business in the year ended 31 March 2023. Segment loss of approximately HK\$27.0 million was incurred in this segment (2022: approximately HK\$13.1 million).

Geothermal Energy Business

The Group acquired a group of companies, which are principally engaged in developing and utilising geothermal energy in provision of heating and cooling supply to various buildings located in residential areas in the PRC, in March 2020. Currently, the major places of business activities are in Xi'an, Shaanxi Province and Henan Province of the PRC. For the year ended 31 March 2023, the turnover of the Group's geothermal energy business amounted to approximately HK\$18.7 million (2022: approximately HK\$18.4 million) and the gross profit was approximately HK\$5.4 million (2022: approximately HK\$4.4 million). Corresponding segment loss of approximately HK\$3.0 million was incurred in this segment (2022: approximately HK\$6.9 million).

Building Construction Contracting Business

The Group acquired a company, which is principally engaged in building construction contracting on project basis in the PRC, in May 2020. For the year ended 31 March 2023, the turnover of the Group's building construction contracting business amounted to approximately HK\$230.1 million (2022: approximately HK\$329.5 million) and the gross profit of approximately HK\$38.3 million (2022: approximately HK\$42.1 million) was made. The Group was providing building construction contracting services to Ningbo Tiegong. Taken into account the status of Ningbo Tiegong as disclosed in previous section headed "Property Brokerage Business", the Group recognised the impairment loss of approximately HK\$9.3 million on the partial contract assets amount due by Ningbo Tiegong in relation to building construction contracting business in the year ended 31 March 2023. Corresponding profit of approximately HK\$14.8 million (2022: approximately HK\$29.7 million) was achieved in this segment.

Centralised Heating Business

The Group started the centralised heating business after becoming the reorganisation investor of a company, which is principally engaged in the business of providing the heat and steam supply services in the licensed area of Yuncheng, Shanxi through centralised pipe networks, in September 2020. The Group was further granted an exclusive license for the provision of centralised heating service in Yuncheng City for 30 years from 1 January 2021. For the year ended 31 March 2023, the turnover of the Group's centralised heating business amounted to approximately HK\$60.4 million (2022: approximately HK\$64.6 million) and the gross loss of approximately HK\$13.6 million (2022: approximately HK\$0.4 million) was incurred. The Group recorded a loss of approximately HK\$22.3 million (2022: approximately HK\$7.7 million) in this segment.

OUTLOOK

Since 2023, the COVID-19 pandemic prevention and control policy has been adjusted significantly, leading to the orderly resumption of social production and life and the strong rebound of the Chinese economy after reopening. Stimulated by demand-side policies such as interest rate cuts and relaxation of purchase and loan restrictions, China's real estate industry has experienced a steady rise in sales, but the logic and trend of long-term real estate growth may have changed. The Group's businesses (especially the real estate-related service businesses) are gradually recovering after experiencing the downturn caused by the pandemic. On the basis of utilizing favourable policies to stabilize the existing businesses, the Group is also constantly seeking new structural adjustments and new development opportunities to increase the Group's profitability and enhance its sustainable operating capabilities.

The Group is currently reviewing and weighing its existing resources, including the experience, expertise and personal network of directors and management of the Company, aiming to further expand the existing major businesses and explore possible development and cooperation. While the existing businesses are developing steadily, the Group intends to expand its business into the new retail field by virtue of its development of big data and digital-related businesses in the past few years, as well as the Group's experience and advantages in the traditional trading business. The new retail industry, which is based on the Internet and upgraded by applying advanced technologies such as big data and artificial intelligence, has achieved a rapid and strong development in recent years. The application of big data services in the new retail industry has become an innovative way for merchants to boost sales and to stimulate new momentum to the new retail industry. It is believed to have promising prospect.

As for the existing principal businesses, the Group is also assessing their development direction and consolidating the business foundation, including but not limited to the following aspects: (i) in terms of trading business, the Group will explore business opportunities in international trade and Mainland China trade of commodities and frozen foods; (ii) in terms of freight forwarding business, the Group will discuss with the local operating team in Singapore on the possibility of management buyout; (iii) in terms of finance leasing business, the Group has no plan to develop new business cooperation and will continue to adopt a prudent approach in seeking suitable opportunities with a balance of risks and returns; (iv) in terms of securities investment business, the Group will suspend this business in view of the current macro environment, and will carefully consider investment when suitable opportunities arise; and (v) in terms of geothermal energy business, the Group intends to expand the business to other regions in China by leveraging its existing operation at Xi'an and Henan.

Looking forward, the Group will strive to strengthen its customer base and diversify its product and service mix across different business segments. The Group firmly believes that challenges and opportunities coexist under the current situation. The Group will take prudent measures to control operational risks and continue to expand its business by exploring new opportunities.

LIQUIDITY AND CASH FLOW RESOURCES

As at 31 March 2023, the equity and net current assets of the Group amounted to approximately HK\$890.4 million (2022: approximately HK\$1,260.5 million) and HK\$138.2 million (2022: approximately HK\$448.4 million) respectively. On the same date, the Group had bank balances and cash of approximately HK\$50.1 million (2022: approximately HK\$46.0 million) and the current ratio was 1.14 (2022: 1.42). As at 31 March 2023, the Group had (i) secured trust loans of approximately HK\$228.5 million (2022: approximately HK\$246.9 million) bearing fixed interest rate at 12% per annum and to be repaid by installments on or before 31 March 2024, (ii) secured bank loans of approximately HK\$93.7 million (2022: approximately HK\$88.9 million) bearing fixed interest rate ranged from 3.65% to 5.15% per annum and to be repaid from September 2023 to January 2024, (iii) unsecured short-term loan from an independent lender of approximately HK\$3.4 million (2022: approximately HK\$3.7 million) bearing fixed interest rate at 6% per annum and to be repaid on demand, (iv) interest-free and unsecured advance payments from an independent third party and subcontractor of approximately HK\$3.4 million (2022: approximately HK\$13.7 million) and HK\$102.4 million (2022: approximately HK\$110.3 million) respectively to be repaid on demand.

As at 31 March 2023, the gearing ratio of the Group was approximately 0.23 (2022: approximately 0.20). The gearing ratio is measured on the basis of the total amount of interest bearing and interest free borrowings/advance payments over the amount of total assets. As at 31 March 2023, the total amount of interest bearing and interest free borrowings/advance payments and the amount of total asset of the Group amounted to approximately HK\$431.4 million (2022: approximately HK\$473.5 million) and approximately HK\$1,894.2 million (2022: approximately HK\$2,340.9 million) respectively.

The Group has readily available financial resources for both general working capital purposes and existing business operation.

PLEDGE OF ASSETS

As at 31 March 2023 and 2022, none of the Group's securities was pledged to brokers to secure the margin loan. As at 31 March 2023 and 2022, certain flats of the investment properties held by the Group were pledged to banks to secure the bank loans borrowed to the Group.

CAPITAL EXPENDITURE

During the year ended 31 March 2023, the Group incurred approximately HK\$45.1 million (2022: approximately HK\$13.9 million) as capital expenditure mainly in respect of plant and equipment situated in the PRC.

CAPITAL COMMITMENTS

As at 31 March 2023 and 2022, the Group had no material capital commitment.

SIGNIFICANT INVESTMENTS HELD

As at 31 March 2023, the Group held financial assets at fair value through other comprehensive income of approximately HK\$8.8 million (2022: approximately HK\$8.6 million) which represented unlisted equity securities in Hong Kong. No financial assets at fair value through profit or loss in relation to equity securities was held as at 31 March 2023 (2022: nil). During the year ended 31 March 2023, the Group recorded a fair value gain of approximately HK\$0.1 million on securities investments that are not held for trading in other comprehensive income (2022: nil).

The Board acknowledges that the performance of the equities may be affected by the degree of volatility in the stock market and susceptible to other external factors that may affect their values. Accordingly, in order to mitigate possible financial risks related to the equities, the Board will continue to closely monitor the performance of its investment portfolio (if any) from time to time.

As at 31 March 2023, the Company did not hold any significant investments in an investee company with a value of 5% or more of the Company's total assets.

MATERIAL ACQUISITION AND DISPOSAL

There was no material acquisition or disposal (including the acquisition or disposal of subsidiaries and associated companies) for the year ended 31 March 2023.

FUND RAISING ACTIVITIES

The Company did not conduct any fund raising activities in relation to issue of equity securities during the year ended 31 March 2023.

As at 31 March 2023, the amount of approximately HK\$11 million out of net proceeds from the Company's rights issue, which was completed on 14 July 2021, remained unused and was intended to be utilised for the settlement of unpaid investment sum to Tiandi Youdamei (Beijing) Cultural Tourism Company Limited* (天地有大美(北京)文旅有限公司) ("Tiandi Yondamei").

Tiandi Youdamei and its subsidiaries are principally engaged in hotel operation and management and the hospitality field has been affected by the COIVD-19 pandemic in recent years. As such, the synergy effect of this investment with the Group's current businesses is lower than expected. The Group has been in negotiation with the other shareholder of Tiandi Youdamei for possible disposal of its shareholding in Tiandi Youdamei. In the event that the aforesaid disposal transaction is realised, further investment in Tiandi Youdamei will not proceed. The net proceeds of approximately HK\$11.0 million will be used as general working capital of the Group.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group's monetary assets and transactions are principally denominated in Hong Kong dollars, Renminbi and US dollars. During the year ended 31 March 2023, there was no significant fluctuation in the exchange rates of Hong Kong dollars and US dollars whereas Renminbi had a downward adjustment, resulting in an exchange loss of approximately HK\$44.8 million recognised as other comprehensive expense of the Group. The Group will take a prudent approach against any impact arising from the fluctuation in exchange rates but currently is not engaged in any derivative activities and not committed to any financial instruments to hedge its balance sheet exposure.

EMPLOYEE AND HUMAN RESOURCES POLICY

As at 31 March 2023, the Group had 286 staff (2022: 332 staff). The total staff cost incurred for the year ended 31 March 2023 was approximately HK\$72.7 million (2022: approximately HK\$81.4 million). The remuneration of employees was determined with reference to the qualification and experience of individual staff member, market circumstances and the Group's performance. In accordance with the Listing Rules, the staff of the Company's accounting and financial reporting function have adequate training programmes and budget.

Pursuant to a share option scheme adopted on 1 September 2021 (the "2021 Share Option Scheme"), the Board may grant options to, among other, directors (including non-executive directors and independent non-executive directors) and employees of the Company and any of its subsidiaries or associated companies, to subscribe for shares of the Company. During the year ended 31 March 2023, 30,000,000 share options were granted to certain employees of the Group under the 2021 Share Option Scheme.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") PERFORMANCE

The Group continually reviews its ESG efforts, corporate governance and risk management practices with the aim to create and deliver sustainable value to all its stakeholders. The Group has been looking for opportunities to reduce the consumption of resources in order to minimise the impact on the environment. Details of the Group's ESG efforts will be set out in its 2022/23 annual report.

FINAL DIVIDEND

The Board has resolved not to recommend any final dividend for the year ended 31 March 2023 (2022: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities during the year ended 31 March 2023 (2022: Nil).

REVIEW OF FINANCIAL INFORMATION

The Board has established the audit committee of the Company (the "Audit Committee") in accordance with the Listing Rules. The Audit Committee currently comprises Mr. Liu Tonghui, Ms. Yin Meiqun and Mr. Ye Jianmu, the three independent non-executive Directors. A summary of duties and work of the Audit Committee will be set out in the "Corporate Governance Report" in the 2022/23 annual report which will be despatched to the shareholders in due course.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control, risk management and financial reporting matters. The Audit Committee has reviewed the financial results of the Group for the year ended 31 March 2023.

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2023 as set out in this announcement have been agreed by the Group's auditors, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 March 2023. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited on this announcement.

CORPORATE GOVERNANCE CODE OF THE LISTING RULES

In the opinion of the Board, saved as disclosed below, none of the Directors is aware of any information that would reasonably indicate that the Company was not in compliance with the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules during the year ended 31 March 2023.

Under the code provision C.1.6 of the CG Code, the independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. Due to influence of COVID-19 pandemic, three independent non-executive Directors namely, Mr. Ru Xiangang (ceased on 11 October 2022), Mr. Liu Tonghui and Ms. Yin Meiqun, were unable to attend the Company's annual general meetings held on 2 September 2022.

Under the code provision D.2.5 of the CG Code, the Group should have an internal audit function. However, due to the size of the Group and for cost effectiveness consideration, the Group currently does not have an internal audit function. Instead, the Audit Committee is responsible for a review on the internal control system annually. The review covers major financial, operational controls in rotation basis and also the risk management functions. The Audit Committee agreed that the Group should review and strengthen (if applicable) the internal control and risk management in respect of the trading business after the deregistration of its customers occurred. Save for the aforesaid, no significant deficiency was identified under current year's review and the systems were operating effectively and adequately. The Group continues to review the need for an internal audit function annually.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for establishing and maintaining the Group's risk management and internal control systems to safeguard shareholders' investment and reviewing the effectiveness of such systems on an annual basis under the code provision D.2.1 of the CG Code.

The Group has adopted and followed a series of internal control procedures to regulate the money lending business and the finance leasing business to ensure a comprehensive risk management, so as to safeguard the interests of the Company and its shareholders, including (i) credit risk assessment by the business team, (ii) formulation of the preliminary business proposal by the business team, (iii) assessment by the risk control and compliance department, (iv) credit approval, and (v) ongoing monitoring of loan recoverability and loan collection.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made on all Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 March 2023.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 29 August 2023 to Tuesday, 5 September 2023 (both days inclusive), during which no transfer of shares will be registered. In order to qualify to be shareholders of the Company to attend and vote at the annual general meeting to be held on Tuesday, 5 September 2023, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on Monday, 28 August 2023.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement containing the results of the Group for the year ended 31 March 2023 is published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.cbgroup.com.hk>) respectively. The 2022/23 annual report and notice of annual general meeting of the Company will be despatched to the shareholders and made available on the above websites in due course.

By Order of the Board
China Best Group Holding Limited
Mr. Qin Jie
Executive Director and Chief Executive Officer

Hong Kong, 28 June 2023

As at the date of this announcement, the Board comprises five executive Directors, namely, Ms. Wang Yingqian (Chairman), Mr. Qin Jie (Chief Executive Officer), Mr. Fan Jie, Mr. Li Haitao and Ms. Tao Lei, and three independent non-executive Directors, namely, Mr. Liu Tonghui, Ms. Yin Meiqun and Mr. Ye Jianmu.