

# CDH 中發展控股有限公司

Central Development Holdings Limited

Incorporated in the Cayman Islands with limited liability

Stock Code : 00475

## INTERIM REPORT 2023/24



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# CORPORATE INFORMATION

## Board of Directors

### Executive Directors

Mr. Wu Hao (*Chairman*)  
Mr. Hu Yangjun  
Mr. Chan Wing Yuen, Hubert (*Chief Executive*)  
Mr. Zhang Bing

### Non-executive Director

Mr. Li Wei Qi, Jacky

### Independent non-executive Directors

Mr. Jin Qingjun  
Ms. Sun Ivy Connie  
Ms. Zhong Yingjie, Christina

## Audit Committee

Ms. Zhong Yingjie, Christina (*Chairman*)  
Mr. Jin Qingjun  
Ms. Sun Ivy Connie

## Remuneration Committee

Mr. Jin Qingjun (*Chairman*)  
Mr. Chan Wing Yuen, Hubert  
Ms. Sun Ivy Connie

## Nomination Committee

Mr. Jin Qingjun (*Chairman*)  
Mr. Chan Wing Yuen, Hubert  
Ms. Sun Ivy Connie

## Company Secretary

Mr. Chow Chi Shing

## Head Office and Principal Place of Business in Hong Kong

Room 2202, 22/F., Chinachem Century Tower  
178 Gloucester Road  
Wanchai  
Hong Kong

## Registered Office

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## Principal Share Registrar

Suntera (Cayman) Limited  
Suite 3204, Unit 2A, Block 3, Building D,  
P.O. Box 1586,  
Gardenia Court, Camana Bay,  
Grand Cayman, KY1-1100,  
Cayman Islands

## Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited  
17/F, Far East Finance Centre,  
16 Harcourt Road,  
Hong Kong

## Principal Bankers

The Hong Kong and Shanghai Banking  
Corporation Limited  
Hang Seng Bank Limited

## Legal Advisers

Angela Ho & Associates

## Auditor

Deloitte Touche Tohmatsu  
*Certified Public Accountants*  
*Registered Public Interest Entity Auditor*

## Company Website

[www.475hk.com](http://www.475hk.com)

## Stock Code

475

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Group principally engaged in the energy business and jewelry business during the period ended 30 September 2023 (the “Current Period”). During the Current Period, the Group’s total revenue was approximately HK\$90.7 million (2022: HK\$135.6 million), representing a decrease of approximately 33.1% as compared to the period ended 30 September 2022 (the “Previous Period”). In the post-pandemic era, as the economy experienced a slow recovery, the Group’s business operations faced many challenges, resulting in a decline in revenue from both the energy business and the jewelry business. Nevertheless, the Group’s proactive efforts in reducing operating costs and enhancing internal resource utilisation efficiency during the Current Period led to a significant increase in the Group’s gross profit margin for the Current Period from approximately 1.4% for the Previous Period to approximately 3.9% for the Current Period.

### Energy Business

During the Current Period, by leveraging our collaboration with experienced partners in the industry and proprietary technology products, we continued to actively develop the energy business with the primary objective of providing a diversified range of energy products and services. Our principal businesses comprise the sale of natural gas and refined oil, as well as solar photovoltaic (“PV”) intelligent technology products, including solar PV components and accessories, intelligent direct-current micro-inverters and power optimisers. Due to factors such as slow economic recovery, revenue from the energy business decreased by 30.8% year-on-year from HK\$119.0 million for the Previous Period to HK\$82.4 million for the Current Period. This decrease was mainly attributable to a decline in sales of natural gas products during the Current Period.

Both “Carbon Peaking” and “Carbon Neutrality” (the “Dual Carbon”) are strategic decisions and essential goals towards long-term and high-quality development for the period covered by the 14th Five-Year Plan (2021-2025) of the People’s Republic of China (the “PRC”), which has a profound impact on the PRC’s energy structure and economic structure. To realise the goal, the PRC’s government proposed a number of energy transformation actions, facilitates the energy utilisation structure, and vigorously promotes the integrated development of natural gas with various energy sources. Besides, the “Action Plan for Accelerating the Integrated Development of Oil and Gas Exploration and Development with New Energy (2023-2025)” published by the National Energy Administration of the PRC has mentioned the coordinated promotion of oil and gas supply security and green development, as well as the continuous advancement of restructuring and upgrading of energy production and supply structures. As such, refined oil and natural gas are still two of the PRC’s major energy sources and play a leading role in the country’s energy market. Therefore, we persist with a two-pronged approach and continue to expand the liquefied natural gas (“LNG”) and oil and gas filling businesses to meet the market demand and strengthen the Group’s business foundation.

The Group owns an oil and gas filling station in Qingbaijiang District, Chengdu (the “Filling Station”). Situated within a large logistics park near the Chengdu International Railway Port, the Filling Station benefits from high traffic flow due to its proximity to multiple highways and national expressways passing through the area. With the lifting of quarantine measures against COVID-19, consumption and production activities in the PRC had gradually returned to normal, and the vehicle traffic volume and overall market demand for refined oil were on the rise, particularly in the flourishing development in tourism, sports and business services sectors in Chengdu and its surrounding regions during the Current Period. Additionally, according to statistics released by the Ministry of Public Security of the PRC, Chengdu led the nation in small car ownership as of September 2023, the sales of the Group’s refined oil were boosting up during the Current Period with these favourable circumstantial factors.

On the other hand, as demand for LNG increases, the competition in the LNG market in the PRC has gradually intensified. In order to gain market share, market participants lowered their prices, which exerted considerable pressure on the gross profit of the sales of our LNG products. Therefore, we reduced the order volume of our LNG business during the Current Period. At the same time, we deployed more internal resources, such as management resources and manpower, to other products in the energy business to strive for improvement in marketing quality and optimise resource allocation. Throughout the Current Period, we continued to maintain strong cooperative relationships with upstream suppliers to ensure a stable supply of refined oil and LNG. Combined with the delivery and distribution capabilities of the Filling Station, this provided us with more favourable conditions and flexibility to respond to market changes and seize various business opportunities in the energy business.

During the Current Period, our solar energy business continued to face challenges of varying degrees. The severe international market environment has been affecting the demand for solar PV products in overseas markets. Military tensions have led to instability in the international market, which in turn affected the export and sales of solar PV products. Trade barriers have also restricted the international trade of solar PV products, causing certain obstacles that continue to hinder overseas sales. In the domestic market, competition within the industry has become increasingly intense following the entry of state-owned energy enterprises into the industry. A number of factors have impacted our solar energy business to a certain extent, affecting sales during the Current Period.

## **Jewelry Business**

During the Current Period, the Group was principally engaged in providing products to jewelry distributors in Hong Kong and the PRC. Revenue from the jewelry business decreased by approximately 50.0% from approximately HK\$16.7 million for the Previous Period to approximately HK\$8.3 million for the Current Period, mainly due to the decrease in sales in both Hong Kong and the PRC. Sales in Hong Kong accounted for approximately 59.9% (2022: 67.0%) of the overall segment sales, while sales in the PRC accounted for approximately 40.1% (2022: 33.0%). The decline in jewelry sales in Hong Kong and the PRC was mainly attributable to the various challenges during the Current Period, including increased market competition, economic uncertainty and shift in consumer preferences, all of which significantly contributed to the decline in our sales.

One of the main factors contributing to the decline in our jewelry sales was increased market competition. In 2023, the jewelry markets in Hong Kong and the PRC became increasingly competitive since the pandemic recovery, with both local and international market players competing for market share. This intense competition put pressure on our jewelry wholesaler business, resulting in lower margins and sales. Additionally, uncertainties and inflationary pressures in the global economy, as well as the stagnation in the Hong Kong economy due to a downturn in the real estate and stock markets, has also affected our jewelry sales. Economic uncertainty had impacted consumer purchasing power and confidence, leading to a shift in consumer preferences. Consumers were looking for more affordable and versatile jewelry pieces that offer style and value for money. However, in an increasingly competitive market environment, sourcing stylish jewelry at lower prices has become more difficult. As a result, the various challenges in the post-pandemic era have had a significant impact on our jewelry business during the Current Period.

## Acquisition of 35% Equity Interest in Chengdu Huahan Energy Co., Ltd. (成都華漢能源有限公司) (“Chengdu Huahan”)

Hainan Huagang New Energy Development Co., Ltd. (海南華港新能源開發有限公司) (“Hainan Huagang”), an indirect wholly-owned subsidiary of the Company, as the purchaser, entered into an equity transfer agreement (the “Equity Transfer Agreement”) with Mr. Zhang Bing, as the vendor (the “Vendor”), and Chengdu Huahan, as the target company on 19 August 2022, and the abovementioned parties subsequently entered into a supplemental agreement (the “Supplemental Agreement”) to the Equity Transfer Agreement on 15 November 2022 (the “Acquisition”). Pursuant to the terms and conditions of the Equity Transfer Agreement and the Supplemental Agreement, Hainan Huagang has agreed to purchase and the Vendor has agreed to sell 35% equity interest in the target company for a total consideration of HK\$52 million, which shall be settled by the Company through the issue of interest-free convertible bonds in the principal amount of HK\$52 million with a maturity date falling on the third anniversary of the date of issuance (the “Convertible Bonds”) to the Vendor.

The Acquisition was completed on 5 December 2022 in accordance with the terms of the Equity Transfer Agreement and the Supplemental Agreement, pursuant to which Chengdu Huahan became an associate of the Group. The Company has also issued the Convertible Bonds to the Vendor in accordance with the terms and conditions of the Equity Transfer Agreement and the Supplemental Agreement, and the Company shall issue and allot 70,270,270 new shares of the Company at a conversion price of HK\$0.74 per conversion share to the Vendor upon full conversion of the Convertible Bonds to settle the entire consideration of HK\$52 million in accordance with the terms of the Equity Transfer Agreement and the Supplemental Agreement.

The Vendor has worked in the energy industry for over 25 years. The Vendor is the ultimate beneficial owner of the entire equity interest in Chengdu Huahan. Chengdu Huahan is principally engaged in investment holding, and is the beneficial owner of 50% equity interest in Anhui Huagang Bochen New Energy Co., Ltd. (安徽華港博臣新能源有限公司) (“Anhui Huagang”). Anhui Huagang is principally engaged in the construction and operation of natural gas pipeline networks, the operation and maintenance of pipeline corridors, provision of residential heating, and the procurement, transportation and sale of natural gas in Mengcheng County, Anhui Province, the PRC. Anhui Huagang is constructing two distributed energy stations, multiple gas-fired steam boilers, natural gas gateways and heat supply network. In 2019, Anhui Huagang entered into a licensing agreement with the Housing and Urban-Rural Development Bureau of Mengcheng County, under which it was granted a 30-year license to supply heat and steam to industrial, commercial and corporate entities and urban residents in the county planning area of Mengcheng County.

The Acquisition constitutes a discloseable and connected transaction of the Company. As at the date of the Equity Transfer Agreement (i.e. 19 August 2022), the Vendor was the ultimate beneficial owner of 49% equity interest in Chengdu Kaibangyuan Trading Co., Limited (成都凱邦源商貿有限公司) (“Chengdu Kaibangyuan”), an indirect non-wholly owned subsidiary of the Company. As such, the Acquisition and the issuance of the Convertible Bonds as consideration constitute connected transactions of the Group, and are subject to the reporting, announcement, circular and independent shareholders’ approval requirements under Chapter 14A of the Rules Governing the Listing of Securities (the “Listing Rules”) on the Main Board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Details of the Acquisition were set out in the Company’s announcements dated 19 August 2022, 25 August 2022, 9 September 2022, 14 September 2022, 23 September 2022, 6 October 2022, 21 October 2022, 15 November 2022 and 5 December 2022, and the Company’s circular dated 18 November 2022.

## PROSPECTS

### Transformation of Energy Structure Brings New Development Opportunities

The “bp Energy Outlook 2023” stated that fossil energy will continue to play an important role in the global energy system in the next 15 to 20 years, and there needs to be continuing investment in oil and gas production over the next 30 years. The “Guiding Opinions on Energy Work in 2023” published by the National Energy Administration of The PRC also proposed to further strengthen the security of fossil energy as a safety net and vigorously enhance the level of energy supply security and stability. Therefore, despite the complexity and volatility of the global energy market, accelerating energy transformation and increasing uncertainties, refined oil and LNG will remain the mainstay of the world’s energy supply. The Group will also capitalise on the business opportunities in the oil and gas business and make positive contributions to the overall business.

The transformation of the energy structure continues to boost demand for natural gas in the PRC. The “Blue Paper of the PRC’s Natural Gas Industry Annual Operation Report”, jointly published by the China Petroleum Enterprise Association and others, forecasts that the PRC’s natural gas consumption will reach approximately 440 billion cubic metres in 2023, representing a year-on-year growth of 21.2%. Driven by the continuous increase in demand from the commercial sector, transportation and heating, demand for natural gas will continue to grow, which provides a good business opportunity for our natural gas business.

However, the public’s demand for overall energy remains high, and refined oil remains one of the major energy consumables in the PRC, despite the transition to clean energy being actively pursued. Demand for refined oil will continue to remain high as demand from the transportation sector increases due to a marked resumption of public travel and consumption since the relaxation of pandemic control. Therefore, our refined oil business will have the opportunity to further expand its market share and maintain growth.

### Firmly Implementing a Clean Energy Development Strategy

As a clean and efficient energy source with low carbon emissions, high calorific efficiency and a stable supply, natural gas is widely used in home heating and industrial production. The “14th Five-Year Plan on National Urban Infrastructure Construction” proposes to commence the construction and renovation of clean urban centralised heating systems to guide the use of clean energy in urban heating. As the construction of urban centralised heating deepens, the demand for natural gas will be further boosted, becoming an important alternative to conventional energy sources. The demand for natural gas is not only driven by the government’s environmental protection policy and energy restructuring but also by the growth of the urban population. As new urbanisation and economic and social development in the PRC accelerate, the size of the urban population will continue to increase, and the demand for natural gas in the process of new urbanisation will also increase accordingly. Therefore, the development of the natural gas urban heating market in the PRC will be strongly supported.

In light of the above, we have acquired Chengdu Huahan as an associate of the Group in 2022, which will enable us to fully leverage our operational and management strengths, and also create synergies with our existing natural gas and solar PV businesses, which in turn will improve the overall efficiency of the Group’s resource allocation and enhance the long-term development potential of its energy business. The associate provides excellent opportunities for the Group’s future development, enriching its business portfolio, and further realising its goal of becoming a supplier of a diversified range of energy products and solutions. We will also leverage the associate’s existing industry resources, brand image and extensive marketing experience to achieve complementary of edge with our existing energy business, thereby promoting the rapid development of our diversified energy business.

Given the unpredictable nature of the energy market and the high dependence on the import of natural gas supply in the PRC which led to higher price volatility, LNG is expected to continue to face cost and other challenges. We will continue to strengthen our cooperation and communication with upstream and downstream suppliers and accelerate our efforts to grasp the latest market and price trends in order to deepen the development of our energy business. On the other hand, we will continue to leverage our extensive experience in the clean energy sector and our strengths in operational management to actively lower costs and improve efficiency, and pursue new product development and develop new business, with a view to enhance the development potential of the Group's energy business.

### **Moving Towards Quality Renewable Energy Development**

To achieve the Dual Carbon goals, the PRC is vigorously promoting the development and utilisation of various renewable energy sources, with a focus on diversifying PV power generation as one of its development strategies. Consequently, we will continue to further explore potential energy projects, including energy storage power stations, PV-storage-charging stations, and other distributed integrated energy station projects. We will leverage our experience in the fields of solar PV and energy storage to explore the development models for combining multiple energy sources.

Simultaneously, we will continue to explore more in-depth cooperation with our business partners to meet the challenges of high costs and intense market competition. Nevertheless, the unstable global economy and unfavourable international trade conditions will continue to impact the expansion of our solar energy business in overseas markets in the near term.

We will actively participate in domestic and international solar energy and energy storage exhibitions. By leveraging our experience in the solar PV and energy storage fields, we will continue to develop “multi-energy complementary” projects and actively explore smart energy station projects based on PV power stations, aiming to expand the market share and revenue of our solar energy products. We will continue to actively assess the market situation, explore new business growth drivers, and adhere to the general operating principles of “seeking stability amidst changes and striving for progress amidst stability”, thereby creating long-term value for shareholders.

### **Addressing the Complexities and Challenges of the Jewelry Market**

Given the current geopolitical instability, the jewelry industry continues to face challenges in the global markets as it remains subject to market uncertainty. In the short term, consumers are expected to be more cautious in their spending, especially when it comes to high-end luxury goods. As a result, our jewelry business may experience some pressure in the future. To overcome these challenges, our jewelry sales team will continue to implement prudent business strategies. This includes closely monitoring market conditions, maintaining open communication with all stakeholders, exploring potential business opportunities and further improving our reputation, competitive edge and ability to adapt to market changes. These efforts will help us identify potential business opportunities.

Our jewelry sales team has built strong and lasting relationships with our existing suppliers to ensure a stable supply. We will continue to negotiate with more new suppliers to meet our customers' needs for stylish and valuable products. We consider our long-term business relationships with existing customers and suppliers, the extensive sourcing from new customers and our elite sales team and business consultants as our key competitive advantages. These strengths will play a critical role in the future recovery of growth of our jewelry business. In addition, we will expand our sales network and implement effective marketing strategies, which include participation in more jewelry trade fairs and expositions in different regions, as well as networking with new suppliers of various fashionable jewelry brands from different countries. These endeavours will help us meet the ever-changing market demands and bring more potential growth opportunities to the jewelry business, thus generating more income sources for the Group beyond the energy business.



## FINANCIAL REVIEW

### Revenue

Revenue of the Group for the Current Period was approximately HK\$90.7 million, representing a decrease of approximately 33.1% as compared to approximately HK\$135.6 million for the Previous Period. The decrease was mainly due to the decrease in turnover of both the energy business and the jewelry business.

Revenue of the energy business decreased by approximately 30.8% from approximately HK\$119.0 million for the Previous Period to approximately HK\$82.4 million for the Current Period. It was primarily attributable to the decrease in the sales of LNG during the Current Period. The sales of refined oil have increased during the Current Period but less than the decrease in sales of LNG. The sales of our solar intelligent technology products were continuously impacted by escalated international trade conflicts and intense market competition.

Revenue of the jewelry business decreased by approximately 50.0% from approximately HK\$16.7 million for the Previous Period to approximately HK\$8.3 million for the Current Period. It was primarily attributable to the intensified market competition and economic instability during the Current Period.

### Cost of Sales and Gross profit

Cost of sales of the Group for the Current Period was approximately HK\$87.2 million, representing a decrease of approximately 34.8% compared to approximately HK\$133.7 million for the Previous Period. Gross profit increased from approximately HK\$1.9 million for the Previous Period to approximately HK\$3.5 million for the Current Period, representing an increase of approximately 84.1%. The increase was mainly attributable to the combination of increased sales of refined oil with higher margin and a write-down of inventories in cost of sales amounted to HK\$0.7 million (2022: HK\$2.2 million) for the Current Period. Meanwhile, gross profit margin increased from 1.4% for the Previous Period to 3.9% for the Current Period.

### Other income

Other income decreased from approximately HK\$3.0 million for the Previous Period to approximately HK\$2.6 million for the Current Period, representing a decrease of approximately 12.5%, which was mainly attributable to the government grants received by the Group during the Previous Period but none in the Current Period.

### Other gains and losses, net

The Group recorded net other gains of approximately HK\$0.5 million for the Current Period (2022: HK\$3.7 million). The gains were mainly contributed by the gain from the change in the fair value of investment properties of approximately HK\$0.5 million (2022: HK\$4.1 million) during the Current Period. In the Previous Period, the net other gains and losses were also contributed by the loss on early termination of a lease of approximately HK\$0.4 million but none was incurred in the Current Period.

## Impairment loss on trade receivables under expected credit loss (“ECL”)

The Group recorded an impairment loss on trade receivables under the ECL model amounted to approximately HK\$0.6 million for the Previous Period but none was incurred in the Current Period. The management of the Group will continue to conduct regular review of the debtors’ repayment histories, resources and financial capabilities to ensure the ability of repayment within the credit period.

## Selling and distribution costs

Selling and distribution costs increased from approximately HK\$1.1 million for the Previous Period to approximately HK\$1.2 million for the Current Period, representing an increase of approximately 13.0%, which was mainly attributable to the increased transportation cost along with increased sales of refined oil in the Current Period.

## Administrative expenses

Administrative expenses for the Current Period primarily comprised staff costs, directors’ remuneration, auditor’s remuneration, legal and professional fees, rent, rates and management fees, and other administrative expenses including depreciation and amortisation. The administrative expenses increased from approximately HK\$9.6 million for the Previous Period to approximately HK\$10.7 million for the Current Period, representing an increase of approximately 11.0%, which was mainly due to the increase of rent of short-term leases and overall cost following the recovery of operations from the pandemic.

## Finance costs

Finance cost represented the imputed interests derived from the long-term loans from a controlling shareholder and a shareholder amounted to approximately HK\$2.3 million (2022: HK\$2.3 million), the imputed interests derived from the interest-free convertible bonds amounted to approximately HK\$3.2 million (2022: Nil), the interest derived from lease liabilities amounted to approximately HK\$0.1 million (2022: HK\$0.1 million) and the interest derived from the long term bank loan amounted to approximately HK\$0.5 million (2022: HK\$0.6 million) for the Current Period.

## Share of result of an associate

Share of result of an associate represented the share of loss of Chengdu Huahan amounted to HK\$0.4 million (2022: Nil) during the Current Period.

## Income tax expense

Income tax expense of the Group recorded for the Current Period amounted to approximately HK\$0.5 million (2022: HK\$1.4 million) was mainly attributable to the provision of deferred tax expense arising from the investment properties of the Group during the Current Period.

## Loss for the period attributable to the Owners of the Company

By reason of the factors as stated above, the loss for the period attributable to the owners of the Company increased from approximately HK\$5.6 million for the Previous Period to approximately HK\$11.9 million for the Current Period, representing an increase of approximately 112.1%. Basic loss per share was 3.1 HK cents (2022: 1.5 HK cents).

## Dividend

The Board has resolved not to recommend the payment of an interim dividend for the Current Period (2022: Nil).

## Liquidity and Financial Positions

As at 30 September 2023, the Group had net current assets and the current ratio stood at approximately HK\$10.3 million and 1.3 respectively (31 March 2023: HK\$7.8 million and 1.3 respectively).

As at 30 September 2023, the bank balances and cash amounted to approximately HK\$19.4 million (31 March 2023: HK\$13.1 million). As at 30 September 2023, the inventories amounted to approximately HK\$2.6 million (31 March 2023: HK\$2.4 million), mainly representing the refined oil and solar modules intelligent technology products. As at 30 September 2023, the trade receivables and trade payables amounted to approximately HK\$7.3 million and HK\$6.2 million respectively (31 March 2023: HK\$2.2 million and HK\$1.7 million respectively), both mainly derived from the energy and jewelry business. As at 30 September 2023, the Group's property, plant and equipment, right-of-use assets and investment properties amounted to approximately HK\$16.8 million, HK\$9.2 million and HK\$85.1 million respectively (31 March 2023: HK\$18.4 million, HK\$7.4 million and HK\$88.6 million respectively). The investment properties of the Group are located at No. 61, Haichao Road, Sino-Italy Ningbo Ecological Park (also known as Zhongyi Ningbo Shengtai Park), Yuyao City of Zhejiang Province for industrial use and are held under operating leases to earn rentals. The investment properties were valued by an independent firm of professional property valuer and the fair values of the investment properties were derived using income approach for both periods.

As at 30 September 2023, the net carrying amount of the intangible assets was approximately HK\$47.1 million (31 March 2023: HK\$50.1 million), representing the operating rights in relation to the relevant certificates, licenses and approvals for the operations of the filling station and the sale of refined oil with finite useful lives. The intangible assets arising from the acquisition of the filling station in Chengdu.

## Capital Resources and Gearing

As at 30 September 2023, the Group had an interest-bearing bank borrowing of approximately HK\$17.7 million (31 March 2023: HK\$19.8 million) and bore an effective interest rate of 5.4% per annum (31 March 2023: 5.7%), of which approximately HK\$2.7 million (31 March 2023: HK\$2.7 million) will be repayable within one year and approximately HK\$15.0 million (31 March 2023: HK\$17.1 million) will be repayable after one year. The Group's gearing ratio (which was expressed as a percentage of total bank borrowing over total equity) was approximately 44.9% as at 30 September 2023 (31 March 2023: 36.4%).

The bank borrowing was secured by the Group's assets, for details of the charges on the Group's assets, please refer to the section headed "Charges on Group Assets" in the "Management Discussion and Analysis" of this report. Save as disclosed above, the Group has no other banking facilities (31 March 2023: Nil). As at 30 September 2023, the Group had interest-free loans due to a controlling shareholder of approximately HK\$102.0 million (31 March 2023: HK\$95.9 million), which will be repayable after one year. As at 30 September 2023, the Group also had interest-free loans due to a shareholder, which amounted to approximately HK\$0.1 million (31 March 2023: Nil) repayable within one year and approximately HK\$3.8 million (31 March 2023: HK\$3.8 million) repayable after one year.

The Group primarily met its working capital requirement and other liquidity requirements through a combination of operating cash flows, and interest-free loans due from a shareholder and a controlling shareholder and the bank loan during the Current Period.

## Convertible Bonds

On 5 December 2022, the Convertible Bonds were issued to the Vendor after the completion of the Acquisition. The Convertible Bonds can be converted into shares of the Company at a conversion price of HK\$0.74 per conversion share (subject to adjustment), during the 3-year conversion period from 5 December 2022. Upon exercise of the conversion rights attached to the Convertible Bonds in full, the Convertible Bonds can be converted into 70,270,270 new shares of the Company at a conversion price of HK\$0.74 per conversion share (subject to adjustment).

As at 30 September 2023, the entire principal amount of the Convertible Bonds remained outstanding. The management performed a fair value assessment and engaged an independent valuer to conduct an assessment on the Convertible Bonds at the end of the reporting period. As at 30 September 2023, the fair value of the debt component and derivative financial instrument derived from the Convertible Bonds were assessed at approximately HK\$32.0 million and HK\$13.0 million respectively (31 March 2023: HK\$30.7 million and HK\$13.0 million). The Convertible Bonds were classified as non-current liabilities with a maturity date of more than one year from the end of the reporting period.

## Capital Structure

The Group's total assets and total liabilities as at 30 September 2023 amounted to approximately HK\$259.4 million (31 March 2023: HK\$256.0 million) and approximately HK\$220.1 million (31 March 2023: HK\$201.6 million) respectively. The Group's debt ratio (which was expressed as a percentage of total liabilities over total assets) was approximately 84.9% as at 30 September 2023 (31 March 2023: 78.7%).

## Charges on Group Assets

As at 30 September 2023, the buildings with carrying amounts of approximately HK\$3.5 million (31 March 2023: HK\$3.8 million), the right-of-use assets with carrying amounts of approximately HK\$5.0 million (31 March 2023: HK\$5.3 million) and the investment properties with carrying amounts of approximately HK\$85.1 million (31 March 2023: HK\$88.6 million), were pledged to a bank in the PRC as collateral security for a bank borrowing amounted to approximately HK\$17.7 million (31 March 2023: HK\$19.8 million).

Save as disclosed above, there were no other charges on the Group's assets as of 30 September 2023.

## Capital Commitments and Contingent Liabilities

As at 30 September 2023, the Group did not have any capital commitments (31 March 2023: Nil).

As at 30 September 2023, the Group did not have any significant contingent liabilities (31 March 2023: Nil).



## **EMPLOYEE AND REMUNERATION POLICY**

As at 30 September 2023, the Group had a total of 58 employees (31 March 2023: 60). The Group's remuneration policies are formulated based on the performance and work experience of individual employees and prevailing market rates, which will be reviewed regularly every year. Salaries of employees are maintained at competitive levels while bonuses are granted by reference to the performance of the Group and individual employees.

The Group also provides internal training to employees when necessary and other staff benefits including the share option schemes and corporate contribution to the statutory mandatory provident fund scheme for employees in Hong Kong and the statutory central pension schemes for employees in the PRC.

Furthermore, the remuneration committee of the Company will review and give recommendations to the Board as to the compensation package of the Directors and senior management of the Group, with reference to salaries paid by comparable companies, time commitment and responsibilities of the Directors and senior management of the Group.

## **FOREIGN EXCHANGE FLUCTUATION AND HEDGES**

The business operations of the Group's subsidiaries were conducted mainly in the PRC with sales and purchases of the Group's subsidiaries denominated mainly in Renminbi and United States dollars ("USD"). The Group's cash and bank deposits were denominated in Hong Kong dollars, Renminbi and USD. Any significant exchange rate fluctuation of Hong Kong dollars against Renminbi or USD may have a financial impact on the Group. While the Group would closely monitor the volatility of the Renminbi exchange rate, the Directors considered that the Group's current risk exposure to foreign exchange rate fluctuation remained minimal currently.

As at 30 September 2023 and 31 March 2023, no forward foreign currency contracts were designated in hedging accounting relationships.

## **SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES**

There were no significant investments, material acquisitions and disposals of subsidiaries, associates and joint ventures during the Current Period.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

Save as disclosed in this report, the Group did not have any plans for material investments and capital assets as at 30 September 2023.

## **EVENT AFTER REPORTING PERIOD**

There is no material subsequent event undertaken by the Company or by the Group after 30 September 2023 and up to the date of this report.

## **NO MATERIAL CHANGE**

Since the publication of the latest annual report for the year ended 31 March 2023, there have been no material changes to the Company's business.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2023, the interests and short positions of the Directors and their associates in the ordinary shares (the "Share(s)"), underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")), which were required to be notified to the Company and The Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they were taken or deemed to have under such provisions of the SFO); or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, are as follows:

### Long Positions

Ordinary Shares of HK\$0.01 each

Name of Director	Capacity	Number of Shares held	Number of underlying Shares	Total interest	Approximate percentage of the total issued Shares
Mr. Hu Yangjun	Interests of controlled corporation and personal interest	207,784,000 <sup>(1)</sup>	387,000 <sup>(2)</sup>	208,171,000	53.71%
Mr. Wu Hao	Personal interest	6,036,000	3,800,000 <sup>(2)</sup>	9,836,000	2.54%
Mr. Chan Wing Yuen, Hubert	Personal interest	3,300,000	3,800,000 <sup>(2)</sup>	7,100,000	1.83%
Mr. Zhang Bing	Personal interest	–	74,070,270 <sup>(3)</sup>	74,070,270	19.11%
Mr. Li Wei Qi, Jacky	Personal interest	2,736,000	1,530,000 <sup>(2)</sup>	4,266,000	1.10%
Mr. Jin Qingjun	Personal interest	–	330,000 <sup>(2)</sup>	330,000	0.09%

Notes:

- (1) Mr. Hu Yangjun had a direct interest of 3,066,000 Shares and a deemed interest of 204,718,000 Shares held by Resources Rich Capital Limited ("Resources Rich"), a company 50% owned by Mr. Hu Yangjun, within the meaning of Part XV of the SFO.
- (2) These interests represented the interests in underlying Shares in respect of share options granted to the Directors under the share option scheme adopted on 9 September 2016.
- (3) The interests in underlying Shares are comprised of the Share Options granted by the Company to subscribe for 3,800,000 Shares at exercise price of HK\$0.574 per Share to Mr. Zhang Bing under the share options scheme adopted on 9 September 2016 and the convertible bond of the Company in the principal amount of HK\$52,000,000 issued by the Company to convert for 70,270,270 Shares at conversion price of HK\$0.74 per Share to Mr. Zhang Bing.

Save as disclosed above and so far as is known to the Directors, as at 30 September 2023, none of the Directors nor the chief executives of the Company had or were deemed to have any other interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO); or pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or to be notified to the Company and the Stock Exchange under the Model Code.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this report, at no time during the six months ended 30 September 2023 was the Company or its holding companies, or any of its subsidiaries or its fellow subsidiaries, a party to any arrangement to enable the Directors (including their spouses and children under 18 years of age) to acquire benefits by means of the acquisition of the Shares in, or underlying Shares or debentures of, the Company or its associated corporations (within the meaning of Part XV of the SFO).

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2023, so far as is known to any Director or the chief executive of the Company, the following persons (except Mr. Hu Yangjun, other than a Director or the chief executive of the Company) had, or were deemed or taken to have interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company pursuant to section 336 of the SFO:

### Long Positions

Ordinary Shares of HK\$0.01 each

Name of Shareholders	Capacity	Total Number of Shares Held in the Company	Approximate percentage total issued Shares
Resources Rich <sup>Note 1</sup>	Beneficial interest	204,718,000	52.82%
Mr. Hu Yangjun <sup>Note 2</sup>	Interests of controlled corporation and personal interest	208,171,000	53.71%
Mr. Hu Yishi <sup>Note 3</sup>	Interests of controlled corporation and personal interest	207,454,000	53.53%
Ms. Zhang Qi <sup>Note 4</sup>	Interest of spouse	208,171,000	53.71%
Ms. Lin Min, Mindy <sup>Note 5</sup>	Interest of spouse	207,454,000	53.53%
Mr. Zhang Bing <sup>Note 6</sup>	Personal interest	74,070,270	19.11%

Notes:

- 50% of the entire issued share capital of Resources Rich is owned by Mr. Hu Yangjun while the other 50% is owned by Mr. Hu Yishi. Mr. Hu Yangjun and Mr. Hu Yishi are deemed to be interested in all the Shares in which Resources Rich is interested by virtue of the SFO.
- Mr. Hu Yangjun had a direct interest of 3,453,000, of which 387,000 Shares are outstanding share options granted by the Company to subscribe for 387,000 Shares at exercise price of HK\$0.574 per Share, and a deemed interest of 204,718,000 Shares held by Resources Rich, a company 50% owned by Mr. Hu Yangjun, within the meaning of Part XV of the SFO.
- Mr. Hu Yishi had a direct interest of 2,736,000 Shares and a deemed interest of 204,718,000 Shares held by Resources Rich, a company 50% owned by Mr. Hu Yishi, within the meaning of Part XV of the SFO.
- Ms. Zhang Qi is the spouse of Mr. Hu Yangjun. Accordingly, she is deemed to be interested in the same number of Shares and underlying Shares in which Mr. Hu Yangjun is interested in pursuant to the SFO.

5. Ms. Lin Min, Mindy is the spouse of Mr. Hu Yishi. Accordingly, she is deemed to be interested in the same number of Shares and underlying Shares in which Mr. Hu Yishi is interested in pursuant to the SFO.
6. Mr. Zhang Bing had a direct interest of 74,070,270, of which 70,270,270 Shares are outstanding convertible bonds of the Company in the principal amount of HK\$52,000,000 issued by the Company to convert for 70,270,270 Shares at conversion price of HK\$0.74 per Share and 3,800,000 Shares are outstanding share options granted by the Company to subscribe for 3,800,000 Shares at exercise price of HK\$0.574 per Share.

Save as disclosed above, as at 30 September 2023, so far as is known to any Director or the chief executive of the Company, there were no other persons (other than a Director or the chief executive of the Company) who had, or were deemed or taken to have interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company pursuant to section 336 of the SFO.

## SHARE OPTION SCHEME

A share option scheme of the Company was adopted on 9 September 2016 (the “2016 Share Option Scheme”). The limit for granting options under the 2016 Share Option Scheme was refreshed on 6 September 2018 and 5 September 2019 respectively. The 2016 Share Option Scheme was terminated at the annual general meeting held on 7 September 2023 (the “2023 AGM”), and afterwards, no further options will be granted or accepted but the provisions of the 2016 Share Option Scheme shall remain in full force and effect in all other respects.

At the 2023 AGM, an ordinary resolution was passed and a new share option scheme (the “2023 Share Option Scheme”) was adopted by the shareholders of the Company on 7 September 2023 (the “Adoption Date”). The principal terms of the 2023 Share Option Scheme were set out in the Company’s circular dated 21 July 2023 and the supplemental circular dated 23 August 2023.

Throughout the Current Period and as of 1 April 2023 and 31 September 2023, (i) there were no participants who had been granted or were to be granted options under the 2016 Share Option Scheme and the 2023 Share Option Scheme that excess of the 1% individual limit; and (ii) no related entity participants or service providers had been granted or were to be granted options in any 12-month period that exceeded 0.1% of the relevant class of shares in issue.

No share option was granted, exercised, cancelled/lapsed pursuant to the 2016 Share Option Scheme and no share option have been granted, exercised, cancelled/lapsed under the 2023 Share Option Scheme since the Adoption Date, further details are disclosed in note 19 to the condensed consolidated financial statements.

The number of share options available for grant under the 2016 Share Option Scheme as at 1 April 2023 was 28,400 Shares and such share option scheme was terminated on 7 September 2023. The number of share options available for grant under the 2023 Share Option Scheme as at 30 September 2023 was 3,809,400 Shares.

As at 1 April 2023 and 30 September 2023, the number of Shares which may be issued in respect of options granted under all schemes of the Company in aggregate were 34,947,000 Shares, representing 9.02% of the issued Shares as at the date of this report. The number of Shares that may be issued in respect of options granted under all schemes of the Company during the Current Period divided by the weighted average number of Shares of the relevant class in issue for the Current Period was 0.09%.



Corporate Governance and Other Information (Continued)

Details of the movements of share options granted, exercised or cancelled/lapsed during the Current Period and outstanding under the 2016 Share Option Scheme as at 30 September 2023 are as follows:

Category of eligible participants	Number of share options				At 30 September 2023	Date of grant <sup>(1)</sup>	Exercisable period (both dates inclusive)	Exercise price per Share (HK\$)
	At 1 April 2023	Granted during the Current Period	Exercised during the Current Period	Cancelled/Lapsed during the Current Period				
<b>Directors</b>								
Mr. Hu Yangjun	387,000	-	-	-	387,000	15 December 2022	15 December 2022 to 14 December 2032	0.574 <sup>(2)</sup>
Mr. Wu Hao	3,800,000	-	-	-	3,800,000	15 December 2022	15 December 2022 to 14 December 2032	0.574 <sup>(2)</sup>
Mr. Chan Wing Yuen, Hubert	3,800,000	-	-	-	3,800,000	15 December 2022	15 December 2022 to 14 December 2032	0.574 <sup>(2)</sup>
Mr. Zhang Bing	3,800,000	-	-	-	3,800,000	15 December 2022	15 December 2022 to 14 December 2032	0.574 <sup>(2)</sup>
Mr. Li Wei Qi, Jacky	330,000	-	-	-	330,000	19 October 2018	1 January 2019 to 18 October 2028	0.636 <sup>(3)</sup>
	1,200,000	-	-	-	1,200,000	15 December 2022	15 December 2022 to 14 December 2032	0.574 <sup>(2)</sup>
Mr. Jin Qingjun	330,000	-	-	-	330,000	19 October 2018	1 January 2019 to 18 October 2028	0.636 <sup>(3)</sup>
	<b>13,647,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,647,000</b>			
<b>Five highest paid individuals (excluding Directors)<sup>(3)</sup></b>								
In aggregate	500,000	-	-	-	500,000	19 October 2018	1 January 2019 to 18 October 2028	0.636 <sup>(3)</sup>
	<b>500,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>500,000</b>			
<b>Employees</b>								
in aggregate	4,000,000	-	-	-	4,000,000	23 September 2021	23 September 2021 to 22 September 2031	1.12 <sup>(4)</sup>
	16,800,000 <sup>(5)</sup>	-	-	-	16,800,000	15 December 2022	15 December 2022 to 14 December 2032	0.574 <sup>(2)</sup>
	<b>20,800,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,800,000</b>			
<b>Total all categories</b>	<b>34,947,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34,947,000</b>			

Notes:

- (1) The vesting period of the share options is from the date of grant until the commencement of the exercise period.
- (2) The weighted average closing price of the Shares immediately before the grant dates of the share options was HK\$0.574 per Share. The closing price of the Shares immediately before the date on which the options were granted was HK\$0.520 per Share.
- (3) The weighted average closing price of the Shares immediately before the grant dates of the share options was HK\$0.636 per Share. The closing price of the Shares immediately before the date on which the options were granted was HK\$0.610 per Share.

- (4) The weighted average closing price of the Shares immediately before the grant dates of the share options was HK\$1.088 per share. The closing price of the Shares immediately before the date on which the options were granted was HK\$1.12 per share.
- (5) The five highest paid individuals for the Current Period included one employee who did not have outstanding share option and three existing Directors whose options are disclosed above.
- (6) The number of employees' outstanding share options during the Current Period included 3,800,000 share options held by one of the five highest paid individuals for the year ended 31 March 2023 who was not the five highest paid individuals for the Current Period.

## 2016 Share Option Scheme

A summary of the principal terms of the 2016 Share Option Scheme is set out as follows:

### (1) Purpose of the 2016 Share Option Scheme

The purpose of the 2016 Share Option Scheme was to facilitate the retention and the recruitment of high-calibre staff of the Group and/or any entities in which the Group holds any equity interests (if applicable) and attract resources that are valuable to the Group or those invested entities to the benefit of the Company's future business development.

### (2) Participants of the 2016 Share Option Scheme

The participants of the 2016 Share Option Scheme included any employee (whether full-time or part time including any executive Director), officer (including any non-executive Director and independent non-executive Director) and substantial shareholder, consultant, agent, adviser, customer, business partner, joint venture partner, strategic partner, landlord or tenant of, or any supplier or provider of goods or services to, any member of or any invested entity of the Group, or any trustee(s) of a discretionary trust of which one or more beneficiaries belong to any of the above mentioned category(ies) of persons, or any other person who the Board considers, in its sole discretion, has contributed or will contribute to the Group (the "2016 Scheme Eligible Participant").

### (3) Maximum number of Shares

The maximum number of Shares which may be issued upon exercise of all share options could be granted under the 2016 Share Option Scheme and any other share option scheme adopted by the Company shall not in aggregate exceed 10% limit, unless with the prior approval from the shareholders of the Company. There was no service provider sublimit adopted under the 2016 Share Option Scheme.

The total number of the Shares available for issue in respect of all options granted and vested under the 2016 Share Option Scheme were 34,947,000 Shares, representing 9.02% of the issued Shares as at the date of this report.

### (4) Maximum entitlement of each 2016 Scheme Eligible Participant

The maximum number of Shares issued and to be issued upon exercise of the options granted to each participant under the 2016 Share Option Scheme and any other share option scheme adopted by the Company in any 12-month period must not exceed 1% of the Shares in issue as at the date of grant unless otherwise approved by the shareholders of the Company.

**(5) Period within which the securities must be taken up under the 2016 Share Option**

Subject to the terms of the 2016 Share Option Scheme, there was no minimum period for which an option granted must be held before it can be exercised. In respect of any particular option, the options can be vested at any time after the expiry of a period which may be determined by the Board from the date of grant of the relevant option, provided that such period of time did not exceed a period of ten years commencing on the date on which the share option was granted. There was no specific vesting period for the options granted prescribed in the 2016 Share Option Scheme.

**(6) Amount payable on acceptance of option offer**

Options granted must be taken up by the 2016 Scheme Eligible Participant within 28 days from the date of offer, upon payment of HK\$10 by way of consideration for the grant.

**(7) Basis of determining the subscription price**

The exercise price per Share under the 2016 Share Option Scheme is determined by the Board and notified to the 2016 Scheme Eligible Participant at the time the grant of the options is made to (and subject to acceptance by) the 2016 Scheme Eligible Participant and will be at least the highest of: (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the date of the grant (subject to acceptance) of the option, which must be a business day; (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the grant (subject to acceptance) of the option; and (c) the nominal value of the Shares.

**(8) Termination of the 2016 Share Option Scheme**

The 2016 Share Option Scheme had a life of 10 years and was terminated on 7 September 2023 in the 2023 AGM. No further options will be granted under the 2016 Share Option Scheme after its termination. In respect of all options which remained exercisable on such date, the provisions of the 2016 Share Option Scheme remained in full force and effect.

## 2023 Share Option Scheme

A summary of the principal terms of the 2023 Share Option Scheme is set out as follows:

**(1) Purpose of the 2023 Share Option Scheme**

The purpose of the 2023 Share Option Scheme is to recognize and acknowledge the contributions or potential contributions made or to be made by the 2023 Scheme Eligible Participants (as defined below) to the Group and/or, to motivate the 2023 Scheme Eligible Participants to optimize their performance and efficiency for the benefit of the Group, and to maintain or attract business relationship with the 2023 Scheme Eligible Participants whose contributions are or may be beneficial to the growth of the Group.

**(2) Participants of the 2023 Share Option Scheme**

The participants of the 2023 Share Option Scheme include any employee and any Director (including executive, non-executive and independent non-executive Directors) (both collectively, the "Employee Participant(s)") and any employees and the directors of the holding companies, fellow subsidiaries or associated companies of the Company (both collectively, the "Related Entity Participant(s)").

**(3) Maximum number of Shares**

The maximum number of Shares which may be issued upon exercise of all share options granted and to be granted under the 2023 Share Option Scheme and any other schemes adopted by the Company must not in aggregate exceed 10% of the Shares as at the Adoption Date (the “Scheme Mandate Limit”), unless approval has been obtained from the shareholders of the Company. There was no service provider sublimit adopted under the 2023 Share Option Scheme.

No share option has been granted under 2023 Share Options Scheme since the Adoption Date and as at the date of this report.

**(4) Maximum entitlement of each 2023 Scheme Eligible Participant**

The maximum number of Shares issued and to be issued upon exercise of the options granted to each participant under the 2023 Share Option Scheme and any other share option scheme adopted by the Company in any 12-month period must not exceed 1% of the Shares in issue as at the date of grant unless otherwise approved by the shareholders of the Company.

Where any grant of options to a substantial shareholder, an independent non-executive Director, or any of their respective associates would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted to such person in any 12-month period up to and including the date of the grant representing in aggregate over 0.1% of the total number of Shares in issue then such grant of option shall be subject to prior approval of the shareholders of the Company who are not a grantee, his associates, or any connected person of the Company as defined in the Listing Rules.

**(5) Period within which the securities must be taken up under the 2023 Share Option**

The period within which the 2023 Share Options must be exercised will be specified by the Company at the time of grant, provided that such period of time shall not exceed a period of ten years commencing on the date on which the 2023 Share Option is deemed to be granted and accepted. Under the 2023 Share Option Scheme, the vesting period of the options granted to any 2023 Share Scheme Participant shall not be less than 12 months, unless otherwise determined by the Board and prescribed in the 2023 Share Option Scheme.

**(6) Amount payable on acceptance of Share Option offer**

HK\$10.00 is payable by the 2023 Scheme Eligible Participant of the 2023 Share Option Scheme to the Company upon acceptance of the share option offered as consideration for the grant.

**(7) Basis of determining the exercise price**

The exercise price per Share under the 2023 Share Option Scheme is determined by the Board and notified to the 2023 Scheme Eligible Participant at the time the grant of the options is made to (and subject to acceptance by) the 2023 Scheme Eligible Participant and will be at least the highest of: (a) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets on the date of the grant (subject to acceptance) of the option, which must be a business day; (b) the average closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets for the five business days immediately preceding the date of the grant (subject to acceptance) of the option; and (c) the nominal value of the Shares.



#### **(8) Remaining life of the 2023 Share Option Scheme**

The 2023 Share Option Scheme has a life of 10 years and will remain valid until 7 September 2033 after which no further share options shall be granted or accepted under the 2023 Share Option Scheme. However, the provisions of the 2023 Share Option Scheme shall in all other respects remain in full force and effect.

### **Convertible Bonds**

The Company issued the 3-year convertible bonds in the aggregate principal amount of HK\$52,000,000 with 0% interest per annum to Mr. Zhang Bing, an executive Director, on 5 December 2022, which upon exercise of the conversion rights attached to the convertible bonds in full, the convertible bonds are convertible into 70,270,270 Shares at conversion price of HK\$0.74 per conversion share (subject to adjustment). Save as disclosed above, there were no other convertible bonds issued by the Company during the Current Period.

As at 30 September 2023, no convertible bonds were converted into Shares by Mr. Zhang Bing.

### **Equity-Linked Agreement**

Save as disclosed in the section headed “Share Option Scheme” and “Convertible Bonds” above, no equity-linked agreements that will or may result in the Company issuing Shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company during the Current Period or subsisted at the said period.

## **CORPORATE GOVERNANCE PRACTICES**

The Board and the management of the Company are committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize effective internal control, accountability and transparency of the Board and are adopted in the best interest of the Company and its shareholders.

Accordingly, the Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the “CG Code”) contained in Appendix 14 to the Listing Rules.

The Company has applied the principles and complied with all the applicable code provisions set out in the CG Code throughout the Current Period.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, they confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 September 2023.

## **UPDATE ON DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES**

Upon specific enquiry by the Company and following confirmations from the Directors, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the Company's last published annual report.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES**

Save as disclosed in this report, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed shares during the six months ended 30 September 2023.

## **REVIEW BY AUDIT COMMITTEE AND INDEPENDENT EXTERNAL AUDITOR**

The Company has established the audit committee of the Company (the "Audit Committee") with written terms of reference in compliance with the code provisions under the CG Code. The primary duty of the Audit Committee is to review and supervise the financial reporting process, risk management and internal control systems of the Group. As at the date of this report, the Audit Committee comprises three independent non-executive Directors, namely Ms. Zhong Yingjie, Christina (Chairman), Mr. Jin Qingjun and Ms. Sun Ivy Connie. The Audit Committee has reviewed the accounting standards and practices adopted by the Group and discussed with the management the internal control and financial reporting matters, including the review of the unaudited interim results for the six months ended 30 September 2023. The Group's external auditor, Deloitte Touche Tohmatsu, has been appointed to review the interim financial information. On the basis of their review, they are not aware of any material modifications that should be made to the interim financial information for the six months ended 30 September 2023.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed percentage of public float under the Listing Rules.

## **APPRECIATION**

Our Board would like to take this opportunity to express its gratitude to our shareholders, our business associates and all our employees for their continuous support.

On behalf of the Board

**Wu Hao**

*Chairman and Executive Director*

Hong Kong, 23 November 2023

# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**Deloitte.**

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**TO THE BOARD OF DIRECTORS OF  
CENTRAL DEVELOPMENT HOLDINGS LIMITED**

中發展控股有限公司

*(Incorporated in Cayman Islands with limited liability)*

## Introduction

We have reviewed the condensed consolidated financial statements of Central Development Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 23 to 48, which comprise the condensed consolidated statement of financial position as of 30 September 2023 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

**Deloitte Touche Tohmatsu**

Certified Public Accountants

Hong Kong

23 November 2023

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

For the six months ended 30 September 2023

	NOTES	Six months ended 30 September	
		2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Revenue	3	90,717	135,631
Cost of sales		(87,178)	(133,708)
Gross profit		3,539	1,923
Other income	5	2,645	3,024
Other gains and losses, net	6	478	3,727
Impairment losses under expected credit loss model, net of reversal		-	(587)
Selling and distribution costs		(1,206)	(1,067)
Administrative expenses		(10,661)	(9,609)
Finance costs	7	(6,050)	(3,065)
Share of result of associate company		(378)	-
Loss before taxation		(11,633)	(5,654)
Income tax expense	8	(455)	(1,378)
Loss for the period	9	(12,088)	(7,032)
<b>Other comprehensive expense for the period</b>			
<b>Item that will not be reclassified to profit or loss:</b>			
Exchange differences arising on translation to presentation currency		(4,797)	(6,580)
Total comprehensive expense for the period		(16,885)	(13,612)
Loss for the period attributable to:			
- Owners of the Company		(11,908)	(5,614)
- Non-controlling interests		(180)	(1,418)
		(12,088)	(7,032)
Total comprehensive expense attributable to:			
- Owners of the Company		(15,686)	(8,289)
- Non-controlling interests		(1,199)	(5,323)
		(16,885)	(13,612)
Loss per share	10		
Basic (HK cents)		(3.07)	(1.45)
Diluted (HK cents)		(3.07)	(1.45)



# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2023

	NOTES	At 30 September 2023 HK\$'000 (unaudited)	At 31 March 2023 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	12	16,807	18,418
Right-of-use assets	12	9,235	7,407
Investment properties	12	85,118	88,617
Intangible assets		47,052	50,132
Interest in an associate		51,197	54,002
Rental deposits		231	–
		<b>209,640</b>	218,576
Current assets			
Inventories		2,566	2,427
Trade receivables	13	7,290	2,181
Other receivables, deposits and prepayments	13	20,440	19,709
Bank balances and cash		19,419	13,122
		<b>49,715</b>	37,439
Current liabilities			
Trade payables	14	6,237	1,665
Other payables and accruals	14	29,655	25,019
Due to a shareholder	15	22	–
Bank borrowing	16	2,692	2,724
Lease liabilities		824	195
		<b>39,430</b>	29,603
Net current assets		<b>10,285</b>	7,836
Total assets less current liabilities		<b>219,925</b>	226,412

## Condensed Consolidated Statement of Financial Position (Continued)

	NOTES	At 30 September 2023 HK\$'000 (unaudited)	At 31 March 2023 HK\$'000 (audited)
<b>Non-current liabilities</b>			
Loans from a controlling shareholder and a shareholder	15	<b>105,838</b>	99,700
Deferred tax liabilities		<b>12,029</b>	12,123
Bank borrowing	16	<b>14,960</b>	17,099
Lease liabilities		<b>1,547</b>	24
Convertible bonds	17	<b>33,264</b>	30,053
Derivative financial instruments	17	<b>13,000</b>	13,000
		<b>180,638</b>	171,999
<b>Net assets</b>			
		<b>39,287</b>	54,413
<b>Capital and reserves</b>			
Share capital	18	<b>3,876</b>	3,876
Reserves		<b>12,057</b>	25,984
<b>Equity attributable to owners of the Company</b>			
		<b>15,933</b>	29,860
<b>Non-controlling interests</b>			
		<b>23,354</b>	24,553
<b>Total equity</b>			
		<b>39,287</b>	54,413

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2023

	Attributable to owners of the Company							Total	Non-controlling interests	Total equity
	Share capital	Share premium	Share options reserve	Property revaluation reserve	Exchange reserve	Shareholders' contribution reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1 April 2023 (audited)	3,876	213,132	8,485	19,547	7,551	32,447	(255,178)	29,860	24,553	54,413
Loss for the period	-	-	-	-	-	-	(11,908)	(11,908)	(180)	(12,088)
Other comprehensive expense for the period	-	-	-	-	(3,778)	-	-	(3,778)	(1,019)	(4,797)
Total comprehensive expense for the period	-	-	-	-	(3,778)	-	(11,908)	(15,686)	(1,199)	(16,885)
Deemed capital contribution from a controlling shareholder (Note 15)	-	-	-	-	-	2,256	-	2,256	-	2,256
Deemed capital distribution to a controlling shareholder upon modification of loans (Note 15)	-	-	-	-	-	(497)	-	(497)	-	(497)
At 30 September 2023 (unaudited)	3,876	213,132	8,485	19,547	3,773	34,206	(267,086)	15,933	23,354	39,287
1 April 2022 (audited)	3,876	213,132	2,544	19,547	7,805	20,642	(243,350)	24,196	30,721	54,917
Loss for the period	-	-	-	-	-	-	(5,614)	(5,614)	(1,418)	(7,032)
Other comprehensive expense for the period	-	-	-	-	(2,675)	-	-	(2,675)	(3,905)	(6,580)
Total comprehensive expense for the period	-	-	-	-	(2,675)	-	(5,614)	(8,289)	(5,323)	(13,612)
Deemed capital contribution from a controlling shareholder (Note 15)	-	-	-	-	-	2,059	-	2,059	-	2,059
Deemed capital contribution from a controlling shareholder upon modification of loans (Note 15)	-	-	-	-	-	5,893	-	5,893	-	5,893
Changes in the Group's interest in a subsidiary	-	-	-	-	-	-	(22)	(22)	22	-
At 30 September 2022 (unaudited)	3,876	213,132	2,544	19,547	5,130	28,594	(248,986)	23,837	25,420	49,257

Note: The shareholders' contribution reserve represents adjustments of interest-free loans granted by a controlling shareholder and a shareholder of Central Development Holdings Limited (the "Company") to the Company and certain of its subsidiaries.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2023

	Six months ended 30 September	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
<b>OPERATING ACTIVITIES</b>		
Loss before taxation	(11,633)	(5,654)
Adjustments for:		
Interest income	(13)	(24)
Finance costs	6,050	3,065
Depreciation of property, plant and equipment	861	854
Depreciation of right-of-use assets	261	594
Amortisation of intangible assets	844	898
Gain on fair value changes of investment properties	(478)	(4,089)
Share of result of an associate	378	–
Write-down of inventories	674	2,187
Loss on early termination of a lease	–	362
Impairment losses under expected credit loss model, net of reversal	–	587
Operating cash flows before movements in working capital	(3,056)	(1,220)
Other working capital items	2,430	1,896
<b>NET CASH (USED IN) FROM OPERATING ACTIVITIES</b>	<b>(626)</b>	<b>676</b>
<b>INVESTING ACTIVITIES</b>		
Interest received	13	24
Purchases of property, plant and equipment	(64)	(450)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(51)</b>	<b>(426)</b>
<b>FINANCING ACTIVITIES</b>		
Advances from a controlling shareholder	15,308	15,644
Repayments to a controlling shareholder	(5,524)	(11,976)
Repayments to a shareholder	–	(6)
Repayments of bank borrowing	(1,299)	(1,289)
Repayments of leases liabilities	(225)	(1,375)
Interest paid	(536)	(757)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>7,724</b>	<b>241</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>7,047</b>	<b>491</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>13,122</b>	<b>20,091</b>
Effect of foreign exchange rate changes	(750)	(2,055)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>19,419</b>	<b>18,527</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION

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

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and derivative financial instruments in relation to convertible bonds, which are measured at fair value.

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

### Application of new and amendments to HKFRSs

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

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform - Pillar Two Model Rules

The application of the new and amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

### 3. REVENUE

#### (i) Disaggregation of revenue from contracts with customers

	Six months ended 30 September	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Revenue from sales of goods:		
Jewelry products	8,321	16,651
Solar energy products	–	63
Refined oil	31,878	17,837
Liquefied natural gas (“LNG”)	50,518	101,080
Total revenue	90,717	135,631
Timing of revenue recognition:		
A point in time	90,717	135,631

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

For six months ended 30 September 2023 (unaudited)

	Jewelry business HK\$'000	Energy business HK\$'000	Total HK\$'000
Sales of jewelry products	8,321	–	8,321
Sales of refined oil	–	31,878	31,878
Sales of LNG	–	50,518	50,518
	8,321	82,396	90,717



### 3. REVENUE (Continued)

#### (i) Disaggregation of revenue from contracts with customer (Continued)

For six months ended 30 September 2022 (unaudited)

	Jewelry business HK\$'000	Energy business HK\$'000	Total HK\$'000
Sales of jewelry products	16,651	–	16,651
Sales of solar energy products	–	63	63
Sales of refined oil	–	17,837	17,837
Sales of LNG	–	101,080	101,080
	16,651	118,980	135,631

#### (ii) Performance obligations for contracts with customers

##### (a) Sales of jewelry products, solar energy products and LNG

The Group recognises revenue from the sales of jewelry products, solar energy products and LNG when the performance obligations are satisfied which refers to delivery of goods to the customers, at this point, the Group has no unfulfilled obligation that could affect the customers' acceptance of the products. Performance obligations are satisfied at a point in time once control of the goods has been transferred to the customers. The customers have obtained control on the goods through their ability to direct the use of and obtain substantially all the benefits from the goods, and, at the same time, the customers have accepted the risks of obsolescence and loss of the products. Revenue from sales of jewelry products, solar energy products and LNG is recognised based on the price specified in the contracts with customers. No element of financing is deemed present as the sales are made with an average credit term of 5 to 365 days.

The Group has no particular policy on the amounts received prior to the delivery of jewelry products, solar energy products and LNG and it is negotiated with customers on contract by contract basis. The advance payments received from customers are recognised as contract liabilities throughout the period before the control of the goods is transferred to customers.

##### (b) Sales of refined oil

The Group recognised revenue from sales of refined oil when control of refined oil has transferred, being at the point the customer purchases the refined oil at filling station. Payment of the transaction price is due immediately at the point the customer purchases the goods.

### 3. REVENUE (Continued)

#### (iii) Transaction price allocated to the remaining performance obligation for contracts with customers

All transactions in respect of sales of goods take place within a year and, thus, the transaction prices allocated to the unsatisfied contracts are not disclosed according to the practical expedient of HKFRS 15 “Revenue from Contracts with Customers”.

### 4. SEGMENT INFORMATION

Information is regularly reviewed by the chief operating decision maker (the “CODM”), represented by the executive directors of the Company, for the purpose of allocating resources to segments and assessing their performance focusing on nature of the Group’s businesses and operations. The Group’s operating and reportable segments are therefore as follows:

- (i) Jewelry business (wholesale of jewelry products); and
- (ii) Energy business including i) manufacture and sales of solar cooling intelligent technology products using thermal cooling-stored pipes and sales of solar photovoltaic modules and components (which are collectively referred to as solar energy products); ii) sales of refined oil; and iii) sales of LNG.

The accounting policies of the operating and reportable segments are the same as the Group’s accounting policies described in the Group’s annual consolidated financial statements for year ended 31 March 2023. Segment results represent the profit or loss by each segment without allocation of gain on fair value changes of investment properties, unallocated corporate expenses which include central administration costs and directors’ remuneration at the head office, unallocated corporate income which includes rental income, interest income, government grants and sundry income and unallocated finance costs which include certain interest on lease liabilities and imputed interest on loans from a controlling shareholder and a shareholder. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

## 4. SEGMENT INFORMATION (Continued)

### Segment revenue and results

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

For six months ended 30 September 2023 (unaudited)

	<b>Jewelry business HK\$'000</b>	<b>Energy business HK\$'000</b>	<b>Total HK\$'000</b>
Revenue	8,321	82,396	90,717
Segment loss	(85)	(6,905)	(6,990)
Unallocated corporate other gains			478
Unallocated corporate income			2,645
Unallocated corporate expenses			(5,441)
Finance costs			(2,325)
Loss before taxation			<b>(11,633)</b>

For six months ended 30 September 2022 (unaudited)

	Jewelry business HK\$'000	Energy business HK\$'000	Total HK\$'000
Revenue	16,651	118,980	135,631
Segment profit (loss)	212	(5,649)	(5,437)
Unallocated corporate other gains			4,089
Unallocated corporate income			3,024
Unallocated corporate expenses			(4,936)
Finance costs			(2,394)
Loss before taxation			<b>(5,654)</b>

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during both periods.

## 4. SEGMENT INFORMATION (Continued)

### Segment assets and liabilities

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

	At 30 September 2023 HK\$'000 (unaudited)	At 31 March 2023 HK\$'000 (audited)
Jewelry business	6,338	1,554
Energy business	145,576	152,450
<b>Total segment assets</b>	<b>151,914</b>	154,004
Bank balances and cash	19,419	13,122
Other unallocated assets	88,022	88,889
<b>Consolidated assets</b>	<b>259,355</b>	256,015
Jewelry business	6,038	1,482
Energy business	88,903	84,242
<b>Total segment liabilities</b>	<b>94,941</b>	85,724
Due to a shareholder and loans from a controlling shareholder and a shareholder	105,860	99,700
Other unallocated liabilities	19,267	16,178
<b>Consolidated liabilities</b>	<b>220,068</b>	201,602

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than certain property, plant and equipment, certain rental deposits, certain right-of-use assets, certain other receivables, deposits and prepayments, investment properties and bank balances and cash.
- all liabilities are allocated to reportable segments other than certain other payables and accruals, certain lease liabilities, due to a shareholder, loans from a controlling shareholder and a shareholder and deferred tax liabilities.

## 4. SEGMENT INFORMATION (Continued)

### Geographical information

The Group's operations are mainly carried out in the People's Republic of China ("the PRC"), the country of domicile, and Hong Kong.

The revenue of the Group is mainly derived from external customers located in the PRC and Hong Kong.

The Group's revenue from external customers based on the location of customers are set out below:

	<b>Six months ended 30 September</b>	
	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
The PRC	<b>85,735</b>	124,483
Hong Kong	<b>4,982</b>	11,148
	<b>90,717</b>	135,631

Information about the Group's non-current assets (excluding rental deposits) based on the geographical location of the assets is set out below:

	<b>At</b>	At
	<b>30 September</b>	31 March
	<b>2023</b>	2023
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
The PRC	<b>207,108</b>	218,558
Hong Kong	<b>2,301</b>	18
	<b>209,409</b>	218,576

## 5. OTHER INCOME

	Six months ended 30 September	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Interest income	13	24
Rental income	2,632	2,783
Government grants ( <i>note</i> )	–	119
Others	–	98
	<b>2,645</b>	3,024

*Note:* During the six months ended 30 September 2022, the Group received and recognised government grants of HK\$119,000 related to Employment Support Scheme provided by the Hong Kong Government.

## 6. OTHER GAINS AND LOSSES, NET

	Six months ended 30 September	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Gain on fair value changes of investment properties	478	4,089
Loss on early termination of a lease	–	(362)
	<b>478</b>	3,727

## 7. FINANCE COSTS

	Six months ended 30 September	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Interest on bank borrowing	512	648
Interest on lease liabilities	24	109
Interest on convertible bonds ( <i>note 17</i> )	3,211	–
Imputed interest on loans from a controlling shareholder and a shareholder	2,303	2,308
	<b>6,050</b>	3,065



## 8. INCOME TAX EXPENSE

Income tax expense in the condensed consolidated statement of profit or loss and other comprehensive income represents:

	<b>Six months ended 30 September</b>	
	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
PRC Enterprise Income Tax	–	(2)
Deferred tax	<b>(455)</b>	(1,376)
Income tax expense for the period	<b>(455)</b>	(1,378)

No provision for Hong Kong Profits Tax has been made for both periods, either due to tax losses incurred by the subsidiaries operating in Hong Kong or their assessable profits being wholly absorbed by tax losses carried forward from previous years.

Under the law of the PRC on Enterprise Income Tax (the “EIT Law”) and the Implementation Regulation of the EIT Law, the tax rate applied to the PRC subsidiaries is 25% for both periods.

## 9. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

	<b>Six months ended 30 September</b>	
	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Depreciation of property, plant and equipment	<b>861</b>	854
Depreciation of right-of-use assets	<b>261</b>	594
Amortisation of intangible assets	<b>844</b>	898
Cost of inventories recognised as an expense (including write-down of inventories amounting to HK\$674,000 (for the six months ended 30 September 2022: HK\$2,187,000))	<b>87,178</b>	133,708
Staff costs (including directors' remuneration)	<b>4,680</b>	4,244

## 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:

	<b>Six months ended 30 September</b>	
	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Loss for the purposes of calculating basic and diluted loss per share:		
Loss for the period attributable to owners of the Company	<b>(11,908)</b>	(5,614)
	<b>'000</b>	'000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<b>387,564</b>	387,564

The computation of diluted loss per share for the six months ended 30 September 2023 does not assume the effect of conversion of the Company's convertible bonds since the conversion would result in an anti-dilutive effect on loss per share.

For the six months ended 30 September 2023 and 2022, the computation of diluted loss per share did not assume the exercise of share options because their exercise price is higher than the average share price.

## 11. DIVIDENDS

No dividend was paid or proposed during the current interim period (six months ended 30 September 2022: Nil), nor has any dividend been proposed since the end of the reporting period.

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

During the six months ended 30 September 2023, the Group acquired property, plant and equipment of HK\$64,000 (six months ended 30 September 2022: HK\$450,000).

During the six months ended 30 September 2023, the Group renewed a lease agreement with lease term of 3 years. On the date of lease commencement, the Group recognised right-of-use assets of HK\$2,421,000 (including fair value adjustments to a rental deposit) and lease liabilities of HK\$2,379,000.

During the six months ended 30 September 2022, the Group early terminated a lease agreement with a remaining lease term of less than one year and derecognised right-of-use assets of HK\$615,000 and lease liabilities of HK\$544,000, resulting in a loss on early termination of a lease of HK\$362,000 (including forfeiture of a rental deposit of HK\$291,000).

The fair value of the Group's investment properties as at 30 September 2023 and 31 March 2023 have been arrived at on the basis of valuation carried out by Valplus Consulting Limited ("Valplus"), an independent qualified professional valuer not connected to the Group. In estimating the fair value of the properties, the highest and best use of the properties is their current use. The fair values are arrived at by using income approach which capitalises the net rental income derived from the existing lease and/or achievable in the existing market with due allowance for the reversionary income potential of the lease, which has been then capitalised to determine the market value at an appropriate capitalisation rate. The management of the Group works closely with Valplus to establish and determine the appropriate valuation inputs for fair value measurements, by using input of capitalisation rate at approximately 7% (31 March 2023: approximately 7%) derived from market rent.

## 13. TRADE RECEIVABLES AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

### Trade receivables

	At 30 September 2023 HK\$'000 (unaudited)	At 31 March 2023 HK\$'000 (audited)
Trade receivables from contracts with customers	7,899	2,819
Less: Allowance for credit losses	(609)	(638)
	<b>7,290</b>	2,181

## 13. TRADE RECEIVABLES AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

### Trade receivables (Continued)

The Group allows an average credit period ranging from 30 to 180 days to its customers of jewelry business and average credit period ranging from 5 to 365 days to its customers of energy business. The following is an ageing analysis of trade receivables, net of allowance for credit losses, presented based on the invoice date at the end of reporting period:

	At 30 September 2023 HK\$'000 (unaudited)	At 31 March 2023 HK\$'000 (audited)
Within 30 days	1,386	2,181
31 to 90 days	4,482	–
91 to 180 days	650	–
Over 180 days	772	–
	<b>7,290</b>	2,181

As at 30 September 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$1,422,000 (31 March 2023: nil) which are past due but are not considered in default as at the reporting date as there has not been a significant change in credit quality of these trade receivables.

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 September 2023 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 March 2023.

### Other receivables, deposits and prepayments

	At 30 September 2023 HK\$'000 (unaudited)	At 31 March 2023 HK\$'000 (audited)
Other receivables	3,473	2,810
Deposit paid for purchasing LNG	12,002	11,423
Other deposits	2,140	399
Prepayments	2,825	5,077
	<b>20,440</b>	19,709

## 14. TRADE AND OTHER PAYABLES AND ACCRUALS

### Trade payables

The following is an ageing analysis of trade payables presented based on the invoice date at the end of reporting period:

	At 30 September 2023 HK\$'000 (unaudited)	At 31 March 2023 HK\$'000 (audited)
Within 30 days	1,060	1,442
31 to 90 days	4,295	–
91 to 180 days	602	–
Over 180 days	280	223
	<b>6,237</b>	1,665

The average credit period on purchase of goods is 365 days.

### Other payables and accruals

	At 30 September 2023 HK\$'000 (unaudited)	At 31 March 2023 HK\$'000 (audited)
Other payables	9,788	6,718
Refundable deposit to a supplier	14,566	15,250
Accruals	5,301	3,051
	<b>29,655</b>	25,019

## 15. DUE TO A SHAREHOLDER AND LOANS FROM A CONTROLLING SHAREHOLDER AND A SHAREHOLDER

### Due to a shareholder

The amount due to a shareholder is unsecured, interest-free and repayable on demand.

### Loans from a controlling shareholder and a shareholder

	At 30 September 2023 HK\$'000 (unaudited)	At 31 March 2023 HK\$'000 (audited)
Loans from a controlling shareholder	102,049	95,910
Loans from a shareholder	3,789	3,790
	<b>105,838</b>	99,700

As at 30 September 2023, the loans from a controlling shareholder and a shareholder were classified as non-current liabilities, and were unsecured, interest-free and repayable for the period from March 2025 to March 2027 (31 March 2023: classified as non-current liabilities, and were unsecured, interest-free and repayable for the period from March 2025 to September 2026).

At inception of new loans from a controlling shareholder, early repayment of certain loans from a controlling shareholder and extension of repayment dates of certain loans from a controlling shareholder, adjustments to these loans amounting to HK\$2,256,000, HK\$497,000 and nil, respectively (six months ended 30 September 2022: HK\$2,059,000, nil and HK\$5,893,000 respectively), were debited or credited to a reserve under the heading of "shareholder's contribution reserve" in the Group's condensed consolidated statement of changes in equity.

There was no addition to, repayment of and modification of loans from a shareholder during both periods.



## 16. BANK BORROWING

	At 30 September 2023 HK\$'000 (unaudited)	At 31 March 2023 HK\$'000 (audited)
Secured bank borrowing repayable:		
Within one year	2,692	2,724
Within a period of more than one year but not exceeding two years	2,841	2,887
Within a period of more than two years but not exceeding five years	9,496	9,650
Within a period of more than five years	2,623	4,562
	<b>17,652</b>	19,823
Less: Amount due for settlement within 12 months shown under current liabilities	<b>(2,692)</b>	(2,724)
	<b>14,960</b>	17,099

The bank borrowing bore interest at floating rate and carried interest at 5.40% (31 March 2023: 5.65%) per annum as at 30 September 2023.

As at 30 September 2023, the Group pledged certain property, plant and equipment, investment properties and right-of-use assets with an aggregate carrying amount of HK\$93,656,000 (31 March 2023: HK\$97,743,000) to the bank as the collateral for the bank borrowing.

## 17. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL INSTRUMENTS

The Company issued convertible bonds with a principal amount of HK\$52,000,000 on 5 December 2022 for the acquisition of the Group's associate, which principally holds 50% equity interest of Anhui Huagang Bochen New Energy Co., Ltd. (安徽華港博臣新能源有限公司) ("Anhui Huagang"). The convertible bonds are denominated in Hong Kong dollars (other than the Group's functional currency), unsecured and interest-free. The holder of the convertible bonds will have the right to convert the whole or part of the principal amount of the convertible bond (in integral multiple of HK\$1 million or such lesser amount representing the entire outstanding principal amount of the convertible bond) into the ordinary shares of the Company at any time after Anhui Huagang has obtained the gas business license (the "Gas Business License"), on the date of the grant of the Gas Business License up to the close of business on the date falling 5 business days prior to the date falling on the third anniversary of the date of issuance of the convertible bonds (the "Maturity Date"), provided that such conversion would not render ordinary shares of the Company in the public hands being less than the minimum public float defined under Rule 8.08 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") or other relevant requirements under the Listing Rules and the holder of the convertible bonds shall not exercise any conversion right unless it provides evidence to the reasonable satisfaction of exercising the conversion right that the holder of the convertible bonds and persons acting in concert with it (as defined in the Hong Kong Code on Takeovers and Mergers ("Takeovers Code")) will not beneficially own 30% or more of the issued ordinary shares and/or voting rights of the Company immediately after the conversion and/or trigger any mandatory general offer obligations under the Takeovers Code. The directors of the Company determined that the chance for Anhui Huagang obtaining the Gas Business License is highly probable on 30 June 2024 and measured the convertible bonds and derivative financial instruments in relation thereto on the assumption that Anhui Huagang is able to obtain the Gas Business Licence on 30 June 2024.

## 17. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

The initial conversion price is HK\$0.74 per ordinary share of the Company (subject to adjustment for events which may have a diluting effect on the share capital of the Company or change the capital structure of the Company, such as consolidation, subdivision or reclassification of ordinary shares of the Company, capitalisation of profits and reserves, rights issue of ordinary shares of the Company or options over ordinary shares of the Company) and convertible bonds are convertible into 70,270,270 ordinary shares of the Company. Unless previously converted, purchased and cancelled, the Company shall pay the outstanding principal amount under the convertible bonds by cash on the Maturity Date, the Company may redeem the convertible bonds at any time and from time to time before the Maturity Date upon mutual agreement with the holder of the convertible bonds. Subject to all applicable laws and regulations and prior notification to the Company on the condition that no transfer and/or assignment shall take place before Anhui Huagang obtains the Gas Business License, the convertible bonds may be assigned or transferred in whole or in part of its principal amount outstanding (in integral multiple of HK\$1 million or such lesser amount representing the entire outstanding principal amount of the convertible bonds) to independent third parties, other than the connected person(s) of the Company. The convertible bonds are comprised of convertible bonds (debt component) and derivative financial instruments (derivative component including conversion and early redemption options). At initial recognition, both the convertible bonds and the derivative financial instruments are recognised at fair values amounting to HK\$28,000,000 and HK\$24,000,000 respectively. The convertible bonds are subsequently measured at amortised cost with effective interest rate of 22.9% per annum while the derivative financial instruments are measured at fair value with changes in fair value recognised in profit or loss.

The movement of the convertible bonds and derivative financial instruments for the six months ended 30 September 2023 (for the six months ended 30 September 2022: nil) are set out as below:

	<b>Convertible bonds</b> HK\$'000	<b>Derivative financial instruments</b> HK\$'000
As at 1 April 2023 (audited)	30,053	13,000
Interest on convertible bonds	3,211	–
As at 30 September 2023 (unaudited)	33,264	13,000

## 18. SHARE CAPITAL

	<b>Number of shares</b>	<b>Amount</b>
	'000	HK\$'000
Ordinary shares with nominal value of HK\$0.01 each		
Authorised:		
At 1 April 2022, 31 March 2023 and 30 September 2023	<b>10,000,000</b>	<b>100,000</b>
Issued and fully paid:		
At 1 April 2022, 31 March 2023 and 30 September 2023	<b>387,564</b>	<b>3,876</b>

## 19. SHARE OPTIONS SCHEME

The Company adopted a share option scheme on 9 September 2016 (the "2016 Share Option Scheme") for the purpose of recognising and acknowledging the contributions made by the participants to the Company, motivating the participants to optimise their performance and efficiency for the benefits of the Group and to maintain or attract business relationship with the participants whose contributions are beneficial to the growth of the Group.

The following table discloses details of the share options held by directors of the Company and eligible employees pursuant to the 2016 Share Option Scheme as at 30 September 2023 and movements in such holdings during the period.

## 19. SHARE OPTIONS SCHEME (Continued)

### (a) Share options granted on 19 October 2018

Grantee	Date of grant	Exercise price HK\$	Exercisable period	Number of share options		
				Outstanding at 1 April 2023	Forfeited during the period	Outstanding at 30 September 2023
Directors	19 October 2018	0.636	1 January 2019 to 18 October 2028	660,000	–	660,000
Employees	19 October 2018	0.636	1 January 2019 to 18 October 2028	500,000	–	500,000
				1,160,000	–	1,160,000
Exercisable at the beginning/end of the period				1,160,000		1,160,000
Weighted average exercise price				HK\$0.636		HK\$0.636

### (b) Share options granted on 23 September 2021

Grantee	Date of grant	Exercise price HK\$	Exercisable period	Number of share options		
				Outstanding at 1 April 2023	Forfeited during the period	Outstanding at 30 September 2023
Employees	23 September 2021	1.12	23 September 2021 to 22 September 2031	4,000,000	–	4,000,000
				4,000,000	–	4,000,000
Exercisable at the beginning/end of the period				4,000,000		4,000,000
Weighted average exercise price				HK\$1.12		HK\$1.12

## 19. SHARE OPTIONS SCHEME (Continued)

### (c) Share options granted on 15 December 2022

Grantee	Date of grant	Exercise price HK\$	Exercisable period	Number of share options		
				Outstanding at 1 April 2023	Forfeited during the period	Outstanding at 30 September 2023
Directors	15 December 2022	0.574	15 December 2022 to 14 December 2032	12,987,000	–	12,987,000
Employees	15 December 2022	0.574	15 December 2022 to 14 December 2032	16,800,000	–	16,800,000
				29,787,000	–	29,787,000
Exercisable at the beginning/end of the period				29,787,000		29,787,000
Weighted average exercise price				HK\$0.574		HK\$0.574

On 7 September 2023, the 2016 Share Option Scheme was terminated and a new share option scheme (the “2023 Share Option Scheme”) was adopted by the shareholders of the Company at the annual general meeting of the Company. In respect of all options which remained exercisable on such date, the provisions of the 2016 Share Option Scheme remained in full force and effect.

During the six months ended 30 September 2023, no share option was granted, exercised, cancelled/lapsed pursuant to the 2016 Share Option Scheme and no share option was granted, exercised, cancelled/lapsed pursuant to the 2023 Share Option Scheme.

## 20. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these condensed consolidated financial statements, the Group entered into the following related party transactions during both periods:

### Compensation of key management personnel

The remuneration of directors of the Company and other members of key management during the periods were as follows:

	<b>Six months ended 30 September</b>	
	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Short-term employee benefits	<b>1,189</b>	1,049
Post-employment benefit	<b>60</b>	61
	<b>1,249</b>	1,110

## 21. MAJOR NON-CASH TRANSACTIONS

- (a) During the six months ended 30 September 2023, the Group entered into a new lease agreement for the use of leased properties. On the lease commencement, the Company recognised rights-of-use assets and lease liabilities of HK\$2,421,000 (including fair value adjustment to a rental deposit) and lease liabilities of HK\$2,379,000 that is a non-cash transaction.

During the six months ended 30 September 2022, the Group early terminated a lease agreement and derecognised right-of-use assets of HK\$615,000 and lease liabilities of HK\$544,000, resulting in a loss on early termination of a lease of HK\$362,000 (including forfeiture of a rental deposit of HK\$291,000) that is a non-cash transaction.

- (b) During the six months ended 30 September 2023, the Group obtained new loans from a controlling shareholder and early repaid certain loans from a controlling shareholder that resulted in non-cash adjustments to these loans amounting to HK\$2,256,000 and HK\$497,000, respectively.

During the six months ended 30 September 2022, the Group obtained new loans from a controlling shareholder and repayment dates of its certain loans from a controlling shareholder were extended that resulted in non-cash adjustments to these loans amounting to HK\$2,059,000 and HK\$5,893,000, respectively.

## 22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

### Fair value of the Group's financial liabilities that are measured at fair value on a recurring basis

The Group's derivative financial instruments in relation to convertible bonds are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of the derivative financial instruments are determined (in particular, the valuation technique(s) and inputs used) used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	30 September 2023 HK\$'000 (unaudited)	31 March 2023 HK\$'000 (audited)			
Derivative financial instruments	<b>Liabilities - 13,000</b>	Liabilities - 13,000	Level 3	Binomial option pricing model	Expected volatility of 82.80% (31 March 2023: 88.04%) (Note)

Note: A slight increase in the expected volatility used in isolation would result in a significant increase in the fair value of the derivative financial instruments, and vice versa.

Reconciliation of Level 3 fair value measurement of the derivative financial instruments are presented in note 17.

The fair values of financial assets and liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.