



龍翼航空科技控股有限公司

MAJESTIC DRAGON AEROTECH HOLDINGS LIMITED

(formerly known as State Energy Group International Assets Holdings Limited)

(Incorporated in Bermuda with limited liability)

Stock Code : 918



2024

INTERIM REPORT

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CORPORATE INFORMATION

DIRECTORS

Executive Directors:

Mr. Zhang Jinbing (*Chairman*)
Mr. Yang Zeyun (Chief Executive Officer)
Mr. Wang Yuelai
Mr. Wang Jian

Independent Non-executive Directors:

Ms. Choi Ka Ying
Ms. He Xiaodong
Mr. Jie Yinghan

COMPANY SECRETARY

Ms. Lee Eva

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL OFFICE

Unit 13, 5/F, Tower 1
Harbour Centre
1 Hok Cheung Street
Hung Hom, Kowloon
Hong Kong

AUDITOR

Global Link CPA Limited
Certified Public Accountants
Registered Public Interest Entity Auditors

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking
Corporation Limited

SOLICITORS

Bermuda:
Conyers Dill & Pearman

Hong Kong:
WE Lawyers

SHARE REGISTRARS AND TRANSFER OFFICES

Bermuda:
MUFG Fund Services (Bermuda) Limited
4th Floor North
Cedar House
41 Cedar Avenue
Hamilton HM12
Bermuda

Hong Kong:
Tricor Abacus Limited
17/F., Far East Finance Centre
16 Harcourt Road
Hong Kong

STOCK CODE

0918

MANAGEMENT COMMENTARY

The board (the “**Board**”) of directors (the “**Directors**”) of Majestic Dragon AeroTech Holdings Limited (formerly known as State Energy Group International Assets Holdings Limited) (the “**Company**”) presents the interim report and the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 September 2024, together with the comparative figures for the corresponding period in 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECT

During the six months ended 30 September 2024 (the “**Reporting Period**”), the Group is principally engaged in the wholesale of consumer products including timepieces and accessories and garment and sportswear products (the “**Wholesale Business**”), the sale of unmanned aerial vehicles and related parts (the “**Unmanned Aerial Vehicles Business**”) and property investment (the “**Property Investment Business**”).

WHOLESALE BUSINESS

The Group carries on the business of wholesale of consumer products, including timepieces and accessories and garment and sportswear products in the Hong Kong, Taiwan and the People’s Republic of China (the “**PRC**”).

The economy of the PRC, the world’s second-largest economy, grew by a seasonally adjusted 0.9% in the Q3 2024, after a 0.7% increase in the Q2 2024. It was the ninth straight period of quarterly rise, supported by recent government initiatives aimed at stimulating consumption, mitigating deflation risks, and reversing the downturn in the real estate sector. Meanwhile, the economy in Q2 2024 was influenced by multiple headwinds at home such as extreme weather, weak consumption, high local government debts, and ongoing property weakness. At the same time, tensions with the US and its allies deepened.

Retail sales in Hong Kong fell to 8.7% year-on-year in September 2024, easing from a marginally revised 11.7% decline in the previous month. This marked the softest decline in retail activity since March 2024, with sales decreasing at a slower rate for clothing, footwear and allied products (-3.4% vs -17.5% in March 2024) but deepen decline for jewelry, watches and clocks, and valuable gifts (-22.5% vs -20.9%), as changing consumer patterns, including the trend of residents heading across the border for shopping and entertainment and increased outbound travels by residents during long holidays like Easter holiday and summer holidays.

During the Reporting Period, the PRC and Hong Kong markets had shown a decrease in revenue due to the above factors. The Group will take a prudent approach to the Wholesale Business under this situation that the Group will regularly review the product range in order to maintain existing profit margin and to retain the current customer base.

MANAGEMENT DISCUSSION AND ANALYSIS

UNMANNED AERIAL VEHICLES BUSINESS

On 29 March 2023, the Company entered into a sale and purchase agreement with independent third parties (the “**Vendors**”), pursuant to which the Group has agreed to acquire and the Vendors have conditionally agreed to sell the equity interest of Shandong Longyi Aviation Technology Co., Ltd (“**Longyi**”), a company established under the laws of the PRC, at a consideration of approximately HK\$30,946,000 (the “**Acquisition**”). The Acquisition was completed on 1 August 2023, the date on which the control of Longyi was passed to the Company. Longyi and its subsidiary (“**Longyi Group**”) are established under the laws of the PRC and are principally carrying out the business of in research and development, design, production, sales, training and service of unmanned aerial vehicles.

Longyi Group is based at High-tech Zone, Jining City, Shandong Province, Shandong, the PRC. The Longyi Group is also recognised as a High and New Technology Enterprise (高新技術企業) (“**HNTE**”) in the PRC, Specialized and Sophisticated Small and Medium-sized Enterprise (“**SME**”) in Shandong Province (山東省專精特新企業) and National Technology-based SME (科技型中小企業).

Longyi Group has a wide range of product types and applications, and has developed a series of drone products with load capacities ranging from 20 kilograms to 600 kilograms, all of which have been applied in practice. Multiple models have demonstrated outstanding performance in industry applications, with superior performance, safety, and reliability, making important contributions to the development of industrial drones. The product application covers multiple fields such as emergency rescue, forest fire prevention, geographic information surveying, geological survey, disaster monitoring, meteorological detection, air traffic control, communication relay, power construction wiring, inspection, aerial photography, urban public safety, smart agriculture, and has received unanimous recognition and praise from customers.

The Group believed that it is an opportunity for the Group to tap into the high technology business in unmanned aerial vehicles in order to capture the prospective return on investment.

PROPERTY INVESTMENT BUSINESS

As at 30 September 2024, the Group held six investment properties located in the PRC and five investment properties (including three car parking spaces) located in Hong Kong for generating rental income purposes (the “**Investment Properties**”). As at 30 September 2024, three investment properties were leased out, and the remaining investment properties (including three car parking spaces) were vacant.

As at 30 September 2024, the value of the Investment Properties amounted to approximately HK\$95.5 million.

The Group intends to hold the properties for rental income purpose and to monitor the performance of the property markets in Hong Kong and the PRC and consider reorganising its property portfolio should suitable opportunities arise.

FINANCIAL REVIEW

TURNOVER

The Group recorded revenue of approximately HK\$18.1 million for the Reporting Period, representing a decrease of approximately HK\$73.9 million (80%) as compared to that of approximately HK\$92.0 million for the six months ended 30 September 2023 (the “**Previous Period**”).

Revenue derived from the Wholesale Business decreased by approximately HK\$67.8 million (84%) from approximately HK\$80.5 million for the Previous Period to approximately HK\$12.7 million for the Reporting Period.

Revenue derived from the Unmanned Aerial Vehicles Business was in the sum of approximately HK\$4.3 million for the Reporting Period, representing a decrease of approximately HK\$5.4 million (56%) as compared to that of approximately HK\$9.7 million for the Previous Period.

Revenue derived from Property Investment Business was dropped by approximately HK\$0.7 million (39%) from approximately HK\$1.8 million for the Previous Period to approximately HK\$1.1 million for the Reporting Period.

GROSS PROFIT AND GROSS PROFIT MARGIN

The Group recorded a gross profit of approximately HK\$5.9 million, representing a decrease of 71% as compared to approximately HK\$20.0 million for the Previous Period. The gross profit margin for the Reporting Period was 33%, as compared to the gross profit margin of 22% for the Previous Period, the increase was mainly attributable from high profit margin of Unmanned Aerial Vehicles Business.

The Group recorded a gross profit and gross profit margin of approximately HK\$2.4 million and 19% respectively in the Wholesale Business for the Reporting Period, representing a decrease of 83% as compared to approximately HK\$14.4 million for the Previous Period. The decrease was in line with the decrease in revenue.

The Group recorded a gross profit and gross profit margin of approximately HK\$2.5 million and 57% respectively in respect of the Unmanned Aerial Vehicles Business for the Reporting period, representing a decrease of 34% as compared to approximately HK\$3.8 million for the Previous Period. The decrease was in line with the decrease in revenue.

The Group recorded a gross profit of approximately HK\$1.1 million in respect of the Property Investment Business for the Reporting Period, representing a decrease of 39% as compared to approximately HK\$1.8 million for the Previous Period. The decrease was in line with the decrease in revenue and occupancy rate of investment properties.

MANAGEMENT DISCUSSION AND ANALYSIS

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses increased by 72% from approximately HK\$3.9 million for the Previous Period to approximately HK\$6.7 million for the Reporting Period. The increase was mainly due to the newly acquired Unmanned Aerial Vehicles Business since August 2023.

ADMINISTRATIVE EXPENSES

Administrative expense increased by 47% from approximately HK\$10.7 million for the Previous Period to approximately HK\$15.7 million for the Reporting Period. The increase was mainly attributable from new subsidiaries acquired upon the Acquisition since August 2023.

IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS (“ECL”) MODEL, NET OF REVERSAL

Impairment losses under ECL model, net of reversal represented the net impairment losses on trade and other receivables, which decreased by 107% from approximately HK\$14.7million for the Previous Period to reversal of approximately HK\$1.0 million for the Reporting Period. In assessing the ECL of the Group’s trade and other receivables, a credit rating analysis of the underlying debtors was adopted by reviewing the historical default rates, past-due status and ageing information of the grouped debtors and the forward-looking information of the Group’s receivables at the end of the Reporting Period.

CHANGE IN FAIR VALUE ON INVESTMENT PROPERTIES

The fair value loss on investment properties of approximately HK\$1.1 million for the Reporting Period represented fair value adjustment of the Group’s properties located in Hong Kong and the PRC as at 30 September 2024.

FINANCE COSTS

Finance costs maintained at steady level of approximately HK\$1.3 million for both the Previous Period and the Reporting Period.

LIQUIDITY, FINANCIAL RESOURCES AND FINANCIAL RATIO

During the six months ended 30 September 2024, the Group financed its operations and investments mainly by internally generated funds and debt financing.

Cash Position

The Group had total cash and bank balances of approximately HK\$25.3 million as at 30 September 2024 (31 March 2024: approximately HK\$29.4 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Bank and other borrowings

As of 30 September 2024, bank and other borrowings of the Group amounted to approximately HK\$38.8 million (31 March 2024: approximately HK\$42.0 million). All bank and other borrowings are repayable within one year or on demand.

Leverage

The ratio of current assets to current liabilities of the Group was approximately 1.9 as at 30 September 2024 compared to approximately 1.8 as at 31 March 2024. Increase in current ratio was mainly due to the decrease in bank and other borrowings. The Group's gearing ratio as at 30 September 2024 was 14.4% (31 March 2024: 14.8%), which is calculated based on the Group's bank and other borrowings of approximately HK\$38.8 million (31 March 2024: approximately HK\$42.0 million) and the Group's total equity of approximately HK\$270.6 million (31 March 2024: approximately HK\$284.2 million). The decrease in gearing ratio was mainly due to the decrease in bank and other borrowings.

INTERIM DIVIDENDS

The Board does not recommend declaring any interim dividends for the six months ended 30 September 2024 (for the six months ended 30 September 2023: Nil).

RISK MANAGEMENT

The Group's principal financial instruments include trade receivables, deposits and other receivables, cash and cash equivalents, trade and other payables, bank and other borrowings and lease liabilities. The Group also has various financial assets and financial liabilities arising from our business operations. The Group's financial instruments are mainly subject to foreign currency risk, credit risk and liquidity risk. The Group aims to minimise these risks and hence maximise investment returns.

Foreign currency risk

The monetary assets and liabilities and business transaction of the Group are mainly based on Hong Kong dollars ("**HK\$**"), Renminbi ("**RMB**") and United States dollars ("**US\$**"). In view of the stability of the exchange rate between these currencies, the directors do not consider that the Group was significantly exposed to foreign exchange risk for the six months ended 30 September 2024. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and to mitigate the impact on exchange rate fluctuations by entering into currency hedge arrangement, if necessary. During the six months ended 30 September 2024 and 2023, no forward foreign exchange or hedging contracts had been entered into by the Group. The Group will continue to evaluate the Group's foreign currency exposure and take actions as appropriate.

MANAGEMENT DISCUSSION AND ANALYSIS

Credit risk

The Group's credit exposure generally arises from counterparty risk in the course of engaging in the Wholesale Business, the Unmanned Aerial Vehicles Business, and the Property Investment Business. As at 30 September 2024, trade receivables and trade payables of the Group were approximately HK\$95.8 million and HK\$36.3 million (31 March 2024: approximately HK\$115.0 million and approximately HK\$38.3 million), respectively. The Group has a policy in financial risk management to ensure settlement of all receivables and payables during the credit period.

Liquidity risk

Liquidity risk is the risk that funds will not meet liabilities as they fall due. This may arise from mismatches in amounts or time with regard to the maturity of financial assets and liabilities. The objectives of the Group's liquidity risk management are: (1) maintaining the liquidity to support Group's principal business; (2) projecting cash flows and timely monitoring cash and bank balance position; and (3) evaluating the level of current assets to maintain sufficient liquidity of the Group.

TREASURY POLICIES

As at 30 September 2024, bank and other borrowings of approximately HK\$35 million and HK\$3.8 million (31 March 2024: approximately HK\$35.0 million and HK\$7.0 million) were denominated in HK\$ and RMB respectively. The Group's bank borrowings were subject to floating interest rates and the other borrowings were subject to fixed interest rate.

Cash and cash equivalents held by the Group were mainly denominated in HK\$, US\$ and RMB. The Group currently does not have foreign currency and interest rate hedging policies. However, the management of the Group monitors the foreign exchange and interest rate exposure from time to time and will consider hedging significant foreign exchange and interest rate exposure if needed.

CHARGE OF ASSETS

As of 30 September 2024, the investment properties and leasehold land and buildings in Hong Kong held by the Group with an aggregate carrying value of approximately HK\$98.1 million (31 March 2024: approximately HK\$99.2 million) were pledged as first legal charges for the Group's banking facilities.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF NET PROCEEDS FROM THE PLACING OF NEW SHARES

Reference is made to the announcement of the Company dated 14 August 2023, 15 August 2023 and 4 September 2023 relating to the placing of new ordinary shares of HK\$0.01 each (the “Share”) of the Company, the Company and the placing agent (the “Placing Agent”) entered into the placing agreement (the “Placing Agreement”), pursuant to which the Company agreed to appoint the Placing Agent, and the Placing Agent has agreed to act as placing agent for the purpose of procuring, as agent of the Company, placees (the “Placees”) for, or failing which on a best effort basis, a maximum of 185,678,193 placing shares (the “Placing Share(s)”) to not less than six Placees who and whose ultimate beneficial owners are third parties independent of the Company and its connected persons at the placing price of HK\$0.180 per Placing Share (the “Placing”), all conditions set out in the Placing Agreement have been fulfilled and completion of the Placing took place on 4 September 2023.

The net proceeds after deducted from professional fees and other related expenses (“Net Proceeds”) from the Placing were approximately HK\$32.60 million, on such basis, the net price of each Share under the Placing is approximately HK\$0.176.

The net proceeds applied by the Group during the period from the completion date up to 30 September 2024 are as follows:

	Planned use of proceeds <i>HK\$'000</i>	Actual use of proceeds <i>HK\$'000</i>	Unused amount <i>HK\$'000</i>	Expected timeline for utilising the remaining net proceeds (Note)
Existing operations	22,820	(22,820)	—	
Potential investment	6,520	—	6,520	End of 2025
General working capital	3,260	(3,260)	—	
Total	<u>32,600</u>	<u>(26,080)</u>	<u>6,520</u>	

Note: The expected timeline for utilising the remaining net proceeds is based on the best estimation of the Company taking into accounts, among others, prevailing and future market conditions and business development and needs, and therefore is subject to change.

Any net proceeds that were not applied immediately have been placed at the short-term deposits with licensed banks in order to generate higher returns.

OTHER INFORMATION

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES

The Group had no material acquisition and disposal of subsidiaries or associated companies during the Reporting Period.

OPERATING SEGMENT INFORMATION

Details of the operating segment information of the Group for the six months ended 30 September 2024 are set out in note 4 to the condensed consolidated financial statements attached to this interim report.

CAPITAL COMMITMENTS

The Group did not have any material capital commitment as at 30 September 2024.

CONTINGENT LIABILITIES AND LITIGATION

The Company has executed guarantees for the banking facilities made by its subsidiaries. As at 30 September 2024, the utilised facilities amounted to approximately HK\$35.0 million (31 March 2024: approximately HK\$35.0 million).

Except for the foregoing, as at 30 September 2024, the Group had no other significant contingent liabilities or pending litigation.

STAFF AND REMUNERATION POLICIES

As at 30 September 2024, the Group had a total of 127 employees (31 March 2024: 106 employees). Total staff costs (including Directors' emoluments) for the six months ended 30 September 2024 amounted to approximately HK\$5.6 million (for the six months ended 30 September 2023: approximately HK\$3.3 million). Primary means of remuneration include contributory provident funds, insurance and standard medical benefits. The emoluments of the Directors are decided by the remuneration committee of the Company based on the Company's operating results, individual performance and comparable market statistics. The Group has also adopted an annual discretionary bonus scheme for management and staff subject to the performance of the Group and individual employees. As at 30 September 2024, the Group has no outstanding share options issued to the Directors and employees for the purpose of providing incentives or rewards to the eligible employees for their contribution to the Group.

SIGNIFICANT INVESTMENT

The Group had no significant investment during the six months ended 30 September 2024.

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

During the six months ended 30 September 2024, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SHARE OPTION SCHEME

A share option scheme (the “**Share Option Scheme**”) which became effective on 28 September 2017 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The maximum number of shares in respect of which options may be granted must not exceed 10% of the issued share capital of the Company as at the date of adoption of the Share Option Scheme. The offer of a grant may be accepted upon payment of a nominal consideration of HK\$1 per acceptance. The exercise period of the share options granted is determinable by the Board, and commences on a specified date and ends on a date which is not later than 10 years from the date of grant of the share options. The exercise price will be determined by the Board, but shall not be less than the highest of (i) the closing prices of the Company’s shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a trading day; (ii) the average closing prices of the Company’s shares as stated in the Stock Exchange’s daily quotation sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Company’s share.

No share options under the above scheme were granted nor exercised during the six months ended 30 September 2023 and no share options were outstanding as at 30 September 2024.

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

As at 30 September 2024, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “**SFO**”) (Chapter 571 of the Laws of Hong Kong)) which were required to be notified to the Company and the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) pursuant to Divisions 7 and 8 of Part XV of the SFO or as recorded in the register maintained by the Company pursuant to section 352 of Part XV of the SFO, or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”), were as follows:

(I) LONG POSITIONS IN THE SHARES OR UNDERLYING SHARES OF THE COMPANY

Name of Director or chief executive	Nature of interest	Number of issued shares held	Percentage of the issued share capital
Mr. Zhang Jinbing (“ Mr. Zhang ”)	Interest in controlled corporation (<i>Note 1</i>)	527,238,938 (<i>Note 1</i>)	48.43%
	Beneficial owner	12,414,000	
Mr. Yang Zeyun (“ Mr. Yang ”)	Interest in controlled corporation (<i>Note 2</i>)	154,731,827	13.56%
Mr. Wang Yuelai (“ Mr. Wang ”)	Interest in controlled corporation (<i>Note 2</i>)	154,731,827	13.56%

OTHER INFORMATION

Note:

- 1 These shares were held by Always Profit Development Limited ("**Always Profit**"). Always Profit was wholly-owned by Mr. Zhang. Hence, Mr. Zhang was deemed to be interested in 546,448,493 shares in the Company held by Always Profit pursuant to the SFO.
- 2 154,731,827 shares in the Company held by Golden Bold Holdings Limited. ("**Golden Bold**"). Mr. Wang beneficially owns 53.7% of issued share capital of Golden Bold and was deemed to be interested in the 154,731,827 shares in the Company held by Golden Bold pursuant to the SFO. Mr. Yang beneficially owns 26.10% of issued share capital of Golden Bold and is interested in approximately 3.62% of the shares in the Company.

(II) LONG POSITIONS IN THE SHARES OF THE COMPANY'S ASSOCIATED CORPORATIONS

Name of Director or chief executive	Name of associated corporation	Nature of interest	Number of issued shares held	Approximate percentage of the issued share capital of the associated corporation
Mr. Zhang	Always Profit	Beneficial owner (<i>Note 1</i>)	1	100%
Mr. Yang	Golden Bold ¹	Beneficial owner (<i>Note 2</i>)	13,064	100%
Mr. Wang	Golden Bold ²	Beneficial owner (<i>Note 2</i>)	26,853	100%

Note:

1. Always Profit is a company incorporated in British Virgin Islands with limited liability which owned 527,238,938 shares of the Company (representing 47.32% of the issued share capital of the Company), and thus was the direct holding company of the Company.
2. Golden Bold is a company incorporated in British Virgin Island with limited liability which owned 154,731,827 shares of the Company (representing 13.56% of the issued share capital of the Company), and thus was the direct shareholder of the Company

Save as disclosed above, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code as at 30 September 2024.

Save as disclosed above, as at 30 September 2024, none of the Directors or chief executives was a director or employee of a company which had an interest or short position in the Shares or underlying shares of the Company in which disclosure to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO is required.

SUBSTANTIAL SHAREHOLDERS' INTEREST

So far as is known to the Directors and the chief executives of the Company, as at 30 September 2024, the following persons (other than a Director or chief executive of the Company) had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

LONG POSITIONS IN THE SHARES OR UNDERLYING SHARES OF THE COMPANY

Name of shareholder	Nature of interest	Number of issued shares of the Company held	Approximate percentage of the issued share capital of the Company
Always Profit	Beneficial owner	527,238,938	47.32%
Golden Bold	Beneficial owner	154,731,827	13.56%

Save as disclosed above, no other person (other than a Director or chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO as at 30 September 2024.

CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code as contained in Appendix 14 of the Listing Rules during the six months ended 30 September 2024.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Company confirmed that all Directors complied with the required standards as set out in the Model Code during the six months ended 30 September 2024.

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

OTHER INFORMATION

DIRECTOR'S INTERESTS IN COMPETING BUSINESS

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

AUDIT COMMITTEE

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

REVIEW OF THE INTERIM FINANCIAL RESULTS

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

By Order of the Board

Majestic Dragon AeroTech Holdings Limited

Zhang Jinbing

Chairman

Hong Kong

29 November 2024

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2024

		For the six months ended 30 September	
		2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
	Notes		
CONTINUING OPERATIONS			
Revenue	4	18,143	92,024
Cost of sales		(12,211)	(72,004)
Gross profit		5,932	20,020
Other gains and losses	5	392	(1,536)
Other income	5	923	1,017
Selling and distribution expenses		(6,735)	(3,921)
Administrative expenses		(15,656)	(10,692)
Impairment losses under expected credit loss model, net of reversal		1,001	(14,657)
Fair value (loss) gain on investment properties	14	(1,071)	2,507
Operating loss		(15,214)	(7,262)
Finance costs	6	(1,334)	(1,314)
Loss before taxation	7	(16,548)	(8,576)
Income tax credit (expense)	10	143	(557)
Loss for the period from continuing operations		(16,405)	(9,133)
DISCONTINUED OPERATION			
Profit for the period from discontinued operation	9	—	7,275
LOSS FOR THE PERIOD		(16,405)	(1,858)
Other comprehensive income (expense) for the period (net of tax)			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		2,522	(2,532)
Item that will not be reclassified to profit or loss:			
Gain on revaluation of land and building held for own use	13	279	2,272
Total comprehensive expense for the period		(13,604)	(2,118)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2024

	Notes	For the six months ended 30 September	
		2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Loss for the period			
attributable to owners of the Company			
Loss from continuing operations		(16,405)	(9,133)
Profit from discontinued operation		—	7,275
		(16,405)	(1,858)
Loss for the period		(16,405)	(1,858)
Total comprehensive expense			
attributable to:			
Owners of the Company		(13,604)	(2,118)
Loss per share attributable to			
owners of the Company	11		
From continuing and discontinued operations			
— Basic and diluted (HK cents)		(1.47)	(0.22)
From continuing operations			
— Basic and diluted (HK cents)		(1.47)	(1.07)

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2024

		30 September 2024 (Unaudited) HK\$'000	31 March 2024 (Audited) HK\$'000
	Notes		
ASSETS			
Non-current assets			
Property, plant and equipment	13	32,534	32,288
Investment properties	14	95,462	95,858
Right-of-use assets	13	764	232
Goodwill	15	14,362	14,035
Other intangible assets	15	30,020	32,309
Other receivables	16	10,411	20,156
		183,553	194,878
Current assets			
Inventories		54,278	56,107
Trade and other receivables	16	116,680	126,751
Tax recoverable		619	420
Financial assets at fair value through profit or loss		283	350
Bank balances and cash		25,307	29,393
		197,167	213,021
Total assets		380,720	407,899
Current liabilities			
Trade and other payables	19	50,706	56,858
Contract liabilities		6,212	10,758
Amount due to a director		7,800	7,800
Bank and other borrowings	20	38,836	41,954
Lease liabilities		772	236
		104,326	117,606
Net current assets		92,841	95,415
Total assets less current liabilities		276,394	290,293

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2024

	Notes	30 September 2024 (Unaudited) HK\$'000	31 March 2024 (Audited) HK\$'000
Non-current liabilities			
Rental deposits received		—	174
Deferred tax liabilities		5,767	5,888
		5,767	6,062
		270,627	284,231
Net assets		270,627	284,231
EQUITY			
Equity attributable to the owners of the Company			
Share capital	18	11,141	11,141
Reserves		259,486	273,090
		270,627	284,231
Total equity		270,627	284,231

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2024

	Attributable to equity holders of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Revaluation reserve HK\$'000	Consolidation reserve HK\$'000	PRC Statutory Reserve HK\$'000	Translation reserve HK\$'000	Capital reserve HK\$'000	Contributed surplus reserve HK\$'000	Other reserve HK\$'000	Retained earnings/(Accumulated losses) HK\$'000	Total HK\$'000
Balance at 1 April 2023 (Audited)	7,737	195,691	9,301	2,214	638	411	10,254	93,718	(8,858)	(34,901)	276,205
Loss for the period	–	–	–	–	–	–	–	–	–	(1,858)	(1,858)
Other comprehensive income (expense) for the period	–	–	2,272	–	–	(2,532)	–	–	–	–	(260)
Total comprehensive income (expense) for the period	–	–	2,272	–	–	(2,532)	–	–	–	(1,858)	(2,118)
Issue of shares in acquisition of a subsidiary	1,547	35,589	–	–	–	–	–	–	–	–	37,136
Issue of shares in placing of shares	1,857	31,565	–	–	–	–	–	–	–	–	33,422
Adjustment upon disposal of a subsidiary	–	–	–	–	(638)	(638)	–	–	8,858	(7,282)	–
Balance at 30 September 2023 (Unaudited)	11,141	262,845	11,573	2,214	–	(3,059)	10,254	93,718	–	(44,041)	344,645
Balance at 1 April 2024 (Audited)	11,141	262,845	9,654	2,214	–	(4,110)	10,254	93,718	–	(101,485)	284,231
Loss for the period	–	–	–	–	–	–	–	–	–	(16,405)	(16,405)
Other comprehensive income for the period	–	–	279	–	–	2,522	–	–	–	–	2,801
Total comprehensive income (expense) for the period	–	–	279	–	–	2,522	–	–	–	(16,405)	(13,604)
Balance at 30 September 2024 (Unaudited)	11,141	262,845	9,933	2,214	–	(1,588)	10,254	93,718	–	(117,890)	270,627

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2024

	For the six months ended 30 September	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Net cash flows generated from (used in) operating activities	1,396	(49,905)
Investing activities		
Bank interest received	38	41
Additions of property, plant and equipment	(897)	(879)
Proceed from disposal of property, plant and equipment	1	—
Acquisition of a subsidiary, net of cash acquired	—	25,419
Disposal of a subsidiary, net of cash disposed	—	676
Net cash flows (used in) generated from investing activities	(858)	25,257
Financing activities		
Proceeds from bank borrowings	21,000	41,375
Repayment of bank and other borrowings	(24,290)	(26,966)
Interest paid	(1,156)	(1,301)
Repayment of lease liabilities	(453)	(288)
Proceeds from issue of shares pursuant to placing, net of transaction cost	—	32,600
Net cash flows (used in) generated from financing activities	(4,899)	45,420
Net (decrease) increase in cash and cash equivalents	(4,361)	20,772
Cash and cash equivalents at beginning of period	29,393	15,495
Effects of exchange rate changes, net	275	7,295
Cash and cash equivalents at end of period	25,307	43,562
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	25,307	43,562

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2024

1. GENERAL INFORMATION

Majestic Dragon AeroTech Holdings Limited (the “**Company**”) is incorporated in Bermuda as an exempted company with limited liability and its shares (the “**Share**”) are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The address of its registered office is Unit 13, 5th Floor, Tower 1, Harbour Centre, 1 Hok Cheung Street, Hung Hom, Kowloon, Hong Kong.

The principal activities of the Company and its subsidiaries (the “**Group**”) are wholesale of consumer products including timepieces and accessories and garment and sportswear products, the sale of unmanned aerial vehicles and related parts and property investment.

The condensed consolidated financial statements were approved for issue by the board of directors of the Company (the “**Board**”) on 29 November 2024.

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

2. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 September 2024 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

The accounting policies adopted in preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2024, except for (i) additional policies adopted upon the completion of Acquisition as defined in Note 4; and (ii) the adoption of amendments to the standards effective as of 1 April 2024. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The adoption of amendments to the standards

Several amendments apply for the first time during the six months ended 30 September 2024, but do not have an impact on the condensed consolidated financial statements of the Group. Details of any changes in accounting policies are set out in Note 3.

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2024.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2024

3. ACCOUNTING POLICIES

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

Amendments to HKFRS 16	Lease liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the wholesale of consumer products including timepieces and accessories and garment and sportswear products, property investment and sales of unmanned aerial vehicles and related parts. Revenue mainly represents the consideration of goods sold, rental income received and receivable and marketing services provided. An analysis of revenue is as follows:

Analysis of revenue

	For the six months ended 30 September	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15 – at point in time basis		
Wholesales of consumer products	12,727	80,516
Sales of unmanned aerial vehicles and related parts	4,312	9,738
	17,039	90,254
Revenue from other sources		
Rental income	1,104	1,770
	18,143	92,024

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2024

4. REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

Analysis of revenue *(Continued)*

For the six months ended 30 September 2024 and 2023, the Group operates mainly in Hong Kong, Taiwan and the PRC and in the following business segments:

- i. Wholesale business: Wholesale of consumer products including timepieces and accessories and garment products to both local and overseas customers
The Group satisfies its performance obligation upon delivery of the goods sold to the customers
- ii. Property investment: Investing and letting of properties
- iii. Unmanned aerial vehicles business: Sales of unmanned aerial vehicles and related parts.

Segment profit or loss represents the profit or loss from each segment without allocation of corporate income, central administrative costs, finance costs and professional expenses which are for corporate use purpose.

The measurement of segment profit or loss for the period ended 30 September 2023 have been revised as a result of the change in the way in which information is reported to the management in the current period.

Segment assets consist primarily of property, plant and equipment, investment properties, right-of-use assets, goodwill, other intangible assets, inventories, financial assets at fair value through profit or loss, bank balances and cash, tax recoverables, trade receivables, deposits, prepayments and other receivables. They exclude assets used for corporate functions.

Segment liabilities consist primarily of trade payables, other payables and accrued charges, contract liabilities, bank and other borrowings, rental deposit received and lease liabilities. They exclude tax payable, deferred tax liabilities and liabilities used for corporate functions.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2024

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

The following tables present revenue and profit information for the Group's operating segments for the six months ended 30 September 2024 and 2023, respectively.

	For the six months ended 30 September 2024						
	Continuing operations				Discontinued operation		
	Wholesale business <i>(Unaudited)</i> HK\$'000	Property investment <i>(Unaudited)</i> HK\$'000	Unmanned aerial vehicle business <i>(Unaudited)</i> HK\$'000	Subtotal <i>(Unaudited)</i> HK\$'000	Marketing services <i>(Unaudited)</i> HK\$'000	Subtotal <i>(Unaudited)</i> HK\$'000	Total <i>(Unaudited)</i> HK\$'000
Revenue	12,727	1,104	4,312	18,143	—	—	18,143
Segment operating loss	(4,296)	(954)	(7,751)	(13,001)	—	—	(13,001)
Unallocated corporate income				923		—	923
Unallocated corporate expenses				(3,136)		—	(3,136)
Operating loss				(15,214)		—	(15,214)
Finance costs				(1,334)		—	(1,334)
Loss before taxation				(16,548)		—	(16,548)
Income tax credit				143		—	143
Loss for the period				(16,405)		—	(16,405)

	For the six months ended 30 September 2023						
	Continuing operations				Discontinued operation		
	Wholesale business <i>(Unaudited)</i> HK\$'000	Property investment <i>(Unaudited)</i> HK\$'000	Unmanned aerial vehicle business <i>(Unaudited)</i> HK\$'000	Subtotal <i>(Unaudited)</i> HK\$'000	Marketing services <i>(Unaudited)</i> HK\$'000	Subtotal <i>(Unaudited)</i> HK\$'000	Total <i>(Unaudited)</i> HK\$'000
Revenue	80,516	1,770	9,738	92,024	—	—	92,024
Segment operating profit (loss)	(8,237)	3,365	1,288	(3,584)	(71)	(71)	(3,655)
Unallocated corporate income				1,017		138	1,155
Unallocated corporate expenses				(4,695)		—	(4,695)
Gain on disposal of a subsidiary				—		7,208	7,208
Operating (loss) profit				(7,262)		7,275	13
Finance costs				(1,314)		—	(1,314)
(Loss) profit before taxation				(6,576)		7,275	(1,301)
Income tax expense				(557)		—	(557)
(Loss) profit for the period				(9,133)		7,275	(1,858)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2024

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

The following table presents asset and liability information for the Group's operating segments as at 30 September 2024 and 31 March 2024, respectively:

	As at 30 September 2024			
	Continuing operations			Total HK\$'000
	Wholesale business HK\$'000	Property investment HK\$'000	Unmanned aerial vehicle business HK\$'000	
Segment assets	129,545	95,526	103,337	328,408
Unallocated assets				52,312
Total assets				380,720
Segment liabilities	(47,677)	(197)	(45,900)	(93,774)
Unallocated liabilities				(10,552)
Deferred tax liabilities				(5,767)
Total liabilities				(110,093)

	As at 31 March 2024			
	Continuing operations			Total (Audited) HK\$'000
	Wholesale business (Audited) HK\$'000	Property investment (Audited) HK\$'000	Unmanned aerial vehicle business (Audited) HK\$'000	
Segment assets	151,259	96,392	106,680	354,331
Unallocated assets				53,568
Total assets				407,899
Segment liabilities	(80,071)	(371)	(25,624)	(106,066)
Unallocated liabilities				(11,714)
Deferred tax liabilities				(5,888)
Total liabilities				(123,668)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2024

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

By geographical segments:

	Revenue For the six months ended 30 September	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Africa	—	31,641
Hong Kong	2,622	22,533
PRC	11,712	28,963
Taiwan	3,809	8,887
	18,143	92,024

5. OTHER GAINS AND LOSSES AND OTHER INCOME

	For the six months ended 30 September	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Other gains and losses		
Decrease in fair value of financial assets at fair value through profit or loss	(67)	(114)
Gain on disposal of property, plant and equipment	1	—
Net exchange gain (loss)	458	(1,422)
	392	(1,536)
Other income		
Bank interest income	38	41
Interest income from loans to third parties	695	361
Government grants	—	588
Sundry income	190	27
	923	1,017

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2024

6. FINANCE COSTS

	For the six months ended 30 September	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Interest on bank and other borrowings	1,312	1,301
Interest on lease liabilities	22	13
	1,334	1,314

7. LOSS BEFORE TAXATION

Loss before taxation is stated after charging the following:

	For the six months ended 30 September	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Cost of inventories sold	12,069	66,155
Depreciation of property, plant and equipment	962	743
Depreciation of right-of-use-assets	435	275
Amortisation of other intangible asset	2,986	1,787
Legal and professional fees	681	2,125
Staff costs, including directors' emoluments (Note 8)	5,640	3,329

8. STAFF COSTS

	For the six months ended 30 September	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Salaries, wages and other benefits (including directors' emoluments)	4,878	3,029
Retirement benefit costs	762	300
	5,640	3,329

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2024

9. DISCONTINUED OPERATION

On 17 May 2023, the Group entered into a sale and purchase agreement with an independent third party (the “**Purchaser**”), pursuant to which the Group has agreed to sell and the Purchaser has agreed to purchase the entire issued share capital of GBR (HK) Limited (“**GBR (HK)**”), an indirect wholly-owned subsidiary of the Company, at the consideration of HK\$1,000,000. The disposal is completed on 31 May 2023 (“**Date of Disposal**”), the date on which the control of GBR (HK) was passed to the Purchaser.

The Group’s discontinued operation for the six months ended 30 September 2023 represented the business of the provision of marketing services operated by GBR (HK) and its subsidiary (“**Disposal Group**”).

The results of the discontinued operation of the Disposal Group for the period from 1 April 2023 to the Date of Disposal, which have been included in the condensed consolidated profit or loss, are as follows:

	<i>HK\$'000</i>
Other income	138
Selling and distribution expenses	(65)
Administrative expenses	(6)
Gain on disposal of a subsidiary	7,208
	<hr/>
Profit before taxation from discontinued operation	7,275
Income tax expense	—
	<hr/>
Profit for the period from discontinued operation	7,275
	<hr/>

No tax charge or credit arose on gain on disposal of the discontinued operation.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2024

10. INCOME TAX CREDIT (EXPENSE)

The subsidiary of the Company incorporated in Hong Kong is a qualifying entity under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of the other group entities in Hong Kong are taxed at a flat rate of 16.5%.

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries, except for Shandong Longyi Aviation Technology Co., Ltd (“**Longyi**”), is 25% for both periods.

Longyi, a wholly-owned subsidiary of the Company, was qualified as a “High and New Technology Enterprise” (“**HNTE**”) since 2017 and renewed its qualification in November 2023. It is subject to a reduced preferential EIT rate of 15% from 2017 to 2026 according to the applicable tax preference applicable to the HNTE.

Under the applicable corporate tax law in Taiwan, income tax is charged at 20% of the estimated assessable profits. No provision for Taiwan profit-seeking enterprise income tax has been made in condensed consolidated financial statements as the subsidiary operating in Taiwan has no assessable profits for both periods.

The amount of taxation credited (charged) to the condensed consolidated statement of profit or loss and other comprehensive income represents:

	For the six months ended 30 September	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Current tax		
– Hong Kong Profits Tax	—	—
– PRC Enterprise Income Tax	—	(557)
Overprovision in respect of prior years:		
– Hong Kong Profits Tax	(91)	—
– PRC Enterprise Income Tax	(4)	—
Deferred tax	238	—
	143	(557)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2024

11. LOSS PER SHARE

(a) From continuing and discontinued operations

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

	For the six months ended 30 September	
	2024 <i>(Unaudited)</i> HK\$'000	2023 <i>(Unaudited)</i> HK\$'000
Loss attributable to owners of the Company	(16,405)	(1,858)
	Number of shares	
	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	1,114,069	852,632

(b) From continuing operations

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

	For the six months ended 30 September	
	2024 <i>(Unaudited)</i> HK\$'000	2023 <i>(Unaudited)</i> HK\$'000
Loss attributable to owners of the Company	(16,405)	(9,133)
	Number of shares	
	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	1,114,069	852,632

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2024

12. INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2024 (six months ended 30 September 2023: Nil).

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

During the six months ended 30 September 2024, the Group acquired plant and equipment of approximately HK\$897,000 (2023: approximately HK\$879,000).

During the six months ended 30 September 2024, the Group entered into one (2023: two) new lease agreements with additions of approximately HK\$965,000 in right-of-use assets (2023: approximately HK\$647,000).

The valuation of a land and building held for own use carried at fair value was updated at 30 September 2024 by the directors of the Company using the same valuation techniques as were used by the Group's independent valuer when carrying out at 31 March 2024 valuations.

As a result of the update, a gain of approximately HK\$279,000 (2023: approximately HK\$2,272,000) has been recognised in other comprehensive income for the period in respect of land and buildings held for own use.

14. INVESTMENT PROPERTIES

	30 September 2024 (Unaudited) HK\$'000	31 March 2024 (Audited) HK\$'000
At the beginning of the period/year	95,858	100,527
Changes in fair value included in profit or loss for the period/year	(1,071)	(3,115)
Exchange adjustment	675	(1,554)
At the end of the period/year	95,462	95,858

The valuation of investment properties carried at fair value were updated at 30 September 2024 by the directors of the Company using the same valuation techniques as were used by the Group's independent valuer when carrying out at 31 March 2024 valuations.

As a result of the update, a net loss of approximately HK\$1,071,000 (2023: net gain of approximately HK\$2,507,000) has been recognised in profit or loss for the period in respect of investment properties.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2024

15. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill	Other intangible assets		Total
		Distribution right	Technical know-how	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net book amount at 1 April 2023 (Audited)	696	6,203	—	6,203
Acquisition of a subsidiary (Note 17)	13,544	—	31,264	31,264
Amortisation charge for the period	—	(2,326)	(2,476)	(4,802)
Exchange adjustment	(205)	—	(356)	(356)
Net book amount at 31 March 2024 (Audited)	14,035	3,877	28,432	32,309
Amortisation charge for the period	—	(1,163)	(1,823)	(2,986)
Exchange adjustment	327	—	697	697
Net book amount at 30 September 2024 (Unaudited)	14,362	2,714	27,306	30,020
At 30 September 2024 (Unaudited)				
Cost	14,362	8,142	31,557	39,699
Accumulated amortisation	—	(5,428)	(4,251)	(9,679)
Net book amount	14,362	2,714	27,306	30,020
At 31 March 2024 (Audited)				
Cost	14,035	8,142	30,803	38,945
Accumulated amortisation	—	(4,265)	(2,371)	(6,636)
Net book amount	14,035	3,877	28,432	32,309

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2024

16. TRADE AND OTHER RECEIVABLES

	30 September 2024 (Unaudited) HK\$'000	31 March 2024 (Audited) HK\$'000
Trade receivables		
– Contracts with customers	178,946	199,568
– Lease receivables	6,823	6,472
Less: Allowance for credit losses	(90,014)	(91,015)
	95,755	115,025
Trade receivables, net		
Deposits paid to suppliers	6,429	4,950
Other receivables, net	22,230	22,716
Prepayments	1,978	3,443
Rental, utility and sundry deposits	699	773
	31,336	31,882
Total trade and other receivables	127,091	146,907
Less: current portion	116,680	126,751
Non-current portion	10,411	20,156

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

	30 September 2024 (Unaudited) HK\$'000	31 March 2024 (Audited) HK\$'000
0-30 days	1,612	5,770
31-60 days	3	11,481
61-180 days	27,067	57,711
181-365 days	3,254	27,413
Over 1 year	63,819	12,650
	95,755	115,025

The trade receivables were denominated in United States Dollars (“US\$”), HK\$, Renminbi (“RMB”) and Taiwan New dollars (“TWD”) (31 March 2024: US\$, HK\$, RMB and TWD).

The majority of the Group’s sales to overseas customers are generally on open account of 120 to 150 days (31 March 2024: 120 to 150 days) from the date of invoice. The credit period granted to local customers is 30 to 90 days (31 March 2024: 30 to 90 days).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2024

17. ACQUISITION OF SUBSIDIARIES

On 29 March 2023, the Group entered into a sale and purchase agreement with several independent third parties to acquire the entire issued shares of Longyi at a total consideration of approximately HK\$30,946,000, which shall be satisfied by the allotment and issue of 154,731,827 ordinary shares of the Company (“**Consideration Shares**”) at the issue price of HK\$0.2 per Consideration Shares. The Acquisition was completed on 1 August 2023, the date on which the control of Longyi and its subsidiary (“**Longyi Group**”) was passed to the Group. This condensed consolidated financial statements include the results of Longyi Group for the period from 1 August 2023 to 30 September 2023.

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

	<i>HK\$'000</i>
Assets	
Property, plant and equipment	601
Other intangible assets	31,264
Inventories	4,545
Trade and other receivables	1,176
Bank balances and cash	25,419
	<hr/> 63,005 <hr/>
Liabilities	
Trade and other payables	(29,731)
Bank borrowings	(5,024)
Deferred tax liabilities	(4,658)
	<hr/> (39,413) <hr/>
Total identifiable net assets at fair value	<hr/> 23,592 <hr/>
Goodwill arising on acquisition	13,544
	<hr/>
Purchase consideration transferred	<hr/> 37,136 <hr/>
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiary (included in cash flows from investing activities)	25,419
Cash paid	—
	<hr/>
Net cash flows on acquisition	<hr/> 25,419 <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2024

18. SHARE CAPITAL

	Number of shares	Ordinary shares HK\$'000
Authorised:		
At 31 March 2024, 1 April 2024 and 30 September 2024 Ordinary shares of HK\$0.01 each	30,000,000,000	300,000
Issued and fully paid:		
At 31 March 2023 (<i>Audited</i>) Issue of shares	773,659,139	7,737
– issue of shares in acquisition of a subsidiary (Note 17)	154,731,827	1,547
– issue of shares in placing of shares (note (i))	185,678,193	1,857
At 31 March 2024, 1 April 2024 (<i>Audited</i>) and 30 September 2024	1,114,069,159	11,141

Note:

- (i) On 14 August 2023 and 15 August 2023, the Company entered into a placing agreement and supplemental agreement ("Placing Agreements") with a placing agent ("Placing Agent"), pursuant to which the Company agreed to appoint the Placing Agent, and the Placing Agent has agreed to act as placing agent for the purpose of procuring, as agent of the Company, places for, or failing which on a best effort basis, a maximum of 185,678,193 shares of the Company to be placed under the Placing Agreements ("Placing Shares") to not less than six placees who and whose ultimate beneficial owners are third parties independent of the Company and its connected persons at the Placing Price of HK\$0.180 per Placing Share. On 4 September 2023, all the conditions set out in the Placing Agreements have been fulfilled and completion of the Placing took place, a total of 185,678,193 Placing Shares have been successfully placed by the Placing Agent.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2024

19. TRADE AND OTHER PAYABLES

	30 September 2024 (Unaudited) HK\$'000	31 March 2024 (Audited) HK\$'000
Trade payables	36,306	38,314
Deposits received	197	372
Accrued expenses	3,425	5,794
Other tax payable	29	60
Other payables	10,749	12,492
	<hr/>	<hr/>
Total trade and other payables	50,706	57,032
Less: Current portion	50,706	56,858
	<hr/>	<hr/>
Non-current portion	—	174
	<hr/>	<hr/>

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

	30 September 2024 (Unaudited) HK\$'000	31 March 2024 (Audited) HK\$'000
0-30 days	1,519	2,471
31-90 days	1,037	2,353
91-180 days	971	167
Over 180 days	32,779	33,323
	<hr/>	<hr/>
	36,306	38,314
	<hr/>	<hr/>

All trade and bills payables were mainly denominated in HK\$, US\$, and RMB (31 March 2024: HK\$, US\$, and RMB).

For purchases from overseas suppliers, trade payables are normally settled on terms of 30 to 60 days (31 March 2024: 30 to 60 days) from the date of bill of lading. For purchases from local suppliers, the credit period was 30 days (31 March 2024: 30 days).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2024

20. BANK AND OTHER BORROWINGS

	30 September 2024 (Unaudited) HK\$'000	31 March 2024 (Audited) HK\$'000
Fixed rate and unsecured other borrowings, repayable within one year	3,836	6,954
Variable rate and secured bank borrowings, repayable within one year	35,000	35,000
	38,836	41,954

At 30 September 2024, the fixed-rate other borrowings denominated in RMB carry interests at 5% per annum.

At 30 September 2024, the variable-rate bank borrowings denominated in HK\$ carry interests at Hong Kong InterBank Offered Rate (“**HIBOR**”) +2% (31 March 2024: HIBOR + 2%) per annum.

The bank borrowings were secured and guaranteed by:

- (a) first legal charge over the Group’s investment properties and a land and building in Hong Kong with an aggregate carrying value of approximately HK\$98,130,000 (31 March 2024: approximately HK\$99,230,000);
- (b) corporate guarantees from the Company and certain of its subsidiaries; and
- (c) personal guarantee from the ultimate controlling party Mr. Zhang Jinbing, who is also the executive director of the Company.

21. BANKING FACILITIES

As at 30 September 2024, the Group’s banking facilities amounting to HK\$75,000,000 (31 March 2024: HK\$75,000,000) were secured by the following:

- (a) first legal charge over the Group’s investment properties and a land and building in Hong Kong with an aggregate carrying value of approximately HK\$98,130,000 (31 March 2024: approximately HK\$99,230,000);
- (b) corporate guarantees from the Company and certain of its subsidiaries; and
- (c) personal guarantee from the ultimate controlling party Mr. Zhang Jinbing, who is also the executive director of the Company.

The Company has executed guarantees with respect to certain banking facilities of its subsidiaries. Such facilities utilised at 30 September 2024 amounted to HK\$35,000,000 (31 March 2024: HK\$35,000,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2024

22. CAPITAL COMMITMENTS

At 30 September 2024, the Group has no material capital commitments (31 March 2024: Nil).

23. RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

	Six months ended 30 September	
	2024 <i>(Unaudited)</i> HK\$'000	2023 <i>(Unaudited)</i> HK\$'000
Salaries and other short-term employee benefits	831	180
Post-employment benefits	21	—
	852	180