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STATE INNOVATION HOLDINGS LIMITED

國科控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8275)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

The board (the “**Board**”) of directors (the “**Directors**”) of State Innovation Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together, the “**Group**”) for the six months ended 30 September 2022 (the “**Interim Results**”). This announcement, containing the full text of the interim report 2022 of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) in relation to information to accompany preliminary announcements of first quarter results.

By order of the Board
State Innovation Holdings Limited
Tang Kwai Leung Stanley
Chairman and Executive Director

Hong Kong, 9 November 2022

As at the date of this announcement, the Board comprises Mr. Tang Kwai Leung Stanley and Mr. Chui Koon Yau as executive Directors; and Mr. He Dingding, Ms. Chan Tsz Hei Sammi and Ms. Liu Ching Man as independent non-executive Directors.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the website of the Stock Exchange at www.hkexnews.hk on the “Latest Listed Company Information” page for at least 7 days from the date of its posting and will be published on the Company’s website at www.beavergroup.com.hk.

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the “**Directors**”) of State Innovation Holdings Limited (formerly known as “Beaver Group (Holding) Company Limited”) (the “**Company**” and together with its subsidiaries, the “**Group**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.



CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Tang Kwai Leung Stanley (*Chairman*)
Mr. Chui Koon Yau

Independent Non-executive Directors

Mr. He Dingding
Ms. Chan Tsz Hei Sammi
(formerly known as Ms. Chan Wan Ling Sammi)
Ms. Liu Ching Man

Board Committees

Audit Committee

Mr. He Dingding (*Chairman*)
Ms. Chan Tsz Hei Sammi
Ms. Liu Ching Man

Remuneration Committee

Ms. Liu Ching Man (*Chairman*)
Mr. He Dingding
Ms. Chan Tsz Hei Sammi

Nomination Committee

Ms. Chan Tsz Hei Sammi (*Chairman*)
Mr. He Dingding
Ms. Liu Ching Man

Company Secretary

Mr. Lee Man Tai (*FCCA, FCPA*)

Authorised Representatives

Mr. Tang Kwai Leung Stanley
Mr. Lee Man Tai (*FCCA, FCPA*)

Compliance Officer

Mr. Tang Kwai Leung Stanley

Independent Auditor

RSM Hong Kong
29th Floor, Lee Garden Two
28 Yun Ping Road
Causeway Bay, Hong Kong

Legal Adviser as to Hong Kong Laws

Michael Li & Co.
19/F., Prosperity Tower
No. 39 Queen's Road Central
Hong Kong

Principal Share Registrar and Transfer Office in the Cayman Islands

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

Branch Share Registrar and Transfer Office in Hong Kong

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

Registered Office in the Cayman Islands

Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

Head Office and Principal Place of Business in Hong Kong

Room 1204, 12/F, Block 2
Golden Industrial Building, 16–26 Kwai Tak Street
Kwai Chung, New Territories
Hong Kong

Principal Banks

Nanyang Commercial Bank, Limited
The Hongkong and Shanghai Banking
Corporation Limited
DBS Bank (Hong Kong) Limited

Stock Code

8275

Company's Website

www.beavergroup.com.hk

INTERIM RESULTS

The board of Directors (the "Board") of the Company presents the unaudited condensed consolidated results of the Group for the three months and six months ended 30 September 2022, together with the unaudited comparative figures of the corresponding periods in 2021, as follows:

Unaudited Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income

For the three months and six months ended 30 September 2022

	Note	Three months ended 30 September		Six months ended 30 September	
		2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Revenue	3	32,389	44,988	58,025	72,131
Cost of sales		(43,379)	(43,546)	(77,883)	(67,362)
Gross (loss)/profit		(10,990)	1,442	(19,858)	4,769
Other income and other loss	4	979	99	1,829	348
Administrative expenses		(2,369)	(4,703)	(10,188)	(7,912)
Change in fair value of financial assets at fair value through profit or loss ("FVTPL")		(469)	44	(366)	44
Reversal of/(allowance) for impairment loss of financial assets, net		1,577	(7,640)	1,577	(7,640)
Loss from operations		(11,272)	(10,758)	(27,006)	(10,391)
Finance costs	6	(151)	(128)	(294)	(379)
Loss before tax		(11,423)	(10,886)	(27,300)	(10,770)
Income tax (expense)/credit	7	(711)	(59)	375	51
Loss for the period attributable to owners of the Company		(12,134)	(10,945)	(26,925)	(10,719)
Other comprehensive loss:					
<i>Items that may be reclassified to profit or loss:</i>					
Release of translation reserve upon deregistration of a subsidiary		-	-	-	(249)
Other comprehensive loss for the period, net of tax		-	-	-	(249)
Total comprehensive loss for the period attributable to owners of the Company		(12,134)	(10,945)	(26,925)	(10,968)
Loss per share					
Basic and diluted (HK cents)	9	(9.0)	(4.8)	(22.3)	(5.3)

Unaudited Condensed Consolidated Statements of Financial Position

As at 30 September 2022

		30 September 2022 HK\$'000 (unaudited)	31 March 2022 HK\$'000 (audited)
	Note		
Non-current assets			
Property, plant and equipment	10	53,156	40,410
Right-of-use assets	11	5,621	6,884
Financial assets at FVTPL	12	–	8,761
Deferred tax assets		19	–
Total non-current assets		58,796	56,055
Current assets			
Trade and retention receivables	13	19,199	25,878
Contract assets		22,632	23,561
Deposits, prepayments and other receivables		2,482	2,726
Financial assets at FVTPL	12	4,242	–
Income tax recoverable		–	33
Bank and cash balances		18,187	4,340
Total current assets		66,742	56,538
Current liabilities			
Trade and retention payables	14	37,209	36,026
Accruals and other payables		12,296	9,699
Bank and other borrowings		2,759	8,225
Lease liabilities	11	1,958	2,436
Current tax liabilities		41	41
Total current liabilities		54,263	56,427
Net current assets		12,479	111
Total assets less current liabilities		71,275	56,166
Non-current liabilities			
Lease liabilities	11	4,565	5,284
Deferred tax liabilities		–	356
Total non-current liabilities		4,565	5,640
NET ASSETS		66,710	50,526
Capital and reserves			
Share capital	15	67,500	27,000
Reserves	16	(790)	23,526
TOTAL EQUITY		66,710	50,526

Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2022

	Share capital	Share premium	Merger reserve	Foreign currency translation reserve	Retained earnings/ (accumulated losses)	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Note 15)	(Note 16b(i))	(Note 16b(ii))	(Note 16b(iii))		
For the six months ended						
30 September 2021						
At 1 April 2021 (audited)	9,000	40,447	22	249	5,048	54,766
Issuance of shares upon rights issue	13,500	14,850	-	-	-	28,350
Transaction costs on issuance of shares upon rights issue	-	(946)	-	-	-	(946)
Placing of new shares	4,500	3,375	-	-	-	7,875
Transaction costs on issuance of shares on placement	-	(456)	-	-	-	(456)
Release of translation reserve upon deregistration of a subsidiary	-	-	-	(249)	-	(249)
Total comprehensive loss for the period (unaudited)	-	-	-	-	(10,719)	(10,719)
At 30 September 2021						
(unaudited)	27,000	57,270	22	-	(5,671)	78,621
For the six months ended						
30 September 2022						
At 1 April 2022 (audited)	27,000	56,252	22	-	(32,748)	50,526
Issuance of shares upon rights issue	40,500	4,050	-	-	-	44,550
Transaction costs on issuance of shares upon rights issue	-	(1,441)	-	-	-	(1,441)
Total comprehensive loss for the period (unaudited)	-	-	-	-	(26,925)	(26,925)
At 30 September 2022						
(unaudited)	67,500	58,861	22	-	(59,673)	66,710

Unaudited Condensed Consolidated Statements of Cash Flows

For the six months ended 30 September 2022

	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash used in from operating activities	(9,517)	(3,648)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(16,738)	(6,114)
Investment in financial assets at FVTPL	(11,207)	–
Proceeds from disposal of financial assets at FVTPL	15,157	–
Net cash used in investing activities	(12,788)	(6,114)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of lease liabilities	(1,388)	(1,190)
Repayment of bank and other borrowings	(5,569)	(19,019)
Decrease in amount due to a director	–	(101)
Issuance of shares	43,109	34,823
Net cash generated from financing activities	36,152	14,513
NET INCREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at the beginning of the period	4,340	7,532
Cash and cash equivalents at the end of the period	18,187	12,283

Notes to the Unaudited Condensed Consolidated Financial Statements

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 3 January 2017. The address of its registered office is at P.O. Box 1350, Windward 3, Regatta Office Park, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business is Room 1204, 12/F, Block 2, Golden Industrial Building, 16–26 Kwai Tak Street, Kwai Chung, New Territories, Hong Kong. The Company's shares are listed on GEM of the Stock Exchange on 16 October 2017.

The Company is an investment holding company. The Group is a foundation contractor primarily specialising in bored piling works as well as other foundation works. The Group is capable of installing bored piles with diameters ranging from 1.5 metres to 3 metres of various pile lengths. The Group has invested considerably in reinforcing its machinery and the Group possesses all necessary standard plant and machinery and equipment for its construction of bored piles. The Group is also engaged in leasing of machinery.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2022 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), the applicable disclosure requirements of the GEM Listing Rules.

The unaudited condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 March 2022. The accounting policies (including the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty) and methods of computation adopted in the preparation of the unaudited condensed consolidated financial statements are consistent with those adopted in the annual consolidated financial statements of the Group for the year ended 31 March 2022.

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis. The unaudited condensed consolidated financial statements are presented in Hong Kong Dollars ("**HK\$**"), which is the functional currency of the Company and its subsidiaries, and all values are rounded to the nearest thousands ("**HK\$'000**"), unless otherwise indicated.

The preparation of the unaudited condensed consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires the management to exercise its judgement in the process of applying the accounting policies of the Group.

The unaudited condensed consolidated financial statements have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee (the "**Audit Committee**").

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2022. HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**s"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations issued by the HKICPA. The adoption of these new and revised HKFRSs did not have any significant effect on the unaudited condensed consolidated financial statements.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 April 2022 and earlier application is permitted. The Group has not early adopted any of the forthcoming new or amended standards in preparing these condensed consolidated interim financial statements.

3. REVENUE

Disaggregation of revenue from contracts with customers by major service lines for the periods is as follows:

Revenue from contracts with customers within the scope of HKFRS 15	Three months ended 30 September		Six months ended 30 September	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Construction contract income	30,815	44,988	56,241	72,131
Rental income from machinery	1,574	–	1,784	–
	32,389	44,988	58,025	72,131

The Group derives revenue over time from the following major service lines:

For the six months ended 30 September	Construction contract income		Rental income from machinery		Total	
	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
– Over time	56,241	72,131	1,784	–	58,025	72,131
Total	56,241	72,131	1,784	–	58,025	72,131

Timing of revenue recognition

– Over time	56,241	72,131	1,784	–	58,025	72,131
Total	56,241	72,131	1,784	–	58,025	72,131

For the three months ended 30 September	Construction contract income		Rental income from machinery		Total	
	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
– Over time	30,815	44,988	1,574	–	32,389	44,988
Total	30,815	44,988	1,574	–	32,389	44,988

Timing of revenue recognition

– Over time	30,815	44,988	1,574	–	32,389	44,988
Total	30,815	44,988	1,574	–	32,389	44,988

4. OTHER INCOME, AND OTHER LOSS

	Three months ended		Six months ended	
	30 September		30 September	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Gain on deregistration of a subsidiary (Note i)	-	-	-	249
Government grants (Note ii)	1,160	-	1,868	-
Loss on disposal of financial assets at FVTPL	(311)	-	(203)	-
Others	130	99	164	99
Total	979	99	1,829	348

Notes:

- (i) Upon the deregistration of 濠傑建築工程一人有限公司 (“Ho Kit Construction”), the subsidiary of the Group in Macau, which did not have any material assets and liabilities at the time of deregistration, the corresponding foreign currency translation reserve in relation to this subsidiary of approximately HK\$249,000 was released and recognised in profit or loss for the six months ended 30 September 2021.
- (ii) For the six months ended 30 September 2022, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Hong Kong Government, which amounted to approximately HK\$1,868,000. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

5. SEGMENT INFORMATION

Operating segment information

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the respective segments and to assess its performance.

As the Group principally engages in the provision of foundation work and machinery rental in Hong Kong, which are subject to similar business risks, and resources are allocated based on what is beneficial to the Group in enhancing the value of the Group as a whole, the Group's chief operating decision maker considers the performance assessment of the Group should be based on the loss before tax of the Group as a whole. Therefore, management considers there is only one operating segment under the requirements of HKFRS 8 “Operating Segments”.

Geographical information

All of the group's revenue, loss before taxation, assets and liabilities were derived from or located in Hong Kong, and therefore no geographical information is presented.

5. SEGMENT INFORMATION (Continued)

Revenue from major customers

Customer base for whom transactions have exceeded 10% of the Group's revenue is as below:

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Customer 1	29,456	N/A ¹
Customer 2	7,841	8,972
Customer 3	7,756	–
Customer 4	7,638	–

¹ The corresponding revenue did not contribute over 10% of total revenue of the Group.

6. FINANCE COSTS

	Three months ended		Six months ended	
	30 September		30 September	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest on:				
– bank and other borrowings	63	82	103	219
– lease liabilities	88	46	191	160
	151	128	294	379

7. INCOME TAX (EXPENSE)/CREDIT

	Three months ended		Six months ended	
	30 September		30 September	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Current tax – Hong Kong Profits Tax				
– Provision for the period	–	–	–	–
Deferred tax	(711)	(59)	375	51
	(711)	(59)	375	51

Hong Kong Profits Tax has been provided at a rate of 16.5% (2021: 16.5%) based on the assessable profit for the year less allowable losses brought forward.

7. INCOME TAX (EXPENSE)/CREDIT (Continued)

For the six months ended 30 September 2022 and 2021, Hong Kong Profits Tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK\$2 million of assessable profits of qualifying corporation will be taxed at 8.25%, and assessable profits above HK\$2 million will continue to be taxed at a flat rate of 16.5%.

Other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the rate of 16.5% based on the assessable profits less allowable losses brought forward.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

8. DIVIDENDS

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2022 (for the six months ended 30 September 2021: Nil).

9. LOSS PER SHARE

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

	Three months ended 30 September		Six months ended 30 September	
	2022 (unaudited)	2021 (unaudited)	2022 (unaudited)	2021 (unaudited)
Loss for the period attributable to owners of the Company (HK\$'000)	(12,134)	(10,945)	(26,925)	(10,719)
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share ('000)	135,000	229,891	120,836	203,115
Loss per share				
Basic and diluted (HK cents)	(9.0)	(4.8)	(22.3)	(5.3)

The weighted average numbers of ordinary shares used as denominator in calculating the basic and diluted loss per share.

The diluted loss per share is equal to the basic loss per share as there were no dilutive potential ordinary shares in issue for the periods ended 30 September 2022 and 2021.

10. PROPERTY, PLANT AND EQUIPMENT

	Property	Plant and machinery	Casing and equipment	Motor vehicles	Furniture, fixture and office equipment	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Opening net book amount as at 1 April 2021 (audited)	-	17,498	20,834	54	15	38,401
Additions	-	-	6,114	-	-	6,114
Disposal	-	(20)	-	-	-	(20)
Depreciation	-	(1,075)	(3,004)	-	(4)	(4,083)
Closing net book amount as at 30 September 2021 (unaudited)	-	16,403	23,944	54	11	40,412
Opening net book amount as at 1 April 2022 (audited)	-	19,140	21,190	54	26	40,410
Additions	16,251	-	487	-	-	16,738
Depreciation	(136)	(1,346)	(2,503)	-	(7)	(3,992)
Closing net book amount as at 30 September 2022 (unaudited)	16,115	17,794	19,174	54	19	53,156

11. RIGHT-OF-USE ASSETS/LEASE LIABILITIES

As at 30 September 2022, the carrying amounts of the Group's right-of-use assets and lease liabilities are approximately HK\$5,621,000 (31 March 2022: approximately HK\$6,884,000) and approximately HK\$6,523,000 (31 March 2022: approximately HK\$7,720,000) respectively.

12. FINANCIAL ASSETS AT FVTPL

		As at 30 September 2022 HK\$'000 (unaudited)	As at 31 March 2022 HK\$'000 (audited)
	Note		
Investments in life insurance policies	(i)	–	8,761
Investment in equity securities listed in Hong Kong	(ii)	4,242	–
		4,242	8,761
Analysed as:			
Current assets		4,242	–
Non-current assets		–	8,761
		4,242	8,761

The carrying amounts of the above financial assets are mandatorily measured at fair value through profit or loss in accordance with HKFRS 9.

- (i) The investments included above represent life insurance policies entered by Triangular Force Construction Engineering Limited ("**Triangular Force**") to insure Mr. Tang Kwai Leung Stanley ("**Mr. Tang**") and Mr. Chui Koon Yau ("**Mr. Chui**"). Under the policies, the beneficiary and the policy holder is Triangular Force and the total insured sum are approximately US\$3,456,000 (equivalent to approximately HK\$27,128,000). The Group was required to pay a one-off premium payment of approximately US\$1,274,000 (equivalent to approximately HK\$10,000,000) and can terminate the policy at any time and receive cash back based on the cash value. The investments were surrendered at the surrender value of approximately US\$1,130,000 (equivalent to approximately HK\$8,864,000) on 23 June 2022. The carrying amounts of the investments are denominated in US\$.
- (ii) The investments included above represent investments in listed equity securities that offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The carrying amounts of the investments are denominated in HK\$.

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the unaudited condensed consolidated statement of financial position approximate their respective fair values.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

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

12. FINANCIAL ASSETS AT FVTPL (Continued)

The following table shows the carrying amounts and fair value of financial assets, including their levels in the fair value hierarchy. It does not include fair value information for financial assets not measured at fair value of the carrying amount is a reasonable approximation of fair value. Further, for the current period the fair value disclosure of lease liabilities is also not required.

(a) Disclosures of level in fair value hierarchy at 30 September 2022:

Description	Fair value measurements			As at
	Level 1	Level 2	Level 3	30 September
	(unaudited)	(unaudited)	(unaudited)	2022
	HK\$	HK\$	HK\$	Total (unaudited) HK\$
Recurring fair value measurements:				
Financial assets at FVTPL				
– Investments in equity securities				
listed in Hong Kong	4,242	–	–	4,242

Description	Fair value measurements			As at
	Level 1	Level 2	Level 3	31 March
	(audited)	(audited)	(audited)	2022
	HK\$	HK\$	HK\$	Total (audited) HK\$
Recurring fair value measurements:				
Financial assets at FVTPL				
– Investments in life insurance				
policies	–	–	8,761	8,761

(b) Reconciliation of financial assets measured at FVTPL based on level 3:

	HK\$'000
Financial assets at FVTPL	
– Investments in life insurance policies	
At 1 April 2022 (audited)	8,761
Change in fair value of financial assets measured at FVTPL during the period	103
Surrender of life insurance policies during the period	(8,864)
At 30 September 2022 (unaudited)	–

The fair value of investments in life insurance policies is determined by reference to the cash surrender value of the insurance policies, which is not an observable input.

13. TRADE AND RETENTION RECEIVABLES

		30 September 2022	31 March 2022
	<i>Note</i>	HK\$'000	HK\$'000
		(unaudited)	(audited)
Trade receivables	(a)	31,554	39,946
Allowance for impairment loss		(13,342)	(15,631)
		18,212	24,315
Retention receivables (<i>Note</i>)	(b)	4,552	5,816
Allowance for impairment loss		(3,565)	(4,253)
		987	1,563
		19,199	25,878

Note: Retention receivables are included in current assets as the Group expects to realise these within its normal operating cycles.

- (a) The Group receives progress billings from contract customers. The credit terms generally range from 7 to 60 days from the date of billing. Application for progress payment of contract works is made on a regular basis. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the Directors.

The ageing analysis of trade receivables, based on the progress payment, and net of allowance for impairment loss is as follows:

	30 September 2022	31 March 2022
	HK\$'000	HK\$'000
	(unaudited)	(audited)
0 to 30 days	2,296	5,811
31 to 60 days	788	5,681
61 to 90 days	3,234	–
Over 90 days	11,894	12,823
	18,212	24,315

13. TRADE AND RETENTION RECEIVABLES (Continued)

(a) (Continued)

Movement in allowance for impairment loss of trade receivables is as follows:

	HK\$'000
At 1 April 2021 (audited)	18,108
Reversal of allowance for the year	(2,477)
At 31 March 2022 and 1 April 2022 (audited)	15,631
Reversal of allowance for the period	(2,289)
At 30 September 2022 (unaudited)	13,342

The carrying amounts of the Group's trade receivables are denominated in HK\$.

(b) The ageing analysis of retention receivables based on invoice date, and net of allowance for impairment loss is as follows:

	30 September 2022 HK\$'000 (unaudited)	31 March 2022 HK\$'000 (audited)
Within 1 year	22	975
Between 1 to 2 years	428	12
Between 2 to 5 years	537	576
	987	1,563

Movement in allowance for impairment loss of retention receivables is as follows:

	HK\$'000
At 1 April 2021 (audited)	3,400
Allowance for the year	853
At 31 March 2022 and 1 April 2022 (audited)	4,253
Reversal of allowance for the period	(688)
At 30 September 2022 (unaudited)	3,565

The carrying amounts of the Group's retention receivables are denominated in HK\$.

14. TRADE AND RETENTION PAYABLES

		30 September 2022	31 March 2022
		HK\$'000	HK\$'000
	<i>Note</i>	(unaudited)	(audited)
Trade payables	(a)	36,418	35,235
Retention payables (<i>Note</i>)	(b)	791	791
		37,209	36,026

Note: Retention payables are included in current liabilities as the Group expects to realise these within its normal operating cycles.

- (a) The ageing analysis of trade payables, based on the invoice date, is as follows:

	30 September 2022	31 March 2022
	HK\$'000	HK\$'000
	(unaudited)	(audited)
0 to 30 days	5,723	5,328
31 to 60 days	1,577	5,073
61 to 90 days	6,708	3,195
Over 90 days	22,410	21,639
	36,418	35,235

The carrying amounts of the Group's trade payables are denominated in HK\$.

- (b) Retention payables from sub-contractors of contract works are released by the Group after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts.

The carrying amounts of the Group's retention payables are denominated in HK\$.

15. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.5 each		
At 31 March 2022 and 30 September 2022	200,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK\$0.5 each		
At 31 March 2022	54,000,000	27,000
Shares issued on rights issue	(i) 81,000,000	40,500
At 30 September 2022	135,000,000	67,500

Note:

- (i) On 3 May 2022, the Company issued 81,000,000 ordinary shares (the "**Rights Shares**") upon completion of the rights issue on the basis of 3 Rights Share for 2 existing ordinary shares held by shareholders of the Company at a subscription price of HK\$0.55 per Rights Share. The gross proceeds from the rights issue were approximately HK\$44,550,000. The net proceeds after deducting related expenses of approximately HK\$1,950,000 were approximately HK\$42,600,000.

16. RESERVES

(a) Reserves of the Group

The amounts of the Group's reserves and the movements therein are presented in the unaudited condensed consolidated statements of changes in equity.

(b) Nature and purpose of reserves

(i) Share premium

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Merger reserve

The merger reserve represented the aggregate of paid-in capital of Triangular Force, TMP Machinery Engineering Limited and Longson Enterprise Development Company Limited, subsidiaries of the Company, of 10,000, 10,000 and 2,000 ordinary shares of HK\$1 each respectively.

(iii) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

17. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions and balances detailed elsewhere in the interim report, the Group had the following transactions with its related parties during the periods:

	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Rent paid to Mr. Tang's spouse	36	36
Interest paid to Mr. Chui	24	—

17. RELATED PARTY TRANSACTIONS (Continued)

(b) Outstanding balances with related parties during the periods:

	As at 30 September 2022 HK\$'000 (unaudited)	As at 31 March 2022 HK\$'000 (audited)
Rent deposits held by Mr. Tang's spouse	12	12

The remuneration of Directors and other members of key management during the periods was as follows:

	Six months ended 30 September 2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Short term employee benefits	1,386	1,042
Pension scheme contributions	27	24
	1,413	1,066

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is a foundation contractor primarily specialising in bored piling works as well as other foundation works. The Group is capable of installing bored piles with diameters ranging from 1.5 metres to 3 metres of various pile lengths. The Group has invested considerably in reinforcing its machinery and the Group possesses all necessary standard plant and machinery and equipment necessary for its construction of bored piles. The Group also engaged in leasing of machinery.

For the six months ended 30 September 2022, the Group recorded net loss of approximately HK\$27.0 million as compared to net loss of approximately HK\$10.7 million for the same period in 2021. The Board considers that the net loss was mainly attributable to the decrease in revenue due to fewer and lower value of contracts awarded to the Group; (ii) the decrease in gross profit due to cost overrun in the Group's bored piling projects, mainly the project located in Hung Hom which experienced delay in work progress; and (iii) the increase in administrative expenses due to the increase in legal and professional fee for the Company's rights issue in 2022.

Outlook

The Directors are of the view that the general outlook of the industry and the business environment in which the Group operates will remain challenging. The outbreak of COVID-19 throughout the period has created economic uncertainty to Hong Kong and imposed negative impacts on the foundation industry, including supply chain disruptions, workforce shortages due to illness and preventative quarantines, and work stoppages due to measures imposed by the government. Looking ahead, the Group will adhere to prudent financial management in project selection and cost control. The Group will continue to strive to improve its operational efficiency and profitability of its business. The Group will also proactively seek potential business opportunity that will broaden the sources of income and increase the return of shareholders. The Directors believe that the finance and fintech industry has a promising prospect and the development of finance and fintech will enable the Group to benefit from diversified revenue streams, as well as market deployment and preparation in advance for its entry into the Hong Kong financial services market which offers growth potential and better capital return. The Group will invest in the manpower and information system to enhance its operational capacity and efficiency in foundation and site formation works and bored piling works.

Financial Review

Revenue

The Group's revenue for the six months ended 30 September 2022 was approximately HK\$58.0 million, representing a decrease of approximately 19.6% from approximately HK\$72.1 million for the six months ended 30 September 2021, which was primarily due to the decrease of construction contract income with fewer and lower value of contracts awarded to the Group.

Costs of Sales

The Group's cost of sales for the six months ended 30 September 2022 was approximately HK\$77.9 million, representing an increase of approximately 15.8% from approximately HK\$67.3 million for the six months ended 30 September 2021, which was primarily due to the increases of construction material and labour costs as a result of delay in progress of certain projects.

Gross Profit and Gross Profit Margin

The Group's gross loss for the six months ended 30 September 2022 was approximately HK\$19.9 million, representing a decrease of approximately 514.6% from gross profit of approximately HK\$4.8 million for the six months ended 30 September 2021. The Group's gross profit margin decreased from approximately 6.6% to gross loss margin of approximately 34.3% for the period of comparison. Such decrease was primarily due to higher construction material and labour cost as a result of delay in progress of certain projects.

Administrative Expenses

The Group's administrative expenses for the six months ended 30 September 2022 were approximately HK\$10.2 million, representing an increase of approximately 29.1% from approximately HK\$7.9 million for the six months ended 30 September 2021. The increase was mainly attributable to the increase in legal and professional fee in relation to the Company's rights issue completed on 3 May 2022.

Loss for the Period

For the six months ended 30 September 2022, the Group recorded loss attributed to owners of the Company of approximately HK\$27.0 million as compared to loss for the six months ended 30 September 2021 of approximately HK\$10.7 million. The Board considers that the net loss was mainly attributable to the decrease in revenue due to fewer and lower value of contracts awarded to the Group; (ii) the decrease in gross profit due to cost overrun in the Group's bored piling projects, mainly the project located in Hung Hom which experienced delay in work progress; and (iii) the increase in administrative expenses due to the increase in legal and professional fee for the Company's rights issue in 2022.

Capital Structure, Liquidity and Financial Resources

As at 30 September 2022, there are a total of 135,000,000 issued shares of the Company of par value of HK\$0.5 each and the capital of the Company only comprises ordinary shares.

For the six months ended 30 September 2022, the Group finances its liquidity and capital requirements primarily through bank and other borrowings, equity contribution from shareholders and proceeds raised from the 2022 Rights Issue (as defined below).

As at 30 September 2022, the Group had bank and cash balances of approximately HK\$18.2 million (31 March 2022: approximately HK\$4.3 million).

As at 30 September 2022, the Group's total equity attributable to owners of the Company amounted to approximately HK\$66.7 million (31 March 2022: approximately HK\$50.5 million). As of the same date, the Group's total debts, comprising bank and other borrowings and lease liabilities, amounted to approximately HK\$9.3 million (31 March 2022: approximately HK\$15.9 million).

The Directors believe that the Group is in a healthy financial position to expand its business and pursue its business objectives.

2022 Rights Issue

On 14 January 2022, to satisfy its funding needs and ease its cashflow pressure, the Company announced a proposed rights issue on the basis of 3 Rights Shares for every 2 consolidated shares in issue at a subscription price of HK\$0.55 per Rights Share (the “**2022 Rights Issue**”) to raise approximately HK\$44.55 million by issuing 81,000,000 Rights Shares to the qualifying shareholders. Under the relevant compensatory arrangements, all the unsubscribed Rights Shares were placed by the placing agent to no less than 6 independent places at the subscription price.

On 3 May 2022, the Company completed the 2022 Rights Issue and issued 81,000,000 Rights Shares with par value of HK\$0.5 each at a subscription price of HK\$0.55 per Rights Shares determined with reference to, among others, the market price of the shares under the prevailing market conditions. The theoretical closing price per Share was HK\$0.725 per share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.145 per Share as quoted on the Stock Exchange on 14 January 2022, being the last trading day). The net proceeds from the 2022 Rights Issue (after deducting the estimated expenses) were approximately HK\$42.6 million, representing a net price of approximately HK\$0.53 per Rights Share, which were used as to (i) approximately HK\$3.1 million for repayment of the principal amount and interest accrued thereon of the Promissory Note to be due six months after the date of issue of the Promissory Note (i.e. 13 June 2022); (ii) approximately HK\$20 million for the acquisition of a new office premise and the relevant renovation cost; (iii) approximately HK\$7 million for recruitment of additional full-time staff who will be responsible for implementing and overseeing quality control to enhance the Group’s operational capacity and efficiency in foundation and site formation works and bored piling works, as well as additional full-time staff who will be responsible for business development to acquire more business opportunities and broaden the sources of income; (iv) approximately HK\$3 million for business development and marketing expenses in order to expand the Group’s customer base and acquire more projects; and (v) the remaining balance of approximately HK\$9.5 million for general working capital due to the tightened cash flow of the Group as a result of the negative impacts of the COVID-19 pandemic on the foundation industry including supply chain disruptions, workforce shortages due to illness and preventative quarantines, and work stoppages due to measures imposed by the government.

Upon the completion of the 2022 Rights Issue in May 2022, the number of shares in issue became 135,000,000 of par value HK\$0.5 each thereafter. Details of the 2022 Rights Issue are set out in the Company’s announcements dated 14 January 2022, 27 January 2022, 19 April 2022, 29 April 2022, 3 May 2022, circular dated 24 February 2022 and prospectus dated 29 March 2022.

As at 30 September 2022, the actual use of the net proceeds of the 2022 Rights Issue was as follows:

	Planned use of net proceeds as stated in the prospectus dated 29 March 2022	Actual use of proceeds up to 30 September 2022	Unutilised net proceeds up to 30 September 2022	Expected timeline for unutilised net proceeds
Repayment of the principal amount and interest accrued thereon of the Promissory Notes	3.1	3.1	–	N/A
Acquisition of a new office premise and the relevant renovation cost	20.0	16.4	3.6	by 31 December 2022
Recruitment of additional full-time staff	7.0	–	7.0	by 30 June 2024
Business development and marketing expenses	3.0	1.0	2.0	by 30 June 2024
General working capital	9.5	9.5	–	N/A
Total	42.6	30.0	12.6	

As at 30 September 2022, the net proceeds in the amount of approximately HK\$30.0 million have been utilized and the remaining balance of HK\$12.6 million will be utilized as intended.

2022 Convertible Bonds

On 24 May 2022, to satisfy the acquisition of 100% equity interest of the Tiger Faith Holdings Limited, the Company announced (i) the issue of convertible bond (the “**Convertible Bond (I)**”); and (ii) placing of convertible bond (the “**Convertible Bond (II)**”, together with the Convertible Bond (I), the “**2022 Convertible Bonds**”) to raise approximately HK\$29.4 million.

Convertible Bond (I) represented the 2.5% unsecured redeemable convertible bond in the aggregate principal amount of HK\$10,000,000 to be issued by the Company to the relevant vendor for settlement and discharge of part of the consideration for the above acquisition. Convertible Bond (II) represented the 2.5% unsecured redeemable convertible bond in the aggregate principal amount of up to HK\$30,000,000 to be issued by the Company under the placing agreement dated 23 May 2022.

Details of the 2022 Convertible Bond are set out in the Company’s announcements dated 24 May 2022, 13 June 2022, 12 August 2022 and 23 September 2022 and the circular of the Company dated 2 September 2022.

Each of the above acquisition and the placing of Convertible Bond (II) is yet to be completed as at the date of this report. The Convertible Bond (I) will only be issued at the completion of the above acquisition and completion of the placing of Convertible Bond (II) is subject to the fulfilment of the conditions set out in the placing agreement. It is expected that the net proceeds of the placing of Convertible Bond (II) will be in the amount of HK\$29,400,000, which will be applied as to HK\$9,000,000 to satisfy part of the consideration for the above acquisition and the remaining balance of up to HK\$20,400,000 to increase the paid-up share capital and liquid capital of Tiger Faith Holdings Limited and its subsidiaries. Further announcement(s) in relation to the completion of the above acquisition and the placing of Convertible Bond (II) will be made by the Company as and when appropriate in accordance with the requirements under the GEM Listing Rules.

Borrowings and Gearing Ratio

As at 30 September 2022, the Group had total debt (summation of bank and other borrowings and lease liabilities) of approximately HK\$9.3 million which was denominated in Hong Kong Dollars (31 March 2022: approximately HK\$15.9 million). The Group's bank and other borrowings were primarily used in financing the working capital requirement of its operations.

As at 30 September 2022, the gearing ratio of the Group, calculated as the total debt divided by the total equity, was approximately 13.9% (31 March 2022: approximately 31.5%).

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures, and Plans for Material Investments or Capital Assets

A wholly-owned subsidiary of the Company, Longson Enterprise Development Company Limited ("**Longson**") entered into the agreement, pursuant to which Longson agreed to purchase a property situated at office no. 3, 4 & 5 on 2nd floor Yue Shing Commercial Building, 15-16 Queen Victoria Street & 3-7 Man Yee Lane, Hong Kong (the "**Property**") as a new office premise in the consideration of HK\$15,500,000, which has been settled by the proceeds from the 2022 Rights Issue. The purchase of the Property was completed on 18 July 2022. For details, please refer to the announcements of the Company dated 23 May 2022 and 26 May 2022.

On 24 May 2022, the Company entered into the sales and purchase agreement, pursuant to which the Company has conditionally agreed to acquire the entire issued share capital of Tiger Faith Holdings Limited at the consideration of HK\$20,000,000 (the "**Acquisition**"), of which (i) HK\$10,000,000 shall be satisfied by cash and (ii) HK\$10,000,000 shall be settled by the issue of convertible bonds. For details, please refer to the announcements of the Company dated 24 May 2022, 13 June 2022, 12 August 2022, 23 September 2022 and circular dated 2 September 2022.

Save as disclosed in this report, the Group did not have any significant investments, material acquisitions or disposals of subsidiaries, associates or joint ventures during the six months ended 30 September 2022 and there is no other plan for material investments or capital assets as at 30 September 2022.

Foreign Exchange Exposure

The revenue-generating operations and borrowings of the Group were mainly transacted in Hong Kong Dollars which is the presentation currency of the Group. As such, the Directors are of the view that the Group did not have significant exposure to foreign risk.

The Group currently does not have a foreign currency hedging policy.

Treasury Policy

The Directors will continue to follow a prudent policy in managing the Group's cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities.

Charge on Group Assets

As at 30 September 2022, the Group has pledged its plant and machinery with an aggregate net book value of approximately HK\$2.8 million (31 March 2022: approximately HK\$11.0 million).

Contingent Liabilities

As at 30 September 2022 and 31 March 2022, the Group were exposed to liabilities under the Employees' Compensation Ordinance (Cap. 282 of the Laws of Hong Kong) and common law for injuries at work in respect of all their employees. During the period, all the construction projects were covered by the employees' compensation insurance and contractors' all risks insurance taken out by the main contractors of the construction projects the Group participated in. Such insurance policies covered and protected all employees of the Group of all tiers working in the relevant construction sites. Other than that, the Group had no significant contingent liabilities.

Capital Commitments

The Group did not have any material capital commitment as at 30 September 2022 (31 March 2021: Nil).

Segment Information

The Group principally engages in the provision of foundation work and machinery rental in Hong Kong, which are subject to similar business risks, and resources are allocated based on what is beneficial to the Group.

Information on Employees

As at 30 September 2022, the Group had 80 full-time employees working in Hong Kong (30 September 2021: 80). Total staff costs including contribution to retirement benefit schemes incurred during the six months ended 30 September 2022 amounted to approximately HK\$30.0 million (for the six months ended 30 September 2021: approximately HK\$18.5 million). Employees are remunerated based on their qualifications, position and performance. The remuneration offered to employees generally includes salaries, allowances and discretionary bonus. Various types of trainings were provided to the employees.

Interim Dividend

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2022 (for the six months ended 30 September 2021: Nil).

OTHER INFORMATION

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company

As at 30 September 2022, none of the Directors and chief executives of the Company has any shares or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of Securities and Futures Ordinance (the "SFO")) which are 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 which they were taken or deemed to have under such provisions), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

Substantial and Other Shareholders' Interests and Short Positions in Shares and Underlying Shares of the Company

So far as known to the Directors or chief executives of the Company, as at 30 September 2022, the following persons/entities (other than the Directors and chief executives of the Company) had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Long positions in ordinary shares and underlying shares of the Company

Name	Capacity/Nature of interest	Number of shares held/interested	Approximate percentage of shareholding
China New Economy Fund Limited (<i>Note 1</i>)	Beneficial owner	25,958,750	19.23%
Success Run International Limited	Beneficial owner	18,350,000	13.59%
Ms. Wong Fei Heung Terbe (<i>Note 2</i>)	Interested in controlled corporations	21,790,000	16.14%
Mr. Tai Pik Yeung Tyler	Beneficial owner	8,934,000	6.62%

Notes:

1. China New Economy Fund Limited is a company incorporated in the Cayman Islands, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 80).
2. Ms. Wong Fei Heung Terbe ("**Ms. Wong**") legally and beneficially owns the entire issued share capital of Success Run International Limited ("**Success Run**") and Lion Spring Enterprises Limited ("**Lion Spring**"), the latter of which holds 3,440,000 Shares, representing approximately 2.55% of the entire issued share capital of the Company. Therefore, Ms. Wong is deemed, or taken to be, interested in all the Shares held by Success Run and Lion Spring for the purpose of the SFO. Ms. Wong is the sole director of Success Run and the director of Lion Spring.

Save as disclosed above, as at 30 September 2022, there was no person or corporation, had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group.

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2022.

Competition and Conflict of Interest

None of the Directors, the Controlling Shareholders or substantial shareholders of the Company or any of their respective closed associates has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, as defined in the GEM Listing Rules, or has any other conflict of interests with Group during the six months ended 30 September 2022.

Directors' Securities Transactions

The Company has adopted the required standard of dealing, as set out in Rules 5.48 to 5.68 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the shares of the Company (the "**Required Standard of Dealing**"). Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the Required Standard of Dealing and the code of conduct for securities transactions by the Directors during the six months ended 30 September 2022.

Share Option Scheme

The Company operates a share option scheme (the "**Share Option Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants include the full-time and part-time employees, executives, officers, directors, business consultants, agents, legal and financial advisers of the Company and the Company's subsidiaries. The Share Option Scheme became effective on 22 September 2017 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Share Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of shares options in excess of this limit is subject to shareholders' approval in a general meeting.

The offer of a grant of share options may be accepted within 7 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the Directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the offer of the share options or the expiry date of the Share Option Scheme, if earlier.

The exercise price of the share options is determinable by the Directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares on the date of the offer, when applicable.

Share options do not confer rights on the holder to dividends or to vote at shareholders' meetings.

For the six months ended 30 September 2022, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

Corporate Governance Practice

The Company acknowledges the need and importance of corporate governance as one of the key elements in creating shareholders' value. The Company is also committed to achieving high standard of corporate governance that can protect and promote the interests of all shareholders and to enhance corporate value and accountability of the Company. For corporate governance purpose, the Company has applied the principles and code provisions in the Corporate Governance Code (the "CG Code") set out in Appendix 15 of the GEM Listing Rules. During the six months ended 30 September 2022, to the best knowledge of the Board, the Company has complied with all the applicable code provisions set out in the CG Code.

Audit Committee

The Audit Committee was established on 22 September 2017. The chairman of the Audit Committee is Mr. He Dingding, and other members include Ms. Chan Tsz Hei Sammi and Ms. Liu Ching Man, all being independent non-executive Directors. The written terms of reference of the Audit Committee are posted on the Stock Exchange's website and on the Company's website.

The primary duties of the Audit Committee are mainly to review the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Company has complied with Rule 5.28 of the GEM Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise.

The Group's unaudited condensed consolidated financial statements for the six months ended 30 September 2022 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2022 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

Change in Information of Director

With effect from 10 December 2021, Ms. Chan Tsz Hei Sammi, an independent non-executive Director, changed her name from Chan Wan Ling Sammi to Chan Tsz Hei Sammi.

Ms. Chan Tsz Hei Sammi ceased to be the company secretary and the authorised representative of AV Promotions Holdings Limited, the issued shares of which are listed on GEM of the Stock Exchange (stock code: 8419), and Bamboos Health Care Holdings Limited, the issued shares of which are listed on the Stock Exchange (stock code: 2293), on 16 February 2022 and 1 March 2022, respectively.

With effect from 21 September 2022, Ms. Liu Ching Man, an independent non-executive Director, has been appointed as an executive director of Farnova Group Holdings Limited, the issued shares of which are listed on GEM of the Stock Exchange (stock code: 8153).

Publication of Interim Results and Interim Report

The interim results announcement and the interim report are published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.beavergroup.com.hk. The interim report of the Company for the six months ended 30 September 2022 will be dispatched to the shareholders of the Company. Should the shareholders of the Company have any difficulties in accessing the corporate communications electronically, please request the printed interim report, free of charge, at any time by writing to the Company or the Company's branch registrar, Tricor Investor Services Limited.

By order of the Board
State Innovation Holdings Limited
Tang Kwai Leung Stanley
Chairman and Executive Director

Hong Kong, 9 November 2022

As at the date of this report, the Board comprises Mr. Tang Kwai Leung Stanley and Mr. Chui Koon Yau as executive Directors; and Mr. He Dingding, Ms. Chan Tsz Hei Sammi and Ms. Liu Ching Man as independent non-executive Directors.