

# **NAN NAN RESOURCES ENTERPRISE LIMITED** 南南資源實業有限公司

(Incorporated in Bermuda with limited liability)  
(Stock Code : 1229)


## **2022/23** INTERIM REPORT



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This interim report is prepared in English and Chinese. In case of inconsistency, please refer to the English version as it shall prevail.

 This interim report is printed on environmentally friendly paper.





# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Kwan Man Fai (Chairman & Managing Director)  
Wong Sze Wai  
Li Chun Fung

### Independent Non-executive Directors

Wong Man Hin Raymond  
Chan Yiu Fai Youdey  
Pak Wai Keung Martin

## AUDIT COMMITTEE

Pak Wai Keung Martin (Chairman)  
Wong Man Hin Raymond  
Chan Yiu Fai Youdey

## REMUNERATION COMMITTEE

Wong Man Hin Raymond (Chairman)  
Kwan Man Fai  
Wong Sze Wai  
Chan Yiu Fai Youdey  
Pak Wai Keung Martin

## NOMINATION COMMITTEE

Kwan Man Fai (Chairman)  
Wong Man Hin Raymond  
Chan Yiu Fai Youdey  
Pak Wai Keung Martin

## COMPANY SECRETARY

Li Chun Fung

## AUDITOR

Mazars CPA Limited  
42/F., Central Plaza  
18 Harbour Road  
Wanchai, Hong Kong

## LEGAL ADVISER

Conyers Dill and Pearman  
29/F., One Exchange Square  
8 Connaught Place  
Central, Hong Kong

## PRINCIPAL BANKERS

China CITIC Bank International Limited  
Industrial and Commercial Bank of China (Asia)  
Limited

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

8/F., Tower 2  
Admiralty Centre  
18 Harcourt Road  
Admiralty, Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited  
Suites 3301-04, 33/F  
Two Chinachem Exchange Square  
338 King's Road  
North Point, Hong Kong

## HONG KONG STOCK EXCHANGE STOCK CODE

1229

## WEBSITE

<https://www.nannanlisted.com>



# INDEPENDENT AUDITOR'S REVIEW REPORT

**mazars**  
中 审 众 环

**MAZARS CPA LIMITED**

中 審 眾 環 (香港) 會計師事務所有限公司

42<sup>nd</sup> Floor, Central Plaza,  
18 Harbour Road, Wanchai, Hong Kong  
香港灣仔港灣道18號中環廣場42樓

Tel 電話: (852) 2909 5555

Fax 傳真: (852) 2810 0032

Email 電郵: info@mazars.hk

Website 網址: www.mazars.hk

**REVIEW REPORT TO THE BOARD OF DIRECTORS OF  
NAN NAN RESOURCES ENTERPRISE LIMITED**

*(Incorporated in Bermuda with limited liability)*

## INTRODUCTION

We have reviewed the interim financial information set out on pages 4 to 34 which comprises the condensed consolidated statement of financial position of Nan Nan Resources Enterprise Limited (the "Company") and its subsidiaries (together the "Group") as at 30 September 2022 and the related condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended and other explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors of the Company are responsible for the preparation and presentation of the interim financial information in accordance with HKAS 34.

Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

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

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

**Mazars CPA Limited**

*Certified Public Accountants*

Hong Kong, 23 November 2022

**She Shing Pang**

Practising Certificate number: P05510

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

For the six months ended 30 September 2022

	Notes	Six months ended 30 September	
		2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Revenue	4	110,712	117,995
Cost of services and goods sold		(49,996)	(74,733)
Gross profit		60,716	43,262
Other revenue		1,166	575
Selling and distribution expenses		(482)	(373)
Administrative and other operating expenses		(18,984)	(17,199)
Exchange loss, net		(7,442)	(2,156)
Finance costs	5	(3,967)	(5,652)
Change in fair value of convertible bond designated as financial liabilities at fair value through profit or loss ("FVPL")	17	(263,539)	(45,290)
Impairment loss on goodwill	11	–	(3,040)
Loss before tax	5	(232,532)	(29,873)
Income tax expenses	6	(9,193)	(27)
<b>Loss for the period</b>		<b>(241,725)</b>	<b>(29,900)</b>
<b>Other comprehensive (loss)/income:</b>			
<i>Item that will not be reclassified to profit or loss:</i>			
Exchange difference on translation of the Company's financial statements to presentation currency		4,722	1,508
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference on translation of functional currency to presentation currency		(44,352)	3,986
Other comprehensive (loss)/income for the period		(39,630)	5,494
<b>Total comprehensive loss for the period</b>		<b>(281,355)</b>	<b>(24,406)</b>
<b>Loss for the period attributable to:</b>			
– Owners of the Company		(241,353)	(29,641)
– Non-controlling interests		(372)	(259)
		(241,725)	(29,900)
<b>Total comprehensive loss for the period attributable to:</b>			
– Owners of the Company		(280,923)	(24,124)
– Non-controlling interests		(432)	(282)
		(281,355)	(24,406)
Loss per share (expressed in Hong Kong cents)			
– Basic	8	(31.53)	(3.87)
– Diluted	8	(31.53)	(3.87)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

	Notes	30 September 2022 HK\$'000 (unaudited)	31 March 2022 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	9	116,436	125,553
Intangible assets	10	181,388	203,699
Goodwill	11	4,229	4,229
Prepayments for acquisition of property, plant and equipment	12	14,575	5,306
Deferred tax assets		4,884	2,561
		<b>321,512</b>	<b>341,348</b>
<b>Current assets</b>			
Inventories		7,032	2,930
Trade and other receivables	12	12,116	11,239
Cash and cash equivalents		203,124	260,753
		<b>222,272</b>	<b>274,922</b>
<b>Current liabilities</b>			
Trade and other payables	13	62,536	70,444
Mining right payables, current portion		4,074	4,410
Interest-bearing borrowings	14	3,471	37,254
Convertible bond designated as financial liabilities at FVPL	17	446,076	182,537
Lease liabilities	15	1,378	1,068
Tax payables		4,647	11,277
		<b>522,182</b>	<b>306,990</b>
<b>Net current liabilities</b>		<b>(299,910)</b>	<b>(32,068)</b>
<b>Total assets less current liabilities</b>		<b>21,602</b>	<b>309,280</b>



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 September 2022

	Notes	30 September 2022 HK\$'000 (unaudited)	31 March 2022 HK\$'000 (audited)
<b>Capital and reserves</b>			
Share capital	16	76,537	76,537
Reserves		(135,922)	145,001
<b>(Deficit)/Equity attributable to owners of the Company</b>		<b>(59,385)</b>	<b>221,538</b>
Non-controlling interests		2,219	2,651
		<b>(57,166)</b>	<b>224,189</b>
<b>Non-current liabilities</b>			
Provision for close down, restoration and environmental costs		2,701	3,045
Mining right payables, non-current portion		74,856	81,011
Lease liabilities	15	464	270
Deferred tax liabilities		747	765
		<b>78,768</b>	<b>85,091</b>
		<b>21,602</b>	<b>309,280</b>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2022

	Attributable to owners of the Company							Total	Non-controlling interests	Total (deficit)/equity
	Share capital	Share premium	Capital reserve	Statutory reserves	Exchange translation reserve	Special reserve	Accumulated losses			
	HK\$'000	HK\$'000 (Note i)	HK\$'000 (Note ii)	HK\$'000 (Note iii)	HK\$'000 (Note iv)	HK\$'000 (Note v)	HK\$'000	HK\$'000	HK\$'000	
<b>As at 1 April 2022 (audited)</b>	76,537	191,534	14,882	32,255	8,739	27,143	(129,552)	221,538	2,651	224,189
Loss for the period	-	-	-	-	-	-	(241,353)	(241,353)	(372)	(241,725)
<b>Other comprehensive loss:</b>										
<i>Item that will not be reclassified to profit or loss:</i>										
Exchange difference on translation of the Company's financial statements to presentation currency	-	-	-	-	4,722	-	-	4,722	-	4,722
<i>Item that may be reclassified subsequently to profit or loss:</i>										
Exchange difference on translation of functional currency to presentation currency	-	-	-	-	(44,292)	-	-	(44,292)	(60)	(44,352)
Other comprehensive loss for the period	-	-	-	-	(39,570)	-	-	(39,570)	(60)	(39,630)
Total comprehensive loss for the period	-	-	-	-	(39,570)	-	(241,353)	(280,923)	(432)	(281,355)
<b>Transactions with owners:</b>										
<i>Contributions and distributions</i>										
Appropriation for maintenance and production funds	-	-	-	8,706	-	-	(8,706)	-	-	-
Utilisation of maintenance and production funds	-	-	-	(8,706)	-	-	8,706	-	-	-
	-	-	-	-	-	-	-	-	-	-
<b>As at 30 September 2022 (unaudited)</b>	76,537	191,534	14,882	32,255	(30,831)	27,143	(370,905)	(59,385)	2,219	(57,166)
<b>As at 1 April 2021 (audited)</b>	76,537	191,534	14,882	24,809	100	27,143	(188,698)	146,307	3,276	149,583
Loss for the period	-	-	-	-	-	-	(29,641)	(29,641)	(259)	(29,900)
<b>Other comprehensive income:</b>										
<i>Item that will not be reclassified to profit or loss:</i>										
Exchange difference on translation of the Company's financial statements to presentation currency	-	-	-	-	1,508	-	-	1,508	-	1,508
<i>Item that may be reclassified subsequently to profit or loss:</i>										
Exchange difference on translation of functional currency to presentation currency	-	-	-	-	4,009	-	-	4,009	(23)	3,986
Other comprehensive income for the period	-	-	-	-	5,517	-	-	5,517	(23)	5,494
Total comprehensive loss for the period	-	-	-	-	5,517	-	(29,641)	(24,124)	(282)	(24,406)
<b>Transactions with owners:</b>										
<i>Contributions and distributions</i>										
Appropriation for maintenance and production funds	-	-	-	13,392	-	-	(13,392)	-	-	-
Utilisation of maintenance and production funds	-	-	-	(13,392)	-	-	13,392	-	-	-
	-	-	-	-	-	-	-	-	-	-
<b>As at 30 September 2021 (unaudited)</b>	76,537	191,534	14,882	24,809	5,617	27,143	(218,339)	122,183	2,994	125,177





## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 30 September 2022

Notes:

**(i) Share premium**

The application of share premium is governed by Section 40 of the Bermuda Companies Act 1981.

**(ii) Capital reserve**

Capital reserve arose from the acquisition of the additional equity interest of subsidiaries in prior years. It represents the difference between the carrying amount of the net assets of the subsidiaries attributable to the additional interest at the dates of acquisition and the fair value of consideration paid by the Group.

**(iii) Statutory reserves**

*Statutory surplus reserve*

In accordance with the People's Republic of China (the "Mainland China") regulations, all of the Group's subsidiaries in the Mainland China are required to transfer part of their profit after tax to the statutory surplus reserve, which are non-distributable, before profit distributions are made. The amounts of the transfers are subject to the approval of the boards of directors of these companies in accordance with their articles of association.

*Specific reserve for maintenance and production funds*

Pursuant to the relevant Mainland China regulations, the Group is required to transfer maintenance and production funds at fixed rates based on relevant bases to a specific reserve account. The maintenance and production funds can be utilised when expenses or capital expenditures on production maintenance and safety measures are incurred. The amount of maintenance and production funds utilised would be transferred from the specific reserve account to retained earnings.

**(iv) Exchange translation reserve**

Exchange translation reserve comprises all foreign exchange differences arising from the translation of functional currency to presentation currency. The reserve is dealt with in accordance with the accounting policy.

**(v) Special reserve**

The amount in special reserve represents the difference between the consideration paid for acquiring a further 49% equity interest in Star Fortune International Investment Company Limited ("Star Fortune") and the decrease in the carrying amount of the non-controlling interests of Star Fortune in a previous year.



# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2022

	Six months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
<b>Operating activities</b>		
Cash generated from operations	42,605	43,312
Interest paid	(648)	(1,991)
Income tax paid	(15,404)	(2,702)
Net cash from operating activities	26,553	38,619
<b>Investing activities</b>		
Purchase of property, plant and equipment	(4,067)	(11,105)
Additions to intangible assets	(11,954)	(12,624)
Prepayments for acquisition of property, plant and equipment	(15,349)	(3,211)
Interest received	367	465
Net cash used in investing activities	(31,003)	(26,475)
<b>Financing activities</b>		
Inception of interest-bearing borrowings	3,514	–
Repayment of interest-bearing borrowings	(34,698)	(644)
Repayment of lease liabilities	(1,002)	(1,207)
Net cash used in financing activities	(32,186)	(1,851)
Net (decrease)/increase in cash and cash equivalents	(36,636)	10,293
Cash and cash equivalents as at 1 April	260,753	204,079
Effect on foreign exchange rate changes	(20,993)	2,045
Cash and cash equivalents as at 30 September	203,124	216,417
<b>Analysis of the balances of cash and cash equivalents</b>		
Bank balances and cash	164,052	189,768
Short term deposit with an original maturity of three months or less	38,742	26,266
Cash on hand	330	383
	203,124	216,417



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2022

## 1. GENERAL INFORMATION AND BASIS OF PREPARATION

Nan Nan Resources Enterprise Limited (the “Company”) was incorporated in Bermuda as an exempted company with limited liability. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). In the opinion of the directors of the Company, its holding company is Ascent Goal Investments Limited (“Ascent Goal”), a company incorporated in the British Virgin Islands with limited liability, and its ultimate holding company is New Bright International Development Limited, a company incorporated in Hong Kong with limited liability. Its ultimate controlling party is Ms. Fung Yuen Kwan, Veronica.

The address of the Company’s registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business is 8/F., Tower 2, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong. The condensed consolidated interim financial information is presented in Hong Kong dollars (“HK\$”), rounded to the nearest thousand except when otherwise indicated, for the convenience of the shareholders as the Company is listed in Hong Kong. The functional currency of the Company is Renminbi (“RMB”).

The Company is an investment holding company and the subsidiaries of the Company (together the “Group”) are principally engaged in (i) mining and sales of coal; (ii) renewable energy solutions; and (iii) information technology (“IT”) outsourcing, consultancy and technical services (together referred to as “IT Services”).

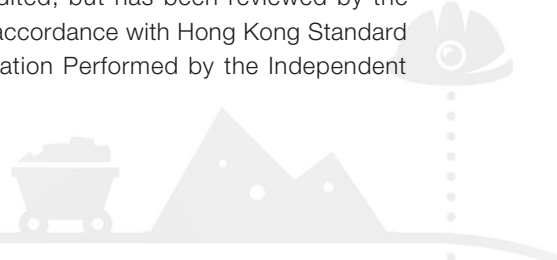
The condensed consolidated interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Preparation of the condensed consolidated interim financial information requires the directors of the Company to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The condensed consolidated interim financial information includes an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since 31 March 2022 and therefore, do not include all of the information required for full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual HKFRSs, HKASs and Interpretations issued by the HKICPA. They shall be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 March 2022 (the “2021/2022 Audited Financial Statements”).

In preparing the condensed consolidated interim financial information, significant judgements made by the directors of the Company in applying the Group’s accounting policies and the key sources of estimation uncertainty are the same as those that applied in the 2021/2022 Audited Financial Statements.

The condensed consolidated interim financial information is unaudited, but has been reviewed by the Company’s audit committee and the Company’s external auditor in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.





## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 September 2022

### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial information has been prepared on the historical cost basis except for convertible bond, which is measured at fair value.

The accounting policies and methods of computation used in the condensed consolidated interim financial information for the six months ended 30 September 2022 are consistent with those followed in the preparation of the 2021/2022 Audited Financial Statements.

The adoption of the new/revised HKFRSs which are relevant to the Group and effective for current period does not have any significant impact on the Group's results and financial position for the current or prior periods and does not result in any significant change in accounting policies of the Group.

At the date of authorisation of the condensed consolidated interim financial information, the HKICPA has issued a number of new/revised HKFRSs that are not yet effective for the current period, which the Group has not early adopted. The directors of the Company do not anticipate that the adoption of the new/revised HKFRSs in future periods will have any material impact on the results and the financial position of the Group.

#### **Going concern**

In preparing the condensed consolidated interim financial information, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceeded its current assets by approximately HK\$299,910,000 and the Group's total liabilities exceeded its total assets by approximately HK\$57,166,000 as at 30 September 2022. These figures are mainly attributable to the convertible bond designated as financial liabilities at fair value through profit or loss ("FVPL") of approximately HK\$446,076,000. There is material uncertainty related to these matters that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Upon consideration of the following factors that: (i) the holder of the convertible bond is the holding company of the Group, Ascent Goal, (ii) the Company had entered into a fifth deed of amendment with Ascent Goal on 11 August 2022, pursuant to which the maturity date and the conversion period of the convertible bond will be further extended for 36 months to 13 March 2026, subject to the approval from the independent shareholders of the Company at the special general meeting to be held on 9 December 2022, and (iii) even if the convertible bond was not extended, Ascent Goal had committed to provide financial support to the Group as is necessary to enable the Group to meet its financial obligation as they fall due as alternative, the directors of the Company are of the opinion that the Group will have sufficient working capital to finance its operations and to meet its financial obligations, and that it is appropriate to prepare the condensed consolidated interim financial information on a going concern basis.

### 3. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being identified as the chief operating decision makers (“CODM”), for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered or services rendered. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group’s reportable and operating segments are as follows:

- (1) Coal mining business segment: mining and sales of coals in the Mainland China;
- (2) Renewable energy business segment: service income from renewable energy solutions in Malaysia; and
- (3) IT Services business segment: IT consultancy and technical services (including sales of IT hardware products) and IT outsourcing services in Hong Kong, Malaysia, Singapore and the United Kingdom (the “UK”).

Segment revenue represents revenue derived from (i) coal mining business; (ii) renewable energy business; and (iii) IT Services business.

Segment results, which are the measures reported to the CODM for the purposes of resources allocation and assessment of segment performance, represent the profit earned or loss incurred by each segment without allocation of change in fair value of convertible bond designated as financial liabilities at FVPL and net exchange loss.

Segment assets include property, plant and equipment, intangible assets, goodwill, prepayment for acquisition of property, plant and equipment, deferred tax assets, inventories, trade and other receivables and cash and cash equivalents. All assets are allocated to operating segments other than unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities include trade and other payables, mining right payables, interest-bearing borrowings, lease liabilities, tax payables, convertible bond designated as financial liabilities at FVPL, provision for close down, restoration and environmental costs and deferred tax liabilities. All liabilities are allocated to operating segments other than unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

In addition, the directors of the Company consider that the Group’s place of domicile is Hong Kong, where the central management and control is located.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2022

### 3. SEGMENT INFORMATION (Continued)

#### Segment revenue and results

The followings are analysis of the Group's revenue and results by reportable and operating segments:

	Coal mining business HK\$'000	Renewable energy business HK\$'000	IT Services business HK\$'000	Unallocated HK\$'000	Total HK\$'000
<b>Six months ended 30 September 2022 (unaudited)</b>					
Revenue from external customers and reportable segment revenue	94,376	1,804	14,532	-	110,712
Gross profit	57,451	813	2,452	-	60,716
Selling and distribution expenses	(464)	-	(18)	-	(482)
Segment results	56,987	813	2,434	-	60,234
Other revenue	529	15	407	215	1,166
Administrative and other operating expenses	(8,453)	(292)	(3,351)	(6,888)	(18,984)
Finance costs	(3,891)	-	(28)	(48)	(3,967)
Change in fair value of convertible bond designated as financial liabilities at FVPL	-	-	-	(263,539)	(263,539)
Exchange loss, net	-	-	-	(7,442)	(7,442)
Profit/(Loss) before tax	45,172	536	(538)	(277,702)	(232,532)
Income tax (expenses)/credit	(9,201)	8	-	-	(9,193)
Profit/(Loss) for the period	35,971	544	(538)	(277,702)	(241,725)
<i>Additional segment information:</i>					
Amortisation	11,896	33	-	-	11,929
Depreciation	4,471	793	379	450	6,093
Additions to property, plant and equipment	8,937	88	-	1,508	10,533
Additions to intangible assets	11,954	-	-	-	11,954

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2022

### 3. SEGMENT INFORMATION (Continued) Segment revenue and results (Continued)

	Coal mining business HK\$'000	Renewable energy business HK\$'000	IT Services business HK\$'000	Unallocated HK\$'000	Total HK\$'000
<b>Six months ended 30 September 2021 (unaudited)</b>					
Revenue from external customers and reportable segment revenue	105,030	1,893	11,072	–	117,995
Gross profit	40,874	995	1,393	–	43,262
Selling and distribution expenses	(356)	–	(17)	–	(373)
Segment results	40,518	995	1,376	–	42,889
Other revenue	450	–	110	15	575
Administrative and other operating expenses	(7,660)	(287)	(2,900)	(6,352)	(17,199)
Finance costs	(5,573)	–	(57)	(22)	(5,652)
Change in fair value of convertible bond designated as financial liabilities at FVPL	–	–	–	(45,290)	(45,290)
Impairment loss on goodwill	–	–	(3,040)	–	(3,040)
Exchange loss, net	–	–	–	(2,156)	(2,156)
Profit/(Loss) before tax	27,735	708	(4,511)	(53,805)	(29,873)
Income tax credit/(expenses)	42	6	(75)	–	(27)
Profit/(Loss) for the period	27,777	714	(4,586)	(53,805)	(29,900)
<i>Additional segment information:</i>					
Amortisation	5,837	5	–	–	5,842
Depreciation	4,240	689	520	571	6,020
Additions to property, plant and equipment	15,234	9	1,147	298	16,688
Additions to intangible assets	18,970	–	–	–	18,970

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2022

### 3. SEGMENT INFORMATION (Continued)

#### Segment assets and liabilities

The followings are analysis of the Group's assets and liabilities by reportable and operating segments:

	Coal mining business HK\$'000	Renewable energy business HK\$'000	IT Services business HK\$'000	Unallocated HK\$'000	Total HK\$'000
<b>As at 30 September 2022 (unaudited)</b>					
Property, plant and equipment	85,860	28,010	1,073	1,493	116,436
Intangible assets	180,027	1,361	-	-	181,388
Goodwill	-	4,229	-	-	4,229
Other assets	179,721	4,957	11,649	45,404	241,731
<b>Total assets</b>	<b>445,608</b>	<b>38,557</b>	<b>12,722</b>	<b>46,897</b>	<b>543,784</b>
Convertible bond designated as financial liabilities at FVPL	-	-	-	(446,076)	(446,076)
Mining right payables	(78,930)	-	-	-	(78,930)
Other liabilities	(71,200)	(37)	(2,572)	(2,135)	(75,944)
<b>Total liabilities</b>	<b>(150,130)</b>	<b>(37)</b>	<b>(2,572)</b>	<b>(448,211)</b>	<b>(600,950)</b>
<b>As at 31 March 2022 (audited)</b>					
Property, plant and equipment	91,986	31,743	1,367	457	125,553
Intangible assets	202,305	1,394	-	-	203,699
Goodwill	-	4,229	-	-	4,229
Other assets	244,655	3,843	9,400	24,891	282,789
<b>Total assets</b>	<b>538,946</b>	<b>41,209</b>	<b>10,767</b>	<b>25,348</b>	<b>616,270</b>
Convertible bond designated as financial liabilities at FVPL	-	-	-	(182,537)	(182,537)
Mining right payables	(85,421)	-	-	-	(85,421)
Other liabilities	(119,100)	(526)	(2,696)	(1,801)	(124,123)
<b>Total liabilities</b>	<b>(204,521)</b>	<b>(526)</b>	<b>(2,696)</b>	<b>(184,338)</b>	<b>(392,081)</b>



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2022

### 3. SEGMENT INFORMATION (Continued)

#### Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, intangible assets, goodwill, and prepayments for acquisition of property, plant and equipment ("Specified Non-current Assets"). The geographical location of the revenue is presented based on the location of the customers. The geographical location of property, plant and equipment and prepayments for acquisition of property, plant and equipment is presented based on the physical location of the assets and the geographical location of intangible assets and goodwill is presented based on the location of the respective business operations.

#### Location of revenue

##### Revenue from external customers

	Six months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
The Mainland China	94,376	105,030
Hong Kong	10,963	4,165
Malaysia	1,888	2,016
Singapore	2,723	5,393
The UK	762	1,391
	<b>110,712</b>	<b>117,995</b>

#### Location of the Specified Non-current Assets

	30 September 2022 HK\$'000 (unaudited)	31 March 2022 HK\$'000 (audited)
	The Mainland China	280,462
Hong Kong	8,156	1,824
Malaysia	28,010	37,366
	<b>316,628</b>	<b>338,787</b>

#### Information about major customers

Revenue from external customers contributing 10% or more of the total revenue is as follow:

	Six months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Customer A from coal mining business segment	12,136	20,879
Customer B from coal mining business segment	–	17,130
Customer C from coal mining business segment	16,140	16,025

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2022

### 4. REVENUE

	Six months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Revenue from contracts with customers within HKFRS 15		
<b>Coal mining business</b>		
– Sales of coals	94,376	105,030
<b>Renewable energy business</b>		
– Service income from renewable energy solutions	1,804	1,893
<b>IT Services business</b>		
– Sales of IT hardware products	6,107	5,015
– IT outsourcing services	5,149	5,291
– IT consultancy and technical services	3,276	766
	14,532	11,072
	110,712	117,995

In addition to the information shown in segment disclosures, the revenue from contracts with customers within HKFRS 15 is disaggregated as follows:

	Six months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
<i>Timing of revenue recognition:</i>		
<b>– at a point of time</b>		
Sales of coals	94,376	105,030
Sales of IT hardware products	6,107	5,015
	100,483	110,045
<b>– over time</b>		
Service income from renewable energy solutions	1,804	1,893
IT outsourcing services	5,149	5,291
IT consultancy and technical services	3,276	766
	10,229	7,950
	110,712	117,995

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2022

### 5. LOSS BEFORE TAX

This is stated at after charging/(crediting):

	Six months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
<b>Finance costs</b>		
Interest on interest-bearing borrowings	579	1,927
Interest on mining right payables	3,319	3,661
Interest on lease liabilities	69	64
	<b>3,967</b>	<b>5,652</b>
<b>Staff costs</b>		
Staff costs (excluding directors' remuneration)		
Basic salaries, allowance and other short-term employee benefits	15,226	17,356
Contributions to defined contribution retirement plan	1,797	1,678
	<b>17,023</b>	<b>19,034</b>
<b>Other items</b>		
Amortisation of intangible assets (charged to "Cost of services and goods sold")	11,929	5,842
Cost of inventories sold	36,512	49,313
Bank interest income (included in "Other revenue")	(367)	(465)
Depreciation of property, plant and equipment and right-of-use assets	6,093	6,020
Provision of loss allowance of trade receivables	193	8
Loss on disposal of property, plant and equipment	–	5

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 September 2022

### 6. INCOME TAX EXPENSES

The major components of income tax expenses in the condensed consolidated statement of profit or loss and other comprehensive income are:

	Six months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
<b>Current tax</b>		
The Mainland China Enterprise Income Tax ("Mainland China EIT")		
– Current year	10,205	–
– Under-provision in respect of prior year	1,747	–
Hong Kong Profits Tax	–	22
Singapore corporate income tax ("Singapore CIT")	–	51
The UK corporate income tax ("UK CIT")	–	2
	<b>11,952</b>	<b>75</b>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(2,759)	(48)
Total income tax expenses	<b>9,193</b>	<b>27</b>

The Company is incorporated in Bermuda and is exempted from income tax. The Company's subsidiaries established in the British Virgin Islands and Samoa are exempted from income tax of the respective jurisdictions.

Under the Law of the Mainland China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Mainland China subsidiaries is 25% for both six months ended 30 September 2022 and 2021.

In March 2018, the two-tiered profits tax rates regime was signed into law of Hong Kong, under which the first HK\$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5% for the six months ended 30 September 2022 and 2021. The profits of corporations in the Group not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5% of the estimated assessable profits for the six months ended 30 September 2022 and 2021.

Malaysia corporate income tax ("Malaysia CIT") is calculated at the rate of 24% of the estimated assessable profits of the Group's entities in Malaysia arising from Malaysia during the six months ended 30 September 2022 and 2021. Malaysia incorporated entities with paid-up capital of Malaysia Ringgit ("RM") 2.5 million or less and gross income from business of not more than RM50 million enjoy tax rate of 17% on the first RM600,000 and remaining balance of the estimated assessable profits at the standard rate for the six months ended 30 September 2022 and 2021.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2022

### 6. INCOME TAX EXPENSES (Continued)

Singapore CIT is calculated at the rate of 17% of the estimated assessable profits of the Group's entity in Singapore arising from Singapore. There is no Singapore CIT rebate for the six months ended 30 September 2022 and 2021.

During the six months ended 30 September 2022 and 2021, Singapore incorporated companies can enjoy 75% tax exemption on the first Singapore Dollars ("S\$") 10,000 of normal taxable income and a further 50% tax exemption on the next S\$190,000 of normal taxable income.

The Group's entity established in the UK is subject to the corporate income tax at a statutory rate of 19% for the six months ended 30 September 2022 and 2021.

For the six months ended 30 September 2022, the Hong Kong Profits Tax, Malaysia CIT, Singapore CIT and the UK CIT (30 September 2021: Mainland China EIT and Malaysia CIT) have not been provided for in the condensed consolidated interim financial information as there was either loss for taxation purpose or no assessable profits being derived from the Hong Kong, Malaysia, Singapore and the UK, respectively (30 September 2021: Mainland China and Malaysia, respectively).

### 7. INTERIM DIVIDEND

No dividends were paid, declared or proposed during the six months ended 30 September 2022 and 2021. The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 September 2022 and 2021.

### 8. LOSS PER SHARE

#### (a) Basic loss per share

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

	Six months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
<b>Loss</b>		
Loss for the purpose of basic loss per share (Loss for the period attributable to owners of the Company)	(241,353)	(29,641)

	Six months ended 30 September	
	2022 Number of shares (unaudited)	2021 Number of shares (unaudited)
<b>Weighted average number of ordinary shares</b>		
Weighted average number of ordinary shares for the purpose of basic loss per share	765,373,584	765,373,584

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2022

### 8. LOSS PER SHARE (Continued)

#### (b) Diluted loss per share

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

#### (i) Loss for the period attributable to owners of the Company

	Six months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Loss for the period attributable to owners of the Company	(241,353)	(29,641)
Change in fair value of convertible bond designated as financial liabilities at FVPL	263,539	45,290
Exchange loss/(gain) on convertible bond designated as financial liabilities at FVPL	35,707	(2,041)
	<b>57,893</b>	<b>13,608</b>

#### (ii) Weighted average number of ordinary shares

	Six months ended 30 September	
	2022 Number of shares (unaudited)	2021 Number of shares (unaudited)
Weighted average number of ordinary shares for the purpose of basic loss per share	765,373,584	765,373,584
Effect of conversion of convertible bond designated as financial liabilities at FVPL	1,000,000,000	1,000,000,000
Weighted average number of ordinary shares for the purpose of diluted loss per share	<b>1,765,373,584</b>	<b>1,765,373,584</b>

For the six months ended 30 September 2022 and 2021, the Company's outstanding convertible bond had an anti-dilutive effect to the basic loss per share calculation. The conversion of the above potential dilutive shares is not assumed in the computation of diluted loss per share. Therefore, the basic and diluted loss per share for the six months ended 30 September 2022 and 2021 are the same.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2022

### 9. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets HK\$'000	Leasehold land and buildings HK\$'000	Leasehold Improvements HK\$'000	Plant and machinery HK\$'000	Furniture, equipment and motor vehicles HK\$'000	Construction- in-progress HK\$'000	Total HK\$'000
<b>Cost</b>							
As at 1 April 2022 (audited)	2,951	46,814	350	106,088	9,983	13,573	179,759
Exchange realignment	(132)	(5,287)	(28)	(11,355)	(790)	(1,905)	(19,497)
Additions	1,508	-	-	981	615	7,429	10,533
Transfers	-	53	-	-	-	(53)	-
<b>As at 30 September 2022 (unaudited)</b>	<b>4,327</b>	<b>41,580</b>	<b>322</b>	<b>95,714</b>	<b>9,808</b>	<b>19,044</b>	<b>170,795</b>
<b>Accumulated depreciation and impairment losses</b>							
As at 1 April 2022 (audited)	1,604	10,858	176	34,434	7,134	-	54,206
Exchange realignment	(102)	(1,274)	(15)	(4,023)	(526)	-	(5,940)
Charge for the period	939	961	30	3,767	396	-	6,093
<b>As at 30 September 2022 (unaudited)</b>	<b>2,441</b>	<b>10,545</b>	<b>191</b>	<b>34,178</b>	<b>7,004</b>	<b>-</b>	<b>54,359</b>
<b>Net carrying amount</b>							
<b>As at 30 September 2022 (unaudited)</b>	<b>1,886</b>	<b>31,035</b>	<b>131</b>	<b>61,536</b>	<b>2,804</b>	<b>19,044</b>	<b>116,436</b>
As at 31 March 2022 (audited)	1,347	35,956	174	71,654	2,849	13,573	125,553

### 10. INTANGIBLE ASSETS

During the six months ended 30 September 2022, the Group incurred capital expenditure in respect of stripping activities with cost of approximately HK\$11,954,000 (30 September 2021: approximately HK\$18,970,000).

During the six months ended 30 September 2022 and 2021, no impairment loss was made on the intangible assets.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 September 2022

### 11. GOODWILL

	Coal Mining CGU HK\$'000 (Note (a))	Renewable Energy CGU HK\$'000 (Note (b))	IT Services CGU HK\$'000 (Note (c))	Total HK\$'000
<b>Cost</b>				
As at 1 April 2022 (audited) and <b>30 September 2022 (unaudited)</b>	37,469	4,229	24,148	65,846
<b>Accumulated impairment losses</b>				
As at 1 April 2022 (audited) and <b>30 September 2022 (unaudited)</b>	37,469	–	24,148	61,617
<b>Net carrying amount</b>				
<b>As at 30 September 2022 (unaudited)</b>	–	4,229	–	4,229
As at 31 March 2022 (audited)	–	4,229	–	4,229

#### 11(a) Coal Mining CGU

The goodwill arising on acquisition of 木壘縣凱源煤炭有限責任公司 (Mulei County Kai Yuan Coal Company Limited\*) and its subsidiary was fully impaired during the year ended 31 March 2011.

#### 11(b) Renewable Energy CGU

The goodwill arising from the acquisition of 90% equity interests in NEFIN Leasing Technologies Limited and its subsidiary on 8 October 2018 was included in the cash generating units engaged in renewable energy solutions (the “Renewable Energy CGU”).

As at 30 September 2022, the directors of the Company assessed the recoverable amount of the Renewable Energy CGU with reference to value-in-use (“VIU”) calculations using cash flow projections based on financial budgets and forecasts covering a five-year period and extrapolation of cash flows beyond such period conducted by ValQuest Advisory (Hong Kong) Limited (“ValQuest”), an independent professional valuer. The directors of the Company concluded that there is no material change in key assumptions in the VIU calculation as at 30 September 2022 as compared with 31 March 2022.

As at 30 September 2022, the recoverable amount of the Renewable Energy CGU is higher than its carrying amount. Accordingly, there was no impairment on the goodwill during the six months ended 30 September 2022.

#### 11(c) IT Services CGU

The goodwill arising from the acquisition of 80.86% equity interests in Harbour Group Holdings Limited and its subsidiaries on 23 April 2019 was included in the cash generating units engaged in IT Services (the “IT Services CGU”). The goodwill was fully impaired during the year ended 31 March 2022.

\* English translation for identification purpose only.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2022

### 12. TRADE AND OTHER RECEIVABLES

	Note	30 September 2022 HK\$'000 (unaudited)	31 March 2022 HK\$'000 (audited)
<b>Trade receivables</b>			
From third parties		6,922	4,824
Loss allowance		(247)	(54)
	12(a)	6,675	4,770
<b>Other receivables</b>			
Prepayments, deposits and other receivables		4,997	5,926
Other taxes receivables		444	543
Prepayments for acquisition of property, plant and equipment		14,575	5,306
		20,016	11,775
		26,691	16,545
<b>Analysed by:</b>			
Non-current		14,575	5,306
Current		12,116	11,239
		26,691	16,545



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2022

### 12. TRADE AND OTHER RECEIVABLES (Continued)

#### 12(a) Trade receivables

##### **Loss allowance**

The Group's sales to coal customers are largely done on payment in advance basis. For certain well-established customers, the Group allows an average credit period of 90 days.

The Group grants credit period up to 60 days from the date of issuance of invoice to its customers from renewable energy business segment and IT Services business segment.

##### **Ageing analysis**

At the end of reporting period, the ageing analysis of the trade receivables (presented based on the invoice date), net of loss allowances was as follows:

	30 September 2022 HK\$'000 (unaudited)	31 March 2022 HK\$'000 (audited)
Within 30 days	4,489	1,793
31-60 days	452	1,245
61-90 days	745	733
Over 90 days	1,236	1,053
Less: Loss allowance	(247)	(54)
	<b>6,675</b>	<b>4,770</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2022

### 13. TRADE AND OTHER PAYABLES

The following is an ageing analysis of trade payables (presented based on invoice date) is as follows:

	30 September 2022 HK\$'000 (unaudited)	31 March 2022 HK\$'000 (audited)
Within 90 days	12,421	5,914
91-180 days	1,816	2,779
181-365 days	859	6,337
Over 1 year	2,998	3,119
Trade payables	18,094	18,149
Contract liabilities	3,615	6,414
Government levies payable		
– Economic development fees in coal resources areas	25,695	28,964
– Others	441	497
Accrued expenses	2,667	3,224
Other taxes payable	5,413	9,217
Other payables	6,611	3,979
<b>Total trade and other payables</b>	<b>62,536</b>	<b>70,444</b>

The average credit period of purchases of goods is up to 180 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

### 14. INTEREST-BEARING BORROWINGS

	30 September 2022 HK\$'000 (unaudited)	31 March 2022 HK\$'000 (audited)
<b>Current portion</b>		
Interest-bearing borrowings	3,471	37,254

The interest-bearing borrowings with a clause in their terms that gives the banks an overriding right to demand for repayment without notice at its sole discretion are classified as current liabilities even though the directors of the Company do not expect that the banks would exercise their right to demand repayment.

As at 30 September 2022 and 31 March 2022, the interest-bearing borrowings are secured by:

- (i) mining right with carrying amount of approximately HK\$106,434,000 (31 March 2022: approximately HK\$128,446,000);
- (ii) unlimited personal guarantee given by a director of a subsidiary; and/or
- (iii) limited government guarantee under SME Loan Guarantee Scheme.

The interest-bearing borrowings are repayable within one year as at 30 September 2022 (31 March 2022: one year). The average effective interest rates on the interest-bearing borrowings were ranging from 1.6% to 4.6% (31 March 2022: 3.9% to 9.7%) per annum. All the interest-bearing borrowings are denominated in HK\$ and RMB (31 March 2022: HK\$ and RMB).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2022

### 15. LEASE LIABILITIES

	30 September 2022 HK\$'000 (unaudited)	31 March 2022 HK\$'000 (audited)
<b>Carrying amount of right-of-use assets</b> (Note 9)		
Leased properties	1,886	1,347
<b>Lease liabilities</b>		
Current	1,378	1,068
Non-current	464	270
	<b>1,842</b>	<b>1,338</b>

In addition to the information disclosed in Note 9, the Group had the following amounts relating to leases during the six months ended 30 September 2022 and 2021:

	<b>Six months ended 30 September</b>	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
<b>Depreciation charge of right-of-use assets</b>		
Leased properties	939	1,138
Motor vehicles	–	44
	<b>939</b>	<b>1,182</b>

The total cash outflow for leases for the six months ended 30 September 2022 was approximately HK\$1,161,000 (30 September 2021: approximately HK\$1,291,000).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2022

### 15. LEASE LIABILITIES (Continued)

#### Commitments under leases

As at 30 September 2022, the Group was committed to lease contracts in relation to leased properties that have not yet commenced. The related lease payments that were not paid and not reflected in the measurement of lease liabilities were approximately HK\$73,000 (31 March 2022: approximately HK\$99,000).

Lease liabilities:

	Lease payments		Present value of lease payments	
	30 September 2022 HK\$'000 (unaudited)	31 March 2022 HK\$'000 (audited)	30 September 2022 HK\$'000 (unaudited)	31 March 2022 HK\$'000 (audited)
Amount payable:				
Within one year	1,455	1,108	1,378	1,068
More than one year, but not exceeding two years	473	273	464	270
	1,928	1,381	1,842	1,338
Less: future finance charges	(86)	(43)	–	–
Total lease liabilities	1,842	1,338	1,842	1,338

### 16. SHARE CAPITAL

	Number of ordinary shares of HK\$0.10 each	Amount HK\$'000
<b>Ordinary shares</b>		
Authorised:		
Balance as at 1 April 2021 (audited), 31 March 2022 (audited), 1 April 2022 (audited) and <b>30 September 2022 (unaudited)</b>	5,000,000,000	500,000
Issued and fully paid:		
Balance as at 1 April 2021 (audited), 31 March 2022 (audited), 1 April 2022 (audited) and <b>30 September 2022 (unaudited)</b>	765,373,584	76,537

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regards to the Company's residual assets.

## 17. CONVERTIBLE BOND

On 14 March 2008, the Company issued zero-coupon convertible bond with an aggregate principal amount of HK\$200,000,000 to Ascent Goal simultaneously upon completion of the issue and allotment of 400,000,000 ordinary shares of HK\$0.10 each. The bond is denominated in HK\$ and entitles the holders to convert any parts of it into ordinary shares of the Company at any time between the date of issue of the bond and its settlement date on 13 March 2011 in multiples of HK\$1,000,000 at a conversion price HK\$0.20 (subject to adjustments) per share. The shares to be issued and allotted upon conversions shall rank pari passu in all respects among themselves and with all other ordinary shares in issue by the Company on the date of such allotment and issue. If the convertible bond has not been converted, the Company shall repay the principal amount of the outstanding convertible bond to Ascent Goal as at 13 March 2011.

On 11 February 2011, the Company entered into a deed of amendment with Ascent Goal (“1<sup>st</sup> extended Convertible Bond”), to extend the maturity date of the convertible bond for 36 months and the conversion period will accordingly be extended for 36 months from 14 March 2011 (date of extension) to 13 March 2014. Apart from the extension of the maturity date and the conversion period, all terms of the convertible bond remain unchanged from the original terms.

Following the change of functional currency from HK\$ to RMB, the directors of the Company are of the view that the convertible bond upon extension of maturity date (“Convertible Bond”) was no longer convertible at a fixed for fixed relationship. Accordingly, the Convertible Bond was designated as a financial liability at FVPL in the condensed consolidated statement of financial position.

On 21 January 2014, the Company entered into a second deed of amendment with Ascent Goal (“2<sup>nd</sup> extended Convertible Bond”) to extend the maturity date of 1<sup>st</sup> extended Convertible Bond for 36 months and the conversion period will accordingly be extended for 36 months from 14 March 2014 (date of extension) to 13 March 2017 (“2<sup>nd</sup> extended Maturity Date”). Apart from the extension of maturity date and the conversion period, all terms of the 2<sup>nd</sup> extended Convertible Bond remain unchanged from the original terms.

The 2<sup>nd</sup> extended Maturity Date was considered to be a substantial modification of terms of 1<sup>st</sup> extended Convertible Bond as the discounted present value of the cash flows of the 2<sup>nd</sup> extended Convertible Bond is more than 10% different from the discounted present value of the cash flows of the outstanding 1<sup>st</sup> extended Convertible Bond prior to the extension of maturity date. As such, the 1<sup>st</sup> extended Convertible Bond was derecognised and the 2<sup>nd</sup> extended Convertible Bond was recognised. The fair value of the 2<sup>nd</sup> extended Convertible Bond as at 14 March 2014 amounting to approximately HK\$200,000,000.

On 25 January 2017, the Company entered into a third deed of amendment with Ascent Goal (“3<sup>rd</sup> extended Convertible Bond”), to further extend the maturity date of the 2<sup>nd</sup> extended Convertible Bond for 36 months and the conversion period will accordingly be extended for 36 months from 14 March 2017 (date of extension) to 13 March 2020 (“3<sup>rd</sup> extended Maturity Date”). Apart from the extension of maturity date and the conversion period, all terms of the convertible bond remain unchanged from the original terms.

## 17. CONVERTIBLE BOND (Continued)

The 3<sup>rd</sup> extended Maturity Date was considered to be a substantial modification of terms of the 2<sup>nd</sup> extended Convertible Bond as the discounted present value of the cash flows of the 3<sup>rd</sup> extended Convertible Bond is more than 10% different from the discounted present value of the cash flows of the 2<sup>nd</sup> extended Convertible Bond prior to the extension of maturity date. As such, the 2<sup>nd</sup> extended Convertible Bond was derecognised and the 3<sup>rd</sup> extended Convertible Bond was recognised. The fair value of the 3<sup>rd</sup> extended Convertible Bond as at 14 March 2017 amounted to approximately HK\$264,904,000.

On 3 February 2020, the Company entered into a fourth deed of amendment with Ascent Goal (“4<sup>th</sup> extended Convertible Bond”), to further extend the maturity date of the 3<sup>rd</sup> extended Convertible Bond for 36 months and the conversion period will accordingly be extended for 36 months from 13 March 2020 (date of extension) to 13 March 2023 (“4<sup>th</sup> extended Maturity Date”). Apart from the extension of maturity date and the conversion period, all terms of the convertible bond remain unchanged from the original terms.

The 4<sup>th</sup> extended Maturity Date was considered to be a substantial modification of terms of the 3<sup>rd</sup> extended Convertible Bond as the discounted present value of the cash flows of the 4<sup>th</sup> extended Convertible Bond was more than 10% different from the discounted present value of the outstanding 3<sup>rd</sup> extended Convertible Bond prior to the extension of maturity date. As such, the 3<sup>rd</sup> extended Convertible Bond was derecognised and the 4<sup>th</sup> extended Convertible Bond was recognised. The fair value of the 4<sup>th</sup> extended Convertible Bond as at 14 March 2020 amounted to approximately HK\$159,163,000.

The 4<sup>th</sup> extended Convertible Bond was valued by the directors of the Company with reference to valuation report issued by ValQuest as at 30 September 2022 and 2021. The fair value changes during the six months ended 30 September 2022 and 2021 have been recognised in profit or loss.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2022

### 17. CONVERTIBLE BOND (Continued)

The movements of the 4<sup>th</sup> extended Convertible Bond for the period/year are set out below:

	30 September 2022 HK\$'000 (unaudited)	31 March 2022 HK\$'000 (audited)
Balance at beginning of the reporting period	182,537	171,283
Fair value change charged to the profit or loss	263,539	11,254
Loss/(Gain) on translation of 4 <sup>th</sup> extended Convertible Bond denominated in a foreign currency into the functional currency	35,707	(6,068)
Exchange adjustment arising on translation of functional currency to presentation currency and recorded in other comprehensive income	(35,707)	6,068
Balance at end of the reporting period	446,076	182,537
Analysed for reporting as:		
Current liabilities	446,076	182,537
Difference between carrying amount and maturity amount:		
4 <sup>th</sup> extended Convertible Bond at fair value	446,076	182,537
Amount payable on maturity	(200,000)	(200,000)
	246,076	(17,463)

None of the 4<sup>th</sup> extended Convertible Bond had been converted into ordinary shares of the Company during the six months ended 30 September 2022 and the year ended 31 March 2022.

On 11 August 2022, the Company entered into a fifth deed of amendment with Ascent Goal, to further extend the maturity date of the 4<sup>th</sup> extended Convertible Bond for 36 months and the conversion period will accordingly be extended for 36 months from 13 March 2023 (date of extension) to 13 March 2026. Apart from the extension of maturity date and the conversion period, all terms of the convertible bond remain unchanged from the original terms. The fifth deed of amendment is subject to the approval from the independent shareholders of the Company at the special general meeting to be held on 9 December 2022. Details were set out in the announcement of the Company dated 11 August 2022 and the circular of the Company dated 16 November 2022.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2022

### 18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values as at 30 September 2022 and 31 March 2022.

#### Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 "Fair Value Measurement". The level into which a fair value measurement is classified and determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access 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 (lowest level): unobservable inputs for the asset or liability.

The Group engaged an independent professional valuer to perform valuation of financial instruments which are categorised into Level 2 and Level 3 of the fair value hierarchy. Valuation reports with analysis of changes in fair value measurement are prepared by the independent professional valuer at each interim and annual reporting date, and are reviewed and approved by the financial controller. Discussion of the valuation process and results with the financial controller is held twice a year to coincide with the reporting dates.

	Fair value as at 30 September 2022 HK\$'000	Unaudited Fair value measurements as at 30 September 2022 categorised into		
		Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
<b>Recurring fair value measurements</b>				
Financial liabilities designated as at FVPL:				
Convertible bond designated as financial liabilities at FVPL	446,076	-	-	446,076
	Fair value as at 31 March 2022 HK\$'000	Audited Fair value measurements as at 31 March 2022 categorised into		
		Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
<b>Recurring fair value measurements</b>				
Financial liabilities designated as at FVPL:				
Convertible bond designated as financial liabilities at FVPL	182,537	-	-	182,537

During the six months ended 30 September 2022 and year ended 31 March 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2022

### 18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

#### Information about Level 3 fair value measurements

##### *Convertible bond designated as financial liabilities at FVPL*

The fair value of the convertible bond is determined with reference to fair value of the liability component and conversion option component, calculated by using discounted cash flows and binomial model, respectively. The assumptions adopted for the valuation of the convertible bond are as follows:

- (i) The estimation of risk free rate has made reference to the yield of Exchange Fund Bill with same duration as the convertible bond;
- (ii) The estimation of volatility for the underlying share price has considered the historical price movements of the Company;
- (iii) The discount rate was determined based on the Company's credit rating and comparable corporate bonds with similar maturity and credit risk for which the range of comparable yield to maturity as of date of valuation was determined and the average has been adopted; and
- (iv) The estimation of dividend yield is based on historical dividend payment of the Company.

Major parameters adopted in the calculation of the fair value are summarised below:

	As at 30 September 2022 (unaudited)	As at 31 March 2022 (audited)
Stock price	HK\$0.410	HK\$0.066
Exercise price	HK\$0.20	HK\$0.20
Risk free rate	3.03%	0.847%
Discount rate	19.67%	14.41%
Dividend yield	0%	0%
Time to expiration	0.45 years	0.95 years
Stock price volatility	160.32%	93.35%

The significant unobservable input used in the fair value measurement is expected stock price volatility. The fair value measurement is positively correlated to the expected stock price volatility. If the expected stock price volatility has been 5% (31 March 2022: 5%) higher with all other variables held constant, the Group's pre-tax loss for the six months ended 30 September 2022 would increase by approximately HK\$2,555,000 (31 March 2022: decrease in the Group's pre-tax profit for the year by approximately HK\$967,000). If the expected stock price volatility has been 5% (31 March 2022: 5%) lower with all other variables held constant, the Group's pre-tax loss for the six months ended 30 September 2022 would decrease by approximately HK\$2,578,000 (31 March 2022: increase in the Group's pre-tax profit for the year by approximately HK\$978,000).

#### Reconciliation of Level 3 fair value measurements

The movements during the reporting periods in the balance of financial liability of level 3 fair value measurement is set out in Note 17.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2022

### 19. RELATED PARTY TRANSACTIONS

Except as disclosed elsewhere in the condensed consolidated interim financial information, the Group had the following transactions with related parties.

#### Compensation of key management personnel

The remuneration of directors of the Company and other members of key management for the six months ended 30 September 2022 and 2021 were as follows:

	Six months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Basic salaries, allowances and other short-term employee benefits	3,957	3,591
Contributions to defined contribution retirement plans	90	42
	<b>4,047</b>	<b>3,633</b>

The remuneration of directors of the Company was determined by the remuneration committee having regard to the performance of individuals and the market trends.

### 20. CAPITAL EXPENDITURE COMMITMENTS

	30 September 2022 HK\$'000 (unaudited)	31 March 2022 HK\$'000 (audited)
	Contracted but not provided net of deposit paid for acquisition of property, plant and equipment	<b>10,885</b>



# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS OVERVIEW

For the six months ended 30 September 2022 (the “Reporting Period”), the Group was engaged in three business segments, (1) coal mining business; (2) renewable energy business and (3) IT Services (as defined below) business. Our main business is coal mining and sales of coal in Xinjiang Uygur Autonomous Region (“Xinjiang”) of the People’s Republic of China (the “Mainland China”). Xinjiang is remote from major industrial cities in the Mainland China, and hence coal produced in Xinjiang is mainly consumed locally due to the logistic and the transportation costs. On 8 October 2018, we completed the acquisition of NEFIN Leasing Technologies Limited and its wholly owned subsidiary, NEFIN Technologies (Malaysia) Sdn. Bhd. (together the “NEFIN Group”) which is principally engaged in renewable energy solutions in Malaysia. We further allocated resources into the solar energy projects since then so as to enable higher efficiency together with the existing solar assets. On 23 April 2019, we completed the acquisition of Harbour Group Holdings Limited (“Harbour Group Holdings”) and its subsidiaries (collectively the “Harbour Group”) which is principally engaged in the provision of information technology (“IT”) outsourcing, consultancy and technical services (together referred to as “IT Services”) mainly in Hong Kong with expanding business in the United Kingdom (“UK”), Malaysia and Singapore. Our Group will continue our focus on developing the existing business. In the long run, we will aspire and strive to grow into an enterprise with a diversified business.

### Revenue

The Group recorded a revenue of approximately HK\$110,712,000 for the Reporting Period (2021: approximately HK\$117,995,000). It represents a decrease of approximately HK\$7,283,000 or approximately 6.2% as compared with the previous corresponding period.

### Coal Mining Business

During the Reporting Period, revenue of approximately HK\$94,376,000 of the coal mining business is decreased by approximately HK\$10,654,000 or approximately 10.1% as compared to approximately HK\$105,030,000 in the previous corresponding period. The decrease in revenue was mainly due to the worsening situation of the Coronavirus Disease 2019 (“COVID-19”) outbreak and the lockdown in Xinjiang for more than 3 months since August 2022, resulting in limited selling activities being carried out at the coal mine. The Group sold approximately 585,876 tonnes (2021: approximately 1,150,887 tonnes) of coal during the Reporting Period, decreased by 565,011 tonnes or approximately 49.1% compared to that in the previous corresponding period. However, the revenue was not decreased significantly in proportion to the volume decrease, due to the average selling prices per ton being increased by approximately HK\$69.83 or approximately 76.5% to approximately HK\$161.09 per ton during the Reporting Period (2021: HK\$91.26 per ton).

### Renewable Energy Business

During the Reporting Period, the renewable energy business recorded a revenue of approximately HK\$1,804,000 (2021: approximately HK\$1,893,000). The decrease in revenue of approximately 4.7% of the renewable energy business was mainly due to the adverse effect of exchange rate during the Reporting Period.

### IT Services Business

During the Reporting Period, the IT Services business contributed a revenue of approximately HK\$14,532,000 (2021: approximately HK\$11,072,000). Due to the COVID-19 control measures having been loosened in Hong Kong and worldwide, the business of IT services has been picked up progressively and the revenue was increased by approximately 31.3% as compared with the previous corresponding period.

## BUSINESS OVERVIEW (Continued)

### Cost of services and goods sold

#### **Coal Mining Business**

The cost of sales of the coal mining business for the Reporting Period was approximately HK\$36,925,000 (2021: approximately HK\$64,156,000). The cost mainly comprises direct labor cost, cost for explosive works, depreciation, amortisation and cost of services and materials, etc. The decrease in cost of sales was mainly in line with the decrease of sales volume during the Reporting Period as compared with the previous corresponding period.

#### **Renewable Energy Business**

During the Reporting Period, the cost of services of the renewable energy business is approximately HK\$991,000 (2021: approximately HK\$898,000). The increase in cost of services was mainly due to increase of depreciation expense during the Reporting Period as compared with the previous corresponding period.

#### **IT Services Business**

During the Reporting Period, the cost of services and goods sold of the IT Services business is approximately HK\$12,080,000 (2021: approximately HK\$9,679,000). The increase in cost of services and goods sold was largely in line with the increase of revenue during the Reporting Period as compared with the previous corresponding period.

### Gross profit

The gross profit of the Group for the Reporting Period was approximately HK\$60,716,000 (2021: approximately HK\$43,262,000). The gross profit increased by approximately HK\$17,454,000 or approximately 40.3% and the gross profit margin of approximately 54.8% for the Reporting Period is increased by approximately 18.1% as compared with approximately 36.7% for the previous corresponding period. Coal mining business contributed gross profit of approximately HK\$57,451,000 (2021: approximately HK\$40,874,000), IT Services business contributed gross profit of approximately HK\$2,452,000 (2021: approximately HK\$1,393,000) and renewable energy business contributed gross profit of approximately HK\$813,000 (2021: approximately HK\$995,000).

### Other revenue

The Group's other revenue for the Reporting Period was approximately HK\$1,166,000 (2021: approximately HK\$575,000), representing an increase of approximately HK\$591,000 or approximately 102.8% as compared with the previous corresponding period. This is mainly due to the government grants amounting to approximately HK\$541,000 (2021: Nil) from the Anti-epidemic Fund under the Employment Support Scheme as time-limited financial support to employers to retain employees who may otherwise be made redundant during the Reporting Period.

### Administrative and other operating expenses

The Group's administrative and other operating expenses for the Reporting Period was approximately HK\$18,984,000 (2021: approximately HK\$17,199,000), representing an increase of approximately HK\$1,785,000 or approximately 10.4% as compared with the previous corresponding period. This was mainly due to the combined effect of the increase in number of staff, in which the salaries and allowances and staff welfare derived from coal mining business was increased by approximately HK\$2,124,000 during the Reporting Period.

## BUSINESS OVERVIEW (Continued)

### Loss for the Reporting Period

Loss of the Group for the Reporting Period was approximately HK\$241,725,000 (2021: approximately HK\$29,900,000), representing an increase in loss of approximately HK\$211,825,000 as compared with the previous corresponding period. Such increase in loss was mainly due to the net effect of the following:

- (a) fair value loss of convertible bond designated as financial liabilities at fair value through profit or loss (“FVPL”) of approximately HK\$263,539,000 (2021: approximately HK\$45,290,000);
- (b) impairment loss on goodwill: Nil (2021: approximately HK\$3,040,000);
- (c) the net exchange loss of approximately HK\$7,442,000 (2021: of approximately HK\$2,156,000);
- (d) the increase of other revenue by approximately HK\$591,000;
- (e) the increase of gross profit by approximately HK\$17,454,000;
- (f) the increase of administrative and other operating expenses by approximately HK\$1,785,000;
- (g) the decrease of finance costs by approximately HK\$1,685,000; and
- (h) the increase of income tax expenses by approximately HK\$9,166,000.

### ***Change in fair value of convertible bond designated as financial liabilities at FVPL***

The zero coupon convertible bond (the “Convertible Bond”) of the Company in the principal amount of HK\$200,000,000 was issued on 14 March 2008 with a conversion price of HK\$0.20 per share (subject to adjustments) and maturity date of 17 March 2011 (details of which were set out in the announcements of the Company dated 28 January 2008 and 14 March 2008).

The maturity date of the Convertible Bond was then extended to 13 March 2014, 13 March 2017, 13 March 2020, and further extended to 13 March 2023 (details of which were respectively set out in the circulars of the Company dated 21 February 2011, 13 February 2014, 17 February 2017 and 24 February 2020 and announcements of the Company dated 11 March 2011, 10 March 2014, 7 March 2017 and 11 March 2020).

On 11 August 2022, the Company entered into a fifth deed of amendment with Ascent Goal Investments Limited (“Ascent Goal”), to further extend the maturity date of the Convertible Bond for 36 months and the conversion period will accordingly be extended for 36 months from 13 March 2023 (date of extension) to 13 March 2026. Apart from the extension of maturity date and the conversion period, all terms of the convertible bond remain unchanged from the original terms. The fifth deed of amendment is subject to the approval of the independent shareholders of the Company at the special general meeting to be held on 9 December 2022. Details were set out in the announcement of the Company dated 11 August 2022 and the circular of the Company dated 16 November 2022.

As at the date of this interim report, the outstanding principal amount of the Convertible Bond is HK\$200,000,000.

## BUSINESS OVERVIEW (Continued)

### Loss for the Reporting Period (Continued)

#### *Change in fair value of convertible bond designated as financial liabilities at FVPL (Continued)*

The Company conducted valuation for the fair value of the Convertible Bond every financial year after its issuance in compliance with the relevant accounting policies. The Company has engaged ValQuest Advisory (Hong Kong) Limited as its independent professional valuer for the purpose of assessing the fair value of the Convertible Bond as at 30 September 2022. In assessing the fair value of the Convertible Bond, the binomial option pricing model was adopted and factors including stock price of the Company, specific terms and structure of the Convertible Bond, trading conditions and liquidity of the Convertible Bond, and ancillary effects associated with the exercise or conversion and partial conversion of the Convertible Bond were taken into account. The credit rating of our Company is estimated to be CCC with reference to Standard & Poor's Corporate Rating Criteria, where Corporate Bond with issuer credit rating from CCC- to CCC+ and similar time to maturity were selected, the discount rate is 19.67% (31 March 2022: 14.41%).

The fair values of the Convertible Bond were approximately HK\$446,076,000 and approximately HK\$182,537,000 as at 30 September 2022 and 31 March 2022, respectively. The amounts were assessed and reviewed by the directors of the Company (the "Directors") and reviewed or audited by the auditor of the Company. According to the relevant accounting policies, the increase in fair value of the Convertible Bond represents an increase in liabilities of the Company. The amount of the change in fair value of the Convertible Bond of approximately HK\$263,539,000 was derived by taking the difference between the fair value of the Convertible Bond as at 30 September 2022 and 31 March 2022. The significant change in fair value of the Convertible Bond was mainly due to the significant change in the stock price of the Company and the expected volatility of the stock price of the Company during the Reporting Period. The closing stock prices of the Company were HK\$0.41 and HK\$0.066 as at 30 September 2022 and 31 March 2022, respectively, and the expected volatility of the stock price of the Company was 160.32% and 93.35% based on the historical price volatility of the Company for the six months ended 30 September 2022 and for the year ended 31 March 2022, respectively.

## SEGMENT INFORMATION

### Business segment

Information reported to the executive Directors, being identified as the chief operating decision makers (the "CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered or services rendered. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

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

- (1) Coal mining business segment: mining and sales of coal mine in the Xinjiang of the Mainland China;
- (2) Renewable energy business segment: provision of service for renewable energy solutions in Malaysia; and
- (3) IT Services business segment: provision of IT Services in Hong Kong, Singapore, Malaysia and the UK.

## SEGMENT INFORMATION (Continued)

### Segment revenue and results

Segment revenue represents revenue derived from (i) coal mining business, (ii) renewable energy business and (iii) IT Services business.

#### (i) Coal Mining Business

Coal mining is the major business of the Group at present. It contributed a revenue of approximately HK\$94,376,000 for the Reporting Period (2021: approximately HK\$105,030,000), representing a decrease of approximately 10.1% as compared with the previous corresponding period.

#### Sales and Production of Coals

During the Reporting Period, the Group sold approximately 585,876 tonnes of coals (2021: approximately 1,150,887 tonnes) with total sales income of approximately HK\$94,376,000 (2021: approximately HK\$105,030,000). Details of sales of coals in tonnes are listed in the below table:

	Six months ended 30 September	
	2022	2021
Sales of coals	585,876 tonnes	1,150,887 tonnes

#### Coal Sales (tonnes) and Percentage of Coal Sales

	Coal Sales (tonnes)	Coal Sales in %
Mixed Coal	501,658	85.6%
Slack Coal	34,597	5.9%
Weathered Coal	49,621	8.5%
Total	585,876	100%

#### (ii) Renewable Energy Business

Service income from renewable energy business contributed a revenue of approximately HK\$1,804,000 for the Reporting Period (2021: approximately HK\$1,893,000).

#### (iii) IT Services Business

Service income from IT Services business contributed a revenue of approximately HK\$14,532,000 for the Reporting Period (2021: approximately HK\$11,072,000).



## SEGMENT INFORMATION (Continued)

### Reserves and Resources

The Group owns a mining right located in Xinjiang. The estimated remaining reserve in Kaiyuan Open Pit Coal Mine (the “Kaiyuan Mine”) (excluding the Enlarged Kaiyuan Mine (as defined in “Major Events”)) was approximately 5.11 million tonnes as at 31 March 2020.

On 2 December 2019, a transfer agreement was officially passed by Department of Natural Resources of Xinjiang Uygur Autonomous Region\* (新疆維吾爾自治區自然資源廳) of the Mainland China (the “Xinjiang Natural Resources Department”) to Mulei County Kai Yuan Coal Company Limited\* (木壘縣凱源煤炭有限責任公司) (“Kaiyuan Company”), an indirect wholly-owned subsidiary of the Company. According to the competent person’s report and valuation report of the Enlarged Kaiyuan Mine dated 19 August 2020, the probable reserve in the Enlarged Kaiyuan Mine was approximately 63.48 million tonnes as at the date of acquisition of the Enlarged Kaiyuan Mine.

During the Reporting Period, approximately 0.87 million tonnes of coal was extracted (2021: approximately 0.62 million tonnes).

Total approximate reserve of the mine in Xinjiang as at 30 September 2022 is equivalent to 64.35 million tonnes (i.e. the sum of the estimated remaining coal reserve in Kaiyuan Mine including the Enlarged Kaiyuan Mine) (31 March 2022: approximately 65.22 million tonnes).

Coal Reserve as at 30 September 2022 = Coal Reserve as at 31 March 2022 – Amount of coal extracted by the Group during the period from 1 April 2022 to 30 September 2022.

### Geographical segment

The geographical location of customers is determined based on the location where the goods are delivered, or services are rendered. The Group’s revenue and results from operations are mainly derived from activities in the Mainland China, Hong Kong, Singapore, the UK and Malaysia. Activities outside these five locations are insignificant. The principal assets of the Group are located in the Mainland China, Hong Kong and Malaysia.

## MAJOR EVENTS

### Acquisition of the New Mining Right of the Enlarged Kaiyuan Mine

As disclosed in the announcements of the Company dated 11 November 2011, 21 March 2012, 15 June 2012, 21 March 2014, 15 August 2017, 28 March 2018, 14 December 2018, 31 December 2018, 15 May 2019, 31 May 2019, 4 November 2019 and 15 November 2019, the Group negotiated with the Xinjiang Natural Resources Department regarding the Optimization and Upgrading Plan<sup>#</sup> relating to the Kaiyuan Mine (i.e. the operating coal mine of the Group in Xinjiang), in particular, to increase the mining area of the Kaiyuan Mine and obtain the corresponding new mining right.

\* English translation for identification purpose only.

<sup>#</sup> “Optimization and Upgrading Plan” was previously referred to as “Management Restructuring Plan” in the announcement of the Company dated 11 November 2011 and, in the announcements, notices, circulars, interim reports and annual reports of the Company thereafter.

## MAJOR EVENTS (Continued)

### Acquisition of the New Mining Right of the Enlarged Kaiyuan Mine (Continued)

As announced by the Company on 6 December 2019 and 16 March 2020,

- (i) Kaiyuan Company as the transferee and Xinjiang Natural Resources Department as the transferor entered into the transfer agreement (the “Transfer Agreement”) dated 2 December 2019, pursuant to which Kaiyuan Company acquired the new mining right (the “New Mining Right”) of the Kaiyuan Mine with an enlarged mining area (including the original mining area of approximately 1.1596 km<sup>2</sup>) of 4.1123 km<sup>2</sup> in Xinjiang (the “Enlarged Kaiyuan Mine”) for 30 years from August 2019 to August 2049 from the Xinjiang Natural Resources Department to conduct mining activities at the Enlarged Kaiyuan Mine at a consideration of Renminbi (“RMB”) 160,978,000 (the “Acquisition”);
- (ii) the estimated coal resources of the Enlarged Kaiyuan Mine are 41.6433 million tonnes for the mining life of 30 years under the Transfer Agreement;
- (iii) the new mining permit (the “New Mining Permit”) in respect of the New Mining Right with mining term of 1 year from 21 December 2018 to 21 December 2019 regarding the New Mining Right was granted to Kaiyuan Company on 3 November 2018, which has been renewed for two years from 21 December 2019 to 21 December 2021. On 10 October 2021, the New Mining Right has been further renewed for ten years from 11 October 2021 to 11 October 2031;
- (iv) Kaiyuan Company has the right to apply for the renewal of New Mining Permit for the remaining period of the New Mining Right under the Transfer Agreement;
- (v) the consideration of RMB160,978,000 shall be settled in cash and paid by Kaiyuan Company to the Xinjiang Natural Resources Department in fifteen instalments: (a) the first instalment in an amount of RMB32,200,000 was paid by Kaiyuan Company; (b) the second to fourteenth instalments in an amount of RMB9,200,000 each shall be paid before 20 November of every year from 2020 to 2032; and (c) the last instalment in an amount of RMB9,178,000 shall be paid before 20 November 2033;
- (vi) the Acquisition constituted a very substantial acquisition for the Company under the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and further information on the Acquisition was disclosed in the circular dated 19 August 2020; and
- (vii) as part of the Transfer Agreement, Kaiyuan Company is required to pay a supplemental resources fee of RMB76,502,500 (the “Resources Fee”) to the Xinjiang Natural Resources Department for 19.8 million tonnes of coal of Kaiyuan Mine, which represented the difference between the accumulated output of 23.65 million tonnes of the Kaiyuan Mine at the end of 2017 and the output of 3.8819 million tonnes (Resources Fee of such output had been paid by Kaiyuan Company to the Xinjiang Natural Resources Department) and recognised in the profit or loss for the year ended 31 March 2020. Based on the advice given by the legal adviser of the Company as to the laws of the Mainland China, other than the payment of the Resources Fee, Kaiyuan Company will not be subject to any fees relating to the original Kaiyuan Mine pursuant to the terms of the Transfer Agreement.

## MAJOR EVENTS (Continued)

### Acquisition of shares and subscription of new shares in Harbour Group Holdings

References are made to announcements of the Company dated 11 March 2019 and 23 April 2019 and the circular of the Company dated 1 April 2019 in relation to the acquisition of shares and subscription of new shares in Harbour Group Holdings.

On 11 March 2019, (i) Ample Talent Ventures Limited (“Ample Talent”), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the “Sale and Purchase Agreement”) with an independent third party (the “Vendor”), pursuant to which the Vendor has conditionally agreed to sell, and Ample Talent has conditionally agreed to purchase 80% shareholding interest in Harbour Group Holdings at a consideration of HK\$35,712,000 (the “Harbour Group Acquisition”); and (ii) Ample Talent and Harbour Group Holdings entered into a subscription agreement, pursuant to which Harbour Group Holdings has conditionally agreed to issue and allot to Ample Talent, and Ample Talent conditionally agreed to subscribe for 450 ordinary shares of Harbour Group Holdings, representing approximately 4.5% of the total number of shares of Harbour Group Holdings in issue as at the date of subscription agreement at an aggregate subscription price (the “Subscription Price”) of HK\$2,008,800 (the “Subscription”). The Company indirectly interests in 80.86% shares of Harbour Group Holdings in issue upon completion of the Harbour Group Acquisition and Subscription on 23 April 2019.

The consideration for the Harbour Group Acquisition has been settled in cash of HK\$28,512,000 by Ample Talent to the Vendor and the remaining amount of HK\$7,200,000 by means of the issue of the three promissory notes (the “Promissory Note(s)”), each in the principal amount of HK\$2,400,000 by the Company to the Vendor. The Subscription Price has been settled in cash.

Harbour Group consists of Harbour Group Holdings, Harbour Group (Singapore) Pte. Ltd., Harbour Group Consulting (UK) Limited, HGH Technology Sdn. Bhd., Mountain Managed Cloud Consulting Limited and Vanguard Business Services Limited. Harbour Group is principally engaged in the provision of IT outsourcing, consultancy and technical services mainly in Hong Kong with expanding business in the UK, Malaysia and Singapore. The Directors are of the view that the Harbour Group Acquisition and the Subscription can broaden the Group’s revenue base and benefit from the diversified return in future. The Harbour Group Acquisition and the Subscription constituted a business combination and had been accounted for using the acquisition method under HKFRS 3 Business Combinations.

Pursuant to the Sale and Purchase Agreement, the Vendor agreed to guarantee that the audited consolidated net profit generated from operating activities of the Harbour Group in its ordinary and usual course of business, prepared in accordance with HKFRSs (the “Net Profit”), for the years ended 31 December 2018 (“FY2018”), 31 December 2019 (“FY2019”) and 31 December 2020 (“FY2020”, and each such 12-month period, a “PG 12-Month Period”) shall be no less than HK\$7,200,000 per annum (the “Guaranteed Profit”). In the event that the Net Profit during the each PG 12-Month Period is less than the Guaranteed Profit, the Vendor unconditionally and irrevocably undertakes and guarantees, as a continuing obligation, to pay the shortfall multiplied by the ratio of 1.13 to the Group by way of cash and/or setting off the same amount from the amount owed by the Company under the Promissory Note(s) issued to the Vendor.

The profit guarantee for FY2018 was met but the profit guarantee for FY2019 and FY2020 was not fulfilled.

## MAJOR EVENTS (Continued)

### Acquisition of shares and subscription of new shares in Harbour Group Holdings (Continued)

As disclosed in the announcement dated 7 April 2020, the shortfall for FY2019 profit guarantee equals to HK\$2,187,091 (rounded to the nearest dollar). Such amount was deducted from the Promissory Note in the principal amount of HK\$2,400,000 and the outstanding amount of HK\$212,909 (i.e. after deduction of the shortfall amount) of the Promissory Note was paid to the Vendor by the Group.

As disclosed in the announcement dated 7 May 2021, the shortfall for FY2020 profit guarantee equals to HK\$2,538,041 (rounded to the nearest dollar). Such amount was deducted from the Promissory Note in the principal amount of HK\$2,400,000 and the outstanding amount of HK\$138,041 after deduction of the Promissory Note was paid by the Vendor to the Group.

## PROSPECTS

The Group actively proceeded with the Optimization and Upgrading Plan since 2011 in relation to the New Mining Right of the Enlarged Kaiyuan Mine. The Acquisition enlarged the Group's coal resources and allowed the Group to enhance the development of its sales operations of Kaiyuan Mine in the future. The Directors consider that the transaction is in line with the Group's strategy to expand the coal mining business of the Group. On 10 October 2021, Kaiyuan Company successfully renewed and received the renewed New Mining Permit issued by the Xinjiang Natural Resources Department, pursuant to which the term of the mining right of the Enlarged Kaiyuan Mine is renewed for a period of 10 years from 11 October 2021 to 11 October 2031.

In the coming periods, there will be (i) a reasonable expected amount of expenditure in capital assets, in particular for the new plants and machines for the environmental protection remedial works and (ii) reasonable expenditure for works required by the Safety Bureau to improve safety standard of our coal mine. Sources of funding are expected to come primarily from the coal sales revenue and external banking facilities of the Group.

In addition to coal mining, the Group has been exploring new markets and seeking to develop its business coverage on technological and renewable energy sectors, in particular, the acquisition of Harbour Group in 2019 and NEFIN Group in 2018. It is one of the objectives of the Group to diversify its business portfolio into sectors offering higher growth momentum.

Due to the prolonged outbreak of COVID-19 in Hong Kong and worldwide since 2019, we are facing a difficult business environment, which has negatively impacted the growth of our IT Services business in Hong Kong. In 2022, the COVID-19 control measures in Hong Kong has been loosened and our IT Services business will resume its growth.

The board of Directors (the "Board") will continue to keep track of the latest development of the COVID-19 and will use its best endeavors to manage the Group's business portfolio with a view to improving the Group's financial performance and enhancing shareholders' value.

## SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as otherwise disclosed, there were neither significant investments held as at 30 September 2022 nor material acquisitions and disposals of subsidiaries during the Reporting Period.

Save as otherwise disclosed, the Group does not have any future plan for material investments. There will, however, be a reasonable expected amount of expenditure in capital assets, in particular for the new plants and machines for the environmental protection remedial works. Sources of funding are expected to come primarily from the coal sales revenue and also external banking facilities of the Group.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2022, the Group had:

- net current liabilities and net liabilities of approximately HK\$299,910,000 and approximately HK\$57,166,000, respectively (31 March 2022: net current liabilities and net assets of approximately HK\$32,068,000 and approximately HK\$224,189,000, respectively).
- cash and cash equivalents of approximately HK\$203,124,000 (31 March 2022: approximately HK\$260,753,000) and the bank balances were the major components of the Group's current assets of approximately HK\$222,272,000 (31 March 2022: approximately HK\$274,922,000). All the cash and cash equivalents are denominated in Hong Kong dollars ("HK\$"), Malaysian Ringgit ("MYR"), Singapore Dollars ("S\$"), Great Britain Pound ("GBP"), United States Dollars ("US\$") and RMB (31 March 2022: HK\$, MYR, S\$, GBP, US\$ and RMB).
- current liabilities of approximately HK\$522,182,000 (31 March 2022: approximately HK\$306,990,000) which comprised Convertible Bond of approximately HK\$446,076,000 (31 March 2022: approximately HK\$182,537,000), trade and other payables of approximately HK\$62,536,000 (31 March 2022: approximately HK\$70,444,000) and interest-bearing borrowings of approximately HK\$3,471,000 (31 March 2022: approximately HK\$37,254,000).

The interest-bearing borrowings are repayable within one year as at 30 September 2022 (31 March 2022: one year). The average effective interest rates on the interest-bearing borrowings were ranging from 1.6% – 4.6% (31 March 2022: 3.9% – 9.7%) per annum. The interest-bearing borrowings are denominated in HK\$ and RMB (31 March 2022: HK\$ and RMB).

- non-current liabilities of approximately HK\$78,768,000 (31 March 2022: approximately HK\$85,091,000) which comprised non-current portion payable related to mining right payables of approximately HK\$74,856,000 (31 March 2022: approximately HK\$81,011,000).

The Group's gearing ratio was approximately (9.28) (31 March 2022: approximately 1.37). The computation is based on total debt (Convertible Bond, mining right payables, lease liabilities and interest-bearing borrowings) divided by total deficit/equity.

## CAPITAL STRUCTURE

The capital of the Group comprises only ordinary shares.

As at 30 September 2022, there were 765,373,584 (31 March 2022: 765,373,584) ordinary shares of the Company in issue.

Zero coupon convertible bonds of the Company with an aggregate principal amount of HK\$200,000,000 were issued on 14 March 2008 the maturity date of which was approved to be further extended for 36 months to 13 March 2023 by the shareholders of the Company on 11 March 2020.

On 11 August 2022, the Company entered into a fifth deed of amendment with Ascent Goal, to further extend the maturity date of the Convertible Bond for 36 months and the conversion period will accordingly be extended for 36 months from 13 March 2023 (date of extension) to 13 March 2026. Apart from the extension of maturity date and the conversion period, all terms of the convertible bond remain unchanged from the original terms. The fifth deed of amendment is subject to the approval from the independent shareholders of the Company at the special general meeting to be held on 9 December 2022. Details were set out in the announcement of the Company dated 11 August 2022 and the circular of the Company dated 16 November 2022.

## CHARGES ON GROUP'S ASSETS

As at 30 September 2022, the Group had pledged its mining right with carrying amount of approximately HK\$106,434,000 (31 March 2022: approximately HK\$128,446,000).

## FOREIGN EXCHANGE EXPOSURE

The Group mainly earns revenue in RMB, HK\$ and MYR and incurs costs in RMB, HK\$ and MYR. The Group is exposed to foreign exchange risk based on fluctuations of exchange rates of HK\$ and MYR against RMB. The currency exchange risk for the Reporting Period is mainly derived from the exchange difference on convertible bond designated as financial liabilities at FVPL, which is a result from the depreciation of RMB against HK\$. In order to minimise the foreign currency risk exposure between these two currencies, the Group maintained cash balances in both currencies that are sufficient to meet several months' operating cash flows requirements of the Group.

## TREASURY POLICIES

Apart from the issuance of Convertible Bond at their face value of HK\$200,000,000 and the interest-bearing borrowings amounting to approximately HK\$3,471,000 (31 March 2022: approximately HK\$37,254,000), the Group finances its operation mainly by internal generated resources.

## CONTINGENT LIABILITIES

As at 30 September 2022, the Group did not have any material contingent liabilities (31 March 2022: Nil).

## EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2022, the Group had 145 employees (31 March 2022: 140) spreading amongst Hong Kong, Malaysia, Singapore, the UK and the Mainland China. Total staff costs (excluding Directors' emoluments) for the Reporting Period amounted to approximately HK\$17,023,000 (31 March 2022: approximately HK\$38,954,000). Employment relationship has been well maintained by the Group with its employees. The Group has adopted an extensive training policy for its employees.

Remuneration policy of the Company is reviewed regularly, making reference to market condition and performance of the Company and individual staff (including the Directors).

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Reporting Period (2021: Nil).



## OTHER INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2022, none of the directors or chief executives of the Company, had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (a) 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 (including interests and short positions which they have taken or were deemed to have taken under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Stock Exchange.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for those disclosed under the headings "Share Option Scheme" below, at no time during the Reporting Period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors (including their spouses and children under the age of 18) to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

### SHARE OPTION SCHEME

The Group has not adopted any share option scheme after the expiration of the old share option scheme on 27 August 2013. There was no outstanding share option under the share option scheme as at 30 September 2022.

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

As at 30 September 2022, the following persons (other than directors or chief executive of the Company) had 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:

#### Long positions in shares or underlying shares of the Company

Name of shareholder	Notes	Nature of interest	Number of shares held	Number of underlying shares held	Total number of shares and underlying shares held	Approximate percentage of the total number of issued shares of the Company in issue (Note 5)
Ascent Goal Investments Limited ("Ascent Goal")	1,4	Beneficial owner	569,616,589	1,000,000,000	1,569,616,589	205.08%
CSIL Limited ("CSIL")	2,4	Interests of controlled corporation	569,616,589	1,000,000,000	1,569,616,589	205.08%
New Bright International Development Limited ("New Bright")	2,4	Interests of controlled corporation	569,616,589	1,000,000,000	1,569,616,589	205.08%
Ms. Fung Yuen Kwan Veronica	3,4	Interests of controlled corporation	569,616,589	1,000,000,000	1,569,616,589	205.08%

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (Continued)

### Long positions in shares or underlying shares of the Company (Continued)

Notes:

1. Ascent Goal was directly interested in 569,616,589 shares and further 1,000,000,000 underlying shares which may be fully allotted and issued if the Convertible Bond are converted at the conversion price of HK\$0.20 per share. These 1,569,616,589 shares were held by Ascent Goal directly as beneficial owner. It includes (i) interests in 569,616,589 shares and (ii) the Convertible Bond giving rise to an interest in 1,000,000,000 underlying shares.
2. Since Ascent Goal is a wholly-owned subsidiary of CSIL which is beneficially owned as to 70% by New Bright, the interests of Ascent Goal is deemed to be the interests of CSIL and in turn the interests of New Bright under the SFO.
3. Ms. Fung Yuen Kwan Veronica is deemed to have interests in the shares and underlying shares through her 70% interests in New Bright.
4. The 569,616,589 shares and 1,000,000,000 underlying shares under the Convertible Bond represent approximately 74.42% and approximately 130.66% of the total number of issued shares of the Company respectively, thus the total of 569,616,589 shares and 1,000,000,000 underlying shares represent approximately 205.08% of the total number of issued shares of the Company. The conversion rights attaching to the Convertible Bond will not be exercised and the Company will not issue the conversion shares if, immediately following the conversion, the Company would be unable to meet the public float requirement under the Listing Rules.
5. The approximate percentage of shareholdings is based on 765,373,584 shares as at 30 September 2022, not the enlarged number of issued shares of the Company upon full conversion of the Convertible Bond.

Save as disclosed above, the Directors are not aware of any other persons who, as at 30 September 2022, had 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.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

## CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the code provisions set out in the Corporate Governance Code (the "Code") contained in Part 2 of Appendix 14 to the Listing Rules during the Reporting Period, save for the deviation from code provision C.2.1 as disclosed below:

Code provision C.2.1 of the Code stipulates that the roles of chairman and chief executive (the "CE") should be separate and should not be performed by the same individual. During the Reporting Period, the Company did not have any officer with CE title. Mr. Kwan Man Fai, the chairman and managing Director, also carried out the responsibility of CE during the Reporting Period. In view of the size of operation of the Group, the Board considered that this structure is more suitable for the Company as it can promote the efficient formulation and implementation of the Company's strategies.





## OTHER INFORMATION *(Continued)*

### CHANGE IN DIRECTOR'S INFORMATION

Changes in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules subsequent to the publication of the annual report of the Company for the year ended 31 March 2022 are set out below:

1. Subsequent to a review of Directors' duties and responsibilities in the Company as well as the market conditions, the executive Directors' emoluments were approved and revised by the Board with effect from 1 October 2022. The emolument of Mr. Kwan Man Fai was changed to HK\$1,681,212 per annum. The emolument of Mr. Wong Sze Wai was changed to HK\$1,373,928 per annum. The emolument of Mr. Li Chun Fung was changed to HK\$796,224 per annum;
2. The service agreement of the executive Director, Mr. Li Chun Fung, entered with the Company expired on 16 September 2022 and had been extended for one year commencing on 17 September 2022;
3. The service agreement of the independent non-executive Director, Mr. Pak Wai Keung Martin, entered with the Company expired on 18 September 2022 and his service agreement had been extended for one year commencing on 19 September 2022;
4. The service agreement of the executive Director, Mr. Wong Sze Wai, entered with the Company expired on 19 November 2022 and his service agreement had been extended for one year commencing on 20 November 2022; and
5. On 30 June 2022, Mr. Li Chun Fung has been appointed as an executive director of IAG Holdings Limited (Stock Code: 8513), the shares of which are listed on GEM of the Stock Exchange.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following specific enquiry made by the Company, that they have complied with the required standard as set out in the Model Code throughout the Reporting Period.

### AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises three independent non-executive Directors, namely Mr. Pak Wai Keung Martin as the chairman of the Audit Committee, Dr. Wong Man Hin Raymond and Mr. Chan Yiu Fai Youdey. The Audit Committee together with the management and external auditor of the Company have reviewed the accounting principles and practices adopted by the Group and discussed and reviewed the unaudited condensed consolidated interim financial information of the Group for the Reporting Period. The review was conducted by the external auditor of the Company in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

By Order of the Board  
**Kwan Man Fai**  
*Chairman and Managing Director*

Hong Kong, 23 November 2022

