



EvDynamics

Ev Dynamics (Holdings) Limited
科軒動力（控股）有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 476)



2022/23
INTERIM REPORT

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Corporate Information

DIRECTORS

Executive Directors

Mr. Cheung Ngan (*Chairman*)
Mr. Miguel Valldcabres Polop
(*Chief Executive Officer*)
Ms. Chan Hoi Ying

Independent Non-Executive Directors

Mr. Chan Francis Ping Kuen
Mr. Lee Kwok Leung
Dato' Tan Yee Boon

AUDIT COMMITTEE

Mr. Chan Francis Ping Kuen
Mr. Lee Kwok Leung
Dato' Tan Yee Boon

AUDITOR

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LEGAL ADVISOR IN HONG KONG

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STOCK CODE

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REGISTERED OFFICE

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Bermuda

BRANCH REGISTRAR IN HONG KONG

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PRINCIPAL REGISTRAR

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Victoria Place, 5th Floor
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AUTHORISED REPRESENTATIVES

Ms. Chan Hoi Ying
Ms. Lo Lai Man, CPA

COMPANY SECRETARY

Ms. Lo Lai Man, CPA

PRINCIPAL BANKER

Bank of Communications Co., Ltd
Hang Seng Bank Limited

WEBSITE

www.evdynamics.com

Management Discussion and Analysis

The board of directors (the “Board”) of Ev Dynamics (Holdings) Limited (the “Company”) is pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2022.

RESULTS

During the period ended 30 September 2022, the Group recorded revenue of approximately HK\$0.8 million (30 September 2021: HK\$29.7 million) derived from the sale of electric vehicles. Gross profit amounted to approximately HK\$0.4 million (30 September 2021: HK\$4.1 million), with the gross profit ratio of 49.9% (30 September 2021: 13.7%). The decrease in revenue for the sales of electric vehicles was the result of unstable supply chain due to the prolong lock down at early second quarter in the PRC. Revenue in the current period represented the sales of existing inventories with lower material costs in previous period and the higher selling price of the product, and hence resulted in the increase in gross profit ratio. During the current period, the Group has continued to enhance its sales network on international sales and hence targeting an upward trend on the sales turnover year on year. The Group will continue to work on a cost optimization plan to ensure maximum efficiency and add more value to its final products to gain its market shares.

The Group recorded a loss of approximately HK\$41.0 million for the period as compared to a loss of approximately HK\$53.9 million for the corresponding period. The decrease in loss was mainly due to the decrease in administrative expenses to approximately HK\$32.1 million (30 September 2021: HK\$54.7 million) as resulted from the decrease in legal and professional fee and the decrease in employee costs.

The loss attributable to owners of the Company was approximately HK\$38.3 million (30 September 2021: HK\$49.6 million). Basic and diluted loss per share for the period was HK\$0.0042 per share (30 September 2021: HK\$0.0058 per share).

INTERIM DIVIDEND

The directors of the Company do not recommend the payment of any interim dividend for the six months ended 30 September 2022 (30 September 2021: HK\$ nil).

Management Discussion and Analysis

BUSINESS REVIEW

Electric bus and electric vehicles

The Group, through its subsidiary, Chongqing Suitong New Energy Automotive Manufacturing Co., Ltd. ("Suitong"), has a production base in Chongqing engaged in the manufacture of electric buses and their entire electric power and control systems, the manufacture of other buses, and the marketing and selling of vehicle components.

During the period ended 30 September 2022, the Group has continued to diversify its sales network into various overseas markets.

Hong Kong market

The Group was in the progress on an order from the Hong Kong Productivity Council to deliver a 12-meter electric bus for a Hong Kong non-governmental organization, this is a new order after the successful delivery for the Council's earlier order of electric buses for the Airport Authority Hong Kong and the Hong Kong Anti-Cancer Society. This vehicle is specifically designed to be accessible to seniors and those with disabilities, with feature such as extra-low platform for easy accessibility. The Group are fully confident that we are in an extremely well position in this market segment and are expecting more orders for 12-meter smart electric buses going through Hong Kong Productivity Council or other customers are coming. The Group also start to sell its full electric 65-seats coach to the Hong Kong market. Two of the coaches have already arrived in Hong Kong and is ready to sell. However, COVID-19 is still prevail during the period under review, and make it another hard year for the commuter and tourist coaches business. The Group is optimistic that tourism will revive in the post pandemic era, and will drive a big demand for the inevitable switching to electrify coaches. Given our coaches are currently almost the only approved model of their type in Hong Kong, we are confident that the Company has a very strong advantage in this more than 7,000 unit-strong market sector.

Management Discussion and Analysis

In addition, the Group had launched its full electric 19-seats low-floor minibus (“APEX-MINI”) and again, have received tremendous positive recognition by operators from various business sectors. As such, the Company has already secured a small trial order for APEX-MINI. APEX-MINI is suitable for both the franchise and non-franchise minibus sectors in Hong Kong with a total market size of more than 4,000 units. It is powered by fast-charging batteries with unique low-floor design, there is no comparable model at this moment. APEX-MINI will first be operated on a green minibus route and is expected to commence service at the end of this year or early next year. During the period, the Company has been selected by the Hong Kong SAR Government as a prequalified supplier of electric public light buses for a sustainable public mobility pilot scheme that the Environmental Protection Department plans to be launched with a total of 40 units in 2023.

We believe that we will be able to successfully market and sell our vehicles and remain a strong competitor in the Hong Kong market.

Southeast Asian market

The Group has developed a customised city bus – “COMET” which stands for Community Optimized Managed Electric Transport. COMETs are designed for emerging markets around the world. The first showcase of this pioneering and environmentally friendly form of public transportation was carried out in Davao and Manila of Philippines. In 2021, the Group has received sizable orders and planning to deliver no fewer than 500 COMET units to Philippines in the coming 24 months. The potential of COMET is enormous and we expect many more orders will be completed in the near future. The Group believes that COMET is by far the most suitable and feasible model for replacing the Jeepney in Philippines, which is the existing leading public transportation product in Philippines. COMET is the ideal replacement for other microbus type products, which are the dominant means of transport in the world’s densest cities. The market size of the Jeepney in the Philippines is several hundred thousand units. The Group is very confident in dominating the Philippines Jeepney market through progressive market penetration.

In the current period, the Group has successfully completed a sales order of COMET to India and are thus recorded in the current period’s results. The Group will continue to explore market opportunities and promote COMET in Asian market.

Management Discussion and Analysis

American and European market

The Group has also developed a logistic vehicle type “cabin chassis platform”, which is a complete chassis with a driver cabin, and with powertrain, battery pack, steering, wheels and brakes etc. This way the Group can meet the B2B business demand coming from local bus manufacturers that lack the technology to develop their own platform. Subsequent to the delivery of first batches of electric chassis to Mexico in the previous year, the Group recently obtain an order to supply this model to a world largest bakery company in Mexico. The first batch of 200 units expected to deliver in the first quarter of 2023 and the Group has also secured subsequent second batch purchase orders. Further quantities will be placed in 2023 and quantities are to be determined by separate purchase orders. The Group foresee a huge demand for electric vehicle customization solutions in Latin America, Asia and Europe and is highly confident further orders from America and Europe in the coming period.

In the previous period, the Company acquired 13.85% equity interest in Quantron AG (the “Quantron”), a company incorporated in Germany principally engaged in e-mobility in inner-city and regional passenger and freight transport. In the current period, the Company entered into a term sheet on 8 June 2022 to dispose the entire 13.85% interest in Quantron at the total consideration of EUR12.5 million. Pursuant to the term sheet, a deposit in the sum of EUR2.0 million shall be paid by the purchaser within six weeks from the date of the term sheet. However, as the deposit was not received by the Company, no definitive sale and purchase agreement was then entered and the term sheet has lapsed.

Subsequent to the reporting period, on 23 November 2022, the Company entered into a sale and purchase agreement with another purchaser, pursuant to which the Company has agreed to dispose 4.9% interest in Quantron at the total consideration of EUR5.6 million. Deposit of EUR500,000 was received and the transaction was not completed at the date of this report. The Company continue to catch an opportunity to realise the investment in Quantron. It is the intention for the Company to dispose its entire investment in Quantron. It is expected that the Company will continue to receive purchase orders from Quantron after the disposal.

Management Discussion and Analysis

Business outlook

Although the impact of COVID-19 has progressively becoming less serious, especially from third quarter of 2022, the impact remains significant during the period under review. Travel bans remain challenge for the Group, as they make the order process and cooperation more difficult since vehicles products have to comply with local regulations and operational requirements. Nevertheless, we are pleased to introduce our APEX-MINI to Hong Kong public-use platforms and our capable service teams can ensure the reliability and efficiency of our products in Hong Kong at all times. We are confident of our electric minibus and electric bus gaining acceptance of society at large and see a wide scope of potential applications for them.

The Group is currently utilizing the existing production plant in the Wulong District of Chongqing, which has sufficient production capacity to cope with the increasing number of overseas orders.

Litigations on Qijiang new plant

As mentioned in previous annual report, one contractor (the “Chongqing Contractor”) initiated a litigation against a subsidiary of the Group, Chongqing Suitong Vehicles Industrial Development Company Limited (“Chongqing Suitong Industrial”), claiming outstanding construction fees, together with the late penalties, totalling approximately RMB45,477,000 (the “Claimed Amount”). The Group received a civil judgement made by the Fifth Intermediate People’s Court of Chongqing (the “Chongqing Court”) on the Claimed Amount payable to the Chongqing Contractor. In addition, the land use rights together with the buildings on it were frozen under a preservation order applied by the Chongqing Contractor.

On 11 August 2022, the Company further received a notice from the Chongqing Court, that Chongqing Qijiang District Bureau of Planning and Natural Resources (“CQDB”) initiated litigations against Chongqing Suitong Industrial for the breaches of the contracts under the land use rights agreement on year 2017, as the Qijiang project remain incomplete on or before 26 January 2021.

Management Discussion and Analysis

After several rounds of mediation by the Chongqing Court and CQDB, on 27 September 2022, the Chongqing Court issued a civil mediation judgement, pursuant to which, among other things, (i) Chongqing Suitong Industrial shall return the land use rights to CQDB; (ii) CQDB shall no longer be required to return the consideration of the land use rights to Chongqing Suitong Industrial; (iii) Chongqing Suitong Industrial shall no longer be required to return the land subsidies to the local authority in Qijiang; (iv) the Chongqing Contractor shall withdraw its litigation against Chongqing Suitong Industrial in relation to the Claimed Amount; and (v) the local authority in Qijiang shall reimburse to the Chongqing Contractor as compensation of the Claimed Amount. On 2 November 2022, Chongqing Suitong Industrial entered into the Settlement Agreement with CQDB to return the land use right, together with all buildings and properties on the land, to CQDB. No consideration will be paid by CQDB, while Chongqing Suitong Industrial shall no longer be required to return the land subsidies to the local authority. Also, the local authority shall reimburse to the Chongqing Contractor of the Claimed Amount. Please refer to the Company's announcement on 2 November 2022 in details.

Up to the date of this report, the Group is in the progress on transferring the land use rights and its buildings blocks to CQDB. The disposal of the Qijiang project has no material impact on the Group's operation as the Group has yet to utilise the production plant in Qijiang. The Group is currently utilising its existing production plant in the Wulong District of Chongqing, which has sufficient production capacity to cope with the latest increasing number of overseas orders of electric vehicles. Nevertheless, the Group will continue to explore investment opportunity to expand its electric vehicle production capacity should the need and opportunity arise.

Mining and production of mineral products

The Group's wholly-owned subsidiary, Guangxi Weiri Mining Company Limited (the "Guangxi Weiri"), owns a glauberite mine located in the Guangxi Zhuang Autonomous Region of the PRC (the "Glauberite Mine"). The product extracted from the Glauberite Mine is thenardite, an important raw material used in chemical and light industrial manufacturing. No other significant exploration, development or production activity related to the Glauberite Mine was conducted during the period ended 30 September 2022. The mineral resources available have not changed since its acquisition on 28 February 2014. Details regarding these resources are available in the "Mineral Resources and Ore Reserves" section below.

Management Discussion and Analysis

Guangxi Weiri has purchased a land use rights covering 63,118 square meters of land at a cost of RMB7.6 million. Another RMB8.4 million has been paid for approximately 100,000 square meters of land for a factory site, however, relevant land use rights have not yet been issued as Guangxi Weiri together with the local government is still working closely to resolve the land issue. No further payment has been made to the government on the land use right thus far since the land use rights of the second parcel of land as stated above are still pending approval. An accumulated expenditure of approximately RMB18.5 million was incurred for the construction of an access road to the factory site. The Group has been in regular communication with the local government and has closely monitored the progress of the land use rights.

On 29 April 2021, one contractor (the “Guangxi Contractor”) has commenced an arbitration against Guangxi Weiri (the “Arbitration”) and applied to the People’s Court of Qingxiu District Nanning Municipality (the “Qingxiu Court”) for judicial preservation to freeze the assets of Guangxi Weiri up to RMB2,055,087. Accordingly, a land property with carrying value of RMB6.6 million of Guangxi Weiri (the “Frozen Guangxi Land”) as at 30 September 2022 has been ordered to be detained for a period of three years from 29 April 2021. The Arbitration has entered the judicial process. On 1 April 2022, Guangxi Weiri received the final decision which requires repayment to the Guangxi Contractor of RMB1.6 million together with the late penalties, in aggregate of approximately RMB2.1 million. The amount have been provided and included in “other payables and accruals” as at 30 September 2022 and 31 March 2022. The settlement had not yet been made at the end of the reporting period. The Guangxi Contractor may request a compulsory auction of the land within two years. The Group may need to provide a guarantee in the full sum of RMB2,055,087 as security for the Arbitration in order to release the subjected land property. Up to the date of this report, the Group has not received any further notices for this Arbitration. The judicial preservation of the Frozen Guangxi Land has no material financial impact to the Group.

In relation to the above mentioned Arbitration, on 12 August 2021, the Group, as a plaintiff, has commenced a legal proceeding against the Guangxi Contractor at the Qingxiu Court for the return of a prepayment of RMB1.1 million plus an interest of RMB0.3 million, in aggregate of RMB1.4 million. The Group has applied an order to detain the assets of the Guangxi Contractor with carrying value of RMB1,057,868. The Group received the decision of the Qingxiu Court dated 11 August 2022, which ordered Guangxi Contractor to reimburse Guangxi Weiri the prepayment of RMB0.5 million plus interest. However, on 25 November 2022, an appeal has been lodged against such decision. The Group will negotiate with Guangxi Contractor to return the prepayment by deducting the amount payable under the Arbitration and to release the subjected land property.

Management Discussion and Analysis

Notwithstanding the abovementioned judicial preservation, as Guangxi Weiri is still working closely with the local government to resolve the land issue, the Frozen Guangxi Land continued to remain idle since 2014. As such, the land use rights of the Frozen Guangxi Land may be exposed to a risk of being revoked by the local authority in accordance to the relevant regulations. The Group will continue to liaise with the local government in this regard and seek legal opinion in relation to the Frozen Guangxi Land to monitor any change on its status.

On 3 August 2021, the Group received a notice from the Intermediate People's Court of Nanning Municipality (the "Nanning Court") dated 27 July 2021. Pursuant to this notice, Mr. Zhou Bo as plaintiff has commenced an action at the Nanning Court against Wise Goal Enterprises Limited ("Wise Goal") as the defendant, seeking, among others, for payment by Wise Goal of its non-paid up share capital to Guangxi Weiri ("Zhou's Action") amounting RMB21.7 million (the "Litigation"). The plaintiff also applied to the Nanning Court for the equity interest in Guangxi Weiri to be judicially preserved (the "Property Preservation"). The Board is of the view that Zhou's Action is frivolous or vexatious as it is inconsistent with the Company's understanding of the current arrangement of paying up share capital of Guangxi Weiri by Wise Goal, as agreed among the shareholders of Guangxi Weiri. Hence the Board considered that no impairment on the investment held in Wise Goal is required. In order to defend the Company's interest, the Company has been seeking for legal advice from the PRC legal adviser to actively respond to Zhou's Action and Property Preservation. The court hearing was held on 21 October 2021 to conduct the first round of evidence exchange and cross examination. Up to the date of this report, the Group has not received any results from this Litigation.

The Board will closely monitor the cases as mentioned above and evaluate its impact to the Group.

Management Discussion and Analysis

Mineral resources and ore reserves

The following table sets out the mineral information of the Glauberite Mine as at 30 September 2022:

| Wireframe | Classification | Tonnes (‘000) | Na ₂ SO ₄ (%) | Na ₂ SO ₄ (‘000) |
|-------------------|----------------------|------------------|--|---|
| North Orebody 1 | Indicated | 473,000 | 18.12 | 86,000 |
| | Inferred | – | – | – |
| North Orebody 2 | Indicated | – | – | – |
| | Inferred | 37,000 | 18.92 | 7,000 |
| Central Orebody 1 | Indicated | 581,000 | 16.77 | 98,000 |
| | Inferred | 49,000 | 16.76 | 8,000 |
| Central Orebody 2 | Indicated | 43,000 | 14.99 | 6,000 |
| | Inferred | – | – | – |
| East Orebody 1 | Indicated | 151,000 | 19.10 | 29,000 |
| | Inferred | 12,000 | 19.63 | 2,000 |
| Sub Total | Indicated | 1,248,000 | 17.50 | 219,000 |
| | Inferred | 98,000 | 17.91 | 17,000 |
| Total | Indicated + Inferred | 1,346,000 | 17.53 | 236,000 |

Metals and minerals trading

The metals and minerals trading industry has remained weak and the profit margins of such business are low, the Group did not conclude any trading contract on metal ores during the period to avoid any possible risk. The Group continues to identify and pursue other types of resources for the trading business and believes that it will be able to seize such opportunities as they arise.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

The directors have considered various ways of raising funds and consider that issuance of shares represents an attractive opportunity to raise capital for the Company while broadening the shareholder base and capital base of the Company. Due to the rapid expansion of the business mentioned above, the Group may continue to seek external financial resources in the future in order to finance its operations. On 14 June 2022 and 18 July 2022, a subscription agreement and supplemental agreement respectively were entered with two subscribers (the “Subscribers”) regarding the proposed issuance of convertible notes in the aggregate principal amount of up to HK\$600 million. On 20 October 2022, a termination agreement was entered to terminate these subscription agreement and supplemental agreement.

On 20 October 2022, the Company entered into a new subscription agreement with the same Subscribers regarding the proposed issuance of convertible notes with an aggregate nominal value up to HK\$200 million with 40 equal sub-tranches of HK\$5 million each. The convertible notes will be issued by the Company under the specific mandate. The maximum number of conversion shares convertible shall be 1,800,000,000 conversion shares, representing approximately 19.98% of the existing issued share capital of the Company. The proposed convertible notes shall be converted into new shares of the Company at the discretion of the Subscriber at 90% of the average of the closing prices per share on any 3 consecutive business days during the 30 business days immediately preceding the relevant conversion date of the proposed convertible notes. Completion is subject to the fulfillment or waiver of the conditions precedent set out in the new subscription agreement.

As at 30 September 2022, the net asset value of the Group amounted to approximately HK\$1,585.5 million (31 March 2022: HK\$1,810.7 million). The gearing ratio of the Group was 1.33% (31 March 2022: 1.20%) and the equity attributable to owners of the Company was approximately HK\$1,626.1 million (31 March 2022: HK\$1,853.8 million).

As at 30 September 2022, the Group’s other payables and accruals amounted to HK\$148.8 million (31 March 2022: HK\$156.7 million), the decrease of 5.0% was attributable to the 11.9% depreciation of Renminbi against the Hong Kong dollar. The other payables and accruals mainly represented (i) the government grant in relation to the acquisition of land use rights of approximately HK\$60.2 million (31 March 2022: HK\$67.4 million), which has not been recognised as a reduction of construction costs of the manufacturing plant in Chongqing as the conditions of the government grant have not been fulfilled; and (ii) the construction cost incurred for the manufacturing plant in Chongqing of approximately HK\$50.5 million (31 March 2022: HK\$56.5 million), with the construction of the main building blocks having been completed in the previous years.

Management Discussion and Analysis

As at 30 September 2022, the Company has (i) outstanding convertible notes in the principal amount of HK\$7.5 million (31 March 2022: HK\$7.5 million) which could be converted into 10,000,000 shares (31 March 2022: 10,000,000 shares) of the Company based on the conversion price of HK\$0.75 per share subject to the conversion restriction set out in the terms of the convertible notes in relation to the compliance with the relevant requirements of the Codes on Takeovers and Mergers and Share Buy-backs and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules” and “Stock Exchange”, respectively); and (ii) outstanding share options entitling participants to subscribe for a total of 605,600,000 shares (31 March 2022: 620,600,000 shares) of the Company, for which all shares options (31 March 2022: 605,600,000 shares) are vested.

The operating cash flows of the Group are mainly denominated in Hong Kong dollars, Renminbi, US dollars and Euro. Certain bank deposits, receivables and payables of the Group are denominated in Renminbi, US dollars and Euro. As at 30 September 2022, the Group had unpledged cash and bank balances of approximately HK\$1.9 million (31 March 2022: HK\$4.7 million), of which 52.2% (31 March 2022: 41.1%) was denominated in HK dollars, 35.7% (31 March 2022: 33.4%) was denominated in Renminbi, 5.2% (31 March 2022: 15.1%) was denominated in US dollars, 3.9% (31 March 2022: 9.0%) was denominated in JPY and 0.8% (31 March 2022: 1.0%) was denominated in Euro.

During the reporting period, the exchange rate of the Renminbi depreciated by approximately 11.9% against the HK dollar. This had a negative impact on the results of the Group on the translation of the Group’s assets that are denominated in Renminbi. The Group has not entered into any foreign currency exchange forward contracts for hedging purposes for Renminbi during the period. Foreign exchange exposure in respect of US dollars is considered to be minimal as the exchange rate between HK dollars and US dollars is pegged. Foreign exchange exposure in respect of the Euro is also considered to be minimal in the current period. The Group will closely monitor its currency exposure and, when it considers appropriate, will take the necessary actions to ensure that such exposure is properly hedged.

Management Discussion and Analysis

PROSPECTS

Although the impact of COVID-19 has progressively becoming less serious, the world's economy is still full of uncertainties including geopolitical conflicts and high inflation.

The Group believes that the new energy sectors are a major trend in improving air pollution and enhancing economic sustainability and are therefore a key focus of global interest. With this in mind, the use of electric vehicles with zero emissions is becoming increasingly widespread worldwide. With the Group's diversification of business into overseas export markets, including America, Europe and Asia, it is confident that the electric bus and electric vehicles business will grow and welcome by local operators and passengers, and elevating its business to the next level. The Group is well positioned and confident in its ability to further develop the market and is also capable of expanding and capturing new opportunities as they arise.

The product of the Glauberite Mine including thenardite, sodium carbonate and ammonium sulfate, all of which are important raw material used in the chemical and light industrial manufacturing industries. The Group believes that the Glauberite Mine is a valuable asset and will continue to regularly assess its resources, financial viability and general condition.

CHARGES ON THE GROUP'S ASSETS AND CONTINGENT LIABILITIES

As at 30 September 2022, the Group has pledged a leasehold land and building in Wulong Chongqing with an aggregate carrying amount of approximately RMB32.2 million to secure bank borrowing of approximately RMB5.4 million (31 March 2022: RMB5.7 million). Also, a land use right located in Guangxi with carrying value of RMB6.6 million and a land use right located in Chongqing Qijiang with carrying value of RMB45.7 million together with construction in progress thereon with carrying value of RMB52.6 million have been restricted to transfer and has been ordered to be detained for a period of three years until 28 April 2024 and 29 March 2025 respectively. Save as disclosed herein, there was no other charge on the Group's assets and the Group did not have any significant contingent liabilities not accounted for as at 30 September 2022 and 31 March 2022.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2022, the Group employed 83 (31 March 2022: 89) full time managerial and skilled staff principally in Hong Kong and the PRC. The Group is now working on a cost optimization plan in order to ensure maximum efficiency. During the current period, the total employee expenses, excluding the share-based payments, have been decreased 14.0% to HK\$11.1 million (30 September 2021: HK\$12.9 million).

The Group remunerates and provides benefits for its employees based on current industry practices. Discretionary bonuses and other individual performance bonuses are awarded to staff based on the financial performance of the Group and performance of individual staff. In the PRC, the Group provides staff welfare for its employees in accordance with prevailing labor legislation. In Hong Kong, the Group provides staff benefits including the mandatory provident fund scheme and medical scheme. In addition, share options and share awards are granted to eligible employees in accordance with the terms of the Company's Share Option Scheme adopted on 30 August 2013 and the Company's Share Award Plan adopted on 8 May 2019.

EVENTS AFTER THE REPORTING DATE

- (a) As shown in "LIQUIDITY AND FINANCIAL RESOURCES" above, on 20 October 2022, the Company terminated a subscription agreement dated 14 June 2022 and a supplemental agreement dated 18 July 2022, and entered into a new subscription agreement with the Subscribers regarding the proposed issuance of convertible notes with an aggregate nominal value up to HK\$200 million with 40 equal sub-tranches of HK\$5 million each. Completion is subject to the fulfillment or waiver of the conditions precedent set out in the new subscription agreement.

A special general meeting will be convened and held on 8 December 2022 for the shareholders to consider and, if thought fit, approve the proposed convertible notes and the transactions contemplated thereunder.

Management Discussion and Analysis

- (b) As shown in “Litigations on Qijiang new plant in BUSINESS REVIEW” above, on 2 November 2022, Chongqing Suitong Industrial entered into a settlement agreement with a local authority in Qijiang to return the land use right, together with all buildings and properties on the land, to the local authority. Chongqing Suitong Industrial shall no longer be required to return the land subsidies to the local authority in Qijiang and the local authority shall reimburse to the Chongqing Contractor of the Claimed Amount.

The Group expects to recognise an unaudited gain of approximately HK\$2.0 million as a result of the settlement, which is calculated based the reversal of (i) the construction cost payable to the Chongqing Contractor of approximately HK\$50.2 million as at 30 September 2022; and (ii) the government grant recorded as other payable of approximately HK\$60.2 million as at 30 September 2022, deducted by the net book value of the land use rights and buildings on it recorded as construction in progress as at 30 September 2022 of approximately HK\$50.4 million and HK\$58.0 million, respectively. The actual gain or loss as a result of the settlement to be recorded by the Group is subject to audit and will be assessed after the Completion.

Up to the date of this report, the Group is in the progress on transferring the land use rights and its buildings blocks to CQDB.

- (c) As shown in “BUSINESS REVIEW” above, on 23 November 2022, the Company entered into a sale and purchase agreement with a purchaser to dispose 4.9% interest in Quantron at the total consideration of EUR5.6 million. Up to the date of this report, deposit of EUR500,000 was received and transaction is in the progress.

SHARE OPTION SCHEME

The Company's Share Option Scheme, which was adopted by an ordinary resolution of the shareholders at annual general meeting of the Company on 30 August 2013, constitutes a share option scheme governed by Chapter 17 of the Listing Rules and will remain in force for 10 years from the Adoption Date. Pursuant to the Share Option Scheme, the Board is empowered, at its discretion, to invite any participant, including but not limited to any executive directors, non-executive directors and employees of the Company or any of its subsidiaries or associates, to take up options to subscribe for shares in the Company.

No share options was granted (30 September 2021: 15,000,000 share options) during the period and no ordinary shares (30 September 2021: nil) were issued in relation to the share options exercised by participants under the Share Option Scheme of the Company. Details of the Share Option Scheme are set out in note 26 to the condensed consolidated interim financial statements.

SHARE AWARD PLAN

The Company adopted the Share Award Plan on 8 May 2019, under which any eligible participants, including but not limited to any directors and employees of the Group, are eligible for participating in the Share Award Plan. The Share Award Plan will remain in force for 10 years from the adoption date. The Share Award Plan is a discretionary scheme of the Company and does not constitute a share option scheme under Chapter 17 of the Listing Rules.

Pursuant to the Share Award Plan, shares will be subscribed or acquired by the independent trustee from the market, at the cost of the Company and be held in trust for the selected participants ("Selected Participants") until they vest. Vested shares will be transferred at no cost to the Selected Participants. The maximum number of shares to be awarded under the Share Award Plan shall not exceed 10% of the total number of issued shares as at 8 May 2019, representing 688,604,680 shares.

No awarded shares were granted during the period. Details of the Share Award Plan are set out in note 26 to the condensed consolidated interim financial statements.

Management Discussion and Analysis

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Movements of the outstanding share options to the directors as at 30 September 2022 were as follows:

| Name of Director | Date of grant | Exercise Price (HK\$) | Number of share options | | |
|------------------------------|------------------|-----------------------|-------------------------|-------------------|----------------------|
| | | | At 1 April 2022 | Granted/ (lapsed) | At 30 September 2022 |
| Mr. Cheung Ngan | 10 March 2016 | 0.30 | 3,700,000 | - | 3,700,000 |
| Mr. Miguel Valdecabres Polop | 25 February 2021 | 0.13 | 80,000,000 | - | 80,000,000 |
| Ms. Chan Hoi Ying | 10 March 2016 | 0.30 | 3,700,000 | - | 3,700,000 |
| Mr. Chan Francis Ping Kuen | 10 March 2016 | 0.30 | 3,700,000 | - | 3,700,000 |

No share option was exercised by the directors during the six months ended 30 September 2022.

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse, or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2022, the interests and short positions of the directors in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which 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 were as follows:

| Name of Director | Capacity or nature of interest | Number of shares or underlying shares | | Approximate percentage of shareholding in the Company or associated corporations |
|------------------------------|---|---------------------------------------|----------------|--|
| | | Long position | Short position | |
| Mr. Cheung Ngan | Beneficial owner & interest of controlled corporation | 762,324,959 (Note 1) | – | 8.46% |
| | Interest of controlled corporation | 1,000 (Note 2) | – | 20% |
| Mr. Miguel Valdecabres Polop | Beneficial owner | 80,000,000 (Note 3) | – | 0.89% |
| Ms. Chan Hoi Ying | Beneficial owner | 3,700,000 (Note 3) | – | 0.04% |
| Mr. Chan Francis Ping Kuen | Beneficial owner | 3,700,000 (Note 3) | – | 0.04% |

Management Discussion and Analysis

Note:

- 1) The 762,324,959 shares include:
 - a. the number of shares of 536,038,559 held by Mr. Cheung Ngan;
 - b. the underlying shares of 3,700,000 from the share options granted, details of which are set out in the section headed "Directors' Rights to Acquire Shares" above; and
 - c. the number of shares of 222,586,400 held by Faith Profit Holding Limited, which was wholly owned by Mr. Cheung Ngan.
- 2) The 1,000 shares represent the indirect interest in Tong Guan La Plata Company Limited ("TGLP"), which is 60% indirectly held by the Company and hence is an associated corporation. The 20% beneficial interest in TGLP is held by Catania Copper (Chile) Limited. Catania Copper (Chile) Limited is 40% held by Great Base Holdings Limited and 60% held by Catania Mining Limited. Catania Mining Limited is 55% held by CM Universal Corporation. Faith Profit Holding Limited held 50% interest in Great Base Holdings Limited. Mr. Cheung Ngan held 100% interest in Faith Profit Holding Limited and 51% interest in CM Universal Corporation.
- 3) Being options to acquire ordinary shares of the Company, and further details of which are set out in the section headed "Directors' Rights to Acquire Shares" above.

Save as disclosed above, as at 30 September 2022, none of the directors of the Company have interest or short positions in the shares and underlying shares or other securities of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the Model Code to be notified to the Company and the Stock Exchange.

DIRECTORS' INTERESTS IN CONTRACTS

No director, whether directly or indirectly, had a material beneficial interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the period under review.

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

As at 30 September 2022, the following shareholders had registered an interest or short position in the shares or underlying shares of 5% or more of the issued share capital of the Company in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

| Name of substantial shareholder | Capacity or nature of interest | Number of shares or underlying shares | | Approximate percentage of shareholding in the Company |
|---------------------------------|---|---------------------------------------|----------------|---|
| | | Long position | Short position | |
| Mr. Cheung Ngan | Beneficial owner & interest of controlled corporation | 762,324,959 (Note 1) | – | 8.46% |
| Faith Profit Holding Limited | Beneficial owner | 222,586,400 (Note 1) | – | 2.47% |
| Entrust Limited | Beneficial owner | 982,727,510 (Note 2) | – | 10.91% |
| Mr. Chan Tok Yu | Interest of controlled corporation | 982,727,510 (Note 2) | – | 10.91% |
| Ms. Siu Kwan | Interest of controlled corporation | 982,727,510 (Note 2) | – | 10.91% |

Note:

- 1) The 762,324,959 shares include:
 - a. the number of shares of 536,038,559 held by Mr. Cheung Ngan;
 - b. the underlying shares of 3,700,000 from the share options granted to Mr. Cheung Ngan; and
 - c. the number of shares of 222,586,400 held by Faith Profit Holding Limited, which was wholly owned by Mr. Cheung Ngan. Accordingly, Mr. Cheung Ngan is deemed to be interested in the shares in which Faith Profit Holding Limited is interested by virtue of the SFO.

Management Discussion and Analysis

- 2) Entrust Limited is controlled as to 34% by Mr. Chan Tok Yu, 25% by Ms. Chan Hoi Ying (executive director of the Company), 25% by Mr. Chan Hin Yeung and 16% by Ms. Siu Kwan. Mr. Chan Tok Yu's interest is held by Ms. Siu Kwan as a trustee. Accordingly, Mr. Chan Tok Yu and Ms. Siu Kwan are deemed to be interested in the shares in which Entrust Limited is interested by virtue of the SFO.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

CORPORATE GOVERNANCE PRACTICE

The Company has adopted the code provisions set out in the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules. The Company has applied the principles in the Code and complied with the code provisions during the six months ended 30 September 2022.

CHANGE IN DIRECTOR'S INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Since the publication of the latest annual report and up to the date of this report, changes in directors' information are set out below:

- Mr. Lee Kwok Leung, the independent non-executive director of the Company, has resigned as an independent non-executive director of Imperial Pacific International Holdings Limited (a company listed on Main Board of the Stock Exchange) on 12 August 2022; and
- Dato' Tan Yee Boon, the independent non-executive director of the Company, did not seek re-election as a director of Binasat Communications Berhad (a company listed on the ACE Market of Bursa Malaysia) during its annual general meeting held on 30 November 2022. He was also appointed as the independent non-executive chairman of Ecoscience International Berhad, the shares of which are listed on the ACE Market of Bursa Malaysia on 18 July 2022.

Save as disclosed above, there is no other change required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions.

Specific enquiry has been made of all the directors of the Company who have confirmed in writing their compliance with the required standards set out in the Model Code during the period under review.

AUDIT COMMITTEE

The audit committee, which comprises three independent non-executive directors of the Company, has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters of the Group. The Committee had reviewed the unaudited interim financial statements for the six months ended 30 September 2022.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2022

| | Notes | For the six months ended | |
|---|-------|---------------------------------|---------------------------------|
| | | 2022 (unaudited) HK\$'000 | 2021 (unaudited) HK\$'000 |
| Revenue | 6 | 781 | 29,717 |
| Cost of sales | | (391) | (25,639) |
| Gross profit | | 390 | 4,078 |
| Other income | 6 | 2,249 | 662 |
| Selling and distribution expenses | | (401) | (935) |
| Administrative expenses | | (32,123) | (54,724) |
| Write-down of inventories | | (136) | – |
| Impairment of trade receivables, net | | (566) | (286) |
| Write-off of other receivables and prepayments | | (90) | (1,068) |
| Change in fair value of financial assets at fair value through profit or loss (“FVTPL”) | | (9,901) | (2,277) |
| Finance costs | 7 | (490) | (494) |
| Loss before income tax | 8 | (41,068) | (55,044) |
| Income tax credit | 9 | 65 | 1,120 |
| Loss for the period | | (41,003) | (53,924) |

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2022

| | Notes | For the six months ended | |
|--|-------|---------------------------------|---------------------------------|
| | | 2022 (unaudited) HK\$'000 | 2021 (unaudited) HK\$'000 |
| Other comprehensive income for the period | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences arising from: | | | |
| – translation of foreign operations | | (184,143) | 31,401 |
| – reclassification relating to dissolution of subsidiaries | | – | 579 |
| Other comprehensive income for the period | | (184,143) | 31,980 |
| Total comprehensive income for the period | | (225,146) | (21,944) |
| Loss attributable to: | | | |
| – Owners of the Company | | (38,270) | (49,608) |
| – Non-controlling interests | | (2,733) | (4,316) |
| | | (41,003) | (53,924) |
| Total comprehensive income attributable to: | | | |
| – Owners of the Company | | (227,724) | (17,881) |
| – Non-controlling interests | | 2,578 | (4,063) |
| | | (225,146) | (21,944) |
| Loss per share | | | |
| – Basic and diluted (HK\$) | 11 | (0.0042) | (0.0058) |

Condensed Consolidated Statement of Financial Position

As at 30 September 2022

| | | 30 September 2022 (unaudited) HK\$'000 | 31 March 2022 (audited) HK\$'000 |
|---|-------|---|---|
| | Notes | | |
| Non-current assets | | | |
| Property, plant and equipment | 12 | 37,209 | 44,574 |
| Construction in progress | 13 | 69,121 | 77,321 |
| Right-of-use assets | 14 | 79,316 | 92,512 |
| Mining assets | 15 | 1,425,836 | 1,595,000 |
| Other intangible assets | | 6,520 | 8,343 |
| Other receivables, deposits and prepayments | 19 | 11,677 | 13,062 |
| Total non-current assets | | 1,629,679 | 1,830,812 |
| Current assets | | | |
| Inventories | 17 | 27,950 | 31,132 |
| Trade receivables | 18 | 26,296 | 31,879 |
| Contract assets | | 9,893 | 11,067 |
| Other receivables, deposits and prepayments | 19 | 46,332 | 59,388 |
| Financial assets at FVTPL | 16 | 32,867 | 42,768 |
| Cash and bank balances | | 1,896 | 4,669 |
| Total current assets | | 145,234 | 180,903 |
| Total assets | | 1,774,913 | 2,011,715 |

Condensed Consolidated Statement of Financial Position

As at 30 September 2022

| | | 30 September 2022 (unaudited) HK\$'000 | 31 March 2022 (audited) HK\$'000 |
|---|-------|---|---|
| | Notes | | |
| Current liabilities | | | |
| Accounts payable | 20 | 9,035 | 12,741 |
| Other payables and accruals | 21 | 88,595 | 89,380 |
| Contract liabilities | | 5,561 | 4,280 |
| Bank borrowing | 22 | 662 | 741 |
| Lease liabilities | | 5,651 | 6,170 |
| Total current liabilities | | 109,504 | 113,312 |
| Net current assets | | 35,730 | 67,591 |
| Total assets less current liabilities | | 1,665,409 | 1,898,403 |
| Non-current liabilities | | | |
| Deferred tax liabilities | | 4,428 | 5,022 |
| Other payables | 21 | 60,210 | 67,354 |
| Loans from shareholders | 23 | 7,688 | 4,123 |
| Bank borrowing | 22 | 5,297 | 6,296 |
| Lease liabilities | | 2,282 | 4,958 |
| Total non-current liabilities | | 79,905 | 87,753 |
| Total liabilities | | 189,409 | 201,065 |
| NET ASSETS | | 1,585,504 | 1,810,650 |
| Equity | | | |
| Share capital | 25 | 90,096 | 90,096 |
| Reserves | | 1,536,016 | 1,763,740 |
| Equity attributable to owners of the Company | | 1,626,112 | 1,853,836 |
| Non-controlling interests | | (40,608) | (43,186) |
| TOTAL EQUITY | | 1,585,504 | 1,810,650 |

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2022

| | Attributable to owners of the Company | | | | | | | | | | | |
|--|---------------------------------------|---------------------------|---------------------------------------|--|-----------------------------------|---------------------------------|--|-----------------------------|--------------------------------|-------------------|---------------------------------------|--------------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Share contributed surplus HK\$'000 | Convertible notes equity reserve HK\$'000 | Share options reserve HK\$'000 | Share award reserve HK\$'000 | Foreign currency translation reserve HK\$'000 | Capital reserve HK\$'000 | Accumulated losses HK\$'000 | Total HK\$'000 | Non-controlling interests HK\$'000 | Total equity HK\$'000 |
| At 1 April 2022 (audited) | 90,096 | 3,963,009 | 20,566 | 6,625 | 87,387 | - | (145,417) | 687 | (2,169,117) | 1,853,836 | (43,186) | 1,810,650 |
| Loss for the period | - | - | - | - | - | - | - | - | (38,270) | (38,270) | (2,733) | (41,003) |
| Other comprehensive income | - | - | - | - | - | - | - | - | - | - | - | - |
| - Exchange differences arising from translation of foreign operations | - | - | - | - | - | - | (189,454) | - | - | (189,454) | 5,311 | (184,143) |
| Total comprehensive income | - | - | - | - | - | - | (189,454) | - | (38,270) | (227,724) | 2,578 | (225,146) |
| Forfeited share options | - | - | - | - | (1,196) | - | - | - | 1,196 | - | - | - |
| At 30 September 2022 (unaudited) | 90,096 | 3,963,009 | 20,566 | 6,625 | 86,191 | - | (334,871) | 687 | (2,206,191) | 1,626,112 | (40,608) | 1,585,504 |
| At 1 April 2021 (audited) | 82,902 | 3,884,575 | 20,566 | 6,625 | 87,475 | 8,229 | (221,262) | 687 | (1,762,065) | 2,107,732 | (36,280) | 2,071,452 |
| Loss for the period | - | - | - | - | - | - | - | - | (49,608) | (49,608) | (4,316) | (53,924) |
| Other comprehensive income | - | - | - | - | - | - | - | - | - | - | - | - |
| - Exchange differences arising from translation of foreign operations | - | - | - | - | - | 31,148 | - | - | - | 31,148 | 253 | 31,401 |
| - Reclassification relating to dissolution of subsidiaries | - | - | - | - | - | - | 579 | - | - | 579 | - | 579 |
| Total comprehensive income | - | - | - | - | - | - | 31,727 | - | (49,608) | (17,881) | (4,063) | (21,944) |
| Plicing of shares | 3,677 | 43,104 | - | - | - | - | - | - | - | 46,781 | - | 46,781 |
| Dissolution of subsidiaries | - | - | - | - | - | - | - | - | (567) | (567) | 567 | - |
| Issue of consideration shares for the acquisition of unlisted equity investments outside Hong Kong | 2,547 | 43,301 | - | - | - | - | - | - | - | - | - | 45,848 |
| Issue of shares from Share award plan | 970 | 4,409 | - | - | - | (4,894) | - | - | - | - | - | 485 |
| Share-based payments | - | - | - | - | 1,195 | 1,167 | - | - | - | 2,362 | - | 2,362 |
| Forfeited share options | - | - | - | - | (1,283) | - | - | - | 1,283 | - | - | - |
| At 30 September 2021 (unaudited) | 90,096 | 3,975,389 | 20,566 | 6,625 | 87,387 | 4,502 | (189,535) | 687 | (1,810,957) | 2,184,760 | (39,776) | 2,144,984 |

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2022

| | | For the six months ended | |
|-----------------------------|---|---------------------------------|-------------|
| | | 30 September | |
| | | 2022 | 2021 |
| | | (unaudited) | (unaudited) |
| Notes | | HK\$'000 | HK\$'000 |
| OPERATING ACTIVITIES | | | |
| | Loss before income tax | (41,068) | (55,044) |
| | Adjustments for: | | |
| | Interest income | (345) | (7) |
| | Finance costs | 490 | 494 |
| | Depreciation of property, plant and equipment | 2,898 | 3,378 |
| | Depreciation of right-of-use assets | 3,556 | 3,365 |
| | Amortisation of other intangible assets | 983 | 5,237 |
| | Share-based payments | – | 2,362 |
| | Change in fair value of financial assets at FVTPL | 9,901 | 2,277 |
| | Gain on lease modification | (18) | – |
| | COVID-19-related rent concession | (102) | – |
| | Write-down of inventories | 136 | – |
| | Impairment of trade receivables, net | 566 | 286 |
| | Write-off of other receivables and prepayments | 90 | 1,068 |
| | Exchange (gain)/loss, net | (56) | 18 |

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2022

| | Notes | For the six months ended | |
|--|-------|---------------------------------|---------------------------------|
| | | 2022 (unaudited) HK\$'000 | 2021 (unaudited) HK\$'000 |
| Operating cash flows before movements in working capital | | (22,969) | (36,566) |
| Decrease/(increase) in inventories | | 179 | (269) |
| Decrease/(increase) in trade receivables | | 4,891 | (24,141) |
| Decrease/(increase) in other receivables, deposits and prepayments | | 6,161 | (9,197) |
| (Decrease)/increase in accounts payable | | (2,133) | 4,620 |
| Increase in other payables and accruals | | 8,598 | 4,677 |
| Increase in contract liabilities | | 1,316 | 4,682 |
| NET CASH USED IN OPERATING ACTIVITIES | | (3,957) | (56,194) |
| INVESTING ACTIVITIES | | | |
| Acquisition of property, plant and equipment | | – | (1,623) |
| Purchases of financial assets at FVTPL | | – | (19,055) |
| Interest received | 6 | 345 | 7 |
| NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES | | 345 | (20,671) |

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2022

| | For the six months ended | |
|--|---------------------------------|-------------|
| | 30 September | |
| | 2022 | 2021 |
| | (unaudited) | (unaudited) |
| Notes | HK\$'000 | HK\$'000 |
| FINANCING ACTIVITIES | | |
| Interest paid | (490) | (494) |
| Repayment of principal portion of lease liabilities | (2,244) | (2,361) |
| Proceeds from loans from shareholders | 4,170 | – |
| Proceeds from bank borrowing | – | 7,233 |
| Repayment of bank borrowing | (347) | – |
| Proceeds from placing of shares, net | – | 46,781 |
| | <hr/> | <hr/> |
| NET CASH GENERATED FROM FINANCING ACTIVITIES | 1,089 | 51,159 |
| | <hr/> | <hr/> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (2,523) | (25,706) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 4,669 | 52,697 |
| EFFECT OF FOREIGN EXCHANGE RATE CHANGES | (250) | (1,206) |
| | <hr/> | <hr/> |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | 1,896 | 25,785 |
| | <hr/> | <hr/> |
| ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS | | |
| Cash and bank balances | 1,896 | 25,785 |
| | <hr/> | <hr/> |

Notes to Condensed Consolidated Interim Financial Statements

1. CORPORATE INFORMATION

The Company was incorporated in Bermuda with limited liability and its shares are listed on the Stock Exchange. The Company's registered office is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. Its head office and principal place of business are located at 46th Floor, United Asia Finance Centre, 333 Lockhart Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding. The Group is principally engaged in new energy business and mining.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements set out in Appendix 16 of the Listing Rules.

The basis of preparation, the accounting policies and the methods of computation adopted in these interim financial statements are consistent with those adopted by the Group in its annual financial statements for the year ended 31 March 2022, except as stated in note 3 below following the adoption of the new and revised Hong Kong Financial Reporting Standards in the reporting period. The interim financial statements should be read in conjunction with the annual financial statements.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current interim period, the Group has applied the following new and revised standards, amendments and interpretations issued by the HKICPA, which are relevant to its operations and effective for its accounting period beginning on 1 April 2022.

| | |
|---|---|
| Amendments to HKAS 16 | Property, Plant and Equipment: Proceeds before Intended Use |
| Amendments to HKAS 37 | Onerous Contracts – Cost of Fulfilling a Contract |
| Amendments to HKFRS 3 | Reference to the Conceptual Framework |
| Annual Improvements to HKFRSs 2018–2020 | Amendments to HKFRS 9 and Illustrative Examples accompanying HKFRS 16 |

Amendments to HKAS 16, Property, Plant and Equipment: Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, are recognised in profit or loss.

The application of the amendments in the current period had no material impact on the unaudited condensed consolidated interim financial statements.

Amendments to HKAS 37, Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The application of the amendments in the current period had no material impact on the unaudited condensed consolidated interim financial statements.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

Amendments to HKFRS 3, Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of the amendments in the current period had no material impact on the unaudited condensed consolidated interim financial statements.

Annual Improvements to HKFRSs 2018–2020

The annual improvements amends a number of standards, including:

- HKFRS 9, Financial Instruments, which clarify the fees included in the ‘10 per cent’ test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other’s behalf are included.
- HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

The application of the amendments in the current period had no material impact on the unaudited condensed consolidated interim financial statements.

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing this condensed consolidated interim financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2022 annual financial statements.

5. SEGMENT REPORTING

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group has the following three reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies.

- Development of electric vehicles;
- Mining; and
- Metal and minerals trading.

Inter-segment transactions are priced with reference to prices charged to external parties for similar orders. Central revenue and expenses are not allocated to the operating segments as they are not included in the measurement of the segments' results that are used by the chief operating decision-maker for assessment of segment performance.

5. SEGMENT REPORTING (Continued)

(a) Reportable segments

| | Development of electric vehicles | | Mining | | Metal and minerals trading | | Total | |
|-------------------------------------|-------------------------------------|-------------|--------------------------|-------------|-------------------------------|-------------|--------------------------|-------------|
| | For the six months ended | | For the six months ended | | For the six months ended | | For the six months ended | |
| | 30 September | | 30 September | | 30 September | | 30 September | |
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Revenue from external customers | 781 | 29,717 | - | - | - | - | 781 | 29,717 |
| Reportable segment loss | (15,681) | (27,383) | (584) | (1,708) | (207) | (198) | (16,472) | (29,289) |
| Interest income | 345 | 7 | - | - | - | - | 345 | 7 |
| Unallocated interest income | | | | | | | - | - |
| Total interest income | | | | | | | 345 | 7 |
| Depreciation | (4,841) | (4,818) | (257) | (266) | - | - | (5,098) | (5,084) |
| Unallocated depreciation expense | | | | | | | (1,356) | (1,659) |
| Total depreciation | | | | | | | (6,454) | (6,743) |
| Amortisation | (983) | (5,237) | - | - | - | - | (983) | (5,237) |

5. SEGMENT REPORTING (Continued)

(a) Reportable segments (Continued)

Reconciliation of segment revenue and profit or loss

| | For the six months ended | |
|---|---------------------------------|-------------|
| | 30 September | |
| | 2022 | 2021 |
| | (unaudited) | (unaudited) |
| | HK\$'000 | HK\$'000 |
| Revenue | | |
| Reportable segment revenue and consolidated revenue | 781 | 29,717 |
| Loss before income tax | | |
| Reportable segment loss | (16,472) | (29,289) |
| Unallocated other income | 602 | 92 |
| Change in fair value of financial assets at FVTPL | (9,901) | (2,277) |
| Unallocated share-based payments | – | (2,362) |
| Unallocated other corporate expenses | (14,807) | (20,714) |
| Finance costs | (490) | (494) |
| Consolidated loss before income tax | (41,068) | (55,044) |

5. SEGMENT REPORTING (Continued)

(a) Reportable segments (Continued)

| | Development of electric vehicles | | Mining | | Metal and minerals trading | | Total | |
|---|---|---|---|---|---|---|---|---|
| | As at | | As at | | As at | | As at | |
| | 30 September 2022 (unaudited) HK\$'000 | 31 March 2022 (audited) HK\$'000 |
| | | | | | | | | |
| Reportable segment assets | 270,442 | 318,936 | 1,465,793 | 1,639,422 | 66 | 150 | 1,736,301 | 1,958,508 |
| Additions to non-current assets | - | 6,430 | - | 555 | - | - | - | 6,985 |
| Unallocated assets | | | | | | | - | 35 |
| Total additions to non- current assets | | | | | | | - | 7,020 |
| Reportable segment liabilities | (171,745) | (187,053) | (5,617) | (6,657) | (279) | (129) | (177,641) | (193,839) |

Notes to Condensed Consolidated Interim Financial Statements

5. SEGMENT REPORTING (Continued)

(a) Reportable segments (Continued)

Reconciliation of segment assets and liabilities

| | As at | |
|-------------------------------------|---|---|
| | 30 September 2022 (unaudited) HK\$'000 | 31 March 2022 (audited) HK\$'000 |
| Assets | | |
| Reportable segment assets | 1,736,301 | 1,958,508 |
| Unallocated corporate assets (note) | 38,612 | 53,207 |
| | 1,774,913 | 2,011,715 |
| Liabilities | | |
| Reportable segment liabilities | 177,641 | 193,839 |
| Unallocated corporate liabilities | 11,768 | 7,226 |
| | 189,409 | 201,065 |

Note: Unallocated corporate assets as at 30 September 2022 mainly represent cash and bank balances of HK\$208,000 (31 March 2022: HK\$664,000) and financial assets at FVTPL of HK\$32,867,000 (31 March 2022: HK\$42,768,000) held by the Company.

5. SEGMENT REPORTING (Continued)

(b) Geographic information

The following is an analysis of the Group's revenue from external customers and non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets ("Specified non-current assets") by the geographical areas in which the customers and assets respectively are located:

| | Revenue from external customers For the six months ended 30 September | | Specified non-current assets As at | |
|--------------------------|--|---------------------------------|---|---|
| | 2022 (unaudited) HK\$'000 | 2021 (unaudited) HK\$'000 | 30 September 2022 (unaudited) HK\$'000 | 31 March 2022 (audited) HK\$'000 |
| PRC, including Hong Kong | – | – | 1,629,679 | 1,830,023 |
| Japan | – | – | – | 789 |
| India | 467 | – | – | – |
| Philippines | 314 | 24,023 | – | – |
| Spain | – | 4,266 | – | – |
| Mexico | – | 1,428 | – | – |
| | 781 | 29,717 | 1,629,679 | 1,830,812 |

Notes to Condensed Consolidated Interim Financial Statements

5. SEGMENT REPORTING (Continued)

(c) Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group is as follows:

| | For the six months ended 30 September | |
|------------|--|---------------------------------|
| | 2022 (unaudited) HK\$'000 | 2021 (unaudited) HK\$'000 |
| Customer A | 467 | – |
| Customer B | 314 | 29,717 |
| | 781 | 29,717 |

6. REVENUE AND OTHER INCOME

Revenue from contracts with customers within the scope of HKFRS 15

Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods at a point in time in the following major product lines:

| | For the six months ended 30 September | |
|---------------------------|--|---------------------------------|
| | 2022 (unaudited) HK\$'000 | 2021 (unaudited) HK\$'000 |
| Sale of electric vehicles | 781 | 29,717 |

Note: Disaggregation of revenue from contracts with customers by geographic markets is disclosed in note 5(b).

6. REVENUE AND OTHER INCOME (Continued)

| | For the six months ended | |
|--------------------------|--------------------------|-------------|
| | 30 September | |
| | 2022 | 2021 |
| | (unaudited) | (unaudited) |
| | HK\$'000 | HK\$'000 |
| Other income | | |
| Government grants (note) | 1,486 | – |
| Exchange gain, net | 56 | – |
| Sundry income | 362 | 655 |
| Interest income | 345 | 7 |
| | 2,249 | 662 |

Note: Government grants were received from local government authorities and the entitlements of which were under the discretion of the relevant authorities. There are no unfulfilled conditions or other contingencies attaching to the government grants that have been recognised to profit or loss.

7. FINANCE COSTS

| | For the six months ended | |
|-------------------------------|--------------------------|-------------|
| | 30 September | |
| | 2022 | 2021 |
| | (unaudited) | (unaudited) |
| | HK\$'000 | HK\$'000 |
| Interest on bank borrowing | 162 | 137 |
| Interest on lease liabilities | 272 | 357 |
| Other finance costs | 56 | – |
| | 490 | 494 |

Notes to Condensed Consolidated Interim Financial Statements

8. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging/(crediting):

| | For the six months ended | |
|--|---------------------------------|-------------|
| | 30 September | |
| | 2022 | 2021 |
| | (unaudited) | (unaudited) |
| | HK\$'000 | HK\$'000 |
| Auditor's remuneration | | |
| – Interim | 60 | 60 |
| – Other transactions | – | 1,051 |
| Amortisation of other intangible assets | 983 | 5,237 |
| Cost of inventories recognised as expenses | 391 | 25,639 |
| Depreciation of property, plant and equipment | 2,898 | 3,378 |
| Depreciation of right-of-use assets | 3,556 | 3,365 |
| Exchange (gain)/loss, net | (56) | 18 |
| Write-down of inventories | 136 | – |
| Impairment of trade receivables, net | 566 | 286 |
| Write-off of other receivables and prepayments | 90 | 1,068 |
| Short-term lease expense | 1,315 | 1,102 |
| Research and development cost (included in administrative expense) | 2,237 | 4,032 |
| Employee costs (including directors' remuneration) | | |
| – Salaries and allowances | 10,240 | 11,644 |
| – Share-based payments (note 26) | – | 2,362 |
| – Other benefits | 328 | 452 |
| – Pension contributions | 513 | 820 |
| | 11,081 | 15,278 |

Notes to Condensed Consolidated Interim Financial Statements

9. INCOME TAX CREDIT

The amount of income tax credit in the condensed consolidated statement of profit or loss and other comprehensive income represents:

| | For the six months ended 30 September | |
|--|--|---------------------------------|
| | 2022 (unaudited) HK\$'000 | 2021 (unaudited) HK\$'000 |
| Current tax | | |
| – Provision for PRC enterprise income tax for the period | – | – |
| Deferred tax | | |
| – Origination and reversal of temporary differences | (65) | (1,120) |
| Income tax credit | (65) | (1,120) |

No Hong Kong profits tax has been provided as the Group had no assessable profits arising in Hong Kong during the current and prior periods.

Overseas taxes on assessable profits of the group companies, if any, are calculated at the rates of tax prevailing in the respective jurisdictions in which they operate, based on the prevailing legislation, interpretations and practices in respect thereof.

No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams.

10. DIVIDEND

The directors do not recommend the payment or declaration of any interim dividend for the six months ended 30 September 2022 (30 September 2021: HK\$ nil).

Notes to Condensed Consolidated Interim Financial Statements

11. LOSS PER SHARE

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

| | For the six months ended 30 September | |
|---|--|---------------------------------|
| | 2022 (unaudited) HK\$'000 | 2021 (unaudited) HK\$'000 |
| Loss for the period attributable to owners of the Company | (38,270) | (49,608) |
| | Number | Number |
| Weighted average number of ordinary shares in issue | 9,009,678,975 | 8,611,472,027 |

Basic and diluted loss per share is HK\$0.0042 per share (30 September 2021: HK\$0.0058 per share) based on the loss for the period attributable to owners of the Company of HK\$38,270,000 (30 September 2021: HK\$49,608,000) and the weighted average number of ordinary shares in issue detailed above. The basic and diluted loss per share for both periods presented are the same as the potential ordinary shares issuable under the convertible notes, the share option and share award plan are anti-dilutive.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2022, no property, plant and equipment was acquired (30 September 2021: HK\$1,623,000). Depreciation for items of property, plant and equipment was approximately HK\$2,898,000 (30 September 2021: HK\$3,378,000) during the period. Loss on exchange realignment arising on translation of the carrying amount of the property, plant and equipment amounted to approximately HK\$4,467,000 (30 September 2021: gain of HK\$763,000) during the period.

13. CONSTRUCTION IN PROGRESS

Construction in progress mainly represents:

- (a) the mining assets in the PRC on the preliminary construction costs incurred for the development of road access to the factory buildings to be constructed for the mining business of thenardite; and
- (b) the manufacturing plant in the PRC on the preliminary construction costs incurred for the another manufacturing plant of vehicle in Chongqing. Manufacturing plant in the PRC with carrying value of HK\$58,043,000 (31 March 2022: HK\$64,929,000) was frozen under a preservation order applied by one contractor of the Group. Details of the litigation are set out in section "Business review – litigations on Qijiang new plant" above.

During the six months ended 30 September 2022, no expenditure was recognised as construction in progress (30 September 2021: HK\$ nil). Loss on exchange realignment arising on translation of construction in progress amounted to approximately HK\$8,200,000 (30 September 2021: gain of HK\$1,243,000) during the period.

14. RIGHT-OF-USE ASSETS

Right-of-use assets mainly represents:

(a) Ownership interests in leasehold land and buildings held for own use

The Group holds several industrial land and buildings for its business, where its manufacturing facilities are primarily located. The Group is the registered owner of these property interests, including the whole or part of undivided share in the underlying land. Lump sum payments were made upfront to acquire these property interests from their previous registered owners, and there are no ongoing payments to be made under the term of land lease, other than payments based on rateable values set by the relevant government authorities. These payments vary from time to time and are payable to the relevant government authorities.

Leasehold land with aggregate carrying value of HK\$58,787,000 (31 March 2022: HK\$66,383,000) was frozen under preservation orders applied by two contractors of the Group.

14. RIGHT-OF-USE ASSETS (Continued)

(b) Other properties leased for own use

The Group has obtained the right to use other properties as its office premises and warehouses through tenancy agreements. The leases typically run for an initial period of one to five years (31 March 2022: one to five years).

15. MINING ASSETS

Mining assets have not been amortised since acquisition as the mine has not yet commenced operation since then. The mining project is ongoing and is pending for the issuance of land use right certificate for the construction of processing factory. The mining operation will be commenced upon the completion of such development. Loss on exchange realignment arising on translation of the carrying amount of the mining assets amounted to approximately HK\$169,164,000 (30 September 2021: gain of HK\$30,606,000) during the period.

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | As at | |
|---|---|---|
| | 30 September 2022 (unaudited) HK\$'000 | 31 March 2022 (audited) HK\$'000 |
| Financial assets at FVTPL comprise: | | |
| – Unlisted equity investments outside Hong Kong | 32,867 | 42,768 |

The fair value of the financial assets at FVTPL at the end of the reporting period was determined based on level 3 of fair value hierarchy.

17. INVENTORIES

| | As at | |
|------------------|---------------------|---------------|
| | 30 September | 31 March |
| | 2022 | 2022 |
| | (unaudited) | (audited) |
| | HK\$'000 | HK\$'000 |
| Raw materials | 5,527 | 6,237 |
| Work in progress | 15,480 | 18,879 |
| Finished goods | 6,943 | 6,016 |
| | 27,950 | 31,132 |

18. TRADE RECEIVABLES

| | As at | |
|-------------------------------------|---------------------|---------------|
| | 30 September | 31 March |
| | 2022 | 2022 |
| | (unaudited) | (audited) |
| | HK\$'000 | HK\$'000 |
| Trade receivables at amortised cost | 42,071 | 48,604 |
| Less: Accumulated impairment losses | (15,775) | (16,725) |
| | 26,296 | 31,879 |

Notes to Condensed Consolidated Interim Financial Statements

18. TRADE RECEIVABLES (Continued)

The ageing analysis of trade receivables, net at the end of the reporting period, based on the invoice date, was as follows:

| | As at | |
|------------------|---|---|
| | 30 September 2022 (unaudited) HK\$'000 | 31 March 2022 (audited) HK\$'000 |
| 0 – 30 days | – | 3,638 |
| 31 – 90 days | – | 3,173 |
| 91 – 180 days | – | 899 |
| 181 – 365 days | 3,159 | 19,622 |
| More than 1 year | 23,137 | 4,547 |
| | 26,296 | 31,879 |

The average credit period on sales of electric vehicles is 30–365 days from the invoice date, except for a customer with carrying amount of receivables amounted to HK\$13,454,000 (31 March 2022: HK\$13,742,000), which bear interest at 5% per annum and repayable by monthly instalments in 5 years from the date on which the related goods has been delivered and accepted by the customer.

Notes to Condensed Consolidated Interim Financial Statements

18. TRADE RECEIVABLES (Continued)

Movement in loss allowance account in respect of trade receivables during the period is as follows:

| | As at | |
|---------------------------------|---------------------|-----------|
| | 30 September | 31 March |
| | 2022 | 2022 |
| | (unaudited) | (audited) |
| | HK\$'000 | HK\$'000 |
| At beginning of the period/year | 16,725 | 12,963 |
| Impairment losses recognised | 614 | 3,342 |
| Write back for impairment | (48) | (125) |
| Exchange realignment | (1,516) | 545 |
| At end of the period/year | 15,775 | 16,725 |

19. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | As at | |
|-----------------------------|---------------------|-----------|
| | 30 September | 31 March |
| | 2022 | 2022 |
| | (unaudited) | (audited) |
| | HK\$'000 | HK\$'000 |
| Other receivables | 5,992 | 9,078 |
| Value-added tax recoverable | 5,832 | 10,613 |
| Deposits | 2,781 | 4,452 |
| Prepayments | 43,404 | 48,307 |
| | 58,009 | 72,450 |
| Less: Non-current portion | (11,677) | (13,062) |
| | 46,332 | 59,388 |

Notes to Condensed Consolidated Interim Financial Statements

20. ACCOUNTS PAYABLE

The ageing analysis of accounts payable at the end of the reporting period, based on the invoice date, was as follows:

| | As at | |
|------------------|---|---|
| | 30 September 2022 (unaudited) HK\$'000 | 31 March 2022 (audited) HK\$'000 |
| 0 – 30 days | 1,803 | 2,710 |
| 31 – 90 days | 112 | 126 |
| 91 – 180 days | 499 | 661 |
| 181 – 365 days | 162 | 1,907 |
| More than 1 year | 6,459 | 7,337 |
| | 9,035 | 12,741 |

The credit period from the Group's trade creditors ranged from 30 days to 180 days.

21. OTHER PAYABLES AND ACCRUALS

| | As at | |
|---|---|---|
| | 30 September 2022 (unaudited) HK\$'000 | 31 March 2022 (audited) HK\$'000 |
| Other payables and accruals | 148,805 | 156,734 |
| Less: Non-current portion on other payables (note 1) | (60,210) | (67,354) |
| Current portion (note 2) | 88,595 | 89,380 |

21. OTHER PAYABLES AND ACCRUALS (Continued)

Note:

1. The non-current portion represented the government grant in relation to the construction of a manufacturing plant in the PRC. The construction has not been completed and the conditions attached to the government grant have not been fulfilled. Hence, the government grant was not recognised as reduction in the carrying amount of the related construction in progress.
2. During the previous year, there was a legal proceeding initiated by a contractor of the manufacturing plant against a subsidiary. Then the subsidiary received a notice of application of execution of compulsory auction on the incomplete manufacturing plant and the land on which the manufacturing plant was erected. Details of the litigation are set out in section “Business review – litigations on Qijiang new plant” above. The carrying amount of the related liability included under the current portion of other payables and accruals as at 30 September 2022 amounted to approximately HK\$50,238,000 (31 March 2022: HK\$56,199,000).

22. BANK BORROWING

| | As at | |
|---|---------------------|-----------|
| | 30 September | 31 March |
| | 2022 | 2022 |
| | (unaudited) | (audited) |
| | HK\$'000 | HK\$'000 |
| Current – secured bank loan due for repayment within one year | 662 | 741 |
| Non-current – secured bank loan | 5,297 | 6,296 |
| | 5,959 | 7,037 |

During the period, the effective interest rates of the Group’s bank loan was 5% per annum. Plant and machinery with net carrying amount of HK\$35,504,000 (31 March 2022: HK\$40,463,000) were pledged for the Group’s banking facilities in connection with the bank loan.

The Group’s bank borrowing were denominated in the functional currency of the relevant group entity and were therefore exposed to minimal foreign exchange rate risk.

23. LOANS FROM SHAREHOLDERS

The loans are unsecured, interest free and due to be settled not earlier than twelve months from the end of the reporting period.

24. CONVERTIBLE NOTES

On 28 February 2014, the Company issued zero-coupon convertible notes (the "Convertible Notes") at a principal amount of HK\$2,910,000,000 as part of the consideration of the acquisition of a group of companies holding mining license. The Convertible Notes have a maturity period of ten years from the date of issue and can be converted into ordinary shares of the Company at HK\$0.75 per share at the option of the holders of the Convertible Notes subject to the conversion restriction set out in the terms of the Convertible Notes in relation to the compliance with the relevant requirements of the Hong Kong Code on Takeovers and Mergers and the Listing Rules. The Company shall have the right to redeem the entire or part of the principal amount of the Convertible Notes before the maturity date but not the holder of the Convertible Notes.

During the period, no Convertible Notes were converted into ordinary shares (31 March 2022: nil) of the Company.

25. SHARE CAPITAL

| | As at | | | |
|--|------------------------------------|-------------------------|----------------------------------|-----------------------|
| | 30 September 2022 | | 31 March 2022 | |
| | (unaudited) Number of shares | (unaudited) HK\$'000 | (audited) Number of shares | (audited) HK\$'000 |
| Authorised: | | | | |
| Ordinary shares of HK\$0.01 each | 50,000,000,000 | 500,000 | 50,000,000,000 | 500,000 |
| Issued and fully paid: | | | | |
| At beginning of period/year | 9,009,678,975 | 90,096 | 8,290,306,800 | 82,902 |
| Placing of shares | - | - | 367,660,000 | 3,677 |
| Issue of consideration shares for the acquisition of unlisted equity investments outside Hong Kong | - | - | 254,712,175 | 2,547 |
| Issue of shares from share award plan | - | - | 97,000,000 | 970 |
| At end of the period/year | 9,009,678,975 | 90,096 | 9,009,678,975 | 90,096 |

26. SHARE-BASED PAYMENT TRANSACTIONS

Share option scheme

A share option scheme (the "Scheme") was adopted by an ordinary resolution of the shareholders at annual general meeting of the Company on 30 August 2013 (the "Adoption Date"). The Scheme constitutes a share option scheme governed by Chapter 17 of the Listing Rules and will remain in force for 10 years from the Adoption Date.

Pursuant to the Scheme, the board of directors is empowered, at its discretion, to invite any participant (defined in the Scheme) to take up options to subscribe for shares in the Company.

26. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Share option scheme (Continued)

The movements in the number of share options during the six months ended 30 September 2022 were as follows:

| Date of offer of grant | At 1 April 2022 | Forfeited during the period | At 30 September 2022 | Exercise price | Closing price at date of offer of grant | Exercise period | Vesting period |
|------------------------|--------------------|-----------------------------|----------------------|----------------|---|--------------------------|--------------------------|
| 11/04/2014 | 49,000,000 | - | 49,000,000 | HK\$1.15 | HK\$1.11 | 12/04/2016 to 10/04/2024 | 12/04/2016 to 12/04/2020 |
| 10/03/2016 | 278,600,000 | - | 278,600,000 | HK\$0.30 | HK\$0.28 | 10/03/2016 to 09/03/2026 | 10/03/2016 to 11/03/2020 |
| 25/02/2021 | 278,000,000 | - | 278,000,000 | HK\$0.13 | HK\$0.12 | 25/02/2021 to 24/02/2031 | N/A |
| 07/04/2021 | 15,000,000 | (15,000,000) | - | HK\$0.142 | HK\$0.142 | 07/04/2022 to 06/04/2031 | 08/04/2021 to 07/04/2022 |
| | <u>620,600,000</u> | <u>(15,000,000)</u> | <u>605,600,000</u> | | | | |

26. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Share option scheme (Continued)

The movements in the number of share options during the six months ended 30 September 2021 were as follows:

| Date of offer of grant | At 1 April 2021 | Grant/ (forfeited) during the period | At 30 September 2021 | Exercise price | Closing price at date of offer of grant | Exercise period | Vesting period |
|------------------------|--------------------|--------------------------------------|----------------------|----------------|---|--------------------------|--------------------------|
| 11/04/2014 | 49,000,000 | - | 49,000,000 | HK\$1.15 | HK\$1.11 | 12/04/2016 to 10/04/2024 | 12/04/2016 to 12/04/2020 |
| 10/03/2016 | 288,100,000 | (9,500,000) | 278,600,000 | HK\$0.30 | HK\$0.28 | 10/03/2016 to 09/03/2026 | 10/03/2016 to 11/03/2020 |
| 25/02/2021 | 278,000,000 | - | 278,000,000 | HK\$0.13 | HK\$0.12 | 25/02/2021 to 24/02/2031 | N/A |
| 07/04/2021 | - | 15,000,000 | 15,000,000 | HK\$0.142 | HK\$0.142 | 07/04/2022 to 06/04/2031 | 08/04/2021 to 07/04/2022 |
| | <u>615,100,000</u> | <u>5,500,000</u> | <u>620,600,000</u> | | | | |

26. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Share option scheme (Continued)

During the period, no share options (30 September 2021: 15,000,000) were granted.

The weighted average remaining contractual life of options outstanding at the end of the period was 5.5 years (30 September 2021: 6.57 years). The weighted average exercise price of options outstanding at the end of the period was HK\$0.29 (30 September 2021: HK\$0.29).

605,600,000 share options were exercisable at the end of the period (30 September 2021: 605,600,000).

There was no exercise of share options during the six months ended 30 September 2022 and 2021.

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted under the Scheme is measured based on Binomial method. The contractual life of the share options and expectations of early exercise of the share options are incorporated into the model.

No equity-settled share-based payment expenses (30 September 2021: HK\$1,195,000) was recognised during the period.

Share award plan

On 8 May 2019, a share award plan (the "Share Award Plan") was adopted by the Company for the purpose of providing incentives and aligning the interests of the selected employees with that of shareholders. During the period, no award shares (30 September 2021: nil) were granted to the eligible participants.

The Company has used the market approach to assess the fair value of the award shares. For the period ended 30 September 2022, no share award expense (30 September 2021: HK\$1,167,000) was recognised.

27. RELATED PARTY TRANSACTIONS

- (a) Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation.
- (b) Details of loans from shareholders are disclosed in note 23.
- (c) The remuneration of key management paid or payable during the period which only comprised executive directors' remuneration was as follows:

| | For the six months ended | |
|---|---------------------------------|-------------|
| | 30 September | |
| | 2022 | 2021 |
| | (unaudited) | (unaudited) |
| | HK\$'000 | HK\$'000 |
| Basic salaries, housing benefits, other allowances and benefits in kind | 2,864 | 3,004 |
| Pension contributions | 12 | 18 |
| | 2,876 | 3,022 |

28. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments contracted but not provided for:

| | As at | |
|---|---------------------|-----------|
| | 30 September | 31 March |
| | 2022 | 2022 |
| | (unaudited) | (audited) |
| | HK\$'000 | HK\$'000 |
| Acquisition of property, plant and equipment | 19,294 | 21,583 |
| Capital expenditure in respect of the construction of the ores processing plant | 3,675 | 3,675 |
| Capital expenditure in respect of the mining operations | 7,735 | 8,653 |
| Capital expenditure in respect of the development of electric vehicles | 16,948 | 19,141 |
| | 47,652 | 53,052 |

29. FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 30 September 2022 and 31 March 2022 may be categorised as follows:

| | As at | |
|--|---|---|
| | 30 September 2022 (unaudited) HK\$'000 | 31 March 2022 (audited) HK\$'000 |
| Financial assets | | |
| Financial assets at amortised cost (including cash and bank balances) | 36,965 | 50,078 |
| Financial assets at FVTPL – unlisted investment | 32,867 | 42,768 |
| | 69,832 | 92,846 |
| Financial liabilities | | |
| Financial liabilities at amortised cost | 119,210 | 124,409 |

(a) Financial instruments not measured at fair value

Financial instruments not measured at fair value include trade receivables, other receivables and deposits, cash and bank balances, accounts payables, other payables and accruals, loans from shareholders and bank borrowing.

The directors of the Company considered that due to the short term nature, the carrying amounts of these financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate to their corresponding fair value.

29. FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (Continued)

(b) Financial instruments measured at fair value

Financial instruments carried at fair value by level of fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| | As at 30 September 2022 (unaudited) | | | | As at 31 March 2022 (audited) | | | |
|--------------------------------|--|----------|----------|----------|----------------------------------|----------|----------|----------|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Financial assets at fair value | | | | | | | | |
| – Unlisted equity investment | - | - | 32,867 | 32,867 | - | - | 42,768 | 42,768 |

There were no transfers between levels during the period.

30. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 30 November 2022.