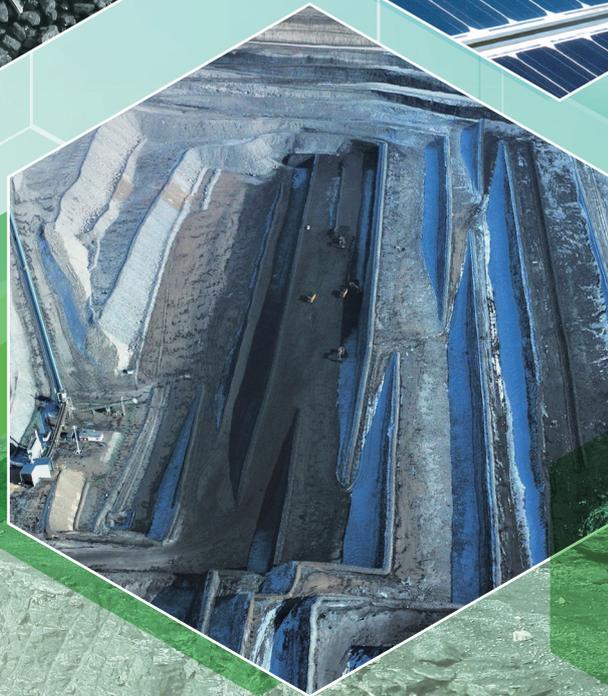


**NAN NAN RESOURCES
ENTERPRISE LIMITED**
南南資源實業有限公司

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



2023/24
INTERIM REPORT



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

 This interim report is printed on environmentally friendly paper.



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Kwan Man Fai (Chairman & Managing Director)

Wong Sze Wai

Li Chun Fung

Independent Non-executive Directors

Wong Man Hin Raymond

Chan Yiu Fai Youdey

Pak Wai Keung Martin

AUDIT COMMITTEE

Pak Wai Keung Martin (Chairman)

Wong Man Hin Raymond

Chan Yiu Fai Youdey

REMUNERATION COMMITTEE

Wong Man Hin Raymond (Chairman)

Kwan Man Fai

Wong Sze Wai

Chan Yiu Fai Youdey

Pak Wai Keung Martin

NOMINATION COMMITTEE

Kwan Man Fai (Chairman)

Wong Man Hin Raymond

Chan Yiu Fai Youdey

Pak Wai Keung Martin

COMPANY SECRETARY

Li Chun Fung

AUDITOR

Mazars CPA Limited

42/F., Central Plaza

18 Harbour Road

Wanchai, Hong Kong

LEGAL ADVISER

Conyers Dill and Pearman

29/F., One Exchange Square

8 Connaught Place

Central, Hong Kong

PRINCIPAL BANKERS

China CITIC Bank International Limited

Industrial and Commercial Bank of China (Asia) Limited

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

8/F., Tower 2

Admiralty Centre

18 Harcourt Road

Admiralty, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited

4th floor North Cedar House

41 Cedar Avenue

Hamilton HM12, Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited

Suites 3301-04, 33/F

Two Chinachem Exchange Square

338 King's Road

North Point, Hong Kong

HONG KONG STOCK EXCHANGE STOCK CODE

1229

WEBSITE

<https://www.nannanlisted.com>

INDEPENDENT AUDITOR'S REVIEW REPORT



MAZARS CPA LIMITED
中審眾環(香港)會計師事務所有限公司
42nd Floor, Central Plaza
18 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道18號中環廣場42樓
Tel 電話: (852) 2909 5555
Fax 傳真: (852) 2810 0032
Email 電郵: info@mazars.hk
Website 網址: www.mazars.hk

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

(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 4 to 34 which comprises the condensed consolidated statement of financial position of Nan Nan Resources Enterprise Limited (the "Company") and its subsidiaries (together the "Group") as at 30 September 2023 and the related condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended and other explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors of the Company are responsible for the preparation and presentation of the interim financial information in accordance with HKAS 34.

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

SCOPE OF REVIEW

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

CONCLUSION

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

Mazars CPA Limited

Certified Public Accountants

Hong Kong, 22 November 2023

She Shing Pang

Practising Certificate number: P05510

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2023

	Notes	Six months ended 30 September	
		2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Revenue	4	54,100	110,712
Cost of services and goods sold		(46,348)	(49,996)
Gross profit		7,752	60,716
Other revenue		1,699	1,166
Selling and distribution expenses		(511)	(482)
Administrative and other operating expenses		(30,160)	(18,984)
Exchange loss, net		(3,170)	(7,442)
Finance costs	5	(3,097)	(3,967)
Change in fair value of convertible bond designated as financial liabilities at fair value through profit or loss ("FVPL")	17	42,293	(263,539)
Profit/(Loss) before tax	5	14,806	(232,532)
Income tax credit/(expenses)	6	2,565	(9,193)
Profit/(Loss) for the period		17,371	(241,725)
Other comprehensive loss:			
<i>Item that will not be reclassified to profit or loss:</i>			
Exchange difference on translation of the Company's financial statements to presentation currency		1,235	4,722
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference on translation of functional currency to presentation currency		(20,366)	(44,352)
Other comprehensive loss for the period		(19,131)	(39,630)
Total comprehensive loss for the period		(1,760)	(281,355)
Profit/(Loss) for the period attributable to:			
– Owners of the Company		18,176	(241,353)
– Non-controlling interests		(805)	(372)
		17,371	(241,725)
Total comprehensive loss for the period attributable to:			
– Owners of the Company		(1,046)	(280,923)
– Non-controlling interests		(714)	(432)
		(1,760)	(281,355)
Earnings/(Loss) per share (expressed in Hong Kong cents)			
– Basic	8	2.38	(31.53)
– Diluted	8	(0.36)	(31.53)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

	Notes	30 September 2023 HK\$'000 (unaudited)	31 March 2023 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	9	129,498	133,149
Intangible assets	10	179,166	188,899
Goodwill	11	4,229	4,229
Prepayments for acquisition of property, plant and equipment	12	7,391	6,425
Deferred tax assets		597	–
		320,881	332,702
Current assets			
Inventories		3,504	6,810
Trade and other receivables	12	8,304	9,989
Cash and cash equivalents		181,023	234,113
		192,831	250,912
Current liabilities			
Trade and other payables	13	49,661	63,027
Mining right payables, current portion		4,301	4,379
Interest-bearing borrowings	14	–	3,477
Lease liabilities	15	1,690	1,660
Tax payables		2,265	9,857
		57,917	82,400
Net current assets		134,914	168,512
Total assets less current liabilities		455,795	501,214

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 September 2023

	Notes	30 September 2023 HK\$'000 (unaudited)	31 March 2023 HK\$'000 (audited)
Capital and reserves			
Share capital	16	76,537	76,537
Reserves		47,865	48,911
Equity attributable to owners of the Company		124,402	125,448
Non-controlling interests		1,154	1,868
		125,556	127,316
Non-current liabilities			
Convertible bond designed as financial liabilities of FVPL	17	257,079	299,372
Provision for close down, restoration and environmental costs		2,649	2,814
Mining right payables, non-current portion		69,137	70,520
Lease liabilities	15	615	368
Deferred tax liabilities		759	824
		330,239	373,898
		455,795	501,214

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2023

	Attributable to owners of the Company								Non-controlling interests	Total (deficit)/equity
	Share capital	Share premium	Capital reserve	Statutory reserves	Exchange translation reserve	Special reserve	Accumulated losses	Total		
	HK\$'000 (Note 16)	HK\$'000 (Note i)	HK\$'000 (Note ii)	HK\$'000 (Note iii)	HK\$'000 (Note iv)	HK\$'000 (Note v)	HK\$'000	HK\$'000		
As at 1 April 2023 (audited)	76,537	191,534	14,882	39,495	(29,023)	27,143	(195,120)	125,448	1,868	127,316
Profit for the period	-	-	-	-	-	-	18,176	18,176	(805)	17,371
Other comprehensive loss:										
<i>Item that will not be reclassified to profit or loss:</i>										
Exchange difference on translation of the Company's financial statements to presentation currency	-	-	-	-	1,235	-	-	1,235	-	1,235
<i>Item that may be reclassified subsequently to profit or loss:</i>										
Exchange difference on translation of functional currency to presentation currency	-	-	-	-	(20,457)	-	-	(20,457)	91	(20,366)
Other comprehensive loss for the period	-	-	-	-	(19,222)	-	-	(19,222)	91	(19,131)
Total comprehensive loss for the period	-	-	-	-	(19,222)	-	18,176	(1,046)	(714)	(1,760)
Transactions with owners:										
<i>Contributions and distributions</i>										
Appropriation for maintenance and production funds	-	-	-	2,943	-	-	(2,943)	-	-	-
Utilisation of maintenance and production funds	-	-	-	(2,943)	-	-	2,943	-	-	-
	-	-	-	-	-	-	-	-	-	-
As at 30 September 2023 (unaudited)	76,537	191,534	14,882	39,495	(48,245)	27,143	(176,944)	124,402	1,154	125,556
As at 1 April 2022 (audited)	76,537	191,534	14,882	32,255	8,739	27,143	(129,552)	221,538	2,651	224,189
Loss for the period	-	-	-	-	-	-	(241,353)	(241,353)	(372)	(241,725)
Other comprehensive loss:										
<i>Item that will not be reclassified to profit or loss:</i>										
Exchange difference on translation of the Company's financial statements to presentation currency	-	-	-	-	4,722	-	-	4,722	-	4,722
<i>Item that may be reclassified subsequently to profit or loss:</i>										
Exchange difference on translation of functional currency to presentation currency	-	-	-	-	(44,292)	-	-	(44,292)	(60)	(44,352)
Other comprehensive loss for the period	-	-	-	-	(39,570)	-	-	(39,570)	(60)	(39,630)
Total comprehensive loss for the period	-	-	-	-	(39,570)	-	(241,353)	(280,923)	(432)	(281,355)
Transactions with owners:										
<i>Contributions and distributions</i>										
Appropriation for maintenance and production funds	-	-	-	8,706	-	-	(8,706)	-	-	-
Utilisation of maintenance and production funds	-	-	-	(8,706)	-	-	8,706	-	-	-
	-	-	-	-	-	-	-	-	-	-
As at 30 September 2022 (unaudited)	76,537	191,534	14,882	32,255	(30,831)	27,143	(370,905)	(59,385)	2,219	(57,166)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 30 September 2023

Notes:

(i) Share premium

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

(ii) Capital reserve

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

(iii) Statutory reserves

Statutory surplus reserve

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

Specific reserve for maintenance and production funds

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

(iv) Exchange translation reserve

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

(v) Special reserve

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2023

	Six months ended 30 September	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Operating activities		
Cash (used in)/generated from operations	(11,360)	42,605
Interest paid	(108)	(648)
Income tax paid	(5,244)	(15,404)
Net cash (used in)/from operating activities	(16,712)	26,553
Investing activities		
Purchase of property, plant and equipment	(8,578)	(4,067)
Additions to intangible assets	(5,152)	(11,954)
Prepayments for acquisition of property, plant and equipment	(2,250)	(15,349)
Interest received	1,559	367
Net cash used in investing activities	(14,421)	(31,003)
Financing activities		
Inception of interest-bearing borrowings	–	3,514
Repayment of interest-bearing borrowings	(3,477)	(34,698)
Repayment of lease liabilities	(1,001)	(1,002)
Net cash used in financing activities	(4,478)	(32,186)
Net decrease in cash and cash equivalents	(35,611)	(36,636)
Cash and cash equivalents as at 1 April	234,113	260,753
Effect on foreign exchange rate changes	(17,479)	(20,993)
Cash and cash equivalents as at 30 September	181,023	203,124
Analysis of the balances of cash and cash equivalents		
Bank balances	157,578	164,052
Short term deposit with an original maturity of three months or less	23,265	38,742
Cash on hand	180	330
	181,023	203,124

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2023

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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

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

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

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

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

The condensed consolidated interim financial information includes an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since 31 March 2023 and therefore, do not include all of the information required for full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual HKFRSs, HKASs and Interpretations issued by the HKICPA. They shall be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 March 2023 (the “2022/2023 Audited Financial Statements”).

In preparing the condensed consolidated interim financial information, significant judgements made by the directors of the Company in applying the Group’s accounting policies and the key sources of estimation uncertainty are the same as those that applied in the 2022/2023 Audited Financial Statements.

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

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

For the six months ended 30 September 2023

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial information has been prepared on the historical cost basis except for convertible bond designated as financial liabilities at fair value through profit or loss (“FVPL”), which is measured at fair value.

The accounting policies and methods of computation used in the condensed consolidated interim financial information for the six months ended 30 September 2023 are consistent with those followed in the preparation of the 2022/2023 Audited Financial Statements.

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

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

3. SEGMENT INFORMATION

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

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

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2023

3. SEGMENT INFORMATION (Continued)

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

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

Segment revenue and results

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

	Coal mining business HK\$'000	Renewable energy business HK\$'000	IT Services business HK\$'000	Unallocated HK\$'000	Total HK\$'000
Six months ended 30 September 2023 (unaudited)					
Revenue from external customers and reportable segment revenue	42,744	1,759	9,597	-	54,100
Gross profit	6,252	820	680	-	7,752
Selling and distribution expenses	(470)	-	(41)	-	(511)
Segment results	5,782	820	639	-	7,241
Other revenue	1,003	66	43	587	1,699
Administrative and other operating expenses	(19,698)	(481)	(3,891)	(6,090)	(30,160)
Finance costs	(3,042)	-	(25)	(30)	(3,097)
Change in fair value of convertible bond designated as financial liabilities at FVPL	-	-	-	42,293	42,293
Exchange loss, net	-	-	-	(3,170)	(3,170)
(Loss)/Profit before tax	(15,955)	405	(3,234)	33,590	14,806
Income tax credit/(expenses)	2,567	(2)	-	-	2,565
(Loss)/Profit for the period	(13,388)	403	(3,234)	33,590	17,371
<i>Additional segment information:</i>					
Amortisation	3,826	33	-	-	3,859
Depreciation	5,046	762	380	497	6,685
Additions to property, plant and equipment	9,452	-	1,026	297	10,775
Additions to intangible assets	5,152	-	-	-	5,152
Charge of loss allowance of trade receivables	-	-	1,056	-	1,056
Supplemental environmental related fees	7,043	-	-	-	7,043

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2023

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2023

3. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

	Coal mining business HK\$'000	Renewable energy business HK\$'000	IT Services business HK\$'000	Unallocated HK\$'000	Total HK\$'000
As at 30 September 2023 (unaudited)					
Property, plant and equipment	100,872	26,428	1,372	826	129,498
Intangible assets	177,871	1,295	-	-	179,166
Goodwill	-	4,229	-	-	4,229
Other assets	160,314	6,609	6,367	27,529	200,819
Total assets	439,057	38,561	7,739	28,355	513,712
Convertible bond designated as financial liabilities at FVPL	-	-	-	(257,079)	(257,079)
Mining right payables	(73,438)	-	-	-	(73,438)
Other liabilities	(53,506)	(453)	(2,169)	(1,511)	(57,639)
Total liabilities	(126,944)	(453)	(2,169)	(258,590)	(388,156)
As at 31 March 2023 (audited)					
Property, plant and equipment	102,580	28,830	727	1,012	133,149
Intangible assets	187,571	1,328	-	-	188,899
Goodwill	-	4,229	-	-	4,229
Other assets	208,244	6,236	6,968	35,889	257,337
Total assets	498,395	40,623	7,695	36,901	583,614
Convertible bond designated as financial liabilities at FVPL	-	-	-	(299,372)	(299,372)
Mining right payables	(74,899)	-	-	-	(74,899)
Other liabilities	(76,954)	(714)	(1,773)	(2,586)	(82,027)
Total liabilities	(151,853)	(714)	(1,773)	(301,958)	(456,298)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2023

3. SEGMENT INFORMATION (Continued)

Geographical information

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

Location of revenue

Revenue from external customers

	Six months ended 30 September	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
The Mainland China	42,744	94,376
Hong Kong	6,809	10,963
Malaysia	1,764	1,888
Singapore	2,556	2,723
The UK	227	762
	54,100	110,712

Location of the Specified Non-current Assets

	30 September 2023 HK\$'000 (unaudited)	31 March 2023 HK\$'000 (audited)
	The Mainland China	286,134
Hong Kong	2,198	1,739
Malaysia	31,952	34,387
	320,284	332,702

Information about major customers

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

	Six months ended 30 September	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Customer A from coal mining business segment	*	12,136
Customer B from coal mining business segment	*	16,140
Customer C from coal mining business segment	6,550	–
Customer D from coal mining business segment	5,975	*

* The corresponding revenue did not contribute 10% or more of the total revenue of the Group during the six months ended 30 September 2023 and 2022.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2023

4. REVENUE

	Six months ended 30 September	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Revenue from contracts with customers within HKFRS 15		
Coal mining business		
– Sales of coals	42,744	94,376
Renewable energy business		
– Service income from renewable energy solutions	1,759	1,804
IT Services business		
– Sales of IT hardware products	2,597	6,107
– IT outsourcing services	2,555	5,149
– IT consultancy and technical services	4,445	3,276
	9,597	14,532
	54,100	110,712

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

	Six months ended 30 September	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
<i>Timing of revenue recognition:</i>		
– at a point of time		
Sales of coals	42,744	94,376
Sales of IT hardware products	2,597	6,107
	45,341	100,483
– over time		
Service income from renewable energy solutions	1,759	1,804
IT outsourcing services	2,555	5,149
IT consultancy and technical services	4,445	3,276
	8,759	10,229
	54,100	110,712

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2023

5. PROFIT/(LOSS) BEFORE TAX

This is stated at after charging/(crediting):

	Six months ended 30 September	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Finance costs		
Interest on interest-bearing borrowings	37	579
Interest on mining right payables	2,989	3,319
Interest on lease liabilities	71	69
	3,097	3,967
Staff costs (charged to “Cost of services and goods sold”, “Selling and distribution expenses” and “Administrative and other operating expenses”)		
Staff costs (excluding directors' remuneration)		
Salaries, bonus, allowance and other short-term employee benefits	14,608	15,226
Contributions to defined contribution retirement plan	1,771	1,797
	16,379	17,023
Other items		
Amortisation of intangible assets (charged to “Cost of services and goods sold”)	3,859	11,929
Cost of inventories sold	37,102	36,512
Bank interest income (included in “Other revenue”)	(1,559)	(367)
Depreciation of property, plant and equipment and right-of-use assets (charged to “Cost of services and goods sold” and “Administrative and other operating expenses”)	6,685	6,093
Charge of loss allowance of trade receivables	1,056	193
Supplemental environmental related fees (charged to “Administrative and other operating expenses”) (Note)	7,043	–

Note:

During the six months ended 30 September 2023, the relevant authorities in Xinjiang Uygur Autonomous Region of the Mainland China have interpreted the existing rules and regulations on the measurement requirements for the imposition of environmental related fees. The implementation of the new measurement requirements required 木壘縣凱源煤炭有限責任公司 (Mulei County Kai Yuan Coal Company Limited*, “Kaiyuan Company”) to pay a higher environmental related fees to the local government.

Taking into consideration of the potential negative impact on the operation of coal mine from further negotiation with local government about the supplemental environment related fees, Kaiyuan Company decided not to further negotiate with the local government and to make an one-off voluntary settlement of approximately HK\$7,043,000 to the local government.

* English translation for identification purposes only.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2023

6. INCOME TAX CREDIT/(EXPENSES)

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

	Six months ended 30 September	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Current tax		
The Mainland China Enterprise Income Tax ("Mainland China EIT")		
– Current year	–	10,205
– (Over)/Under-provision in respect of prior year	(1,905)	1,747
Malaysia corporate income tax ("Malaysia CIT")	10	–
	(1,895)	11,952
Deferred tax		
Reversal of temporary differences	(670)	(2,759)
Total income tax (credit)/expenses	(2,565)	9,193

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

Under the Law of the Mainland China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Mainland China subsidiaries is 25% for both six months ended 30 September 2023 and 2022.

In March 2018, the two-tiered profits tax rates regime was signed into law of Hong Kong, under which the first HK\$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5% for the six months ended 30 September 2023 and 2022. The profits of corporations in the Group not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5% of the estimated assessable profits for the six months ended 30 September 2023 and 2022.

Malaysia CIT is calculated at the rate of 24% of the estimated assessable profits of the Group's entities in Malaysia arising from Malaysia during the six months ended 30 September 2023 and 2022. During the six months ended 30 September 2023, Malaysia incorporated entities with paid-up capital of Malaysia Ringgit ("RM") 2.5 million or less and gross business income of not more than RM50 million enjoy tax rate of 15% on the first RM150,000 and 17% on the next RM450,000 (30 September 2022: 17% on the first RM600,000) and remaining balance of the estimated assessable profits at the standard rate of 24%.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2023

6. INCOME TAX CREDIT/(EXPENSES) (Continued)

Singapore corporate income tax ("Singapore CIT") is calculated at the rate of 17% of the estimated assessable profits of the Group's entity in Singapore arising from Singapore.

During the six months ended 30 September 2023 and 2022, Singapore incorporated companies can enjoy 75% tax exemption on the first Singapore Dollars ("S\$") 10,000 of normal taxable income and a further 50% tax exemption on the next S\$190,000 of normal taxable income.

The UK corporate income tax (the "UK CIT") is calculated at a statutory rate of 25% of the estimated assessable profits of the Group's entities in the UK arising from the UK during the six months ended 30 September 2023 (30 September 2022: 19%). During the six months ended 30 September 2023, the Group's entity established in the UK is subject to a 19% small profits rate of corporation tax introduced for companies whose profits do not exceed Great British Pound 50,000 (30 September 2022: Nil).

For the six months ended 30 September 2023, the Mainland China EIT, Hong Kong Profits Tax, Singapore CIT and the UK CIT (30 September 2022: Hong Kong Profits Tax, Malaysia CIT, Singapore CIT and the UK CIT) have not been provided for in the condensed consolidated interim financial information as there was either loss for taxation purpose or no assessable profits being derived from the Mainland China, Hong Kong, Singapore and the UK (30 September 2022: Hong Kong, Malaysia, Singapore and the UK), respectively.

7. INTERIM DIVIDEND

No dividends were paid, declared or proposed during the six months ended 30 September 2023 and 2022. The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 September 2023 and 2022.

8. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

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

	Six months ended 30 September	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Profit/(Loss)		
Profit/(Loss) for the purpose of basic earnings/(loss) per share (Profit/(Loss) for the period attributable to owners of the Company)	18,176	(241,353)

	Six months ended 30 September	
	2023 Number of shares (unaudited)	2022 Number of shares (unaudited)
Weighted average number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	763,373,584	765,373,584

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2023

8. EARNINGS/(LOSS) PER SHARE (Continued)

(b) Diluted loss per share

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

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

	Six months ended 30 September	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Profit/(Loss) for the period attributable to owners of the Company	18,176	(241,353)
Change in fair value of convertible bond designated as financial liabilities at FVPL	(42,293)	263,539
Exchange loss on convertible bond designated as financial liabilities at FVPL	17,759	35,707
	(6,358)	57,893

(ii) Weighted average number of ordinary shares

	Six months ended 30 September	
	2023 Number of shares (unaudited)	2022 Number of shares (unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	765,373,584	765,373,584
Effect of conversion of convertible bond designated as financial liabilities at FVPL	1,000,000,000	1,000,000,000
Weighted average number of ordinary shares for the purpose of diluted loss per share	1,765,373,584	1,765,373,584

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2023

9. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets HK\$'000	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, equipment and motor vehicles HK\$'000	Construction- in-progress HK\$'000	Total HK\$'000
Cost							
As at 1 April 2023 (audited)	5,602	49,372	330	103,337	10,531	26,819	195,991
Exchange realignment	(136)	(2,967)	-	(6,267)	(432)	(1,415)	(11,217)
Additions	1,315	-	-	1,771	305	7,384	10,775
Transfers	-	5,902	-	9,780	100	(15,782)	-
Disposal	-	-	-	(157)	-	-	(157)
As at 30 September 2023 (unaudited)	6,781	52,307	330	108,464	10,504	17,006	195,392
Accumulated depreciation and impairment losses							
As at 1 April 2023 (audited)	3,504	12,016	224	39,514	7,584	-	62,842
Exchange realignment	(82)	(723)	2	(2,387)	(286)	-	(3,476)
Charge for the period	1,021	1,129	30	4,053	452	-	6,685
Disposal	-	-	-	(157)	-	-	(157)
As at 30 September 2023 (unaudited)	4,443	12,422	256	41,023	7,750	-	65,894
Net carrying amount							
As at 30 September 2023 (unaudited)	2,338	39,885	74	67,441	2,754	17,006	129,498
As at 31 March 2023 (audited)	2,098	37,356	106	63,823	2,947	26,819	133,149

10. INTANGIBLE ASSETS

During the six months ended 30 September 2023, the Group incurred capital expenditure in respect of stripping activities with cost of approximately HK\$5,152,000 (30 September 2022: approximately HK\$11,954,000).

During the six months ended 30 September 2023 and 2022, no impairment loss was made on the intangible assets.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2023

11. GOODWILL

	Coal Mining CGU HK\$'000 (Note (a))	Renewable Energy CGU HK\$'000 (Note (b))	IT Services CGU HK\$'000 (Note (c))	Total
Cost				
As at 1 April 2023 (audited) and 30 September 2023 (unaudited)	37,469	4,229	24,148	65,846
Accumulated impairment losses				
As at 1 April 2023 (audited) and 30 September 2023 (unaudited)	37,469	–	24,148	61,617
Net carrying amount				
As at 30 September 2023 (unaudited)	–	4,229	–	4,229
As at 31 March 2023 (audited)	–	4,229	–	4,229

11(a) Coal Mining CGU

The goodwill arising on acquisition of Kaiyuan Company and its subsidiary was fully impaired during the year ended 31 March 2011.

11(b) Renewable Energy CGU

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

As at 30 September 2023, the directors of the Company assessed the recoverable amount of the Renewable Energy CGU with reference to value-in-use (“VIU”) calculations using cash flow projections based on financial budgets and forecasts covering a five-year period and extrapolation of cash flows beyond such period conducted by ValQuest Advisory (Hong Kong) Limited (“ValQuest”), an independent professional valuer. The directors of the Company concluded that there is no material change in key assumptions in the VIU calculation as at 30 September 2023 as compared with 31 March 2023.

As at 30 September 2023, the recoverable amount of the Renewable Energy CGU is higher than its carrying amount. Accordingly, there was no impairment on the goodwill during the six months ended 30 September 2023.

11(c) IT Services CGU

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2023

12. TRADE AND OTHER RECEIVABLES

	Note	30 September 2023 HK\$'000 (unaudited)	31 March 2023 HK\$'000 (audited)
Trade receivables			
From third parties		5,603	4,636
Loss allowance		(1,587)	(531)
	12(a)	4,016	4,105
Other receivables			
Prepayments, deposits and other receivables		4,160	5,749
Other taxes receivables		128	135
Prepayments for acquisition of property, plant and equipment		7,391	6,425
		11,679	12,309
		15,695	16,414
Analysed by:			
Non-current		7,391	6,425
Current		8,304	9,989
		15,695	16,414

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2023

12. TRADE AND OTHER RECEIVABLES (Continued)

12(a) Trade receivables

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

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

Ageing analysis

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

	30 September 2023 HK\$'000 (unaudited)	31 March 2023 HK\$'000 (audited)
Within 30 days	1,723	1,722
31-60 days	1,004	1,878
61-90 days	681	344
Over 90 days	2,195	692
Less: Loss allowance	(1,587)	(531)
	4,016	4,105

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2023

13. TRADE AND OTHER PAYABLES

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

	30 September 2023 HK\$'000 (unaudited)	31 March 2023 HK\$'000 (audited)
Within 90 days	6,422	5,976
91-180 days	1,917	1,533
181-365 days	773	4,778
Over 1 year	2,514	3,045
Trade payables	11,626	15,332
Contract liabilities	1,612	4,778
Government levies payable		
– Economic development fees in coal resources areas	25,199	26,769
– Others	–	459
Accrued expenses	2,570	3,635
Other taxes payable	1,047	3,511
Other payables	7,607	8,543
Total trade and other payables	49,661	63,027

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

14. INTEREST-BEARING BORROWINGS

	30 September 2023 HK\$'000 (unaudited)	31 March 2023 HK\$'000 (audited)
Current portion		
Interest-bearing borrowings	–	3,477

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

As at 31 March 2023, the interest-bearing borrowings were secured by the mining right with carrying amount of approximately HK\$109,410,000.

As at 31 March 2023, the interest-bearing borrowings were repayable within one year since their inception. The average effective interest rates on the interest-bearing borrowings were ranging from 3.3% to 6.0%. All the interest-bearing borrowings were denominated in RMB. The interest-bearing borrowings were fully settled during the six months ended 30 September 2023.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2023

15. LEASE LIABILITIES

	30 September 2023 HK\$'000 (unaudited)	31 March 2023 HK\$'000 (audited)
Carrying amount of right-of-use assets (Note 9)		
Leased properties	2,338	2,098
Lease liabilities		
Current	1,690	1,660
Non-current	615	368
	2,305	2,028

In addition to the information disclosed in Note 9, the Group had the following amounts relating to leases during the six months ended 30 September 2023 and 2022:

	Six months ended 30 September	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Depreciation charge of right-of-use assets		
Leased properties	1,021	939

The total cash outflow for leases for the six months ended 30 September 2023 was approximately HK\$1,013,000 (30 September 2022: approximately HK\$1,161,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2023

15. LEASE LIABILITIES (Continued)

Commitments under leases

As at 30 September 2023, the Group was committed to lease contracts in relation to leased properties that have not yet commenced. The related lease payments that were not paid and not reflected in the measurement of lease liabilities were approximately HK\$205,000 (31 March 2023: approximately HK\$134,000).

Lease liabilities:

	Lease payments		Present value of lease payments	
	30 September 2023 HK\$'000 (unaudited)	31 March 2023 HK\$'000 (audited)	30 September 2023 HK\$'000 (unaudited)	31 March 2023 HK\$'000 (audited)
Amount payable:				
Within one year	1,826	1,722	1,690	1,660
More than one year, but not exceeding two years	651	370	615	368
	2,477	2,092	2,305	2,028
Less: future finance charges	(172)	(64)	–	–
Total lease liabilities	2,305	2,028	2,305	2,028

16. SHARE CAPITAL

	Number of ordinary shares of HK\$0.10 each	Amount HK\$'000
Ordinary shares		
Authorised:		
Balance as at 1 April 2022 (audited), 31 March 2023 (audited), 1 April 2023 (audited) and 30 September 2023 (unaudited)	5,000,000,000	500,000
Issued and fully paid:		
Balance as at 1 April 2022 (audited), 31 March 2023 (audited), 1 April 2023 (audited) and 30 September 2023 (unaudited)	765,373,584	76,537

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

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

For the six months ended 30 September 2023

17. CONVERTIBLE BOND

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

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

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

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

The 2nd extended Maturity Date was considered to be a substantial modification of terms of 1st extended Convertible Bond as the discounted present value of the cash flows of the 2nd extended Convertible Bond is more than 10% different from the discounted present value of the cash flows of the outstanding 1st extended Convertible Bond prior to the extension of maturity date. As such, the 1st extended Convertible Bond was derecognised and the 2nd extended Convertible Bond was recognised.

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

17. CONVERTIBLE BOND (Continued)

The 3rd extended Maturity Date was considered to be a substantial modification of terms of the 2nd extended Convertible Bond as the discounted present value of the cash flows of the 3rd extended Convertible Bond is more than 10% different from the discounted present value of the cash flows of the 2nd extended Convertible Bond prior to the extension of maturity date. As such, the 2nd extended Convertible Bond was derecognised and the 3rd extended Convertible Bond was recognised.

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

The 4th extended Maturity Date was considered to be a substantial modification of terms of the 3rd extended Convertible Bond as the discounted present value of the cash flows of the 4th extended Convertible Bond was more than 10% different from the discounted present value of the outstanding 3rd extended Convertible Bond prior to the extension of maturity date. As such, the 3rd extended Convertible Bond was derecognised and the 4th extended Convertible Bond was recognised.

On 11 August 2022, the Company entered into a fifth deed of amendment with Ascent Goal ("5th extended Convertible Bond"), to further extend the maturity date of the 4th extended Convertible Bond for 36 months and the conversion period will accordingly be extended for 36 months from 13 March 2023 (date of extension) to 13 March 2026 ("5th extended Maturity Date"). Apart from the extension of maturity date and the conversion period, all terms of the convertible bond remain unchanged from the original terms.

The 5th extended Maturity Date was considered to be a substantial modification of terms of the 4th extended Convertible Bond as the discounted present value of the cash flows of the 5th extended Convertible Bond was more than 10% different from the discounted present value of the outstanding 4th extended Convertible Bond prior to the extension of maturity date. As such, the 4th extended Convertible Bond was derecognised at its fair value and the 5th extended Convertible Bond was recognised at its fair value. The fair value of the 5th extended Convertible Bond as at 14 March 2023 amounted to approximately HK\$320,355,000.

The 5th extended Convertible Bond was valued by the directors of the Company with reference to valuation reports issued by ValQuest (31 March 2023: ValQuest) as at 30 September 2023.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2023

17. CONVERTIBLE BOND (Continued)

The movements of the 4th extended Convertible Bond for the year are set out below:

	31 March 2023 HK\$'000 (audited)
Balance at beginning of the reporting period	182,537
Fair value change charged to the profit or loss	67,463
Loss on translation of 4th extended Convertible Bond denominated in a foreign currency into the functional currency	14,295
Exchange adjustment arising on translation of functional currency to presentation currency and recorded in other comprehensive income	(14,295)
Derecognition of maturity on 13 March 2023	(250,000)
	<hr/>
Balance at end of the reporting period	-
	<hr/>
Analysed for reporting as:	
Current liabilities	-
	<hr/>
Difference between carrying amount and maturity amount:	
4th extended Convertible Bond at fair value	-
Amount payable on maturity	-
	<hr/>
	-
	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2023

17. CONVERTIBLE BOND (Continued)

The movements of the 5th extended Convertible Bond for the period/year are set out below:

	30 September 2023 HK\$'000 (unaudited)	31 March 2023 HK\$'000 (audited)
Balance at beginning of the reporting period	299,372	–
Recognition of 5th extended Convertible bond on 14 March 2023 (date of extension)	–	320,355
Fair value change credited to the profit or loss	(42,293)	(20,983)
Loss/(Gain) on translation of 5th extended Convertible Bond denominated in a foreign currency into the functional currency	17,759	(812)
Exchange adjustment arising on translation of functional currency to presentation currency and recorded in other comprehensive income	(17,759)	812
Balance at end of the reporting period	257,079	299,372
Analysed for reporting as:		
Non-current liabilities	257,079	299,372
Difference between carrying amount and maturity amount:		
5th extended Convertible Bond at fair value	257,079	299,372
Amount payable on maturity	(200,000)	(200,000)
	57,079	99,372

None of the 4th extended Convertible Bond or 5th extended Convertible Bond had been converted into ordinary shares of the Company during the six months ended 30 September 2023 and the year ended 31 March 2023.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2023

18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values as at 30 September 2023 and 31 March 2023.

Fair value hierarchy

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

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

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

	Fair value as at 30 September 2023 HK\$'000	Unaudited Fair value measurements as at 30 September 2023 categorised into		
		Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
Recurring fair value measurements				
Financial liabilities designated as at FVPL:				
Convertible bond designated as financial liabilities at FVPL	257,079	-	-	257,079

	Fair value as at 31 March 2023 HK\$'000	Audited Fair value measurements as at 31 March 2023 categorised into		
		Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
Recurring fair value measurements				
Financial liabilities designated as at FVPL:				
Convertible bond designated as financial liabilities at FVPL	299,372	-	-	299,372

During the six months ended 30 September 2023 and year ended 31 March 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2023

18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

Information about Level 3 fair value measurements

Convertible bond designated as financial liabilities at FVPL

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

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

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

	As at 30 September 2023 (unaudited)	As at 31 March 2023 (audited)
Stock price	HK\$0.168	HK\$0.223
Exercise price	HK\$0.2	HK\$0.2
Risk free rate	4.10%	3.19%
Discount rate	11.97%	13.76%
Dividend yield	0%	0%
Time to expiration	2.45 years	2.95 years
Stock price volatility	109.93%	108.49%

The significant unobservable input used in the fair value measurement is expected stock price volatility. The fair value measurement is positively correlated to the expected stock price volatility. If the expected stock price volatility has been 10% (31 March 2023: 10%) higher with all other variables held constant, the Group's pre-tax profit for the six months ended 30 September 2023 would decrease by approximately HK\$6,618,000 (31 March 2023: increase in the Group's pre-tax loss for the year by approximately HK\$7,299,000). If the expected stock price volatility has been 10% (31 March 2023: 10%) lower with all other variables held constant, the Group's pre-tax profit for the six months ended 30 September 2023 would increase by approximately HK\$7,075,000 (31 March 2023: decrease in the Group's pre-tax loss for the year by approximately HK\$7,903,000).

Reconciliation of Level 3 fair value measurements

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2023

19. RELATED PARTY TRANSACTIONS

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

Compensation of key management personnel

The remuneration of the directors of the Company and other members of key management for the six months ended 30 September 2023 and 2022 were as follows:

	Six months ended 30 September	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Salaries, bonus, allowances and other short-term employee benefits	4,655	3,957
Contributions to defined contribution retirement plans	136	90
	4,791	4,047

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

20. CAPITAL EXPENDITURE COMMITMENTS

	30 September 2023 HK\$'000 (unaudited)	31 March 2023 HK\$'000 (audited)
Contracted but not provided net of deposit paid for acquisition of property, plant and equipment	10,631	14,101

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

For the six months ended 30 September 2023 (the “Reporting Period”), the Group was engaged in three business segments, (1) coal mining business; (2) renewable energy business and (3) IT Services (as defined below) business. Our main business is coal mining and sales of coal in Xinjiang Uygur Autonomous Region (“Xinjiang”) of the People’s Republic of China (the “Mainland China”). Xinjiang is remote from major industrial cities in the Mainland China, and hence coal produced in Xinjiang is mainly consumed locally due to the logistic and the transportation costs. On 8 October 2018, we completed the acquisition of NEFIN Leasing Technologies Limited and its wholly owned subsidiary, NEFIN Technologies (Malaysia) Sdn. Bhd. (together the “NEFIN Group”) which is principally engaged in renewable energy solutions in Malaysia. We further allocated resources into the solar energy projects since then so as to enable higher efficiency together with the existing solar assets. On 23 April 2019, we completed the acquisition of Harbour Group Holdings Limited (“Harbour Group Holdings”) and its subsidiaries (collectively the “Harbour Group”) which is principally engaged in the provision of information technology (“IT”) outsourcing, consultancy and technical services (together referred to as “IT Services”) mainly in Hong Kong with expanding business in the United Kingdom (“UK”), Malaysia and Singapore. Our Group will continue our focus on developing the existing business. In the long run, we will aspire and strive to grow into an enterprise with a diversified business.

Revenue

The Group recorded a revenue of approximately HK\$54,100,000 for the Reporting Period (2022: approximately HK\$110,712,000). It represents a decrease of approximately HK\$56,612,000 or approximately 51.1% as compared with the previous corresponding period.

Coal Mining Business

During the Reporting Period, revenue of approximately HK\$42,744,000 of the coal mining business is decreased by approximately HK\$51,632,000 or approximately 54.7% as compared to approximately HK\$94,376,000 in the previous corresponding period. The decrease in revenue was mainly due to the decrease in sales volume and average selling price of coal during the Reporting Period. The Group sold approximately 300,971 tonnes (2022: approximately 585,876 tonnes) of coal during the Reporting Period, decreased by 284,905 tonnes or approximately 48.6% compared to that in the previous corresponding period. The revenue decreased significantly in proportion to the volume decrease, and the average selling prices per ton being decreased by approximately HK\$19.07 or approximately 11.8% to approximately HK\$142.02 per ton during the Reporting Period (2022: HK\$161.09 per ton).

Renewable Energy Business

During the Reporting Period, the renewable energy business recorded a revenue of approximately HK\$1,759,000 (2022: approximately HK\$1,804,000). The decrease in revenue of approximately HK\$45,000 or approximately 2.5% of the renewable energy business was mainly due to the adverse effect of exchange rate during the Reporting Period.

IT Services Business

During the Reporting Period, the IT Services business contributed a revenue of approximately HK\$9,597,000 (2022: approximately HK\$14,532,000). Due to the adverse economic climate in Hong Kong and worldwide, the business of IT services experienced challenges and therefore revenue decreased by approximately HK\$4,935,000 or approximately 34.0% as compared with the previous corresponding period.

BUSINESS OVERVIEW (Continued)

Cost of services and goods sold

Coal Mining Business

The cost of sales of the coal mining business for the Reporting Period was approximately HK\$36,492,000 (2022: approximately HK\$36,925,000). The cost mainly comprises direct labor cost, cost for explosive works, depreciation, amortisation and cost of services and materials, etc. The slight decrease in cost of sales when compared to the greater drop in revenue during the Reporting Period was mainly a result of the increase of production cost and staff cost during the Reporting Period.

Renewable Energy Business

During the Reporting Period, the cost of services of the renewable energy business is approximately HK\$939,000 (2022: approximately HK\$991,000). The slight decrease in cost of services was mainly due to the effect of exchange rate during the Reporting Period as compared with the previous corresponding period.

IT Services Business

During the Reporting Period, the cost of services and goods sold of the IT Services business is approximately HK\$8,917,000 (2022: approximately HK\$12,080,000). The decrease in cost of sales was in line with the decrease of revenue during the Reporting Period as compared with the previous corresponding period.

Gross profit

The gross profit of the Group for the Reporting Period was approximately HK\$7,752,000 (2022: gross profit of approximately HK\$60,716,000). The gross profit decreased by approximately HK\$52,964,000 or approximately 87.2% and the gross profit margin of approximately 14.3% for the Reporting Period is decreased by approximately 73.9% as compared with the gross profit margin approximately 54.8% for the previous corresponding period. Coal mining business contributed gross profit of approximately HK\$6,252,000 (2022: gross profit of approximately HK\$57,451,000), IT Services business contributed gross profit of approximately HK\$680,000 (2022: approximately HK\$2,452,000) and renewable energy business contributed gross profit of approximately HK\$820,000 (2022: approximately HK\$813,000).

Other revenue

The Group's other revenue for the Reporting Period was approximately HK\$1,699,000 (2022: approximately HK\$1,166,000), representing an increase of approximately HK\$533,000 or approximately 45.7% as compared with the previous corresponding period. This is mainly due to the net effect of higher bank interest income of approximately HK\$1,559,000 (2022: approximately HK\$367,000) and no government grants (2022: approximately HK\$541,000) from the Anti-epidemic Fund under the Employment Support Scheme during the Reporting Period.

Administrative and other operating expenses

The Group's administrative and other operating expenses for the Reporting Period was approximately HK\$30,160,000 (2022: approximately HK\$18,984,000), representing an increase of approximately HK\$11,176,000 or approximately 58.9% as compared with the previous corresponding period. This was mainly due to the combined effect of the increase in supplemental environmental related fees of approximately HK\$7,043,000, and general operating expenses of approximately HK\$2,364,000 derived from coal mining business during the Reporting Period, and the increase in charge of loss allowance of approximately HK\$863,000 derived from IT services business during the Reporting Period.

BUSINESS OVERVIEW (Continued)

Profit/Loss for the Reporting Period

Profit of the Group for the Reporting Period was approximately HK\$17,371,000, representing a turnaround from loss of the Group of approximately of HK\$241,725,000 as recorded in the previous corresponding period. Such turnaround to profit was mainly due to the net effect of the following:

- (a) fair value gain of convertible bond designated as financial liabilities at fair value through profit or loss (“FVPL”) of approximately HK\$42,293,000 (2022: fair value loss of approximately HK\$263,539,000);
- (b) the net exchange loss of approximately HK\$3,170,000 (2022: approximately HK\$7,442,000);
- (c) the increase of other revenue by approximately HK\$533,000;
- (d) the decrease of gross profit by approximately HK\$52,964,000;
- (e) the increase of administrative and other operating expenses by approximately HK\$11,176,000;
- (f) the decrease of finance costs by approximately HK\$870,000; and
- (g) the income tax credit of approximately HK\$2,565,000 (2022: income tax expense of approximately HK\$9,193,000).

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

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

The maturity date of the Convertible Bond was then extended to 13 March 2014, 13 March 2017, 13 March 2020, 13 March 2023 and further extended to 13 March 2026 (details of which were respectively set out in the circulars of the Company dated 21 February 2011, 13 February 2014, 17 February 2017, 24 February 2020 and 16 November 2022 and announcements of the Company dated 11 March 2011, 10 March 2014, 7 March 2017, 11 March 2020 and 9 November 2022).

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

BUSINESS OVERVIEW (Continued)

Profit/Loss for the Reporting Period (Continued)

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

The Company conducted valuation for the fair value of the Convertible Bond every financial year after its issuance in compliance with the relevant accounting policies. The Company has engaged ValQuest Advisory (Hong Kong) Limited as its independent professional valuer for the purpose of assessing the fair value of the Convertible Bond as at 30 September 2023. In assessing the fair value of the Convertible Bond, the binomial option pricing model was adopted and factors including stock price of the Company, specific terms and structure of the Convertible Bond, trading conditions and liquidity of the Convertible Bond, and ancillary effects associated with the exercise or conversion and partial conversion of the Convertible Bond were taken into account. The credit rating of our Company is estimated to be B with reference to Standard & Poor's Corporate Rating Criteria, where Corporate Bond with issuer credit rating from B+ to B- and similar time to maturity were selected, the discount rate is 11.97% (31 March 2023: 13.76%).

The fair values of the Convertible Bond were approximately HK\$257,079,000 and approximately HK\$299,372,000 as at 30 September 2023 and 31 March 2023, respectively. The amounts were assessed and reviewed by the directors of the Company (the "Directors") and reviewed or audited by the auditor of the Company. According to the relevant accounting policies, the decrease in fair value of the Convertible Bond represents a decrease in liabilities of the Company. The amount of the change in fair value of the Convertible Bond of approximately HK\$42,293,000 was derived by taking the difference between the fair value of the Convertible Bond as at 30 September 2023 and 31 March 2023. The change in fair value of the Convertible Bond was mainly due to the change in the stock price of the Company during the Reporting Period. The closing stock prices of the Company were HK\$0.168 and HK\$0.223 as at 30 September 2023 and 31 March 2023, respectively, and the expected volatility of the stock price of the Company was 109.93% and 108.49% based on the historical price volatility of the Company for the six months ended 30 September 2023 and for the year ended 31 March 2023, respectively.

SEGMENT INFORMATION

Business segment

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

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

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

SEGMENT INFORMATION (Continued)

Segment revenue and results

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

(i) Coal Mining Business

Coal mining is the major business of the Group at present. It contributed a revenue of approximately HK\$42,744,000 for the Reporting Period (2022: approximately HK\$94,376,000), representing a decrease of approximately HK\$51,632,000 or approximately 54.7% as compared with the previous corresponding period.

Sales and Production of Coals

During the Reporting Period, the Group sold approximately 300,971 tonnes of coals (2022: approximately 585,876 tonnes) with total sales income of approximately HK\$42,744,000 (2022: approximately HK\$94,376,000). Details of sales of coals in tonnes are listed in the below table:

	Six months ended 30 September	
	2023	2022
Sales of coals	300,971 tonnes	585,876 tonnes

Coal Sales (tonnes) and Percentage of Coal Sales

	Coal Sales (tonnes)	Coal Sales in %
Mixed Coal	289,152	96.1%
Slack Coal	11,819	3.9%
Total	300,971	100.0%

(ii) Renewable Energy Business

Service income from renewable energy business contributed a revenue of approximately HK\$1,759,000 for the Reporting Period (2022: approximately HK\$1,804,000).

(iii) IT Services Business

Service income from IT Services business contributed a revenue of approximately HK\$9,597,000 for the Reporting Period (2022: approximately HK\$14,532,000).

SEGMENT INFORMATION (Continued)

Reserves and Resources

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

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

During the Reporting Period, approximately 0.29 million tonnes of coal was extracted (2022: approximately 0.87 million tonnes).

Total approximate reserve of the mine in Xinjiang as at 30 September 2023 is equivalent to 63.62 million tonnes (i.e. the sum of the estimated remaining coal reserve in Kaiyuan Mine including the Enlarged Kaiyuan Mine) (31 March 2023: approximately 63.91 million tonnes).

Coal Reserve as at 30 September 2023 = Coal Reserve as at 31 March 2023 – Amount of coal extracted by the Group during the period from 1 April 2023 to 30 September 2023.

Geographical segment

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

MAJOR EVENTS

Acquisition of the New Mining Right of the Enlarged Kaiyuan Mine

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

* English translation for identification purpose only.

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

MAJOR EVENTS (Continued)

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

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

- (i) Kaiyuan Company as the transferee and Xinjiang Natural Resources Department as the transferor entered into the transfer agreement (the “Transfer Agreement”) dated 2 December 2019, pursuant to which Kaiyuan Company acquired the new mining right (the “New Mining Right”) of the Kaiyuan Mine with an enlarged mining area (including the original mining area of approximately 1.1596 km²) of 4.1123 km² in Xinjiang (the “Enlarged Kaiyuan Mine”) for 30 years from August 2019 to August 2049 from the Xinjiang Natural Resources Department to conduct mining activities at the Enlarged Kaiyuan Mine at a consideration of Renminbi (“RMB”) 160,978,000 (the “Acquisition”);
- (ii) the estimated coal resources of the Enlarged Kaiyuan Mine are 41.6433 million tonnes for the mining life of 30 years under the Transfer Agreement;
- (iii) the new mining permit (the “New Mining Permit”) in respect of the New Mining Right with mining term of 1 year from 21 December 2018 to 21 December 2019 regarding the New Mining Right was granted to Kaiyuan Company on 3 November 2018, which has been renewed for two years from 21 December 2019 to 21 December 2021. On 10 October 2021, the New Mining Right has been further renewed for ten years from 11 October 2021 to 11 October 2031;
- (iv) Kaiyuan Company has the right to apply for the renewal of New Mining Permit for the remaining period of the New Mining Right under the Transfer Agreement;
- (v) the consideration of RMB160,978,000 shall be settled in cash and paid by Kaiyuan Company to the Xinjiang Natural Resources Department in fifteen instalments: (a) the first instalment in an amount of RMB32,200,000 was paid by Kaiyuan Company; (b) the second to fourteenth instalments in an amount of RMB9,200,000 each shall be paid before 20 November of every year from 2020 to 2032; and (c) the last instalment in an amount of RMB9,178,000 shall be paid before 20 November 2033;
- (vi) the Acquisition constituted a very substantial acquisition for the Company under the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and further information on the Acquisition was disclosed in the circular dated 19 August 2020; and
- (vii) as part of the Transfer Agreement, Kaiyuan Company is required to pay a supplemental resources fee of RMB76,502,500 (the “Resources Fee”) to the Xinjiang Natural Resources Department for 19.8 million tonnes of coal of Kaiyuan Mine, which represented the difference between the accumulated output of 23.65 million tonnes of the Kaiyuan Mine at the end of 2017 and the output of 3.8819 million tonnes (Resources Fee of such output had been paid by Kaiyuan Company to the Xinjiang Natural Resources Department) and recognised in the profit or loss for the year ended 31 March 2020. Based on the advice given by the legal adviser of the Company as to the laws of the Mainland China, other than the payment of the Resources Fee, Kaiyuan Company will not be subject to any fees relating to the original Kaiyuan Mine pursuant to the terms of the Transfer Agreement.

MAJOR EVENTS (Continued)

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

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

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

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

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

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

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

MAJOR EVENTS (Continued)

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

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

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

PROSPECTS

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

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

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

Due to the adverse economic climate in Hong Kong and worldwide, we are facing a difficult business environment, which has negatively impacted our IT Services business in Hong Kong. In the coming periods, we would continue to evaluate our IT Services business model and strategy to ensure they align with current market conditions and future trends.

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

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

Save as otherwise disclosed, there were neither significant investments held as at 30 September 2023 nor material acquisitions and disposals of subsidiaries during the Reporting Period.

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2023, the Group had:

- net current assets and net assets of approximately HK\$134,914,000 and approximately HK\$125,556,000, respectively (31 March 2023: net current assets and net assets of approximately HK\$168,512,000 and approximately HK\$127,316,000, respectively).
- cash and cash equivalents of approximately HK\$181,023,000 (31 March 2023: approximately HK\$234,113,000) and the bank balances and cash were the major components of the Group's current assets of approximately HK\$192,831,000 (31 March 2023: approximately HK\$250,912,000). All the cash and cash equivalents are denominated in Hong Kong dollars ("HK\$"), Malaysian Ringgit ("MYR"), Singapore Dollars ("S\$"), Great Britain Pound ("GBP"), United States Dollars ("US\$") and RMB (31 March 2023: HK\$, MYR, S\$, GBP, US\$ and RMB).
- current liabilities of approximately HK\$57,917,000 (31 March 2023: approximately HK\$82,400,000) which comprised trade and other payables of approximately HK\$49,661,000 (31 March 2023: approximately HK\$63,027,000) and tax payables of approximately HK\$2,265,000 (31 March 2023: approximately HK\$9,857,000).

As at 31 March 2023, the interest-bearing borrowing of approximately HK\$3,477,000 is secured by the mining right with carrying amount of approximately HK\$109,410,000.

As at 31 March 2023, the interest-bearing borrowing is repayable within one year since their inception. The average effective interest rates on the interest-bearing borrowing was ranging from 3.3% to 6.0%. All the interest-bearing borrowing is denominated in RMB. The interest-bearing borrowing is fully settled during the six months ended 30 September 2023.

- non-current liabilities of approximately HK\$330,239,000 (31 March 2023: approximately HK\$373,898,000) which comprised Convertible Bond of approximately HK\$257,079,000 (31 March 2023: approximately HK\$299,372,000), non-current portion payable related to mining right payables of approximately HK\$69,137,000 (31 March 2023: approximately HK\$70,520,000).

The Group's gearing ratio was approximately 2.65 (31 March 2023: approximately 2.98). The computation is based on total debt (Convertible Bond, mining right payables, lease liabilities and interest-bearing borrowings) divided by total equity.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

CAPITAL STRUCTURE

The capital of the Group comprises only ordinary shares.

As at 30 September 2023, there were 765,373,584 (31 March 2023: 765,373,584) ordinary shares of the Company in issue.

Zero coupon convertible bonds of the Company with an aggregate principal amount of HK\$200,000,000 were issued on 14 March 2008 the maturity date of which was approved to be further extended for 36 months to 13 March 2026 by the shareholders of the Company on 9 December 2022.

CHARGES ON GROUP'S ASSETS

As at 31 March 2023, the Group had pledged its mining right with carrying amount of approximately HK\$109,410,000 to the bank as a security for interest-bearing borrowings. During the six months ended 30 September 2023, the interest-bearing borrowings had been fully settled and the mining right had been released. As at 30 September 2023, there were no assets pledged by the Group.

FOREIGN EXCHANGE EXPOSURE

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

TREASURY POLICIES

Apart from the issuance of Convertible Bond at their face value of HK\$200,000,000 (31 March 2023: Convertible Bond at face value of HK\$200,000,000 and the interest-bearing borrowings of approximately HK\$3,477,000), the Group finances its operation mainly by internal generated resources.

CONTINGENT LIABILITIES

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

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2023, the Group had 142 employees (30 September 2022: 145; 31 March 2023: 145) spreading amongst Hong Kong, Malaysia, Singapore, the UK and the Mainland China. Total staff costs (excluding Directors' emoluments) for the Reporting Period amounted to approximately HK\$16,379,000 (30 September 2022: approximately HK\$17,023,000; 31 March 2023: approximately HK\$40,558,000). Employment relationship has been well maintained by the Group with its employees. The Group has adopted an extensive training policy for its employees.

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

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Reporting Period (2022: Nil).

OTHER INFORMATION

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

As at 30 September 2023, none of the directors or chief executives of the Company, had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or were deemed to have taken under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SHARE OPTION SCHEME

The Group has not adopted any share option scheme after the expiration of the old share option scheme on 27 August 2013. There was no outstanding share option under the share option scheme as at 30 September 2023.

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

As at 30 September 2023, the following persons (other than directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in shares or underlying shares of the Company

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

OTHER INFORMATION (Continued)

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

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

Notes:

1. Ascent Goal was directly interested in 569,616,589 shares and further 1,000,000,000 underlying shares which may be fully allotted and issued if the Convertible Bond are converted at the conversion price of HK\$0.20 per share. These 1,569,616,589 shares were held by Ascent Goal directly as beneficial owner. It includes (i) interests in 569,616,589 shares and (ii) the Convertible Bond giving rise to an interest in 1,000,000,000 underlying shares.
2. Since Ascent Goal is a wholly-owned subsidiary of CSIL which is beneficially owned as to 70% by New Bright, the interests of Ascent Goal is deemed to be the interests of CSIL and in turn the interests of New Bright under the SFO.
3. Ms. Fung Yuen Kwan Veronica is deemed to have interests in the shares and underlying shares through her 70% interests in New Bright.
4. The 569,616,589 shares and 1,000,000,000 underlying shares under the Convertible Bond represent approximately 74.42% and approximately 130.66% of the total number of issued shares of the Company respectively, thus the total of 569,616,589 shares and 1,000,000,000 underlying shares represent approximately 205.08% of the total number of issued shares of the Company. The conversion rights attaching to the Convertible Bond will not be exercised and the Company will not issue the conversion shares if, immediately following the conversion, the Company would be unable to meet the public float requirement under the Listing Rules.
5. The approximate percentage of shareholdings is based on 765,373,584 shares as at 30 September 2023, not the enlarged number of issued shares of the Company upon full conversion of the Convertible Bond.

Save as disclosed above, the Directors are not aware of any other persons who, as at 30 September 2023, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

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

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

CORPORATE GOVERNANCE

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

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

CHANGE IN DIRECTOR'S INFORMATION

Changes in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules subsequent to the publication of the annual report of the Company for the year ended 31 March 2023 are set out below:

1. The service agreement of the executive Director, Mr. Li Chun Fung, entered with the Company expired on 16 September 2023 and had been extended for one year commencing on 17 September 2023;
2. The service agreement of the independent non-executive Director, Mr. Pak Wai Keung Martin, entered with the Company expired on 18 September 2023 and his service agreement had been extended for one year commencing on 19 September 2023; and
3. The service agreement of the executive Director, Mr. Wong Sze Wai, entered with the Company expired on 19 November 2023 and his service agreement had been extended for one year commencing on 20 November 2023.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

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

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

Hong Kong, 22 November 2023