



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

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

2020/21
INTERIM REPORT





CONTENTS

Corporate Information	2
Independent Auditor's Review Report	3
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	4
Condensed Consolidated Statement of Financial Position	5
Condensed Consolidated Statement of Changes in Equity	7
Condensed Consolidated Statement of Cash Flows	9
Notes to the Condensed Consolidated Interim Financial Information	10
Management Discussion and Analysis	38
Other Information	47

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Kwan Man Fai (Chairman & Managing Director)
Wang Xiangfei
Wong Sze Wai

Independent Non-executive Directors

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

Alternate Director

Wang Xiaoyao (alternate to Wang Xiangfei)

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
2901, 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

<http://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 37 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 2020 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, 24 November 2020

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 2020

	Notes	Six months ended 30 September	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Revenue	4	25,082	63,665
Cost of services and goods sold		(29,212)	(33,206)
Gross (loss) profit		(4,130)	30,459
Other revenue		7,163	3,473
Selling and distribution expenses		(217)	(185)
Administrative and other operating expenses		(15,281)	(19,513)
Exchange gain (loss), net		2,084	(4,900)
Finance costs	6	(5,195)	(2,758)
Change in fair value of contingent consideration receivables	12	198	1,234
Change in fair value of convertible bond designated as financial liabilities at fair value through profit or loss ("FVPL")	17	(1,863)	28,484
Impairment loss on goodwill	11	(11,436)	–
(Loss) Profit before tax		(28,677)	36,294
Income tax credit (expenses)	5	7,896	(3,869)
(Loss) Profit for the period	6	(20,781)	32,425
Other comprehensive income (loss)			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference on translation of functional currency to presentation currency		10,541	(8,406)
Other comprehensive income (loss) for the period (net of nil tax)		10,541	(8,406)
Total comprehensive (loss) income for the period		(10,240)	24,019
(Loss) Profit for the period attributable to:			
– Owners of the Company		(21,141)	32,973
– Non-controlling interests		360	(548)
		(20,781)	32,425
Total comprehensive (loss) income for the period attributable to:			
– Owners of the Company		(10,648)	24,061
– Non-controlling interests		408	(42)
		(10,240)	24,019
(Loss) Earnings per share (expressed in Hong Kong cents)			
– Basic	8	(2.76)	4.31
– Diluted	8	(2.76)	0.82

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

	Notes	30 September 2020 HK\$'000 (unaudited)	31 March 2020 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	9	102,512	96,856
Intangible assets	10	190,005	128,886
Goodwill	11	13,110	24,546
Prepayments for acquisition of property, plant and equipment	13	–	1,093
Deferred tax assets		1,909	2,065
Contingent consideration receivables	12	6,384	6,186
		313,920	259,632
Current assets			
Inventories		12,317	8,179
Trade and other receivables	13	16,557	16,389
Restricted bank balances	14	–	73,760
Cash and cash equivalents		155,967	161,366
		184,841	259,694
Current liabilities			
Trade and other payables	15	105,193	54,929
Mining right payables, current portion		3,618	3,348
Interest-bearing borrowings	16	1,934	65,345
Promissory notes	18	2,287	2,400
Lease liabilities	19	1,769	1,905
Tax payables		2,670	4,697
		117,471	132,624
Net current assets		67,370	127,070
Total assets less current liabilities		381,290	386,702

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

As at 30 September 2020

	Notes	30 September 2020 HK\$'000 (unaudited)	31 March 2020 HK\$'000 (audited)
Capital and reserves			
Share capital	20	76,537	76,537
Reserves		63,365	74,013
Equity attributable to owners of the Company		139,902	150,550
Non-controlling interests		2,923	2,515
		142,825	153,065
Non-current liabilities			
Convertible bond designated as financial liabilities at FVPL	17	148,289	146,426
Provision for close down, restoration and environmental costs		2,838	2,726
Mining right payables, non-current portion		86,861	80,155
Promissory notes	18	–	2,211
Lease liabilities	19	477	1,333
Deferred tax liabilities		–	786
		238,465	233,637
		381,290	386,702

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2020

	Attributable to owners of the Company							Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000 (Note i)	Capital reserve HK\$'000 (Note ii)	Statutory reserves HK\$'000 (Note iii)	Exchange translation reserve HK\$'000 (Note iv)	Special reserve HK\$'000 (Note v)	Accumulated losses HK\$'000			
As at 1 April 2020 (audited)	76,537	191,534	14,882	23,737	1,407	27,143	(184,690)	150,550	2,515	153,065
Loss for the period	-	-	-	-	-	-	(21,141)	(21,141)	360	(20,781)
Total other comprehensive income:										
<i>Items that maybe reclassified subsequently to profit or loss</i>										
Exchange difference on translation of functional currency to presentation currency	-	-	-	-	10,493	-	-	10,493	48	10,541
Total comprehensive loss for the period	-	-	-	-	10,493	-	(21,141)	(10,648)	408	(10,240)
Transactions with owners:										
<i>Contributions and distributions</i>										
Appropriation of maintenance and production funds	-	-	-	1,032	-	-	(1,032)	-	-	-
Utilisation of maintenance and production funds	-	-	-	(1,032)	-	-	1,032	-	-	-
	-	-	-	-	-	-	-	-	-	-
As at 30 September 2020 (unaudited)	76,537	191,534	14,882	23,737	11,900	27,143	(205,831)	139,902	2,923	142,825
As at 1 April 2019 (audited)	76,537	191,534	14,882	22,986	9,190	27,143	(158,633)	183,639	1,044	184,683
Profit for the period	-	-	-	-	-	-	32,973	32,973	(548)	32,425
Total other comprehensive loss:										
<i>Items that maybe reclassified subsequently to profit or loss</i>										
Exchange difference on translation of functional currency to presentation currency	-	-	-	-	(8,364)	-	-	(8,364)	(42)	(8,406)
Total comprehensive income for the period	-	-	-	-	(8,364)	-	32,973	24,609	(590)	24,019
Transactions with owners:										
<i>Contributions and distributions</i>										
Appropriation of maintenance and production funds	-	-	-	16,633	-	-	(16,633)	-	-	-
Utilisation of maintenance and production funds	-	-	-	(16,633)	-	-	16,633	-	-	-
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	(1,010)	(1,010)
	-	-	-	-	-	-	-	-	(1,010)	(1,010)
<i>Changes in ownership interests</i>										
Non-controlling interests arising from acquisition of subsidiaries	-	-	-	-	-	-	-	-	1,840	1,840
As at 30 September 2019 (unaudited)	76,537	191,534	14,882	22,986	826	27,143	(125,660)	208,248	1,284	209,532

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 30 September 2020

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 "PRC") 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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2020

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Operating activities		
Cash (used in) generated from operations	(25,376)	42,950
Interest paid	(1,606)	(2,648)
Income tax refunded (paid)	5,161	(1,234)
Net cash (used in) generated from operating activities	(21,821)	39,068
Investing activities		
Additions to property, plant and equipment	(2,692)	(20,528)
Additions to intangible assets	(1,312)	–
Net cash outflow upon acquisition of subsidiaries	–	(24,494)
Redemption of financial assets measured at FVPL	–	57,345
Prepayments for acquisition of property, plant and equipment	–	(1,087)
Repayment of promissory note	(2,400)	(2,400)
Interest received	5,823	1,188
Net cash (used in) generated from investing activities	(581)	10,024
Financing activities		
Repayment of interest-bearing borrowings	(64,644)	(1,826)
Decrease in restricted bank balances	76,739	–
Repayment of lease liabilities	(960)	(480)
Net cash generated from (used in) financing activities	11,135	(2,306)
Net (decrease) increase in cash and cash equivalents	(11,267)	46,786
Cash and cash equivalents as at 1 April	161,366	278,814
Effect on foreign exchange rate changes	5,868	(13,215)
Cash and cash equivalents as at 30 September, represented by bank balances and cash	155,967	312,385

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2020

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\$”) 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 judgments, 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 2020, 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 2020 (the “2019/2020 Audited Financial Statements”).

In preparing these 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 2019/2020 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 2020

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial information has been prepared on the historical cost basis except for certain financial instruments, which are 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 2020 are consistent with those followed in the preparation of the 2019/2020 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.

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

For the six months ended 30 September 2020

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 People's Republic of China (the "PRC");
- (2) renewable energy business segment: service income from renewable energy solutions in Malaysia;
- (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 United Kingdom.

Segment revenue and results

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 loss incurred or profit earned by each segment without allocation of change in fair value of contingent consideration receivables and convertible bond designated as financial liabilities at FVPL and exchange gain or 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, tax recoverables, restricted bank balances and cash and cash equivalents. All assets are allocated to operating segments other than unallocated head office and corporate assets as these assets are managed on a group basis.

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2020

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

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 2020 (unaudited)					
Revenue from external customers and reportable segment revenue	11,531	384	13,167	-	25,082
Gross (loss) profit	(6,521)	234	2,157	-	(4,130)
Selling and distribution expenses	(217)	-	-	-	(217)
Segment results	(6,738)	234	2,157	-	(4,347)
Other revenue	5,071	-	1,855	237	7,163
Administrative and other operating expenses	(5,792)	(229)	(2,416)	(6,844)	(15,281)
Exchange gain, net	-	-	-	2,084	2,084
Finance costs	(4,941)	-	(132)	(122)	(5,195)
Change in fair value of contingent consideration receivables	-	-	-	198	198
Change in fair value of convertible bond designated as financial liabilities at FVPL	-	-	-	(1,863)	(1,863)
Impairment loss on goodwill	-	-	(11,436)	-	(11,436)
Loss before tax	(12,400)	5	(9,972)	(6,310)	(28,677)
Income tax credit	7,888	8	-	-	7,896
Loss for the period	(4,512)	13	(9,972)	(6,310)	(20,781)
<i>Additional segment information:</i>					
Amortisation	866	5	-	-	871
Depreciation	3,511	111	508	587	4,717
Additions to property, plant and equipment	2,955	3,320	246	65	6,586
Additions to intangible assets	53,668	-	-	-	53,668

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2020

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 2019 (unaudited)					
Revenue from external customers and reportable segment revenue	38,166	388	25,111	–	63,665
Gross profit	25,159	188	4,997	–	30,459
Selling and distribution expenses	(185)	–	–	–	(185)
Segment results	24,974	188	4,997	–	30,274
Other revenue	2,800	–	145	528	3,473
Administrative and other operating expenses	(6,430)	(242)	(2,123)	(10,603)	(19,513)
Exchange loss, net	–	–	–	(4,900)	(4,900)
Finance costs	(2,412)	–	(279)	(67)	(2,758)
Change in fair value of contingent consideration receivables	–	–	–	1,234	1,234
Change in fair value of convertible bond designated as financial liabilities at FVPL	–	–	–	28,484	28,484
Profit (Loss) before tax	18,932	(54)	2,740	14,676	36,294
Income tax expenses (credit)	(3,863)	15	(21)	–	(3,869)
Profit (Loss) for the period	15,069	(39)	2,719	14,676	32,425
<i>Additional segment information:</i>					
Amortisation	2,908	38	–	–	2,946
Depreciation	1,840	115	237	540	2,732
Additions to property, plant and equipment	29,507	9,025	1,315	821	40,668

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2020

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 2020 (unaudited)					
Property, plant and equipment	72,292	27,406	1,019	1,795	102,512
Intangible assets	188,517	1,488	-	-	190,005
Goodwill	-	4,229	8,881	-	13,110
Contingent consideration receivables	-	-	-	6,384	6,384
Other assets	101,012	1,246	13,123	71,369	186,750
Total assets	361,821	34,369	23,023	79,548	498,761
Convertible bond designated as financial liabilities at FVPL	-	-	-	(148,289)	(148,289)
Promissory notes	-	-	-	(2,287)	(2,287)
Mining right payables	(90,479)	-	-	-	(90,479)
Other liabilities	(105,832)	(2,941)	(4,387)	(1,721)	(114,881)
Total liabilities	(196,311)	(2,941)	(4,387)	(152,297)	(355,936)
As at 31 March 2020 (audited)					
Property, plant and equipment	69,990	23,244	1,280	2,342	96,856
Intangible assets	127,360	1,526	-	-	128,886
Goodwill	-	4,229	20,317	-	24,546
Contingent consideration receivables	-	-	-	6,186	6,186
Other assets	171,618	6,638	12,850	71,746	262,852
Total assets	368,968	35,637	34,447	80,274	519,326
Convertible bond designated as financial liabilities at FVPL	-	-	-	(146,426)	(146,426)
Promissory notes	-	-	-	(4,611)	(4,611)
Mining right payables	(83,503)	-	-	-	(83,503)
Other liabilities	(110,024)	(9,510)	(6,133)	(6,054)	(131,721)
Total liabilities	(193,527)	(9,510)	(6,133)	(157,091)	(366,261)

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 the Specified Non-current Assets is presented based on the physical location of the assets or the location of operation.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2020

3. SEGMENT INFORMATION (Continued)

Location of revenue

Revenue from external customers

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
The PRC	11,531	38,166
Hong Kong	7,083	13,369
Malaysia	1,790	8,445
Singapore	3,400	2,071
United Kingdom	1,278	1,614
	25,082	63,665

Location of the Specified Non-current Assets

	30 September 2020 HK\$'000 (unaudited)	31 March 2020 HK\$'000 (audited)
The PRC	260,809	198,442
Hong Kong	17,402	29,695
Malaysia	27,417	23,244
	305,628	251,381

Information about major customers

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

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Customer A from coal mining business segment	2,602	*
Customer B from coal mining business segment	*	6,765
Customer C and its affiliated companies from IT Services business segment	5,143	12,761

* The corresponding revenue did not contribute 10% or more of the total revenue of the Group during the six months ended 30 September 2020 or 2019.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2020

4. REVENUE

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Revenue from contracts with customers within HKFRS 15		
Coal mining business		
– Sales of coals	11,531	38,166
Renewable energy business		
– Service income from renewable energy solutions	384	388
IT Services business		
– Sales of hardware products	1,801	4,446
– IT outsourcing services	10,366	14,606
– IT consultancy and technical services	1,000	6,059
	25,082	63,665

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	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
<i>Timing of revenue recognition:</i>		
– at a point of time		
Sales of coals	11,531	38,166
Sales of hardware products	1,801	4,446
	13,332	42,612
– over time		
Service income from renewable energy solutions	384	388
IT outsourcing services	10,366	14,606
IT consultancy and technical services	1,000	6,059
	11,750	21,053
	25,082	63,665

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2020

5. INCOME TAX

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

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Current tax		
The PRC Enterprise Income Tax		
– Current period	–	3,757
– Over-provision in respect of prior year	(7,357)	–
	(7,357)	3,757
Malaysia corporate income tax (“Malaysia CIT”)	–	16
Singapore corporate income tax (“Singapore CIT”)	–	5
	(7,357)	3,778
Deferred tax		
Changes in temporary differences	(539)	91
Total income tax (credit) expenses	(7,896)	3,869

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

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 2020 and 2019. 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 2020 and 2019.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both six months ended 30 September 2020 and 2019.

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 2020 and 2019. Malaysia incorporated entities with paid-up capital of RM2.5 million or less enjoy tax rate of 17% on the first RM500,000 and remaining balance of the estimated assessable profits at the standard rate for the six months ended 30 September 2020 and 2019.

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

For the six months ended 30 September 2020

5. INCOME TAX (Continued)

During the six months ended 30 September 2020 and 2019, Malaysian subsidiaries are eligible for a reduction of between 1% and 4% on the standard tax rate for a portion of their income if there is an increase of 5% or more in the entities' taxable income from a business, compared to the immediately preceding year of assessment. The reduction in the tax rate will apply to the portion of taxable income representing the increase.

Singapore CIT is calculated at the rate of 17% of the estimated assessable profits of the Group's entities in Singapore arising from Singapore with Singapore CIT rebate of 25%, capped at Singapore dollars ("S\$") 15,000 for the six months ended 30 September 2020 and 2019.

During the six months ended 30 September 2020 and 2019, Singapore incorporated companies can enjoy 75% tax exemption on the first S\$10,000 of normal taxable income and a further 50% tax exemption on the next S\$190,000 of normal taxable income.

The Group's entities established in United Kingdom is subject to the CIT at a statutory rate of 19% for the six months ended 30 September 2020 and 2019.

Hong Kong Profits Tax, the PRC Enterprise Tax, Malaysia CIT, Singapore CIT and United Kingdom 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 Hong Kong, the PRC, Malaysia, Singapore and United Kingdom, respectively, for the six months ended 30 September 2020.

6. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging (crediting):

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Finance costs		
Interest on interest-bearing borrowings	1,530	2,568
Interest on mining right payables	3,513	–
Interest on promissory notes	76	110
Interest on lease liabilities	76	80
	5,195	2,758
Other items		
Amortisation of intangible assets (included in "Cost of services and goods sold")	871	2,946
Cost of inventories sold	20,114	16,471
Bank interest income (included in "Other revenue")	(5,283)	(1,188)
Depreciation of property, plant and equipment	4,717	2,732
Loss on disposal of property, plant and equipment	17	–
Staff costs (excluding directors' remuneration)		
– Basic salaries, allowances, bonus and other short-term employee benefits	15,946	23,312
– Contributions to defined contribution retirement plans	666	962

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

For the six months ended 30 September 2020

7. INTERIM DIVIDEND

No dividends were paid, declared or proposed during the six months ended 30 September 2020 and 2019. The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 September 2020 and 2019.

8. (LOSS) EARNINGS PER SHARE

(a) Basic (loss) earnings per share

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

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
(Loss) Profit		
(Loss) Profit for the purpose of basic (loss) earnings per share		
((Loss) Profit for the period attributable to owners of the Company)	(21,141)	32,973
Weighted average number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	765,373,584	765,373,584

(b) Diluted (loss) earnings per share

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

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

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
(Loss) Profit for the period attributable to owners of the Company	(21,141)	32,973
Change in fair value of convertible bond designated as financial liabilities at FVPL	–	(28,484)
Exchange loss on convertible bond designated as financial liabilities at FVPL	–	10,064
	(21,141)	14,553

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2020

8. (LOSS) EARNINGS PER SHARE (Continued)
 (b) Diluted (loss) earnings per share (Continued)
 (ii) Weighted average number of ordinary shares

	Six months ended 30 September	
	2020 (unaudited)	2019 (unaudited)
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	765,373,584	765,373,584
Effect of conversion of convertible bond designated as financial liabilities at FVPL	–	1,000,000,000
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	765,373,584	1,765,373,584

The computation of diluted loss per share does not assume the conversion of all outstanding convertible bonds issued by the Company since the assumed conversion would result in decrease in loss per share for the six months ended 30 September 2020.

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 2020 (audited)	4,672	32,873	293	65,791	7,069	19,950	130,648
Exchange realignment	–	1,360	12	2,687	307	838	5,204
Additions	–	1,256	–	1,280	587	3,463	6,586
Written-off	–	–	–	(11)	(231)	–	(242)
As at 30 September 2020 (unaudited)	4,672	35,489	305	69,747	7,732	24,251	142,196
Accumulated depreciation and impairment losses							
As at 1 April 2020 (audited)	1,677	8,365	54	18,899	4,797	–	33,792
Exchange realignment	–	356	3	834	207	–	1,400
Charge for the period	961	683	30	2,793	250	–	4,717
Written-off	–	–	–	(11)	(214)	–	(225)
As at 30 September 2020 (unaudited)	2,638	9,404	87	22,515	5,040	–	39,684
Net carrying amount							
As at 30 September 2020 (unaudited)	2,034	26,085	218	47,232	2,692	24,251	102,512
As at 31 March 2020 (audited)	2,995	24,508	239	46,892	2,272	19,950	96,856

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2020

10. INTANGIBLE ASSETS

During the six months ended 30 September 2020, the Group incurred capital expenditure in respect of stripping activities with cost of approximately HK\$53,668,000.

During the six months ended 30 September 2020 and 2019, no impairment loss was made on the intangible assets.

11. GOODWILL

	Coal Mining CGU HK\$'000 (Note (a))	Renewable Energy CGU HK\$'000 (Note (b))	IT Services CGU HK\$'000 (Note (c))	Total HK\$'000
Cost				
As at 1 April 2020 (audited) and 30 September 2020 (unaudited)	37,469	4,229	24,148	65,846
Accumulated impairment losses				
As at 1 April 2020 (audited)	37,469	–	3,831	41,300
Impairment loss on goodwill	–	–	11,436	11,436
As at 30 September 2020 (unaudited)	37,469	–	15,267	52,736
Net carrying amount				
As at 30 September 2020 (unaudited)	–	4,229	8,881	13,110
As at 31 March 2020 (audited)	–	4,229	20,317	24,546

11(a) Coal Mining CGU

The goodwill arising on acquisition of 奇台縣澤旭商貿有限責任公司 (Qitai County Zexu Trading Company Limited*) and 木壘縣凱源煤炭有限責任公司 (Mulei County Kai Yuan Coal Company Limited*) was fully impaired during the year ended 31 March 2011.

* English translation for identification purpose only.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2020

11. GOODWILL (Continued)

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 2020, 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 Group Limited. The directors of the Company concluded that there is no material change in key assumptions in the VIU calculation as at 30 September 2020 as compared with 31 March 2020.

As at 30 September 2020, 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 2020.

11(c) IT services CGU

The goodwill arising from the acquisition of 80.86% equity interests in Harbour Group Holdings Limited ("Harbour Group Holdings") and its subsidiaries (together referred to as "Harbour Group") on 23 April 2019 was included in the cash generating units engaged in IT outsourcing, consultancy and technical services (the "IT Services CGU").

As at 30 September 2020, the directors of the Company assessed the recoverable amount of the IT Services CGU with reference to 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 Peak Vision Appraisals Limited ("Peak Vision").

Key assumptions used for cash flow projections to undertake impairment testing of the goodwill allocated to IT Services CGU are as follows:

	As at 30 September 2020 (unaudited)	As at 31 March 2020 (audited)
Growth/Decline in revenue year-on-year during the five-year period	-12.19%	-23.64%
Budgeted gross profit margin	19.00%	18.00%
Perpetual growth rate	3.00%	3.00%
Discount rate (pre-tax)	13.73%	12.73%

The directors of the Company determined the growth rates based on past performance and the expectation of market development. The discount rate used is pre-tax and reflects specific risks relating to the IT Services CGU.

As at 30 September 2020, in light of keen competition from the IT Services sector and the recent development of COVID-19, which are expected to have a negative impact on the revenue and growth rate of the IT Services CGU, the recoverable amount of the IT Services CGU of approximately HK\$20,739,000 fell below its then carrying amount. Accordingly, the goodwill allocated to the IT Services CGU was impaired by approximately HK\$11,436,000 during the six months ended 30 September 2020.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2020

12. CONTINGENT CONSIDERATION RECEIVABLES

	Six months ended 30 September 2020 HK\$'000 (unaudited)	Year ended 31 March 2020 HK\$'000 (audited)
Reconciliation of carrying amount		
At the beginning of the reporting period	6,186	–
Arising from acquisition of subsidiaries	–	5,364
Transferred to guaranteed profit compensation receivables	–	(2,187)
Change in fair value recognised in profit or loss	198	3,009
At the end of the reporting period	6,384	6,186

As part of the acquisition consideration upon the completion of the acquisition of Harbour Group Holdings, the vendor of Harbour Group (the “Vendor”) has agreed to guarantee to the Company that the audited consolidated net profit generated from operating activities of Harbour Group in its ordinary and usual course of business (i.e. the net profit after tax of Harbour Group as to be shown in the audited accounts of Harbour Group), prepared in accordance with HKFRS issued by the HKICPA for the relevant financial period by the auditors appointed by the Company (the “Net Profit”) for each of the financial years ended/ ending 31 December 2018, 2019 and 2020 (each such 12-month period is referred to as 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 PG-12 Month Period is less than the Guaranteed Profit, the Vendor unconditionally and irrevocably undertakes and guarantees, as a continuing obligation, to pay such shortfall multiplying the ratio (1.13) (the “Shortfall Amount”) presented as below:

$$\text{Shortfall Payment} = 1.13 \times (\text{Guaranteed Profit} - \text{Net Profit})$$

In the opinion of the directors of the Company, this profit guarantee is for the exchange of control for the Harbour Group and therefore considered as contingent consideration receivables and measured at fair value. Subsequent changes to the fair value of the contingent consideration receivables will be recognised in profit or loss of the Group.

The valuation of the contingent consideration receivables is conducted by Peak Vision in accordance with HKFRS 13 and is mainly based on the latest audited financial information of Harbour Group for the year ended 31 December 2019 and Harbour Group’s financial performance forecasts for the year ending 31 December 2020 prepared by the management of the Harbour Group. Accordingly, the fair value of the contingent consideration receivables was estimated to be approximately HK\$6,384,000 as at 30 September 2020, the respective changes in fair value of approximately HK\$198,000 was recognised in profit or loss during the six months ended 30 September 2020. Monte Carlo Simulation Method is used for the valuation of contingent consideration receivables which is commonly-adopted in the market. It was first introduced to finance in 1964 by David B. Hertz through his Harvard Business Review article, and in 1977, Prelim Boyle pioneered the use of simulation in derivative valuation in his seminal Journal of Financial Economics paper.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2020

12. CONTINGENT CONSIDERATION RECEIVABLES (Continued)

The value of contingent consideration receivables is derived from the cash flow compensation as a result of the possibility of failure to meet the Guaranteed Profit by Harbour Group. As such, Peak Vision adopted the Monte Carlo Simulation Method, which is a path dependent model to consider the probability weighted distribution of the possible outcomes and factors the volatility of these outcomes. The Monte Carlo Simulation Method is one of the most commonly adopted valuation methodologies to value contingent receivable or profit guarantee.

The Vendor shall pay to the Group the Shortfall Amount by way of cash and/or setting off the same amount from the amount owed by the Company under the Promissory Notes (as defined in Note 18) after the audited financial statements are issued by the auditors of Harbour Group for the relevant PG-12 Month Period.

In the event that the Net Profit for the PG-12 Month Period exceeds the Guaranteed Profit, such excess amount shall not be carried forward to meet the Guaranteed Profit for the subsequent period.

Key inputs adopted in the calculation of the fair value of contingent consideration receivables are summarised below:

	30 September 2020 (unaudited)	31 March 2020 (audited)
Discount rate	9.06%	8.10%
Volatility	61.02%	59.46%
Time to maturity	0.56 year	1.06 year

The description of sensitivity of changes in unobservable inputs for recurring Level 3 fair value measurements, are as follows:

Asset	Valuation technique	Unobservable inputs	Relationship of unobservable inputs to fair value
Contingent consideration receivables	Monte-Carlo Simulation	Discount rate	The higher the discount rate, the lower the fair value, vice versa
		Volatility	The higher the volatility, the higher the fair value, vice versa

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2020

13. TRADE AND OTHER RECEIVABLES

	Note	30 September 2020 HK\$'000 (unaudited)	31 March 2020 HK\$'000 (audited)
Trade receivables			
From third parties		5,184	8,714
Loss allowances		(44)	(51)
	13(a)	5,140	8,663
Other receivables			
Prepayments, deposits and other receivables		7,794	4,997
Other taxes receivables		3,623	107
Guaranteed profit compensation receivable		–	2,622
Prepayments for acquisition of property, plant and equipment		–	1,093
		11,417	8,819
		16,557	17,482
Analysed by:			
Non-current assets		–	1,093
Current assets		16,557	16,389
		16,557	17,482

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2020

13. TRADE AND OTHER RECEIVABLES (Continued)

13(a) Trade receivables

Loss allowance

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

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

Ageing analysis

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

	30 September 2020 HK\$'000 (unaudited)	31 March 2020 HK\$'000 (audited)
Within 30 days	2,909	2,882
31-60 days	714	2,602
61-90 days	716	239
Over 90 days	845	2,991
Less: loss allowance	(44)	(51)
	5,140	8,663

14. RESTRICTED BANK BALANCES

Pursuant to the loan agreement signed with a bank in the PRC, the amounts represent bank balances in the bank in the PRC maintained solely for the purpose of settlement of outstanding interest-bearing borrowings and are restricted for use by the Group for any other purposes. The restricted bank balances are denominated in RMB. The restricted bank balances were discharged as security upon the full repayment of the associated interest-bearing borrowings during the six months ended 30 September 2020.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2020

15. TRADE AND OTHER PAYABLES

The following is an ageing analysis of trade payables, presented based on invoice date:

	30 September 2020 HK\$'000 (unaudited)	31 March 2020 HK\$'000 (audited)
Within 90 days	4,219	715
91-180 days	2,120	1,488
181-365 days	1,936	3,993
Over 1 year	6,327	2,840
Trade payables	14,602	9,036
Contract liabilities	2,592	2,023
Government levies payable		
– Economic development fees in coal resources areas	27,000	26,819
– Others	463	445
Accrued expenses	2,000	5,813
Payable for acquisition of intangible assets	52,356	–
Payable for construction-in-progress	2,801	8,952
Other payables	3,379	1,841
Total trade and other payables	105,193	54,929

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.

16. INTEREST-BEARING BORROWINGS

	30 September 2020 HK\$'000 (unaudited)	31 March 2020 HK\$'000 (audited)
Current portion		
Interest-bearing borrowings	1,934	65,345

The interest-bearing borrowings with a clause in their terms that gives the bank 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 bank would exercise its right to demand repayment.

As at 30 September 2020 and 31 March 2020, the interest-bearing borrowings are secured by:

- (i) restricted bank balances as set out in Note 14;
- (ii) unlimited personal guarantee given by a director of a subsidiary; and
- (iii) limited government guarantee under SME Loan Guarantee Scheme.

The interest-bearing borrowings are repayable from within three years to five years (31 March 2020: two years to five years) since their inception. The average effective interest rates on the interest-bearing borrowings were ranging from 1.92% to 5.01% (31 March 2020: 4.90% to 8.00%) per annum. All the interest-bearing borrowings are denominated in HK\$ (31 March 2020: HK\$ and RMB).

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

For the six months ended 30 September 2020

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 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 board of directors is 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 fair value through profit or loss 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 is 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, Convertible Bond was derecognised and 2nd extended Convertible Bond was recognised. The fair value of the 2nd extended Convertible Bond as at 14 March 2014 amounting to approximately HK\$200,000,000. An extinguishment loss of approximately HK\$211,000 has been recognised in profit or loss during the year ended 31 March 2014.

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.

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

For the six months ended 30 September 2020

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. The fair value of the 3rd extended Convertible Bond as at 14 March 2017 amounted to approximately HK\$264,904,000. An extinguishment loss of approximately HK\$5,941,000 has been recognised in profit or loss during the year ended 31 March 2017.

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. The fair value of the 4th extended Convertible Bond as at 14 March 2020 amounted to approximately HK\$159,163,000. An extinguishment gain of approximately HK\$40,837,000 had been recognised in profit and loss during the year ended 31 March 2020.

The 4th extended Convertible Bond was valued by the directors of the Company with reference to valuation report issued by an independent qualified valuer not connected to the Group. The fair value changes during the six months ended 30 September 2020 and 2019 have been recognised in profit or loss.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2020

17. CONVERTIBLE BOND (Continued)

The movements of the 4th convertible bond for the period/year are set out below:

	30 September 2020 HK\$'000 (unaudited)	31 March 2020 HK\$'000 (audited)
Balance at the beginning of the reporting period	146,426	–
Recognition of 4 th extended Convertible Bond on 14 March 2020 (date of extention)	–	159,163
Fair value change charged (credited) to the profit or loss	1,863	(12,737)
(Gain) Loss on translation of 4 th extended Convertible Bond denominated in a foreign currency into the functional currency	(5,812)	2,549
Exchange adjustment arising on translation of functional currency to presentation currency and record to other comprehensive income	5,812	(2,549)
Balance at the end of the reporting period	148,289	146,426
Analysed for reporting as:		
Non-current liabilities	148,289	146,426
Difference between carrying amount and maturity amount:		
4 th extended Convertible Bond at fair value	148,289	146,426
Amount payable on maturity	(200,000)	(200,000)
	(51,711)	(53,574)

None of the 4th extended Convertible Bond had been converted into ordinary shares of the Company during the six months ended 30 September 2020 and the year ended 31 March 2020.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2020

18. PROMISSORY NOTES

	Notes	Six months ended 30 September 2020 HK\$'000 (unaudited)	Year ended 31 March 2020 HK\$'000 (audited)
At the beginning of the reporting period		4,611	–
Issued during the reporting period	(i)	–	6,764
Repayment of a promissory note	(ii)	(2,400)	(2,400)
Accrued effective interest expenses		76	247
Carrying value at the end of the reporting period		2,287	4,611
Face value, at the end of the reporting period		2,400	4,800
<i>Analysed by:</i>			
Non-current liabilities		–	2,211
Current liabilities		2,287	2,400
		2,287	4,611

- (i) During the six months ended 30 September 2019, 3 promissory notes with principal amount of HK\$2,400,000 each (“Promissory Note 1”, “Promissory Note 2” and “Promissory Note 3”, together “Promissory Notes”) were issued by the Company to the Vendor as part of the acquisition consideration upon the completion of the Group’s acquisition of Harbour Group Holdings on 23 April 2019 with a fair value of approximately HK\$6,764,000 (aggregate principal amount of HK\$7,200,000) based on the professional valuation performed by Peak Vision. The Promissory Notes bear no interest. The maturity dates of Promissory Note 1, Promissory Note 2 and Promissory Note 3 are 15 business days after the audited consolidated financial statements are issued by the auditors of the Harbour Group for the year ended/ending 31 December 2018, 2019 and 2020, respectively.
- (ii) The Group fully repaid the Promissory Note 1 with principal amount of approximately HK\$2,400,000 as it was matured during the year ended 31 March 2020. In May 2020, the Group fully repaid the Promissory Note 2 with principal amount of approximately HK\$2,400,000 as it was matured and approximately HK\$2,187,000 was settled by offsetting the guaranteed profit compensation receivables during the year ended 31 March 2020. The effective interest rates of the Promissory Note 3 was determined to be approximately 9.06% and 8.10% as at 30 September 2020 and 31 March 2020, respectively.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2020

19. LEASE LIABILITIES

	30 September 2020 HK\$'000 (unaudited)	31 March 2020 HK\$'000 (audited)
Carrying amount of right-of-use assets (Note 9)		
Leased properties	1,902	2,777
Motor vehicles	132	218
	2,034	2,995
Lease liabilities		
Current	1,769	1,905
Non-current	477	1,333
	2,246	3,238

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 2020:

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Depreciation charge of right-of-use assets		
Leased properties	874	480
Motor vehicles	87	177
	961	657

The total cash outflow for leases for the period ended 30 September 2020 was approximately HK\$1,056,000 (30 September 2019: approximately HK\$560,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2020

19. LEASE LIABILITIES (Continued)

Commitments and present value of lease liabilities:

	Lease payments		Present value of lease payments	
	30 September 2020 HK\$'000 (unaudited)	31 March 2020 HK\$'000 (audited)	30 September 2020 HK\$'000 (unaudited)	31 March 2020 HK\$'000 (audited)
Amount payable:				
Within one year	1,843	2,032	1,769	1,905
More than one year, but not exceeding two years	484	1,365	477	1,333
	2,327	3,397	2,246	3,238
Less: future finance charges	(81)	(159)	–	–
	2,246	3,238	2,246	3,238

20. SHARE CAPITAL

	Number of ordinary shares of HK\$0.1 each	Amount HK\$'000
Ordinary Shares		
Authorised:		
At 1 April 2019 (audited), 31 March 2020 (audited) and 30 September 2020 (unaudited)	5,000,000,000	500,000
Issued and fully paid:		
At 1 April 2019 (audited), 31 March 2020 (audited) and 30 September 2020 (unaudited)	765,373,584	76,537

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2020

21. 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 2020 and 31 March 2020.

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 uses independent professional valuers to perform valuations 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 valuers 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 2020 HK\$'000	Unaudited Fair value measurements as at 30 September 2020 categorised into		
		Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
Recurring fair value measurements				
Financial assets measured at FVPL				
Contingent consideration receivables	5,493	-	-	5,493
Financial liabilities designated as at FVPL				
Convertible bond designated as financial liabilities at FVPL	(148,289)	-	-	(148,289)

	Fair value as at 31 March 2020 HK\$'000	Audited Fair value measurements as at 31 March 2020 categorised into		
		Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
Recurring fair value measurements				
Financial assets measured at FVPL				
Contingent consideration receivables	6,186	-	-	6,186
Financial liabilities designated as at FVPL				
Convertible bond designated as financial liabilities at FVPL	(146,426)	-	-	(146,426)

During the six months ended 30 September 2020 and year ended 31 March 2020, 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 2020

21. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

Information about Level 3 fair value measurements

Contingent consideration receivables

The descriptions of the valuation techniques and inputs used in fair value measurement for contingent consideration receivables were detailed in Note 12.

Convertible bond designated as financial liabilities at FVPL

The fair value of the convertible bond is equal to the summation of the 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 median 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:

	30 September 2020 (unaudited)	31 March 2020 (audited)
Stock price	HK\$0.069	HK\$0.12
Exercise price	HK\$0.20	HK\$0.20
Risk free rate	0.14%	0.62%
Discount rate	15.15%	18.8%
Dividend yield	0%	0%
Time to expiration	2.45 years	2.95 years
Stock price volatility	76.87%	70.97%

The significant unobservable input used in the fair value measurement is expected stock price volatility. The fair value measurement is positively correlated to the expected stock price volatility. If the expected stock price volatility has been 5% (31 March 2020: 5%) higher with all other variables held constant, the Group's loss for the six months ended 30 September 2020 would increase and accumulated losses would increase by approximately HK\$1,098,000 (31 March 2020: the Group's profit for the year would decrease and accumulated losses would increase by approximately HK\$2,339,000) during the six months ended 30 September 2020. If the expected stock price volatility has been 5% (31 March 2020: 5%) lower with all other variables held constant, the Group's loss for the six months ended 30 September 2020 would decrease and accumulated losses would decrease by approximately HK\$1,116,000 (31 March 2020: the Group's profit for the year would increase and accumulated losses would decrease by approximately HK\$2,389,000) during the six months ended 30 September 2020.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2020

21. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

Reconciliation of Level 3 fair value measurements

The movements during the reporting periods in the balances of financial asset and financial liability of level 3 fair value measurement is set out in Note 12 and Note 17, respectively.

22. RELATED PARTY TRANSACTIONS

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

Compensation of key management personnel

The remuneration of directors and other members of key management for the six months ended 30 September 2020 and 2019 were as follows:

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Basic salaries, allowances and other short-term employee benefits	3,660	7,580
Contributions to defined contribution retirement plans	25	22
	3,685	7,602

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

23. CAPITAL EXPENDITURE COMMITMENTS

	30 September 2020 HK\$'000 (unaudited)	31 March 2020 HK\$'000 (audited)
Contracted but not provided net of deposit paid for acquisition of property, plant and equipment	9,011	11,278

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

For the six months ended 30 September 2020 (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 “PRC”). Xinjiang is remote from major industrial cities in the PRC, 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. (“NEFIN Technologies”) (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\$25,082,000 for the Reporting Period (2019: approximately HK\$63,665,000). It represents a decrease of approximately HK\$38,583,000 or approximately 60.6% as compared with the previous corresponding period.

Coal Mining Business

During the Reporting Period, revenue of approximately HK\$11,531,000 of the coal mining business decreased by approximately HK\$26,635,000 or approximately 69.8% as compared to approximately HK\$38,166,000 in the same period of year 2019. The decrease in revenue of the coal mining business was mainly due to the suspension of production at the Kaiyuan Open Pit Coal Mine (“Kaiyuan Mine”) with its enlarged mining area from 21 December 2019 to 2 August 2020 due to the expiry of the original mining permit pending the grant of renewed mining permit by the Production Safety Supervision and Administration Bureau* (安全生產監督管理局) (“Safety Bureau”) of the Xinjiang Zhundong Economic and Technological Development Zone* (新疆准東經濟技術開發區) (“Economic Zone”) leading to the decrease in the volume in coal sales; the Group sold approximately 163,236 tonnes (2019: approximately 572,011 tonnes) of coal during the Reporting Period, decreased by approximately 71.5% in volume compared to that in the previous corresponding period.

Renewable Energy Business

During the Reporting Period, the renewable energy business recorded a revenue of approximately HK\$384,000 (2019: approximately HK\$388,000).

IT Services Business

During the Reporting Period, the IT Services business contributed a revenue of approximately HK\$13,167,000 (2019: approximately HK\$25,111,000). The decrease in revenue of approximately of 47.6% was mainly due to the prolonged social unrest and subsistence of the Coronavirus Disease 2019 (“COVID-19”) in Hong Kong.

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\$18,052,000 (2019: approximately HK\$13,007,000). The cost mainly comprises direct labor cost, cost for explosive works, depreciation, amortisation and cost of services and materials, etc. The increase in cost of sales was mainly due to absorption of fixed costs to cost of goods sold which are unamortised to inventories due to the suspension of mining operations of the Reporting Period and the temporary lockdown due to COVID-19 rebound in July 2020.

BUSINESS OVERVIEW (Continued)

Cost of services and goods sold (Continued)

Renewable Energy Business

During the Reporting Period, the cost of services of the renewable energy business is approximately HK\$150,000 (2019: approximately HK\$200,000).

IT Services Business

During the Reporting Period, the cost of services and goods sold of the IT Services business is approximately HK\$11,010,000 (2019: approximately HK\$20,114,000). The decrease in cost of services and goods sold was largely in line with the drop of revenue during the Reporting Period as compared with the previous corresponding period.

Gross loss/profit

The gross loss of the Group for the Reporting Period was approximately HK\$4,130,000 (2019: gross profit of approximately HK\$30,459,000). It represents a turnaround from profit to loss of approximately HK\$34,589,000 and a turnaround from gross profit margin to gross loss margin for the Reporting Period to approximately 113.6% as compared with last correspondence period. Coal mining business contributed loss of approximately HK\$6,521,000 (2019: profit of approximately HK\$25,159,000), IT Services business contributed profit of approximately HK\$2,157,000 (2019: approximately HK\$4,997,000) and renewable energy business contributed profit of approximately HK\$234,000 (2019: approximately HK\$188,000).

Other revenue

The Group's other revenue for the Reporting Period was approximately HK\$7,163,000 (2019: approximately HK\$3,473,000), representing an increase of approximately HK\$3,690,000 or approximately 106.3% as compared with the last correspondence period. This was mainly due to the interest income of approximately HK\$4,945,000 from the maturity of the restricted bank balances.

Administrative and other operating expenses

The Group's administrative and other operating expenses for the Reporting Period was approximately HK\$15,281,000 (2019: approximately HK\$19,513,000), representing a decrease of approximately HK\$4,232,000 or approximately 21.7% as compared with the previous corresponding period. This was mainly due to additional salaries and bonus of approximately HK\$5,356,000 derived from the newly acquired IT Services business in the previous corresponding period.

Loss for the Reporting Period

Loss of the Group for the Reporting Period was approximately HK\$20,781,000 (2019: profit of approximately HK\$32,425,000), representing a turnaround from profit to loss of approximately HK\$53,206,000 as compared with last correspondence period. Such turnaround was mainly due to (a) the turnaround from fair value gain of approximately HK\$28,484,000 to fair value loss of approximately HK\$1,863,000 of the Company's convertible bond designated as financial liabilities at fair value through profit or loss compared to corresponding period in 2019; (b) the recognition of an impairment loss of approximately HK\$11,436,000 due to the goodwill allocated to the IT Services cash generating units of Harbour Group, as a result of the keen competition from the IT Services sector and the recent development of COVID-19 pandemic which are expected to have a negative impact on the revenue and growth rate of Harbour Group's IT Services cash generating units; and (c) the turnaround from gross profit of approximately HK\$30,459,000 to gross loss of approximately HK\$4,130,000 compared to the corresponding period in 2019 primarily due to the decrease in total revenue of the Group as explained above. This was partially offset by (i) the turnaround from exchange loss of approximately HK\$4,900,000 to exchange gain of approximately HK\$2,084,000 compared to the corresponding period in 2019; (ii) the decrease of administrative and other operating expenses by approximately HK\$4,232,000; and (iii) the turnaround from income tax expenses of approximately HK\$3,869,000 to income tax credit of approximately HK\$7,896,000 compared to the corresponding period in 2019.

SEGMENT INFORMATION

Business segment

Information reported to the executive directors of the Company, 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 PRC;
- (2) Renewable Energy Business segment: service income from renewable energy solutions in Malaysia; and
- (3) IT Services Business segment: provision of IT Services in Hong Kong, Singapore, Malaysia and the UK.

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\$11,531,000 for the Reporting Period (2019: approximately HK\$38,166,000), representing approximately a 69.8% decrease as compared with last corresponding period.

Sales and Production of Coals

During the Reporting Period, the Group sold approximately 163,236 tonnes of coals (2019: approximately 572,011 tonnes) with total sales income of approximately HK\$11,531,000 (2019: approximately HK\$38,166,000). Details of sales of coals in tonnes are listed in the below table:

	Six months ended 30 September	
	2020	2019
Sales of coals	163,236 tonnes	572,011 tonnes

Coal Sales (tonnes) and Percentage of Coal Sales

	Coal Sales (tonnes)	Coal Sales in %
Slack Coal	92,345	57%
Weathered Coal	70,891	43%
Total	163,236	100%

SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

(ii) Renewable Energy Business

Service income from renewable energy business contributed a revenue of approximately HK\$384,000 for the Reporting Period (2019: approximately HK\$388,000).

(iii) IT Services Business

Service income from IT Services business contributed a revenue of approximately HK\$13,167,000 for the Reporting Period (2019: approximately HK\$25,111,000).

Reserves and Resources

The Group owns a mining right, which is located in Xinjiang. The estimated remaining coal reserve in Kaiyuan Mine (excluding the Enlarged Kaiyuan Mine (as defined in “Major Events”)) was approximately 4.94 million tonnes as at 30 September 2020 (31 March 2020: approximately 5.11 million tonnes). During the Reporting Period, there were approximately 0.17 million tonnes of coal being extracted (2019: approximately 1.09 million tonnes).

On 2 December 2019, a transfer agreement regarding the acquisition of Enlarged Kaiyuan Mine 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 PRC (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”). According to the Competent Person’s report and valuation report of 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.

Total approximate reserve of the mine in Xinjiang is equivalent to 68.42 million tonnes (i.e. the sum of the estimated remaining coal reserve in Kaiyuan Mine (excluding the Enlarged Kaiyuan Mine) and the probable reserve in the Enlarged Kaiyuan Mine).

Coal Reserve as at 30 September 2020 = Coal Reserve as at 31 March 2020 – Amount of coal extracted by the Group during the period from 1 April 2020 to 30 September 2020 + the probable reserve in the Enlarged Kaiyuan Mine.

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 PRC, Hong Kong, Singapore, the UK and Malaysia. Activities outside these five locations are insignificant. The principal assets of the Group are located in the PRC, 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 was in negotiation 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.

[#] “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, an indirect wholly-owned subsidiary of the 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;
- (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 PRC, 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)

Temporary Suspension of Enlarged Kaiyuan Mine

As disclosed in the announcements of the Company dated 20 December 2019 and 16 March 2020, the sales and operation of the Enlarged Kaiyuan Mine has been temporarily suspended since 21 December 2019 (the “Temporary Suspension”) due to the expiry of the New Mining Permit on 21 December 2019 and the delay in renewal of the New Mining Permit.

The New Mining Permit was renewed in March 2020 and the resumption application has been approved by the Safety Bureau of the Economic Zone on 2 August 2020. On 2 August 2020 the approval on the resumption application issued by the Safety Bureau of the Economic Zone was received and was allowed to resume mining operations and sales.

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 (“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 of the Company (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.

MAJOR EVENTS (Continued)

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

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 or ending 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 was not fulfilled. 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 has been 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 has been paid to the Vendor as at the date of this report.

PROSPECTS

The Group has been actively proceeding with the Optimization and Upgrading Plan since 2011 in relation to the New Mining Right of the Enlarged Kaiyuan Mine. The Acquisition has substantially enlarged the Group’s coal resources and will allow the Group to increase the annual production volume to a range of 0.9 million tonnes to 1.2 million tonnes, ten times or more of the existing production capacity of Kaiyuan Mine. The Directors consider that the transaction is in line with the Group’s strategy to expand the coal mining business of the Group.

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) substantial 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 recent social and political instability in Hong Kong and the outbreak of COVID-19 worldwide, we are facing the difficult business environment, which negatively impact the growth of our business. In particular IT Services business in Hong Kong is expected to be hit hard by the prolonged social unrest and subsistence of the COVID-19 in Hong Kong.

The Board will continue to keep track of the latest development of the COVID-19 and will use its best endeavors to manage the Group’s business portfolio with a view to improving the Group’s financial performance and enhance 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 2020 nor material acquisitions and disposals of subsidiaries during the Reporting Period.

Save as otherwise disclosed, the Group does not have any future 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 2020, the Group had:

- net current assets of approximately HK\$67,370,000 (31 March 2020: approximately HK\$127,070,000).
- cash and cash equivalents of approximately HK\$155,967,000 (31 March 2020: approximately HK\$235,126,000) and the bank balances were the major components of the Group's current assets of approximately HK\$184,841,000 (31 March 2020: approximately HK\$259,694,000).
- current liabilities of approximately HK\$117,471,000 (31 March 2020: approximately HK\$132,624,000) which comprised mainly trade and other payables of approximately HK\$105,193,000 (31 March 2020: approximately HK\$54,929,000), interest-bearing borrowings of approximately HK\$1,934,000 (31 March 2020: approximately HK\$65,345,000).
- non-current liabilities of approximately HK\$238,465,000 (31 March 2020: approximately HK\$233,637,000) which comprised convertible bond designated as financial liabilities at fair value through profit or loss of approximately HK\$148,289,000 (31 March 2020: approximately HK\$146,426,000) and non-current portion payable of approximately HK\$86,861,000 related to mining right payables (31 March 2020: approximately HK\$80,155,000).

The Group's gearing ratio was approximately 1.72 (31 March 2020: approximately 1.98). The computation is based on total debt (convertible bond designated as financial liabilities at fair value through profit or loss, mining right payables, promissory notes, lease liabilities and interest-bearing borrowings) divided by total equity.

CAPITAL STRUCTURE

The capital of the Group comprises only ordinary shares.

As at 30 September 2020, there were 765,373,584 ordinary shares of the Company in issue.

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

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

CHARGES ON GROUP'S ASSETS

As at 30 September 2020, the Group had no pledged restricted bank balances (31 March 2020: approximately HK\$73,760,000) to the bank as a security for interest-bearing borrowings.

FOREIGN EXCHANGE EXPOSURE

The Group mainly earns revenue in RMB and Hong Kong dollars and incurs costs in RMB and Hong Kong dollars. The Group is exposed to foreign exchange risk based on fluctuations between Hong Kong dollars and RMB arising from its core operation in the PRC. The currency exchange risk for the Reporting Period is mainly derived from the net exchange gain on convertible bond designated as financial liabilities at fair value through profit or loss, which is a result from the sustained depreciation of RMB against Hong Kong dollars. 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, the Group finances its operation mainly by internal generated resources.

CONTINGENT LIABILITIES

As at 30 September 2020, the Group did not have any material contingent liabilities.

EMPLOYEES

As at 30 September 2020, the Group had 132 employees (31 March 2020: 126) spreading amongst Hong Kong, Malaysia, Singapore, the UK and the PRC. Total staff costs (excluding Directors' emoluments) for the Reporting Period amounted to approximately HK\$16,612,000 (31 March 2020: approximately HK\$50,609,000). Employment relationship has been well maintained by the Group with its employees. The Group has adopted an extensive training policy for its employees. It has also sponsored senior executives for higher education programmes.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Reporting Period (2019: Nil).

OTHER INFORMATION

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

As at 30 September 2020, the interests and short positions of the directors and chief executives of the Company 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, were as follows:

Interests in shares of an associated corporation of the Company

Name of director	Note	Name of associated corporation	Capacity	Number of shares interested	Approximate percentage of the issued share capital of the associated corporation
Mr. Wang Xiangfei	1	New Bright International Development Limited ("New Bright")	Interest of spouse	3,000 (L)	30%

(L) denotes as long position

Note:

- Ms. Lo Fong Hung is interested in 3,000 shares in New Bright, representing 30% of the issued share capital of New Bright, which currently owns 70% shareholding interests in CSIL Limited ("CSIL"). CSIL, the holding company of Ascent Goal Investments Limited ("Ascent Goal"), the controlling shareholder of the Company. The shareholding interests of Ascent Goal in the Company is set out in the section headed "Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares" of this interim report. Mr. Wang Xiangfei is the husband of Ms. Lo Fong Hung and is deemed to be interested in 3,000 shares of New Bright under the SFO.

Save as disclosed above, as at 30 September 2020, 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 or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests 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, to be notified to the Company and the Stock Exchange.

OTHER INFORMATION (Continued)

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for those disclosed under the headings "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares" above and "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 of the Company (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 2020.

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

As at 30 September 2020, 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 6)
Ascent Goal	1,4	Beneficial owner	569,616,589	1,000,000,000	1,569,616,589	205.08%
CSIL	2,4	Interests of controlled corporation	569,616,589	1,000,000,000	1,569,616,589	205.08%
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%
Mr. Lev Leviev	5	Beneficial owner	1,000,000	–	1,000,000	0.13%
	5	Interests of controlled corporation	65,808,000	–	65,808,000	8.60%

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. For the shares held by Mr. Lev Leviev, of these shares, 36,866,000 shares were held by Africa Israel Investments Ltd., a company controlled by Mr. Lev Leviev through his approximately 48.13% interests in Africa Israel Investments Ltd.; 28,942,000 shares were held by Memorand Management (1998) Ltd., a company controlled by Mr. Lev Leviev through his 100% interests in Memorand Ltd. which holds 100% interest in Memorand Management (1998) Ltd.; and 1,000,000 shares were held by Mr. Lev Leviev directly.
6. The approximate percentage of shareholdings is based on 765,373,584 shares as at 30 September 2020, not the enlarged number of issued shares of the Company upon full conversion of the Convertible Bond.

Save as disclosed above, the directors of the Company are not aware of any other persons who, as at 30 September 2020, 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 Appendix 14 to the Listing Rules during the Reporting Period, save for the deviation from code provision A.2.1 as disclosed below:

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

OTHER INFORMATION *(Continued)*

CHANGE IN DIRECTOR'S INFORMATION

Changes in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules subsequent to the publication of the annual report of the Company for the year ended 31 March 2020 are set out below:

1. The service agreement of the independent non-executive Director, Mr. Pak Wai Keung Martin, entered with the Company expired on 18 September 2020 and his service agreement had been extended for one year commencing on 19 September 2020; and
2. The service agreement of the executive Director, Mr. Wong Sze Wai, entered with the Company expired on 19 November 2020 and his service agreement had been extended for one year commencing on 20 November 2020.

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, 24 November 2020

* *English name for identification purpose only.*