



PT INTERNATIONAL DEVELOPMENT CORPORATION LIMITED

保 德 國 際 發 展 企 業 有 限 公 司 *

(Incorporated in Bermuda with limited liability)

(Stock Code : 372)

** For identification purpose only*



2022
INTERIM REPORT

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Abbreviations

In this interim report, the following abbreviations have the following meanings unless otherwise specified:

“Board”	Board of Directors of the Company
“Bye-laws”	Bye-laws of the Company
“Company”	PT International Development Corporation Limited
“Current Period”	the six months ended 30th September, 2022
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Rules”	Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“PRC”	People’s Republic of China
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	shareholders of the Company
“HK\$” and “HK cents”	Hong Kong dollars and cents, the lawful currency of Hong Kong
“%”	per cent.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Ching Man Chun, Louis
(Chairman and Managing Director)
Ms. Xu Wei *(retired on 5th August, 2022)*
Mr. Heinrich Grabner *(Deputy Chairman)*
Mr. Yeung Kim Ting

Independent Non-executive Directors

Mr. Yam Kwong Chun
Mr. Wong Yee Shuen, Wilson
Mr. Lam Yik Tung

AUDIT COMMITTEE

Mr. Wong Yee Shuen, Wilson *(Chairman)*
Mr. Yam Kwong Chun
Mr. Lam Yik Tung

REMUNERATION COMMITTEE

Mr. Lam Yik Tung *(Chairman)*
Mr. Yam Kwong Chun
Mr. Wong Yee Shuen, Wilson

NOMINATION COMMITTEE

Mr. Yam Kwong Chun *(Chairman)*
Mr. Wong Yee Shuen, Wilson
Mr. Lam Yik Tung

CORPORATE GOVERNANCE COMMITTEE

Mr. Ching Man Chun, Louis *(Chairman)*
Mr. Yam Kwong Chun
Mr. Wong Yee Shuen, Wilson
Mr. Lam Yik Tung

COMPANY SECRETARY

Ms. Lo Yuen Mei

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditor

LEGAL ADVISORS

Vincent T.K. Cheung, Yap & Co.
Michael Li & Co.
Conyers Dill & Pearman (Bermuda)

PRINCIPAL BANKERS

Bank of Communications Co., Ltd.,
Hong Kong Branch
DBS Bank (HK) Limited
Fubon Bank (Hong Kong) Limited
Industrial and Commercial Bank of China
(Asia) Limited
Nonghyup Bank
The Hong Kong and Shanghai Banking
Corporation Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

11th Floor
Centre Point
181-185 Gloucester Road
Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
4th Floor North
Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

www.ptcorp.com.hk

STOCK CODE

Hong Kong Stock Exchange 372

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30th September, 2022

		(Unaudited) Six months ended 30th September,	
	NOTES	2022 HK\$'000	2021 HK\$'000
Revenue	3		
Contracts with customers		367,364	494,935
Interest under effective interest method		16	2,125
Total revenue		367,380	497,060
Cost of sales		(371,908)	(463,382)
Gross (loss) profit		(4,528)	33,678
Other income and expenses, other gains and losses	4	5,911	213
Net losses on financial instruments	5	(33,478)	(72,433)
Selling and distribution expenses		(2,879)	(17,441)
Administrative expenses		(48,861)	(38,318)
Finance costs	6	(12,965)	(2,352)
Loss before taxation	7	(96,800)	(96,653)
Income tax expense	8	-	-
Loss for the period		(96,800)	(96,653)
Other comprehensive (expense) income:			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(48,415)	569
Total comprehensive expenses for the period		(145,215)	(96,084)
Loss for the period attributable to:			
Owners of the Company		(90,343)	(95,573)
Non-controlling interests		(6,457)	(1,080)
		(96,800)	(96,653)
Total comprehensive expenses for the period attributable to:			
Owners of the Company		(117,348)	(95,004)
Non-controlling interests		(27,867)	(1,080)
		(145,215)	(96,084)
Loss per share		HK cents	HK cents
Basic	10	(4.48)	(4.74)
Diluted		(4.48)	(4.74)

Condensed Consolidated Statement of Financial Position

At 30th September, 2022

	NOTES	(Unaudited) At 30th September, 2022 HK\$'000	(Audited) At 31st March, 2022 HK\$'000
Non-current assets			
Property, plant and equipment	11	634,804	726,791
Right-of-use assets	11	336,690	378,421
Goodwill		5,102	5,686
Financial assets at fair value through profit or loss	12	90,239	131,440
Loan receivables	13	–	19,123
		1,066,835	1,261,461
Current assets			
Inventories		7,959	22,173
Trade and other receivables	14	97,651	149,874
Derivative financial instruments		514	4,674
Equity investments held for trading		9,213	10,378
Loan receivables	13	12,173	2,949
Restricted bank balances		2,850	39,151
Bank balances and cash		93,585	109,590
		223,945	338,789
Current liabilities			
Trade and other payables	15	160,969	250,614
Derivative financial instruments		886	6,600
Contract liabilities		1,500	5,570
Borrowings – due within one year	16	141,376	42,376
Lease liabilities – due within one year	17	391,387	6,257
		696,118	311,417
Net current (liabilities) assets		(472,173)	27,372
Total assets less current liabilities		594,662	1,288,833
Non-current liabilities			
Borrowings – due after one year	16	–	122,914
Lease liabilities – due after one year	17	23,639	449,681
		23,639	572,595
Net assets		571,023	716,238
Capital and reserves			
Share capital	18	20,183	20,183
Share premium and reserves		421,276	538,624
Equity attributable to the owners of the Company		441,459	558,807
Non-controlling interests		129,564	157,431
Total equity		571,023	716,238

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th September, 2022

	Attributable to the owners of the Company					Sub-total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000			
At 1st April, 2022 (audited)	20,183	959,550	908	11,103	(432,937)	558,807	157,431	716,238
Loss for the period	-	-	-	-	(90,343)	(90,343)	(6,457)	(96,800)
Exchange differences arising on translation of foreign operations	-	-	-	(27,005)	-	(27,005)	(21,410)	(48,415)
Total comprehensive expenses for the period	-	-	-	(27,005)	(90,343)	(117,348)	(27,867)	(145,215)
At 30th September, 2022 (unaudited)	20,183	959,550	908	(15,902)	(523,280)	441,459	129,564	571,023
At 1st April, 2021 (audited)	20,183	959,550	908	3,425	(274,520)	709,546	5,602	715,148
Loss for the period	-	-	-	-	(95,573)	(95,573)	(1,080)	(96,653)
Exchange differences arising on translation of foreign operations	-	-	-	569	-	569	-	569
Total comprehensive income (expenses) for the period	-	-	-	569	(95,573)	(95,004)	(1,080)	(96,084)
Capital contribution from non-controlling shareholders of subsidiaries	-	-	-	-	-	-	2,701	2,701
At 30th September, 2021 (unaudited)	20,183	959,550	908	3,994	(370,093)	614,542	7,223	621,765

Condensed Consolidated Statement of Cash Flows

For the six months ended 30th September, 2022

		(Unaudited)	
		Six months ended	
		30th September,	
	NOTES	2022	2021
		HK\$'000	HK\$'000
Net cash used in operating activities			
Loss before taxation		(96,800)	(96,653)
Adjustments for:			
Net unrealised losses on financial instruments		42,814	56,100
Decrease in inventories		18,476	48,742
Decrease (increase) in trade and other receivables		68,435	(18,660)
Increase in equity investments held for trading		(76)	(4,702)
Decrease (increase) in loan receivables		2,949	(3,276)
(Decrease) increase in trade and other payables		(137,903)	3,689
Decrease in contract liabilities		(3,860)	(57,686)
Other operating activities		43,839	10,432
		(62,126)	(62,014)
Net cash from (used in) investing activities			
Withdrawal of restricted deposit		35,591	–
Repayment of loans to third parties		6,950	2,800
Proceeds from disposal of property, plant and equipment		1,268	–
Interest received		622	–
Acquisition of property, plant and equipment	11	(4,868)	(58,057)
Loans to third parties	13	–	(24,470)
Placement of restricted deposit		(1,887)	–
		37,676	(79,727)
Net cash (used in) from financing activities			
Repayment of borrowings		(36,943)	(153,033)
Interest paid		(11,716)	(1,845)
Repayment of lease liabilities		(2,965)	(2,000)
Capital contribution from non-controlling shareholders of subsidiaries		–	2,701
Borrowings raised		27,550	225,722
		(24,074)	71,545
Net decrease in cash and cash equivalents		(48,524)	(70,196)
Cash and cash equivalents at beginning of the period		109,590	239,325
Effect of foreign exchange rate changes		32,519	(263)
Cash and cash equivalents at end of the period, represented by bank balances and cash		93,585	168,866

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2022

1. BASIS OF PREPARATION

The condensed consolidated financial statements of PT International Development Corporation Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The condensed consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Company.

Going concern assessment

The condensed consolidated financial statements have been prepared in a going concern basis. The applicability of these principles is dependent upon continued availability of adequate finance or attaining profitable operations in future and the success of the below plans and measures.

As at 30th September, 2022, the Group is subject to legal claims amounted to approximately Renminbi (“**RMB**”) 344,796,000 (equivalent to HK\$381,568,000), mainly in relation to sale and leaseback arrangements and debt dispute (details set out in note 23).

During the six months ended 30th September, 2022, under the legal proceedings, the Group has received a court enforcement order to settle outstanding payment to a third party (details set out in note 15) and property preservation orders to restrict the disposition of certain assets and the withdrawal of bank deposits as at 30th September, 2022 (details set out in note 23). Based on the advice sought from the independent legal advisors, the directors of the Company consider that it is not probable that the Group will be further legally liable to any legal claims.

As at 30th September, 2022, the Group has an outstanding bank loan with a carrying amount of HK\$117,702,000. Due to the property preservation orders from the court, the Group has breached certain covenants of the bank loan thus the bank may request immediate repayment of the loan. On discovery of the breach, the directors of the Company commenced negotiations of the terms of the loan with the relevant lender. As at 30th September, 2022, since those negotiations had not been concluded, the loan has been classified as a current liability as at 30th September, 2022.

As at 30th September, 2022, the Group has outstanding lease liabilities arising from sale and leaseback arrangements with a carrying amount of HK\$386,209,000. Due to the enforcement order and property preservation orders received from the court, the Group has breached certain terms of the sale and leaseback contracts thus the lessor may request immediate repayment of the remaining lease payments. Accordingly, the lease liabilities have been classified as current liabilities as at 30th September, 2022.

As a result, the Group had net current liabilities of HK\$472,173,000 as at 30th September, 2022 and reported a loss of approximately HK\$96,800,000 and had a net operating cash outflow of HK\$62,126,000 for the six months ended 30th September, 2022.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2022

1. BASIS OF PREPARATION (continued)

Going concern assessment (continued)

All the above conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern and the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

In view of such circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. The Group has taken measures to mitigate its liquidity pressure and to improve its financial position through actively negotiating with a bank for not demanding immediate repayment of existing bank loan and drawdown of bank borrowings from available credit facilities.

The directors of the Company have prepared the Group's cash flow projections which cover a period of not less than twelve months from 30th September, 2022. The directors of the Company are of the opinion that, taking into account of the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as they fall due for the foreseeable future. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the management of the Company will be able to achieve its plans and measures as mentioned above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows through the following:

1. Successful negotiation with a bank for not demanding immediate repayment of existing bank loan due to the breach of covenants as mentioned above and drawdown of bank borrowings from available credit facilities;
2. Successful negotiation with the lessor for extension of the sale and leaseback contracts of oil storage tanks or obtaining alternative financing to repay the remaining lease payments;
3. Successful obtaining court judgment not liable for civil complaint filed by the civil litigants; and
4. Successful obtaining court judgment for the dissolving of the court enforcement order in relation to outstanding payments to a third party (details set out in note 15) and releasing of the property preservation orders in relation to the debt dispute.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2022

1. BASIS OF PREPARATION (continued)

Going concern assessment (continued)

Should the Group fail to achieve the abovementioned plans and measures, it might not be able to continue to operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for financial liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively, or to make provision for any contractual commitments that have become onerous, where appropriate.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th September, 2022 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31st March, 2022.

Application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs")

In the current interim period, the Group has applied the amendments to HKFRS issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on 1st April, 2022 for the preparation of the Group's condensed consolidated financial statements:

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

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2022

3. REVENUE AND SEGMENT INFORMATION

Revenue

An analysis of the Group's revenue for the period is as follows:

	Six months ended 30th September,	
	2022 HK\$'000	2021 HK\$'000
Revenue from contracts with customers		
– Trading income	330,320	494,089
– Metal recycling income	9,368	–
– Port and port-related services income	27,440	–
– Insurance brokerage income	236	846
	367,364	494,935
Interest under effective interest method		
– Interest income from investment	–	2,005
– Interest income from provision of finance	16	120
	16	2,125
	367,380	497,060

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2022

3. REVENUE AND SEGMENT INFORMATION (continued)

Revenue (continued)

Disaggregation of revenue from contracts with customers

	Six months ended 30th September,	
	2022 HK\$'000	2021 HK\$'000
Types of goods or services		
Trading income		
– Metals	129,025	291,348
– Chemicals and energy	201,295	202,741
	330,320	494,089
Metal recycling income	9,368	–
Port and port-related services income	27,440	–
Insurance brokerage income	236	846
	367,364	494,935
Timing of revenue recognition		
A point in time	339,924	494,935
Over time	27,440	–
	367,364	494,935
Geographical location (based on the locations of transactions conducted)		
Hong Kong	330,553	494,935
The People's Republic of China (the "PRC"), excluding Hong Kong	27,443	–
The United Kingdom (the "UK")	9,368	–
	367,364	494,935

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2022

3. REVENUE AND SEGMENT INFORMATION (continued)

Revenue (continued)

Disaggregation of revenue from contracts with customers (continued)

Set out below is the reconciliation of revenue from contracts with customers with amounts disclosed in the segment information.

Six months ended 30th September, 2022

	Trading HK\$'000	Metal recycling HK\$'000	Long-term investment HK\$'000	Petrochemical HK\$'000	Financial institute business HK\$'000	Finance HK\$'000	Other investment HK\$'000	Total HK\$'000
Trading income	330,320	-	-	-	-	-	-	330,320
Metal recycling income	-	9,368	-	-	-	-	-	9,368
Port and port-related services income	-	-	-	27,440	-	-	-	27,440
Insurance brokerage income	-	-	-	-	236	-	-	236
Revenue from contracts with customers	330,320	9,368	-	27,440	236	-	-	367,364
Interest under effective interest method - interest income from provision of finance	-	-	-	-	-	16	-	16
Total revenue	330,320	9,368	-	27,440	236	16	-	367,380

Six months ended 30th September, 2021

	Trading HK\$'000	Metal recycling HK\$'000	Long-term investment HK\$'000	Petrochemical HK\$'000	Financial institute business HK\$'000	Finance HK\$'000	Other investment HK\$'000	Total HK\$'000
Trading income	494,089	-	-	-	-	-	-	494,089
Insurance brokerage income	-	-	-	-	846	-	-	846
Revenue from contracts with customers	494,089	-	-	-	846	-	-	494,935
Interest under effective interest method - Interest income from investment	-	-	2,005	-	-	-	-	2,005
- Interest income from provision of finance	-	-	-	-	-	120	-	120
Total revenue	494,089	-	2,005	-	846	120	-	497,060

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2022

3. REVENUE AND SEGMENT INFORMATION (continued)

Segment information

The Group's operating segments, based on information reported to the chief operating decision maker ("CODM"), being the executive directors of the Company, for the purposes of resources allocation and performance assessment are as follows:

Trading	-	trading of commodities
Metal recycling	-	recycling and trading of metals
Long-term investment	-	investments including long-term debt instruments and equity investments
Petrochemical	-	storage, unloading and loading services for petrochemical products (<i>Note</i>)
Financial institute business	-	provision of asset management, insurance brokerage and related services
Finance	-	loan financing services
Other investment	-	investment in trading of securities

Note: During the year ended 31st March, 2022, the Group completed its subscription of 65% of equity interests in Thousand Vantage Investment Limited ("**Thousand Vantage**") which is mainly engaged in the provision of port and port-related services in Qinzhou Port in Guangxi, the PRC.

Information regarding the above operating segments, which are also reportable segments of the Group, is reported below:

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segments:

Six months ended 30th September, 2022

	Trading HK\$'000	Metal recycling HK\$'000	Long-term investment HK\$'000	Petrochemical HK\$'000	Financial institute business HK\$'000	Finance HK\$'000	Other investment HK\$'000	Adjustments and eliminations HK\$'000	Consolidated HK\$'000
SEGMENT REVENUE									
External sales	330,320	9,368	-	27,440	236	16	-	-	367,380
Inter-segment sales	-	63,331	-	-	-	-	-	(63,331)	-
	<u>330,320</u>	<u>72,699</u>	<u>-</u>	<u>27,440</u>	<u>236</u>	<u>16</u>	<u>-</u>	<u>(63,331)</u>	<u>367,380</u>
RESULTS									
Segment results	<u>3,101</u>	<u>(25,818)</u>	<u>(44,278)</u>	<u>(6,431)</u>	<u>(3,389)</u>	<u>3</u>	<u>(1,241)</u>	<u>(204)</u>	<u>(78,257)</u>
Central administration costs									(17,202)
Other income and expenses, other gains and losses									(1,222)
Finance costs									(119)
Loss before taxation									<u>(96,800)</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2022

3. REVENUE AND SEGMENT INFORMATION (continued)

Segment information (continued)

Segment revenue and results (continued)

Six months ended 30th September, 2021

	Trading HK\$'000	Metal recycling HK\$'000	Long-term investment HK\$'000	Petrochemical HK\$'000	Financial institute business HK\$'000	Finance HK\$'000	Other investment HK\$'000	Consolidated HK\$'000
SEGMENT REVENUE								
External sales	494,089	-	2,005	-	846	120	-	497,060
RESULTS								
Segment results	(8,611)	(8,108)	(55,113)	(1,168)	(3,501)	107	888	(75,506)
Central administration costs								(18,973)
Other income and expenses, other gains and losses								178
Finance costs								(2,352)
Loss before taxation								(96,653)

Segment results represent the result of each segment without allocation of central administration costs, including directors' salaries, certain other income and expenses, other gains and losses and certain finance costs.

Inter-segment sales are charged at prevailing market prices.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2022

4. OTHER INCOME AND EXPENSES, OTHER GAINS AND LOSSES

	Six months ended 30th September,	
	2022 HK\$'000	2021 HK\$'000
Refund of value-added tax ("VAT") (Note)	10,797	–
Government grants	795	56
Interest income on loan to a third party	551	469
Bank interest income	71	55
Loss on disposal of property, plant and equipment	(373)	–
Late repayment charge on construction payables	(1,859)	–
Net foreign exchange losses	(5,203)	(789)
Others	1,132	422
	5,911	213

Note: The amount represents VAT refund from the tax authority of PRC under a new policy endorsed by the Ministry of Finance of PRC regarding reimbursements of VAT recoverable in 2022.

5. NET LOSSES ON FINANCIAL INSTRUMENTS

	Six months ended 30th September,	
	2022 HK\$'000	2021 HK\$'000
Decrease in fair value of financial assets at fair value through profit or loss	(41,201)	(54,057)
(Decrease) increase in fair value of equity investments held for trading	(1,241)	888
Increase (decrease) in fair values of derivative financial instruments	8,964	(19,264)
	(33,478)	(72,433)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2022

6. FINANCE COSTS

	Six months ended 30th September,	
	2022 HK\$'000	2021 HK\$'000
Interest on lease liabilities	6,272	687
Interest on discounted bills without recourse	2,544	456
Interest on borrowings	5,444	1,209
Total borrowing costs	14,260	2,352
Amounts capitalised in the cost of qualifying assets	(1,295)	–
	12,965	2,352

Borrowing costs capitalised during the period ended 30th September, 2022 that arose on the general borrowing pool are calculated by applying a capitalisation rate of 2.57% (six months ended 30th September, 2021: N/A) per annum to expenditures on qualifying assets.

7. LOSS BEFORE TAXATION

	Six months ended 30th September,	
	2022 HK\$'000	2021 HK\$'000
Loss before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	23,255	2,135
Depreciation of right-of-use assets	12,955	3,460
Total depreciation	36,210	5,595
Capitalised in inventories	(3,217)	–
	32,993	5,595
Allowances for inventories	–	1,095

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2022

8. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits. No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits arising in Hong Kong for both periods.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, PRC EIT is calculated at 25% of the assessable profits for the subsidiaries in the PRC. No provision for EIT has been made as the Group had no assessable profits arising in the PRC for both periods.

United Kingdom Corporation tax is calculated at 19% of the assessable profits for the subsidiary in the UK. No provision for United Kingdom Corporation tax has been made as the Group had no assessable profits arising in the UK for both periods.

9. DISTRIBUTIONS

No dividends were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period.

10. LOSS PER SHARE

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

	Six months ended 30th September,	
	2022 HK\$'000	2021 HK\$'000
Loss for the period attributable to the owners of the Company for the purpose of basic and diluted loss per share	<u>(90,343)</u>	<u>(95,573)</u>
	Number of shares	
Number of shares for the purpose of basic and diluted loss per share	<u>2,018,282,827</u>	<u>2,018,282,827</u>

For the six months ended 30th September, 2022 and 2021, the computation of diluted loss per share does not assume the exercise of the call options granted to the non-controlling shareholders of a non-wholly owned subsidiary of the Company since their assumed exercise would result in a decrease in loss per share.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2022

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the six months ended 30th September, 2022, the Group acquired property, plant and equipment of HK\$6,163,000. In addition, the Group entered into a new lease agreement in relation to its office premises in Hong Kong and plant and machinery in the UK. On date of lease commencement, the Group recognised right-of-use assets of HK\$10,792,000 and lease liabilities of HK\$10,110,000. The Group is required to make fixed monthly payments. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor and the relevant leased assets may not be used as security for borrowing purposes.

During the six months ended 30th September, 2021, the Group acquired property, plant and equipment of HK\$58,057,000, including the purchase of plant and equipment of HK\$27,045,000 for the Group's metal recycling business in the UK. In addition, the Group recognised right-of-use assets of HK\$24,043,000 and lease liabilities of HK\$21,747,000 on lease commencement in relation to the lease of factory sites for the Group's metal recycling business in the UK with a lease term of ten years.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss mainly represent the Group's investment in an unlisted fund.

On 21st June, 2018, the Group entered into a subscription agreement with certain independent third parties pursuant to which the Group agreed to subscribe for shares of a private equity fund established in Korea (the "Fund"), as a limited partner, for an aggregate consideration of United States Dollar ("US\$") 20,000,000 (equivalent to approximately HK\$156,000,000) in cash. The Fund principally invests in shares of companies listed on the Korea Exchange. The Fund is managed by a fund manager, while limited partners of the Fund do not have rights to engage in the management of the Fund. The Group, as a limited partner in the Fund, does not have the power to participate in the financial and operating policy decisions of the Fund. As such, the Group does not have significant influence over the Fund and the Fund is not accounted for as an associate. The shares of the Fund held by the Group represent approximately 29.71% (31st March, 2022: 29.71%) of the issued share capital of the Fund as at 30th September, 2022.

The Fund is accounted for as a financial asset at fair value through profit or loss. As at 30th September, 2022, the fair value of the Fund is HK\$90,239,000 (31st March, 2022: HK\$131,440,000). During the six months ended 30th September, 2022, fair value loss of HK\$41,201,000 (six months ended 30th September, 2021: HK\$54,057,000) was recognised in profit or loss. Details of the fair value measurements of the Fund are disclosed in note 21. In the opinion of the directors of the Company, the Fund is held for long-term strategic investment purposes and as such, the investment is classified as non-current.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2022

13. LOAN RECEIVABLES

	At 30th September, 2022 HK\$'000	At 31st March, 2022 HK\$'000
Loans to non-controlling shareholders of a subsidiary (<i>Note i</i>)	–	2,949
Loans to third parties (<i>Note ii</i>)	12,173	19,123
	12,173	22,072
Analysed as reporting purposes as:		
Current assets	12,173	2,949
Non-current assets	–	19,123
	12,173	22,072

Notes:

- (i) Loans to non-controlling shareholders of a subsidiary carried interest at 10% per annum and had maturity one year from the date of drawdown of the loans. The loans were each pledged with shares held by each of the non-controlling shareholders of the subsidiary. The loan principal of HK\$2,695,500 and interest receivable of HK\$254,000 was included in loan receivables as at 31st March, 2022.

Interest income during the six months ended 30th September, 2022 of HK\$16,000 was recognised as interest income from provision of finance (included in revenue).

The loans were repaid in full during the six months ended 30th September, 2022.

- (ii) Loans to third parties are secured, interest-bearing at 7% per annum and have a maturity date in June 2023. The loans are secured by a convertible bond issued by a company listed in the Korea Exchange with face value of 10,000,000,000 South Korean Won (equivalent to HK\$54,504,000) and maturity in 2050. No significant expected credit loss is recognised as the Group's exposure to credit loss is minimal considering repayment from the counterparty and the underlying value of the collateral held by the Group.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2022

14. TRADE AND OTHER RECEIVABLES

	At 30th September, 2022 HK\$'000	At 31st March, 2022 HK\$'000
Trade receivables from contracts with customers	30,341	74,333
VAT and other taxes recoverable	10,925	14,033
Amount due from a non-controlling shareholder of a subsidiary (Note)	6,597	6,597
Prepayments	37,163	38,885
Rental, utility and other deposits	1,029	2,496
Other receivables	11,596	13,530
	97,651	149,874

Note: The amount due from a non-controlling shareholder of a subsidiary is unsecured, interest-free, non-trade related and repayable on demand.

The following is an aged analysis of trade receivables based on the date of revenue recognition at the end of each reporting period:

	At 30th September, 2022 HK\$'000	At 31st March, 2022 HK\$'000
Trade receivables		
0 – 30 days	18,365	73,979
31 – 60 days	3,430	354
61 – 90 days	1,586	–
Over 90 days	6,960	–
	30,341	74,333

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2022

15. TRADE AND OTHER PAYABLES

	At 30th September, 2022 HK\$'000	At 31st March, 2022 HK\$'000
Trade payables	31,024	67,222
Payables for acquisition of property, plant and equipment (<i>Note</i>)	93,018	142,228
Other payables	25,253	27,044
Accrued expenses	11,674	14,120
	160,969	250,614

Note: In May 2021, Guangxi Guangming Warehouse Storage Limited* (廣西廣明碼頭倉儲有限公司) (“**Guangming**”), a non-wholly owned subsidiary of the Company, became a defendant in a legal action involving the outstanding payment in relation to the fee for construction of port infrastructure from a construction company in the PRC. The case was settled under a civil mediation in May 2022 and Guangming is liable to pay construction fees of RMB90,504,000 (equivalent to HK\$100,156,000), where RMB30,675,000 (equivalent to HK\$33,946,000) has been settled in the current period. The remaining amount of RMB59,829,000 (equivalent to HK\$66,210,000) has been included in payables for acquisition of property, plant and equipment as at 30th September, 2022. In August 2022, the court has issued an enforcement order to Guangming on settling the remaining amount of the construction fee. Up to the date of approval for issuance of the condensed consolidated financial statements, the enforcement order has not been executed.

* For identification purposes only

The following is the aged analysis of trade payables presented based on invoice date at the end of the reporting period:

	At 30th September, 2022 HK\$'000	At 31st March, 2022 HK\$'000
Trade payables		
0 – 30 days	20,645	65,675
31 – 60 days	4,944	923
61 – 90 days	–	320
Over 90 days	5,435	304
	31,024	67,222

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2022

16. BORROWINGS

	At 30th September, 2022 HK\$'000	At 31st March, 2022 HK\$'000
Bank borrowings	117,702	142,129
Loan from a third party	23,674	23,161
	141,376	165,290
Secured	141,376	165,290

The carrying amounts of the above borrowings are repayable:

	At 30th September, 2022 HK\$'000	At 31st March, 2022 HK\$'000
Within one year	38,273	42,376
Within a period of more than one year but not exceeding two years	19,182	16,032
Within a period of more than two years but not exceeding five years	83,921	106,882
	141,376	165,290
Less: Amount due for settlement within 12 months (shown under current liabilities)	(38,273)	(42,376)
Less: Amount that is repayable on demand due to breach of loan covenants	(103,103)	–
Amount due for settlement after 12 months (shown under non-current liabilities)	–	122,914

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2022

16. BORROWINGS (continued)

Bank borrowings

As at 30th September, 2022, the bank borrowings are secured by right-of-use assets amounting to HK\$32,075,000 (31st March, 2022: HK\$36,578,000) and are guaranteed by a non-controlling shareholder of a subsidiary. The Group's bank borrowings carry interests at variable rates of 6.81% (31st March, 2022: 6.86%) per annum as at 30th September, 2022 with reference to the Benchmark Interest Rates for Deposits and Loans of Financial Institutions quoted by the People's Bank of China.

During the current interim period, in respect of a bank loan with a carrying amount of HK\$117,702,000 as at 30th September, 2022, the Group breached certain terms of the bank loan that if the borrower receives any property preservation order, the lender may request immediate repayment of the loan. On discovery of the breach, the directors of the Company informed the lender and commenced negotiations of the terms of the loan with the relevant lender. As at 30th September, 2022, since those negotiations had not been concluded, the loan has been classified as a current liability. Up to the date of approval for issuance of the condensed consolidated financial statements, the negotiations are still in progress. The directors of the Company are confident that their negotiations with the lender will ultimately reach a successful conclusion.

Loan from a third party

As at 30th September, 2022, the loan from a third party is secured by a pledge of plant and machinery amounting to HK\$24,541,000 (31st March, 2022: HK\$25,720,000), interest-bearing at 10% (31st March, 2022: 10%) per annum.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2022

17. LEASE LIABILITIES

	At 30th September, 2022 HK\$'000	At 31st March, 2022 HK\$'000
Lease liabilities payable:		
Within one year	7,610	6,257
Within a period of more than one year but not more than two years	5,787	5,880
Within a period of more than two years but not exceeding five years	158,058	42,732
Within a period of more than five years	243,571	401,069
	415,026	455,938
Less: Amount due for settlement within 12 months (shown under current liabilities)	(7,610)	(6,257)
Less: Amount that is repayable on demand due to breach of lease contracts terms	(383,777)	-
Amount due for settlement after 12 months (shown under non-current liabilities)	23,639	449,681

The borrowing rates applied to lease liabilities range from 2.54% to 7.10% (31st March, 2022: 2.61% to 7.10%) per annum.

As at 30th September, 2022, the Group has outstanding lease liabilities arising from sale and leaseback arrangements with carrying amounts of HK\$386,209,000, including HK\$2,432,000 repayable within 12 months and HK\$383,777,000 repayable after 12 months according to the repayment schedules. During the six months ended 30th September, 2022, due to the enforcement order and property preservation orders received from the court, the Group has breached certain terms of the sale and leaseback contracts thus the lessor may request immediate repayment of the remaining lease payments. Accordingly, the lease liabilities have been classified as current liabilities as at 30th September, 2022.

Lease liabilities arising from sale and leaseback arrangements are pledged by the relevant right-of-use assets as disclosed in note 20.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2022

18. SHARE CAPITAL

	Number of shares		Value	
	2022	2021	2022 HK\$'000	2021 HK\$'000
Ordinary shares of HK\$0.01 each				
Authorised:				
At 1st April and 30th September	102,800,000,000	102,800,000,000	1,028,000	1,028,000
Issued and fully paid:				
At 1st April and 30th September	2,018,282,827	2,018,282,827	20,183	20,183

19. RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in these condensed consolidated financial statements, the Group has the following transactions with related parties:

Compensation of key management personnel

	Six months ended 30th September,	
	2022 HK\$'000	2021 HK\$'000
Fees	228	225
Salaries and other emoluments	5,848	5,860
	6,076	6,085

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2022

20. PLEDGE OF ASSETS AND RESTRICTIONS ON ASSETS

Pledge of assets

The Group's borrowings had been secured by the pledge of the Group's assets and the carrying amounts of the respective assets are as follows:

	At 30th September, 2022 HK\$'000	At 31st March, 2022 HK\$'000
Property, plant and equipment	24,541	25,720
Right-of-use-assets	297,352	340,792
	321,893	366,512

Restrictions on assets

Details of the Group's restrictions on assets are as follows:

- (i) As at 31st March, 2022, bank balances of HK\$39,151,000 located in bank accounts in the PRC were restricted due to a litigation of Guangming with a construction company in the PRC involving the outstanding payment in relation to the fee for construction of port infrastructure as disclosed in note 15. The restriction was released upon settlement of the legal case under a civil mediation in May 2022.
- (ii) During the six months ended 30th September, 2022, the Group received a property preservation order from a court in the PRC as a result of a litigation of Guangming together with three of its subsidiaries in the PRC (the "**Guangming Subsidiaries**"). Details of the litigation are disclosed in note 23. As at 30th September, 2022, the Group's property, plant and equipment of HK\$384,000, right-of-use assets of HK\$32,075,000 and bank balances of HK\$2,850,000 are restricted as a result of the property preservation order. In addition, as disclosed in note 23, up to the date of approval for issuance of the condensed consolidated financial statements, the court has not disclosed the details of the assets that are subject to property preservation order in a litigation in relation to sale and leaseback arrangement.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2022

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value measurements and valuation processes

In estimating the fair value, the Group uses market-observable data to the extent it is available. In estimating the fair value of the financial instrument under Level 2, the Group uses discounted cash flow and net asset values of funds where the main inputs include commodities prices, exchange rates and listed share prices which are observable from active markets.

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

- Level 1: fair value measurements are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: fair value measurements are derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: fair value measurements are derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2022

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	30th September, 2022 <i>HK\$'000</i>	31st March, 2022 <i>HK\$'000</i>		
Equity investments				
– Listed equity securities	9,213	10,378	Level 1	Quoted bid prices in an active market.
Derivative financial instruments				
– Commodities forward contracts				
Assets	514	4,645	Level 2	Discounted cash flow. Future cash flows are estimated based on future commodities prices and contracted commodities prices, discounted at a rate that reflects the credit risk of various counterparties.
Liabilities	98	6,443		
– Currency forward contracts				
Assets	–	29	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Liabilities	788	157		
Financial assets at fair value through profit or loss				
– Unlisted fund	90,239	131,440	Level 2	Based on the net asset values of the fund determined with reference to observable quoted prices in an active market of the underlying investment portfolio, mainly listed shares.

There were no transfers between Levels 1, 2 and 3 during the current and prior periods.

For financial instruments that are recorded at amortised cost, fair values have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis. The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values at the end of the reporting period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2022

22. CAPITAL COMMITMENT

At the end of the reporting period, the Group had the following capital commitments:

	At 30th September, 2022 HK\$'000	At 31st March, 2022 HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	76,142	67,878

23. LITIGATIONS

As at 30th September 2022, the material litigations that the Group has been involved are listed below.

Litigations in relation to sale and leaseback arrangements

The Group received civil complaints filed by Lianwei (Shanghai) Finance Lease Limited* (聯蔚(上海)融資租賃有限公司) (“Lianwei”) in respect of disputes over the sale and leaseback arrangements entered into with Lianwei.

- (i) In February 2022, Guangming received a civil complaint filed by Lianwei in respect of a dispute over the sale and leaseback arrangements of two oil storage tanks. Under the civil complaint, Lianwei requested the court to order Guangming to pay the due and unpaid rent of RMB673,000 (equivalent to HK\$830,000) and the full amount of remaining rent for the remaining lease period of RMB106,273,000 (equivalent to HK\$117,607,000), late default payments thereon and other related litigation costs. Guangming has already paid the abovementioned due and unpaid rent of RMB673,000 (equivalent to HK\$830,000) in February 2022. Details are disclosed in the Company’s announcement dated 28th February, 2022.

On 29th November, 2022, the Company received a judgement from the Shanghai Financial Court dated 17th November, 2022 that Guangming is liable to:

- (1) pay the full amount of remaining rent for the remaining lease period of RMB106,273,000 (equivalent to HK\$117,607,000);
- (2) pay the penalty for breach of contracts of approximately RMB3,000 (equivalent to HK\$3,000), late default payments of RMB10,202,000 (equivalent to HK\$11,290,000) up to 17th November, 2022 (being the date of court judgement) and the late default payment accrued thereon from 18th November, 2022 until the date of payment;

* For identification purposes only

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2022

23. LITIGATIONS (continued)

Litigations in relation to sale and leaseback arrangements (continued)

(i) (continued)

(3) bear the costs of Lianwei's legal fees being RMB100,000 (equivalent to HK\$111,000);

(4) bear the other litigation cost of RMB582,000 (equivalent to HK\$644,000).

Based on the advice from the PRC legal advisers, there are valid grounds to appeal and Guangming will appeal the judgement.

In addition, during the six months ended 30th September, 2022, Guangming received a property preservation order from the court in relation to certain assets with aggregate value of RMB107,049,000 (equivalent to HK\$118,466,000). Up to the date of approval for issuance of the condensed consolidated financial statements, the court has not disclosed the details of the assets that are subject to property preservation order.

(ii) In June 2022, Guangming received a civil complaint filed by Lianwei in respect of a dispute over the sale and leaseback arrangement of one oil storage tank. Under the civil complaint, Lianwei requested the court to order Guangming to pay the due and unpaid rent of RMB35,500,000 (equivalent to HK\$39,286,000), default payments thereon and other related litigation costs. Details are disclosed in the Company's announcement dated 28th June, 2022.

(iii) In October 2022, Guangming received a civil complaints filed by Lianwei in respect of a dispute over the sale and leaseback arrangement of one oil storage tank. Under the civil complaint, Lianwei requested the court to order Guangming to pay the full amount of remaining rent for the remaining lease period of RMB58,465,000 (equivalent to HK\$64,700,000), default payments thereon and other related litigation costs. Details are disclosed in the Company's announcement dated 28th October, 2022.

As disclosed in note 17, in view of the civil complaints, the relevant lease liabilities are classified as current liabilities as at 30th September, 2022. However, based on the advice from the PRC legal advisers, the directors of the Company consider that the Group is not probable to be legally liable to immediately repay the remaining lease payments of HK\$208,281,000 as a result of the enforcement order and property preservation orders issued by the court.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2022

23. LITIGATIONS (continued)

Litigation in relation to debt dispute

In July 2022, Guangming and the Guangming Subsidiaries, and an individual (the “**Individual**”), received a civil complaint filed by a civil litigant (the “**Civil Litigant**”) in respect of the dispute over loans provided to the Individual. Under the civil complaint, the Civil Litigant has requested the court to order Guangming and the Individual jointly to pay to the Civil Litigant the principal debt amount of RMB110,658,000 (equivalent to HK\$122,460,000), late default payment thereon of RMB19,558,000 (equivalent to HK\$21,644,000) and other related litigation costs. Details are disclosed in the Company’s announcement dated 28th October, 2022.

In addition, Guangming and the Guangming Subsidiaries received a property preservation order from the court in relation to their property, plant and equipment, right-of-use assets and bank balances. As at 30th September, 2022, the Group’s property, plant and equipment of HK\$384,000, right-of-use assets of HK\$32,075,000 and bank balances of HK\$2,850,000 are restricted as a result of the property preservation order.

The directors of the Company consider that the Civil Litigant had only entered into loan agreements with the Individual and had only provided loans to the Individual and not to Guangming. The Individual is not a director nor the legal representative of Guangming or the Guangming Subsidiaries, and no evidence has been provided by the Civil Litigant to show that such loan amounts were used in the production operations of Guangming. Based on the advice from the PRC legal advisers, the directors of the Company consider that it is not probable that the Group will be legally liable to aforesaid loans principal, late default payment and the other related litigation costs.

Management Discussion and Analysis

BUSINESS REVIEW

Review of Financial Performance

During the Current Period, the Group, pursuant to its long-term strategy of exploring potential investments and enhancing the value of its strategic investments by active participation in or close liaisons with the management of the Group's invested companies, continued to strategically invest or hold significant interests, both directly or indirectly, in a portfolio of listed companies in Hong Kong, United States and Korea and also high-potential private companies and funds, through equity instruments and debt financing, financial assets and securities, and engaged in trading of commodities, metal recycling, petrochemical storage business, port and port-related services, provision of management services, financial institute business and loan financing services.

For the Current Period, the Group reported a loss of HK\$90,343,000 attributable to the owners of the Company (2021: loss of HK\$95,573,000) and basic loss per share of HK4.48 cents (2021: basic loss per share of HK4.74 cents). The Current Period loss was mainly due to the unrealised fair value loss of financial instruments, in particular, the Group's investment in AFC Mercury Fund.

Commodities Trading

During the Current Period, the Group, through its subsidiaries, continued its trading business which focuses on the trading of commodities including metals, chemical and energy products. The business generated a segment revenue of HK\$330,320,000 (2021: HK\$494,089,000) and a segment profit of HK\$3,101,000 (2021: segment loss of HK\$8,611,000). The profit was mainly due to demand of metals and chemical products increased. Since Russian-Ukraine war early this year, follow with the subsequent curtailment of gas flows to Europe, has pushed the energy price to new highs affecting the supply and production in Europe. In metal, with the cutback in production and the sanction in Russian Metals import to Europe, the premium in European market has pushed up substantially in the second quarter. The relatively high premium in Europe provided the premium arbitrage opportunity to move metals from Asian to European market in profit. The decrease in revenue was mainly due to the supply chains issues including delays in warehouse loadout, vessels delayed, high freight cost, longer than expected shipping days. The management has been monitoring the situation and the credit exposures in commodities markets via a conservative approach to allow additional tolerance in freight cost, shipment schedule, delivery time, etc. The trading of commodities business remains one of the main sources of income for the Group.

Metal Recycling

On 16th April, 2021, several independent third-party individuals and the Group entered into an investment and shareholders' agreement in relation to the subscription of 24,999,050 ordinary shares in aggregate in Cupral at a total subscription amount of British Pound Sterling ("**GBP**") 2,500,000 (equivalent to approximately HK\$27.0 million) (the "**Cupral Subscription**"). The Group has been allotted 22,500,000 ordinary shares in Cupral with an aggregate subscription price of GBP2,250,000 (equivalent to approximately HK\$24.3 million), which represents 90% of the enlarged issued share capital of Cupral.

During the Current Period, the Group's Metal Recycling business recorded a revenue of HK\$72,699,000 (2021: nil) (including inter-segment sales) and a segment loss of HK\$25,818,000 (2021: HK\$8,108,000).

Management Discussion and Analysis

The Group is working to develop the green metals market for the end users to help in reducing their carbon emissions. The Group invested in a recycling plant in the UK, which is managed by a highly experienced team in the UK, and is designed to upgrade both copper and aluminium scraps to high purity for Europe and export to Asia and China.

The plant has been tested and is capable of working at the nameplate capacity output rate of 2MT per hour of copper granules for up to 2 shifts per day.

Gross margins achieved have been compressed since the plant started versus the expected margins at the time of investment, due to the change in market dynamics, primarily in the supply chain. This has increased the level of throughput necessary to reach a breakeven position compared with initial expectation.

Long-term Strategic Investments

During the Current Period, the Group's long-term investment recorded a revenue of nil (2021: HK\$2,005,000) and a segment loss of HK\$44,278,000 (2021: HK\$55,113,000).

The segment revenue was mainly attributed to the preference shares dividend from Thousand Vantage, and no such dividend was recognised for the Current Period after the preference shares was fully redeemed. The segment loss for the both periods were mainly attributed to the unrealised loss from the AFC Mercury Fund.

Thousand Vantage

Thousand Vantage is an investment holding company. Its subsidiaries are principally engaged in the provision of petrochemical port and storage services as well as port-related services through operation of a terminal at Yingling Terminal Operation Area of Qinzhou Port, in Guangxi, the PRC.



Management Discussion and Analysis

The assets held by Thousand Vantage and its subsidiaries (the “**Thousand Vantage Group**”) mainly include right-of-use assets (representing land and sea areas use right) and property, plant and equipment thereon (representing mainly port infrastructure, oil tanks and related facilities, plant and machinery and construction in progress).

In April 2018, the Group, through its subsidiary, entered into a subscription agreement with Thousand Vantage pursuant to which the Group as a subscriber, agreed to subscribe and Thousand Vantage as an issuer, agreed to allot and issue 100 preference shares at a total subscription price of HK\$200,000,000. The preference shares confer the Group the right to receive cumulative fixed preferential dividend at a rate of 2% per annum of the subscription price up to the redemption date of 16th April, 2020. The preference shares are guaranteed by the sole shareholder of Thousand Vantage who has executed a share charge in favour of the Group relating to all shares of Thousand Vantage.

Pursuant to such subscription agreement entered into in April 2018, Thousand Vantage shall redeem the preference shares on 16th April, 2020 and at an aggregate sum of subscription price and all accrued and unpaid dividends through and including the date of payment (the “**Redemption Price**”). The Guarantor granted to the Group an exclusive right during the period commencing from the date of the issue of the preference shares up to the full payment of the Redemption Price, as may be extended by agreement between the parties from time to time to purchase all or part of the issued ordinary shares of and all or part of shareholder’s loan due by Thousand Vantage or to subscribe for new ordinary shares in Thousand Vantage.

On 9th November, 2020, the Group entered into a supplemental agreement with Thousand Vantage and the Guarantor pursuant to which the parties conditionally agreed to extend the redemption date of the preference shares from the original redemption date of 16th April, 2020 to the new redemption date of 16th April, 2022. Save for this, other principal terms of the preference shares remain the same.



Management Discussion and Analysis

On 29th March, 2021, the Group entered into a subscription agreement with Thousand Vantage and the Guarantor (the “**Subscription**”) to subscribe for 668,571,429 new ordinary shares (the “**Subscription Shares**”) of Thousand Vantage at a subscription price (the “**Subscription Price**”), being the redemption amount (the “**Redemption Amount**”) which is the aggregate sum of the subscription price for the preference shares of HK\$200,000,000 and all the accrued and unpaid dividends on the preference shares up to the date of completion.

The Subscription Price shall be paid on completion by way of offsetting against the Redemption Amount payable by Thousand Vantage for redemption of the preference shares issued by Thousand Vantage to the Group on 16th April, 2018. Upon completion of the Subscription, the Group holds approximately 65% of all the issued shares of Thousand Vantage as enlarged by the Subscription Shares, and all preference shares issued by Thousand Vantage have been fully redeemed.

The Subscription was completed on 11th October, 2021. Upon completion of the Subscription, the Group obtained control over the Thousand Vantage Group through its 65% equity interests in Thousand Vantage and the management agreement was terminated. Details of the Subscription are disclosed in the Company’s announcement dated 29th March, 2021, the Company’s circular dated 17th September, 2021 and the Company’s announcement dated 11th October, 2021.

The Subscription has been accounted for as acquisition of business using the acquisition method.

During the Current Period, no dividends arising on the preference shares (2021: HK\$2,005,000) are recognised in profit or loss as interest income from investments (included in revenue).



Management Discussion and Analysis

AFC Mercury Fund

AFC Mercury Fund principally invests in shares of companies listed on the Korea Exchange, principally STX Corporation Limited. STX Corporation Limited (stock code: 011810) is primarily engaged in the business of energy trading, commodity trading, machinery and engine trading, and shipping and logistics. The shares of the AFC Mercury Fund held by the Group represent approximately 29.71% of the issued share capital of the AFC Mercury Fund as at 30th September, 2022.

In June 2018, the Group, through its subsidiary, entered into a subscription agreement with certain independent third parties pursuant to which the Group agreed to subscribe for shares in AFC Mercury Fund, as a limited partner, at an aggregate consideration of US\$20,000,000 (equivalent to approximately HK\$156,000,000).

During the Current Period, an unrealised fair value loss of HK\$41,201,000 (2021: HK\$54,057,000) was made.

CEC Asia Media

CEC Asia Media Group L.P. ("**CEC Fund**") was organised primarily to invest, directly or indirectly, in Global K Centre Limited and Lionheart Entertainment Asia Limited and other strategical investment in relation to media, artist and beauty training academy based in South Korea. The shares of the CEC Fund held by the Group represent 20% of the issued share capital of the CEC Fund.

In December 2018, the Group, through its subsidiary, entered into a subscription agreement with the CEC Fund pursuant to which the Group agreed to subscribe for shares in CEC Fund, as a limited partner, at an aggregate consideration of US\$2,000,000 (equivalent to approximately HK\$15,600,000).

During the Current Period, there was no fair value change (2021: nil) was recognised in profit or loss. CEC Fund has zero fair value as at 30th September, 2022 (31st March, 2022: nil) as the Directors of the Company determine that such investment is unable to generate future cash flows to the Group due to significant financial difficulties of CEC Fund in recent months causing suspension of business operations and even possible cessation of business in the foreseeable future.

Petrochemical

Jiangsu Hong Mao (江蘇宏貿倉儲) (owned as to 90% by the Group)

The Group invested in Yangtze Prosperity Development (HK) Limited ("**YPD (HK)**") through the capitalisation of a loan in 2019. YPD (HK) is incorporated in Hong Kong as an investment holding company which in turn owns the entire equity interest in 江蘇宏貿倉儲有限公司, which has been granted a sea area use right in respect of a parcel of reclaimed land constructed on the relevant sea plot in Yangkou Port, Nantong, the PRC and is in the course of constructing infrastructure for operating chemical storage and related facilities thereon.

Such investment reinforces the Group's commitment towards sustainable development and it will broaden the income stream of the Group in the future. This business segment has not commenced operation as at 30th September, 2022.

Management Discussion and Analysis

Thousand Vantage (owned as to 65% by the Group)

During the Current Period, Thousand Vantage Group contributed a revenue of HK\$27,440,000 (2021: nil) and a loss of HK\$6,040,000 (2021: nil).

Thousand Vantage has become a subsidiary of the Group upon the completion of the Subscription on 11th October 2021. Thousand Vantage is an investment holding company. Its subsidiaries are principally engaged in the provision of petrochemical port and storage services as well as port-related services through operation of a terminal at Yingling Terminal Operation Area of Qinzhou Port, in Guangxi, the PRC.

Financial Institute Business

During the Current Period, the Group's financial institute business reported a segment revenue of HK\$236,000 (2021: HK\$846,000) and a segment loss of HK\$3,389,000 (2021: HK\$3,501,000).

The Group established Helios Asset Management (HK) Limited ("**Helios**"), which is principally engaged in assets management and advisory business in Hong Kong and is licensed under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) Type 4 licence (Advising on Securities) and Type 9 licence (Asset Management) from the Securities and Futures Commission. To further develop its financial institute business, the Group extended its reach to different facets of the financial services sector so as to develop an all-rounded business.

Later on, the Group acquired an insurance brokerage firm, PT Insurance Brokers Company Limited which is a member of the Hong Kong Confederation of Insurance Brokers and allowed to carry on long-term (including investment-linked) insurance lines of business in Hong Kong.

Muhabura Capital Limited ("**MCL**"), a subsidiary of the Company incorporated in Mauritius, was granted an investment banking licence by Financial Services Commission of Mauritius ("**FSC**").

The business goals of the financial institute business of the Group are to build an international financial platform that capitalises on cross-border investments between Asia and Africa. Considering the One Belt One Road initiative, the Group expects to see increasing business flows between the two continents once the COVID-19 pandemic subsides. The Group takes the view that by operating licensed entities in both Hong Kong and Africa, it will give confidence in institutional, corporate and retail customers when working with the Group.

Helios's African-focused fund is further delayed due to travel restrictions both in HK and many of the African regions.

Management Discussion and Analysis

Loan Financing Services

For the Current Period, the Group's loan financing operation reported a segment revenue of HK\$16,000 (2021: HK\$120,000) and a segment profit of HK\$3,000 (2021: HK\$107,000). As at 30th September, 2022, the loan portfolio held by the Group was nil (31st March, 2022: HK\$2,949,000).

Other Investment

During the Current Period, the Group's other investment contributed nil segment revenue (2021: nil) and a segment loss of HK\$1,241,000 (2021: segment profit of HK\$888,000).

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30th September, 2022, the Group's total assets of HK\$1,290,780,000 (31st March, 2022: HK\$1,600,250,000) represented a decrease of approximately 19.3% when compared with the last period.

As at 30th September, 2022, equity attributable to owners of the Company amounted to HK\$441,459,000 (31st March, 2022: HK\$558,807,000), representing a decrease of HK\$117,348,000 or 21% as compared to 31st March, 2022. The decrease was mainly due to the unrealised fair value loss of financial instruments, in particular, the Group's investment in AFC Mercury Fund.

The Group continued to adopt a prudent funding and treasury policy to manage its liquidity needs. The objective is to maintain adequate funds for financing working capital and capture investment opportunities as and when they become available.

As at 30th September, 2022, current assets and current liabilities of the Group were HK\$223,945,000 (31st March, 2022: HK\$338,789,000) and HK\$696,118,000 (31st March, 2022: HK\$311,417,000) respectively. Accordingly, the Group's current ratio was about 0.3 (31st March, 2022: 1.1).

Gearing Ratio

As at 30th September, 2022, the Group had bank balances and cash of HK\$93,585,000 (31st March, 2022: HK\$109,590,000) and bank and other borrowings of HK\$141,376,000 (31st March, 2022: HK\$165,290,000). The Group's gearing ratio was 10.8% at 30th September, 2022 (31st March, 2022: 10%). The gearing ratio is calculated on the basis of net borrowings over the equity attributable to owners of the Company. Net borrowings are arrived at by deducting bank deposits, bank balances and cash from borrowings.

Management Discussion and Analysis

Material Acquisitions or Disposals and Future Plans for Material Investments

There were no material acquisitions or disposals of subsidiaries, associates or joint ventures during the Current Period nor were there material investments authorised by the Board at the date of this report.

Foreign Currency Management

The monetary assets and liabilities as well as business transactions of the Group are mainly denominated in Hong Kong dollars, Korean Won, Renminbi, United States dollars and British Sterling. During the Current Period, the Group entered into foreign currency forward contracts and currency swaps for hedging purposes. Appropriate measures would be undertaken by the Group when exchange rate fluctuations become significant.

Litigation

As at 30th September, 2022, the material litigations that the Group has been involved are listed below.

Litigations in relation to sale and leaseback arrangements

The Group received civil complaints filed by Lianwei (Shanghai) Finance Lease Limited* (聯蔚(上海)融資租賃有限公司) (“**Lianwei**”) in respect of disputes over the sale and leaseback arrangements entered into with Lianwei.

- (i) In February 2022, Guangming received a civil complaint filed by Lianwei in respect of a dispute over the sale and leaseback arrangements of two oil storage tanks. Under the civil complaint, Lianwei requested the court to order Guangming to pay the due and unpaid rent of RMB673,000 (equivalent to HK\$830,000) and the full amount of remaining rent for the remaining lease period of RMB106,273,000 (equivalent to HK\$117,607,000), late default payments thereon and other related litigation costs. Guangming has already paid the abovementioned due and unpaid rent of RMB673,000 (equivalent to HK\$830,000) in February 2022. Details are disclosed in the Company’s announcement dated 28th February, 2022.

On 29th November, 2022, the Company received a judgement from the Shanghai Financial Court dated 17th November, 2022 that Guangming is liable to:

- (1) pay the full amount of remaining rent for the remaining lease period of RMB106,273,000 (equivalent to HK\$117,607,000);
- (2) pay the penalty for breach of contracts of approximately RMB3,000 (equivalent to HK\$3,000), late default payments of RMB10,202,000 (equivalent to HK\$11,290,000) up to 17th November, 2022 (being the date of court judgement) and the late default payment accrued thereon from 18th November, 2022 until the date of payment;

* For identification purposes only

Management Discussion and Analysis

- (3) bear the costs of Lianwei's legal fees being RMB100,000 (equivalent to HK\$111,000);
- (4) bear the other litigation cost of RMB582,000 (equivalent to HK\$644,000).

Based on the advice from the PRC legal advisers, there are valid grounds to appeal and Guangming will appeal the judgement.

In addition, during the six months ended 30th September, 2022, Guangming received a property preservation order from the court in relation to certain assets with aggregate value of RMB107,049,000 (equivalent to HK\$118,466,000). Up to the date of approval for issuance of the condensed consolidated financial statements, the court has not disclosed the details of the assets that are subject to property preservation order.

- (ii) In June 2022, Guangming received a civil complaint filed by Lianwei in respect of a dispute over the sale and leaseback arrangement of one oil storage tank. Under the civil complaint, Lianwei requested the court to order Guangming to pay the due and unpaid rent of RMB35,500,000 (equivalent to HK\$39,286,000), default payments thereon and other related litigation costs. Details are disclosed in the Company's announcement dated 28th June, 2022.
- (iii) In October 2022, Guangming received a civil complaints filed by Lianwei in respect of a dispute over the sale and leaseback arrangement of one oil storage tank. Under the civil complaint, Lianwei requested the court to order Guangming to pay the full amount of remaining rent for the remaining lease period of RMB58,465,000 (equivalent to HK\$64,700,000), default payments thereon and other related litigation costs. Details are disclosed in the Company's announcement dated 28th October, 2022.

As disclosed in note 17, in view of the civil complaints, the relevant lease liabilities are classified as current liabilities as at 30th September, 2022. However, based on the advice from the PRC legal advisers, the directors of the Company consider that the Group is not probable to be legally liable to immediately repay the remaining lease payments of HK\$208,281,000 as a result of the enforcement order and property preservation orders issued by the court.

Litigation in relation to debt dispute

In July 2022, Guangming and three of its subsidiaries in the PRC (the "**Guangming Subsidiaries**"), and an individual (the "**Individual**"), received a civil complaint filed by a civil litigant (the "**Civil Litigant**") in respect of the dispute over loans provided to the Individual. Under the civil complaint, the Civil Litigant has requested the court to order Guangming and the Individual jointly to pay to the Civil Litigant the principal debt amount of RMB110,658,000 (equivalent to HK\$122,460,000), late default payment thereon of RMB19,558,000 (equivalent to HK\$21,644,000) and other related litigation costs. Details are disclosed in the Company's announcement dated 28th October, 2022.

In addition, Guangming and the Guangming Subsidiaries received a property preservation order from the court in relation to their property, plant and equipment, right-of-use assets and bank balances. As at 30th September, 2022, the Group's property, plant and equipment of HK\$384,000, right-of-use assets of HK\$32,075,000 and bank balances of HK\$2,850,000 are restricted as a result of the property preservation order.

Management Discussion and Analysis

The directors of the Company consider that the Civil Litigant had only entered into loan agreements with the Individual and had only provided loans to the Individual and not to Guangming. The Individual is not a director nor the legal representative of Guangming or the Guangming Subsidiaries, and no evidence has been provided by the Civil Litigant to show that such loan amounts were used in the production operations of Guangming. Based on the advice from the PRC legal advisers, the directors of the Company consider that it is not probable that the Group will be legally liable to aforesaid loans principal, late default payment and the other related litigation costs.

Pledge of assets and restrictions on assets

Pledge of assets

The Group's borrowings had been secured by the pledge of the Group's assets and the carrying amounts of the respective assets are as follows:

	At 30th September, 2022 HK\$'000	At 31st March, 2022 HK\$'000
Property, plant and equipment	24,541	25,720
Right-of-use assets	297,352	340,792
	321,893	366,512

Restrictions on assets

Details of the Group's restrictions on assets are as follows:

- (i) As at 31st March, 2022, bank balances of HK\$39,151,000 located in bank accounts in the PRC were restricted due to a litigation of Guangming with a construction company in the PRC involving the outstanding payment in relation to the fee for construction of port infrastructure as disclosed in note 15. The restriction was released upon settlement of the legal case under a civil mediation in May 2022.
- (ii) During the six months ended 30th September, 2022, the Group received a property preservation order from a court in the PRC as a result of a litigation of Guangming together with the Guangming Subsidiaries. Details of the litigation are disclosed in note 23. As at 30th September, 2022, the Group's property, plant and equipment of HK\$384,000, right-of-use assets of HK\$32,075,000 and bank balances of HK\$2,850,000 are restricted as a result of the property preservation order. In addition, as disclosed in note 23, up to the date of approval for issuance of the condensed consolidated financial statements, the court has not disclosed the details of the assets that are subject to property preservation order in a litigation in relation to sale and leaseback arrangement.

Management Discussion and Analysis

Contingent Liabilities

As at 30th September, 2022, the Group had no significant contingent liabilities (31st March, 2022: nil).

Capital Commitments

At the end of the reporting period, the Group had the following capital commitments:

	At 30th September, 2022 <i>HK\$'000</i>	At 31st March, 2022 <i>HK\$'000</i>
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	76,142	67,878

Securities in Issue

As at 30th September, 2022, there were 2,018,282,827 shares in issue. There was no change in the capital structure of the Company during the Current Period. The share capital of the Company only comprises of ordinary shares.

Interim Dividend

The Board resolved not to recommend the payment of an interim dividend for the Current Period (2021: nil).

EMPLOYEES AND REMUNERATION POLICY

As at 30th September, 2022, the Group had a total of 191 employees (including executive Directors) (as at 31st March, 2022: 207 employees (including executive Directors)). The Group's remuneration policy is to ensure that the Group's remuneration structure is appropriate and aligns with the Group's goals and objectives. The employees' remuneration is based on the employees' skill, knowledge and involvement in the Company's affairs and is determined by reference to the Company's performance, as well as remuneration benchmark in the industry and the prevailing market conditions. The ultimate objective of the remuneration policy is to ensure that the Group is able to attract, retain and motivate a high-calibre team which is essential to the success of the Company. The Group also offers benefits to employees including discretionary bonus, training and provident funds. The share option scheme of the Company is established for the eligible participants (including employees). No share option was granted during the Current Period and there was no outstanding share option as at 30th September, 2022 and as at the date of this report.

Management Discussion and Analysis

PROSPECTS

Since the last reporting period, most of the world has reopened and adopted a “living with covid” attitude, except for parts of Asia including Hong Kong, China, Japan and Taiwan which were still in partial locked down.

Despite most of the world reopening for business, the global economy was met with very strong headwinds. The Russian – Ukraine war not only immediately place the European block in political and economic turmoil, but the ripple effects were also felt all around the world. With Ukraine being a major food and grain supplier, the war disrupted the food supply and magnified the global inflationary backdrop. Coupled with the already tight freight and the logistic market we saw strong inflation across the board. The world saw a very quick uptick in inflation with the U.S. recording 8% in the first quarter of 2022.

With the backdrop of strong CPI numbers and relentless inflation, the US Federal Reserve decided to make aggressive interest rate increases raising the cost of borrowing most aggressively in four decades.

Despite the Group being prudent during the pandemic and component/logistics shortage, the weakened currency market, and the instability of the political and economic situation caused a lot of uncertainties around all of the Group’s businesses.

China’s continued COVID-19 lockdowns and isolation began to weaken both its domestic and international consumption story thus hurting the demand for commodities. Our petrochemical oil terminal and storage business which is seen as a bell weather for economic activities, saw reduced activities and pricing pressure as China cleared inventory during reduced global economic activities caused by the prolonged effects of COVID-19 and rising global interest rates.

Cupral, the Group’s new subsidiary in the UK, saw a lot of volatility during the period. The business struggled to perform due to rapidly rising UK energy costs, freight costs, falling copper prices and a steep depreciation of the British pound. The management team of the Group along with Cupral’s worked hard and took aggressive cost cutting measurement initiated over the summer period to boost efficiency and helped streamline the business during this period of difficulty in the UK. The Group continues to believe in the long-term prospect of the metal recycling industry and the role it has in our new world.

The Group believes that the Global economy will remain risky in the foreseeable future while it readjusts to normalised interest rates. During these times, the Group will continue to take a conservative approach and will periodically review the viability of its business units. The Group will focus on economies where economic activities and saving rates are higher, expecting that the economic rebound will be stronger in these countries.

Supplementary Information

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th September, 2022, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or, as the case may be, the percentage in the equity interest and debentures of the Company or its associated corporations (within the meaning of the SFO), which were required (i) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO), (ii) pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange were as follows:

Long positions in shares, underlying shares and debentures of the Company

Name of Director	Capacity	Number of shares held	Approximate percentage of the issued share capital of the Company
Mr. Ching Man Chun, Louis ("Mr. Ching")	Beneficial owner Interest of controlled corporation	100,000,000 488,000,000 (Note)	4.95% 24.18%

Note:

Champion Choice Holdings Limited ("Champion Choice"), which is the registered holder of 488,000,000 shares of the Company, is wholly-owned by Mr. Ching. Accordingly, Mr. Ching is deemed to be interested in 488,000,000 shares of the Company directly held by Champion Choice under the SFO.

Save as disclosed above, as at 30th September, 2022, none of the Directors and chief executive of the Company or any of their close associates had any interests and short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations as recorded in the register required to be maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

On 20th August, 2021, the Company has adopted a new share option scheme (the "Share Option Scheme"), which replaced an old share option scheme that expired on 18th August, 2021.

The purpose of the Share Option Scheme is to provide incentive or reward to eligible persons for their contributions to, and continuing efforts to promote the interests of, the Company or any of its subsidiaries and/or any of its invested entities.

Supplementary Information

Pursuant to the Share Option Scheme, the Board may, on or before 19th August, 2031, in its absolute discretion, subject to the terms of the Share Option Scheme, offer to grant share options to, inter alia, (i) employees (whether full time or part time), executive or non-executive directors of the Company or any of its subsidiaries or any of its invested entities; (ii) any shareholders of the Company or any of its subsidiaries or any of its invested entities; (iii) any advisors (professional or otherwise), consultants, any person or entity who has contributed or will contribute to the growth and development of the Group; (iv) suppliers; (v) customers; (vi) any person or entity that provides research, development or other technological support to any member of the Group or any of its invested entities; and (vii) joint venture partners, business alliance partners or any person or entity who has contributed or may contribute by way of other business arrangement to the development and growth of the Group. As at the date of this report, the total number of shares available for issue under the Share Option Scheme is 201,828,282 shares, which represented approximately 10% of the number of shares in issue of the Company as at the date on which the Share Option Scheme was adopted at the annual general meeting of the Company held on 20th August, 2021.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) adopted by the Group shall not, in aggregate, exceed 30% of the share capital of the Company in issue from time to time.

The exercise price in respect of any options shall be at the discretion of the Board (subject to any adjustments made pursuant to the Share Option Scheme), provided that it shall not be lower than the nominal value of the shares of the Company and shall be the highest of (i) the closing price of the shares of the Company as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of the offer, which must be a business day; and (ii) the average closing price of the shares of the Company as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the offer.

The Board may in its absolute discretion determine the period in respect of any options, save that such period shall not be more than 10 years from the date of the grant of option, and the minimum period for which a share option must be held before it can be exercised. Unless otherwise determined by the Board and stated in the offer to a grantee, the Share Option Scheme does not specify a minimum period for which an option must be held nor a performance target which must be achieved before an option can be exercised.

The Share Option Scheme shall be valid and effective for a period of ten years commencing on the adoption date i.e. 20th August, 2021. The total number of shares issued and to be issued upon exercise of the share options granted to each participant except for independent non-executive directors and substantial shareholders of the Company (including exercised, cancelled and outstanding options) within any 12-month period under the Share Option Scheme and any other share option scheme(s) of the Company and/or any of its subsidiaries shall not exceed 1% of the number of shares in issue of the Company for the time being.

Supplementary Information

Any grant of share options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all share options already granted and to be granted (including share options exercised, cancelled or outstanding) to such person in the 12-month period up to and including the date of such grant: (i) representing in aggregate over 0.1% of the number of shares in issue on the date of such grant; and (ii) having an aggregate value, based on the closing price of the shares as stated in the Hong Kong Stock Exchange's daily quotations sheets on each relevant date on which the grant of such options is made to (and subject to acceptance by) such person under the relevant scheme, in excess of HK\$5 million, such further grant of share options shall be subject to prior approval by resolution of the shareholders of the Company (voting by way of poll).

An offer under the Share Option Scheme shall remain open for acceptance by the eligible participant concerned for 21 days from the date of the grant of option. A consideration of HK\$1.00 is payable on acceptance of the offer of the grant of share option.

No share option under the Share Option Scheme was granted, cancelled, exercised or lapsed during the Current Period nor outstanding as at 30th September, 2022. At the date of this report, there were a total of 201,828,282 shares available for issue under the Share Option Scheme, which representing approximately 10% of the existing issued share capital of the Company.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

Save as disclosed below, as at 30th September, 2022, the Directors and chief executive of the Company are not aware of any person who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Substantial Shareholders	Capacity	Number of issued shares held	Approximate percentage of the issued shares of the Company
Mr. Ching	Beneficial owner	100,000,000	4.95%
	Interest of controlled corporation	488,000,000 (Note)	24.18%
Champion Choice	Beneficial owner	488,000,000 (Note)	24.18%

Note:

Champion Choice is the registered holder of 488,000,000 shares of the Company. Mr. Ching, a director of the Company is also a director of Champion Choice, who owns the entire issued share capital of Champion Choice. Accordingly, Mr. Ching is deemed to be interested in 488,000,000 shares of the Company directly held by Champion Choice under the SFO.

Supplementary Information

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed under the section headed "Litigation", there was no significant subsequent event during the Current Period.

INTERIM DIVIDEND

The Board resolved not to recommend the payment of an interim dividend for the Current Period (six months ended 30th September, 2021: nil).

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

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

CORPORATE GOVERNANCE

The Company has, throughout the six months ended 30th September, 2022, complied with the code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules except for the following deviations with reason as explained:

Code Provision C.2.1 of Part 2 of the CG Code

Under the code provision C.2.1 of Part 2 of the CG Code, it stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

Deviation

Mr. Ching Man Chun, Louis, an executive Director of the Company, has taken up the positions of the Chairman of the Board and the Managing Director of the Company with effect from 30th September, 2017. The Board considers that vesting the roles of chairman and chief executive in the same person enables more effective and efficient planning and implementation of business plans, the Board also believes that the balance of power and authority is adequately ensured.

Supplementary Information

Code Provision F.2.2 of Part 2 of the CG Code

Under the code provision F.2.2 of Part 2 of the CG Code, it provides that the Chairman of the Board should attend the annual general meeting of the Company.

Deviation

Mr. Ching Man Chun, Louis, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 5 August 2022 (the “**2022 AGM**”) due to other important business engagement. Mr. Heinrich Grabner, an executive Director, was appointed to chair the 2022 AGM in replying to questions raised by shareholders of the Company at the 2022 AGM.

Code Provision C.1.6 of Part 2 of the CG Code

Under the code provision C.1.6 of Part 2 of the CG Code, it requires that independent non-executive directors and other non-executive directors shall attend general meetings to gain and develop a balanced understanding of the views of shareholders.

Deviation

Mr. Lam Yik Tung, an independent non-executive director, was unable to attend the 2022 AGM due to other business commitment. Other respective chairman or members of the audit committee, remuneration committee and nomination committee of the Company were present at the 2022 AGM to ensure effective communication with shareholders of the Company at such meeting.

Except as stated above, the Company has continued to comply with the applicable code provisions of the CG Code. The Board will continue to monitor and review the Company’s corporate governance practices to ensure compliance with the CG Code.

CHANGES IN INFORMATION IN RESPECT OF DIRECTOR(S)

Pursuant to Rule 13.51B of the Listing Rules, the changes in information of Directors subsequent to the date of the 2022 Annual Report of the Company are set out below:

With effect from the conclusion of the annual general meeting of the Company held on 5 August 2022, Ms. Xu Wei retired as an executive director of the Company in accordance with the Company’s bye-laws.

Mr. Heinrich Grabner, currently an executive director of the Company, has been appointed to act as a Deputy Chairman of the Board with effect from 1 September 2022.

Save as disclosed above, there is no change in information of Directors that is required to be disclosed pursuant to Rule 13.51B of the Listing Rules.

Supplementary Information

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

The audit committee of the Company was established with written terms of reference in accordance with Appendix 14 to the Listing Rules. The audit committee is delegated by the Board to be responsible for reviewing the accounting policies and practices adopted by the Group as well as reviewing financial controls, risk management and internal control systems of the Company. There were no disagreements from the audit committee on the accounting policies adopted by the Company.

The audit committee is comprised of three independent non-executive directors namely Mr. Wong Yee Shuen, Wilson (Chairman of the audit committee), Mr. Yam Kwong Chun and Mr. Lam Yik Tung. The audit committee has reviewed the unaudited interim results of the Company for the six months ended 30th September, 2022.

On behalf of the Board

Ching Man Chun, Louis

Chairman and Managing Director

Hong Kong, 30th November, 2022