



中國動力
China Dynamics

China Dynamics (Holdings) Limited
中國動力（控股）有限公司

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



2019/20
Interim Report

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Corporate Information

DIRECTORS

Executive Directors

Mr. Cheung Ngan (*Chairman*)
Ms. Chan Hoi Ying

Non-Executive Director

Mr. Zhou Jin Kai

Independent Non-Executive Directors

Mr. Chan Francis Ping Kuen
Mr. Hu Guang
Dato' Tan Yee Boon

AUDIT COMMITTEE

Mr. Chan Francis Ping Kuen
Mr. Hu Guang
Dato' Tan Yee Boon

AUDITOR

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LEGAL ADVISOR IN HONG KONG

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STOCK CODE

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PRINCIPAL REGISTRAR

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Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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333 Lockhart Road
Wanchai, Hong Kong

AUTHORISED REPRESENTATIVE

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

COMPANY SECRETARY

Ms. Lo Lai Man, CPA

PRINCIPAL BANKER

Bank of Communications Co., Ltd
Hang Seng Bank Limited

WEBSITE

www.chinadynamics.com

Management Discussion and Analysis

The board of directors (the “Board”) of China Dynamics (Holdings) Limited (the “Company”) is pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2019.

RESULTS

During the period ended 30 September 2019, the Group recorded revenue of approximately HK\$2.7 million (30 September 2018: HK\$0.3 million) derived from the sale of motor vehicles and batteries. Gross profit of approximately HK\$0.1 million (30 September 2018: HK\$0.01 million) with the gross profit ratio at 3.3% (30 September 2018: 3.2%). The increase in revenue and gross profit on the sales of motor vehicles was the result of an increase in sales orders and better economy of scale. Details of the Group’s current developments are set out in the section headed “Business Review” below.

The Group recorded a loss of approximately HK\$38.8 million for the period from continuing operations as compared to a loss of approximately HK\$53.6 million for the corresponding period. The decrease in loss was mainly due to the decrease in administrative and other expenses to approximately HK\$47.7 million (30 September 2018: HK\$54.0 million) and increase in net reversal of impairment loss on trade receivables to approximately HK\$1.7 million (30 September 2018: HK\$0.05 million) and reversal of impairment loss on prepayments to approximately HK\$4.9 million (30 September 2018: nil). There was a loss from discontinued operations in Chile of approximately HK\$2.8 million (30 September 2018: HK\$5.1 million) as detailed in the “Ores Processing and Trading” segment under the “Business Review”.

The loss attributable to owners of the Company was approximately HK\$37.4 million (30 September 2018: HK\$51.6 million). Basic and diluted loss per share for the period was HK\$0.01 per share (30 September 2018: HK\$0.01 per share).

INTERIM DIVIDEND

The Directors of the Company do not recommend the payment of any interim dividend for the six months ended 30 September 2019 (30 September 2018: nil).

Management Discussion and Analysis

BUSINESS REVIEW

Electric bus (“eBus”) and electric vehicles (“EVs”)

Chongqing Suitong New Energy Automotive Manufacturing Co., Ltd. (“Suitong”), a subsidiary which is principally engaged in the manufacturing of whole electric buses along with the entire electric power system and control system, the manufacturing of other buses, and the marketing and selling of vehicle components.

Due to the ongoing new policies and measures promulgated periodically, together with relevant government subsidy issues in the People’s Republic of China (the “PRC”), making the EVs market in the PRC has become highly competitive. However, as mentioned in the last annual report, the subsidy program will be a lot less significant in this financial period and will be more favorable to Suitong in obtaining reasonable orders. As such, Suitong has already been able to obtain purchase confirmation from Wulong County for our 8.5 meter buses, the orders is now going through official procedure and is expected to be issued to Suitong very soon. Although the EVs market in the PRC remains highly competitive as of this moment, the Group always believes that the market potential is big and that Suitong will be able to capture a rewarding return from the PRC in the future years to come.

As discussed in the last annual report, Suitong will respond to the current market situation in the PRC, and will diversify its business into overseas markets rather than rely solely on the PRC market. In September 2019, the Group obtained orders and is expected to deliver two smart electric buses to the Hong Kong Productivity Council in early 2020 for trial use by the Airport Authority Hong Kong and the Hong Kong Anti-Cancer Society.

Also, the Group had obtained several orders from South East Asia and South America for different EVs products. The Group is highly confident that sizable bulk orders will be concluded after those trial orders products are delivered no later than early next year. In addition, the Group is now negotiating trial orders of our logistic vehicles and buses to Europe and is expected to be concluded soon. Again, the Group is highly confident that more orders from Europe will be obtained after the trial period of this first lot of orders.

For the period under review, those new orders from the PRC and overseas market were not recorded since such orders were still in the production phases, hence the revenue for the period under review changed negligibly. With the overseas market orders continuously coming in, the Group is very optimistic that a fast market roll out plan can be successfully carried out within a foreseeable time.

Management Discussion and Analysis

The main building blocks of the new plant in Qijiang District of Chongqing have been completed. Installation of production equipment will be conducted on a need basis in order to allocate more working capital for the new EVs orders likely to come in shortly. The Group is still utilising the existing production plant and will continue to install production facilities once it is needed.

In May 2019, the Group entered into several cooperation arrangements for the electric boat (the “Eboat”) business. As for the Eboat projects undertaken by the Group, the whole development cycle, including custom design, relevant sourcing and construction, certification of classification, etc, will require time to progress. Currently, the Group is exploring several harbour routes in Hong Kong with serious negotiations underway. Should there be any final contract concluded, the Company will publish suitable and timely business updates.

Mining and production of mineral products

The Company’s wholly-owned subsidiary, Guangxi Weiri Mining Company Limited (the “Guangxi Weiri”), held a glauberite mine located in Guangxi Zhuang Autonomous Region, the PRC (the “Glauberite Mine”). The product of the Glauberite Mine is thenardite which is an important raw material used in chemical and light industrial manufacturing. As mentioned in the last annual report, the land acquisitions for the factory as well as for road access have been progressing at a much slower pace than expected. An accumulated expenditure of approximately RMB18.5 million was incurred for the construction of an access road to the factory site. No other significant exploration, development or production activity was conducted for the Glauberite Mine during the period ended 30 September 2019. The mineral resources have not changed since its acquisition on 28 February 2014. Details of the resources are stated in the “Mineral Resources and Ore Reserves” section below.

Guangxi Weiri has completed the purchase of land use rights covering 63,118 square meters of land for RMB7.6 million. Another RMB8.4 million has been paid for approximately 100,000 square meters of land for a factory site, however, relevant land use rights have not been issued as processing of land management by the local government is continuing. Procedure for approximately 41,500 square meters of land for road access have also been completed but no payment has been made to the government since the land use rights of the second parcel of land as stated above is still pending approval. Guangxi Weiri is working closely with the local government to resolve the land issue, and hopes to obtain access to the land even without receiving relevant land use rights. However, Guangxi Weiri will weigh the relevant risks involved before any construction work is carried out. Guangxi Weiri is considering all options, including the possibility of negotiating with the local government for taking over a nearby abandoned thenardite processing plant so as to resolve the long-term land issues. Although that plant is not within the Guangxi Weiri mine site, after careful assessment, it shall be feasible both from the resources geotechnical and government administrative perspectives. Guangxi Weiri will carefully assess this possibility and will reduce risks, if any, by strictly controlling the relevant capital expenditure that may be involved.

Management Discussion and Analysis

The Group has closely monitored the Glauberite Mine development and has periodically assessed its resources, financial viability, and general condition. The management has conducted regular financial analysis, taking into account its resources, technical parameters and market situation so as to assess the mining asset's overall situation. The Group will also engage a qualified independent valuer to assess its fair value annually. Given the Glauberite Mine's distinct advantage in terms of its immense resources, strategic location and market potential, the Group remains highly confident that it is a unique and valuable asset.

Mineral resources and ore reserves

As at 30 September 2019, the Company, through its wholly-owned subsidiary in the PRC, held a glauberite mine in Guangxi. The following table sets out the mineral information of the mine as at 30 September 2019:

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

Management Discussion and Analysis

Metals and minerals trading

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

Ores processing and trading

As discussed in previous annual reports, the Group together with its joint venture partners, considered discontinuing the operation of Minera Catania Verde S.A. (“Verde”) since 16 December 2017. Hence the major classes of non-current assets of Verde are classified as held for sale, and separated from other assets in the condensed consolidated statement of financial position. Its financial performance is presented in the condensed consolidated statement of profit or loss and other comprehensive income separately from the continuing operations. During the reporting period, the Group has received and accepted an offer letter from an independent third party that they are willing to purchase those non-current assets of Verde for US\$1.5 million (equivalent to approximately HK\$11.8 million). The legal procedure on transferring the assets is time consuming but is in progress and is targeted to be completed before the end of 2019.

After the disposal of the assets and settlement of the outstanding liabilities of Verde, the Group will commence the voluntary liquidation of Verde and its related companies accordingly.

DISPOSAL OF ENTIRE EQUITY INTEREST IN RIMAC

On 16 August 2019 and 4 September 2019, the Company entered respectively into a share purchase agreement and a supplemental agreement with a purchaser, pursuant to which the Company conditionally agreed to sell its equity interest in Rimac Automobili d.o.o. (the “Rimac”), at an aggregate consideration of EUR11.25 million (equivalent to approximately HK\$99.0 million) by cash (the “Disposal”). Rimac is a company incorporated in the Republic of Croatia with limited liability and is principally engaged in the development, manufacturing, and sale of electric sports cars, drivetrains and battery technology systems for use in vehicles, bicycles and other motor vehicles. The Company had approximately 7.19% equity interest in Rimac.

The Disposal was completed on 9 September 2019. The investment in Rimac was previously stated as financial assets at fair value through profit or loss, and there was no gain or loss on the Disposal during the period.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

The directors have considered various ways of raising funds and have determined that the placings of shares represent an attractive opportunity for raising capital for the Company, while broadening its shareholder base and capital base. During the period ended 30 September 2019, the Group has earned support to raise funds by placing new shares. These additional funds serve as significant financial support for enhancing liquidity and future development.

As at 30 September 2019, the net asset value of the Group amounted to approximately HK\$2,772.2 million (31 March 2019: HK\$2,920.0 million). The gearing ratio of the Group was nil as no bank borrowings as at 30 September 2019 (31 March 2019: nil) and the equity attributable to owners of the Company was approximately HK\$2,769.1 million (31 March 2019: HK\$2,914.0 million).

As at 30 September 2019, the Company has (i) outstanding convertible notes in the principal amount of HK\$883.1 million (31 March 2019: HK\$1,687.5 million) which could be converted into 1,177,413,600 shares (31 March 2019: 2,250,000,000 shares) of the Company based on the conversion price of HK\$0.75 per share subject to the conversion restriction set out in the terms of the convertible notes in relation to the compliance with the relevant requirements of the Hong Kong Code on Takeovers and Mergers and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"); and (ii) outstanding share options entitling participants to subscribe for a total of 407,500,000 shares (31 March 2019: 423,000,000 shares) of the Company, for which 334,080,000 shares (31 March 2019: 335,080,000 shares) are vested.

The operating cash flows of the Group are mainly denominated in HK dollars, Renminbi and US dollars. Certain bank deposits, receivables and payables of the Group are denominated in Renminbi, US dollars and Euro. As at 30 September 2019, the Group had unpledged cash and bank balances of approximately HK\$141.5 million (31 March 2019: HK\$21.7 million), of which 20.2% (31 March 2019: 60.6%) was denominated in HK dollars, 69.9% (31 March 2019: nil) was denominated in Euro, 6.1% (31 March 2019: 37.7%) was denominated in Renminbi and 3.8% (31 March 2019: 1.1%) was denominated in US dollars.

During the current period, the exchange rate of the Renminbi depreciated by approximately 6.5% against the HK dollar. This had a negative impact on the results of the Group on the translation of the Group's assets that are denominated in Renminbi. The Group has not entered into any foreign currency exchange forward contracts for hedging purposes for Renminbi during the period. Foreign exchange exposure in respect of US dollars is considered to be minimal as the exchange rate between HK dollars and US dollars is pegged. Foreign exchange exposure in respect of Euro is also considered to be minimal as it is derived from the Disposal and is not an ordinary business of the Group. The Group will closely monitor its currency exposure and, when it considers appropriate, will take the necessary actions to ensure that such exposure is properly hedged.

Management Discussion and Analysis

USE OF PROCEEDS

On 8 January 2019, the Company, through a placing agent, issued 330,000,000 new shares to not less than six independent third parties at a price of HK\$0.10 per share under the general mandate granted to the directors of the Company. The net proceeds from the placing after deducting all relevant expenses were approximately HK\$32.3 million. The net proceeds have been utilized in full as intended, as outlined below:

	Actual use of proceeds up to the date of this report HK\$'000 (approximately)	Remaining proceeds HK\$'000
General working capital for the settlement of administrative expenses	31,500	–
Development of the electric vehicle business in the PRC	800	–
	<u>32,300</u>	<u>–</u>

On 6 May 2019, the Company, through a placing agent, issued 670,000,000 new shares to not less than six independent third parties at a price of HK\$0.11 per share under the general mandate granted to the directors of the Company. The net proceeds from the placing after deducting all relevant expenses were approximately HK\$70.6 million, which were used as below:

	Actual use of proceeds up to the date of this report HK\$'000 (approximately)	Remaining proceeds HK\$'000 (approximately)
General working capital for the settlement of administrative expenses	31,300	10,000
Development of the electric vehicle business in the PRC	9,300	20,000
	<u>40,600</u>	<u>30,000</u>

Management Discussion and Analysis

All net proceeds have been applied to the intended uses. The remaining proceeds is currently kept in an interest bearing bank account and is expected to be used as intended in the coming twelve months.

PROSPECTS

The Group believes that the new energy sectors are definitely a focus of global interest and a major trend in improving air pollution and enhancing economic sustainability. With the Group's diversification of business into overseas export markets, it is confident that the eBus and EVs business will grow at a fast pace contributing to overall revenue and elevating the Group's business to the next level. Also with its entry into other sectors like Eboat and other new energy business, such endeavors possess the potential for widening the Group's scope of business, and hence its future opportunities. The Group is well positioned and confident in developing the market, and is also capable of expanding and capturing opportunities as they arise.

The product of the Glauberite Mine is thenardite, which is an important raw material used in the chemical and light industrial manufacturing industries. The Group expects that there will be increasing thenardite demand from the PRC market as the result of ongoing urbanisation and in ASEAN due to its economic growth. Furthermore, industry consolidation and the efforts of the Industry Alliance will facilitate a greater market rationalization. The Group therefore believes that the Glauberite Mine is a valuable asset and will continue to regularly assess its resources, financial viability and general condition.

SHARE REPURCHASE

Consistent with the management's commitment in enhancing the net asset value of the Company and protecting its long-term interest, a share repurchase exercise was implemented. During the current period and up to the date of this report, 155,320,000 ordinary shares acquired at an aggregate price of approximately HK\$17.3 million. These repurchased shares represented approximately 2.18% of the total number of issued shares of the Company, which have subsequently been cancelled. As the Board considers that the value of the Company's shares is consistently undervalued, it trusts that the action taken will go towards addressing this trend. The Board also believes that given the current financial resources of the Company, the share repurchase will not materially affect the Company's financial position.

CHARGES ON THE GROUP'S ASSETS AND CONTINGENT LIABILITIES

The Group provided a guarantee to a financial institution in Chongqing for certain of its customers on the purchase of motor vehicles. In the event that such customers default, the Group would be required to compensate the financial institution for the outstanding receivables from the customers. As at 30 September 2019, the Group's maximum exposure to the arrangement was RMB0.8 million (31 March 2019: RMB2.7 million). During the period ended 30 September 2019, no payment has been made by the Group (31 March 2019: nil) to the financial institution owing to customer default. Management considers the probability of default to be low and in case of default, the expected cash outflows of the Group would be insignificant. Therefore, no provision has been made for the guarantee.

Save as disclosed herein, there was no other charge on the Group's assets and the Group did not have any significant contingent liabilities as at 30 September 2019.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2019, the Group employed 140 (31 March 2019: 154) full time managerial and skilled staff principally in Hong Kong and the PRC.

The Group remunerates and provides benefits for its employees based on current industry practice. Discretionary bonus and other individual performance bonus are awarded to staff based on the financial performance of the Group and performance of individual staff. In the PRC, the Group provides staff welfare for its employees in accordance with prevailing labour legislation. In Hong Kong, the Group provides staff benefits including the mandatory provident fund scheme and medical scheme. In addition, share options are granted to eligible employees in accordance with the terms of the Company's share option scheme.

Management Discussion and Analysis

SHARE OPTION SCHEME

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

During the current period, no options were granted and no ordinary shares were issued in relation to the share options exercised by participants under the Share Option Scheme of the Company. Details of the Share Option Scheme are set out in note 23 to the condensed consolidated interim financial statements.

SHARE AWARD PLAN

The Company adopted the Share Award Plan on 8 May 2019.

The purpose of the Share Award Plan is to recognise and reward the contribution of eligible participants to the growth and development of the Group, to give incentives to eligible participants in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group. The Share Award Plan is a discretionary scheme of the Company and does not constitute a share option scheme under Chapter 17 of the Listing Rules. No shareholders' approval is required for adoption of the Share Award Plan.

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

Neither the trustees of the Share Award Plan nor any Selected Participants may exercise the voting rights in respect of any shares held on trust under the Share Award Plan that have not yet vested.

Management Discussion and Analysis

The Board may from time to time, at its discretion, determine the earliest vesting date and other subsequent dates on which the trustee may vest the legal and beneficial ownership of the awarded shares, and/or any conditions or performance targets, if any, to be attained by the relevant Selected Participants, before any of the awarded shares may be transferred to and vested in such Selected Participants.

The Share Award Plan shall be valid and effective for a period of 10 years commencing from the Adoption Date but may be terminated earlier as determined by the Board, provided that such termination shall not affect any subsisting rights of any Selected Participants.

During the reporting period, no share awards had been granted under the Share Award Plan.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Movements of the outstanding share options to the directors as at 30 September 2019 were as follows:

Name of Director	Date of grant	Exercise Price (HK\$)	Number of share options		
			At 1 April 2019	Granted/ (lapsed)	At 30 September 2019
Mr. Cheung Ngan	16 December 2009	0.46	1,200,000	–	1,200,000
	10 March 2016	0.30	3,700,000	–	3,700,000
Ms. Chan Hoi Ying	10 March 2016	0.30	3,700,000	–	3,700,000
Mr. Zhou Jin Kai	10 March 2016	0.30	3,700,000	–	3,700,000
Mr. Chan Francis Ping Kuen	16 December 2009	0.46	1,200,000	–	1,200,000
	10 March 2016	0.30	3,700,000	–	3,700,000
Mr. Hu Guang	16 December 2009	0.46	1,200,000	–	1,200,000
	10 March 2016	0.30	3,700,000	–	3,700,000

Management Discussion and Analysis

No share option was exercised by the directors during the six months ended 30 September 2019.

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

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2019, the interests and short positions of the directors in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which had been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Capacity or nature of interest	Number of shares or underlying shares		Approximate percentage of shareholding in the Company or associated company
		Long position	Short position	
Mr. Cheung Ngan	Beneficial owner & interest of controlled corporation	725,524,959 (Note 1)	–	10.21%
	Interest of controlled corporation	1,000 (Note 2)	–	20%
Ms. Chan Hoi Ying	Beneficial owner	3,700,000 (Note 3)	–	0.07%
Mr. Zhou Jin Kai	Beneficial owner	342,980,000 (Note 4)	–	4.98%
Mr. Chan Francis Ping Kuen	Beneficial owner	4,900,000 (Note 3)	–	0.11%
Mr. Hu Guang	Beneficial owner	4,900,000 (Note 3)	–	0.11%

Management Discussion and Analysis

Note:

- 1) The 725,524,959 shares include:
 - a. the number of shares of 397,120,000 held by Mr. Cheung Ngan;
 - b. the underlying shares of 4,900,000 from the share options granted, details of which are set out in the section headed “Directors’ Rights to Acquire Shares” above; and
 - c. the number of shares of 323,504,959 held by Faith Profit Holding Limited, which was wholly-owned by Mr. Cheung Ngan.
- 2) The 1,000 shares represent the indirect interest in Tong Guan La Plata Company Limited (“TGLP”), which is 60% indirectly held by the Company and hence is an associated corporation. The 20% beneficial interest in TGLP is held by Catania Copper (Chile) Limited. Catania Copper (Chile) Limited is 40% held by Great Base Holdings Limited and 60% held by Catania Mining Limited. Catania Mining Limited is 55% held by CM Universal Corporation. Faith Profit Holding Limited held 50% interest in Great Base Holdings Limited. Mr. Cheung Ngan held 100% interest in Faith Profit Holding Limited and 51% interest in CM Universal Corporation.
- 3) Being options to acquire ordinary shares of the Company, and further details of which are set out in the section headed “Directors’ Rights to Acquire Shares” above.
- 4) The 342,980,000 shares include:
 - a. the underlying shares of 3,700,000 from the share option granted, details of which are set out in the section headed “Directors’ Rights to Acquire Shares” above; and
 - b. the number of shares of 339,280,000.

Save as disclosed above, as at 30 September 2019, none of the directors of the Company have interest or short positions in the shares and underlying shares or other securities of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the Model Code to be notified to the Company and the Stock Exchange.

Management Discussion and Analysis

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 24 to the condensed consolidated interim financial statements, no director, whether directly or indirectly, had a material beneficial interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the period under review.

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

As at 30 September 2019, the following shareholders had registered an interest or short position in the shares or underlying shares of 5% or more of the issued share capital of the Company in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name of substantial shareholder	Capacity or nature of interest	Number of shares or underlying shares		Approximate percentage of shareholding in the Company
		Long position	Short position	
Mr. Cheung Ngan	Beneficial owner & interest of controlled corporation	725,524,959 (Note 1)	–	10.21%
Faith Profit Holding Limited	Beneficial owner	323,504,959 (Note 1)	–	4.55%
Entrust Limited	Beneficial owner	982,727,510 (Note 2)	–	13.82%
Mr. Chan Tok Yu	Interest of controlled corporation	982,727,510 (Note 2)	–	13.82%
Ms. Siu Kwan	Interest of controlled corporation	982,727,510 (Note 2)	–	13.82%
Ms. Yao Sze Ling	Beneficial owner & interest of controlled corporation	771,050,000 (Note 3)	–	10.85%
Mr. Chong Chin	Interest of controlled corporation	654,000,000 (Note 3)	–	9.50%

Management Discussion and Analysis

Name of substantial shareholder	Capacity or nature of interest	Number of shares or underlying shares		Approximate percentage of shareholding in the Company
		Long position	Short position	
Yicko Finance Limited	Beneficial owner	654,000,000 (Note 3)	–	9.50%
Yale International Holdings Limited	Interest of controlled corporation	654,000,000 (Note 3)	–	9.50%
HK Guoxin Investment Group Limited	Beneficial owner	740,000,000 (Note 4)	–	10.75%
Mr. Li Feng Mao	Interest of controlled corporation	740,000,000 (Note 4)	–	10.75%
北京汽車城投資管理有限公司	Beneficial owner & interest of controlled corporation	203,860,000 (Note 5)	–	4.59%
北京匯濟投資中心	Interest of controlled corporation	203,860,000 (Note 5)	–	4.59%
北京市順義區政府	Interest of controlled corporation	203,860,000 (Note 5)	–	4.59%

Note:

- 1) The 725,524,959 shares include:
 - a. the number of shares of 397,120,000 held by Mr. Cheung Ngan;
 - b. the underlying shares of 4,900,000 from the share options granted to Mr. Cheung Ngan; and
 - c. the number of shares of 323,504,959 held by Faith Profit Holding Limited, which was wholly-owned by Mr. Cheung Ngan. Accordingly, Mr. Cheung Ngan is deemed to be interested in the shares in which Faith Profit Holding Limited is interested by virtue of the SFO.

Management Discussion and Analysis

- 2) The 982,727,510 shares include:
- a. the number of shares of 469,313,910 and underlying shares of 513,413,600 from conversion of convertible notes with principal amount of HK\$385,060,200 held by Entrust Limited; and
 - b. Entrust Limited is controlled as to 34% by Mr. Chan Tok Yu, 25% by Ms. Chan Hoi Ying (Executive Director of the Company), 25% by Mr. Chan Hin Yeung and 16% by Ms. Siu Kwan. Mr. Chan Tok Yu is aged under 18 and his interest is held by Ms. Siu Kwan as a trustee. Accordingly, Mr. Chan Tok Yu and Ms. Siu Kwan are deemed to be interested in the shares in which Entrust Limited is interested by virtue of the SFO.
- 3) The 771,050,000 shares include:
- a. the number of shares of 117,050,000 held by Ms. Yao Sze Ling; and
 - b. the underlying shares of 654,000,000 from conversion of convertible notes with principal amount of HK\$490,500,000 held by Yicko Finance Limited, which was wholly-owned by Yale International Holdings Limited. Mr. Chong Chin and Ms. Yao Sze Ling respectively held 50% interest in Yale International Holdings Limited. Accordingly, Yale International Holdings Limited, Mr. Chong Chin and Ms. Yao Sze Ling are deemed to be interested in the shares in which Yicko Finance Limited is interested by virtue of the SFO.
- 4) The number of shares of 740,000,000 held by HK Guoxin Investment Group Limited, which was wholly owned by Mr. Li Feng Mao. Accordingly, Mr. Li Feng Mao is deemed to be interested in the shares in which HK Guoxin Investment Group Limited is interested by virtue of the SFO.
- 5) The 203,860,000 shares include:
- a. the number of shares of 75,970,000 held by 北京汽車城投資管理有限公司; and
 - b. the number of shares of 127,890,000 held by 首航國際(香港)投資有限公司. 首航國際(香港)投資有限公司 was 100% indirectly owned by 北京汽車城投資管理有限公司.

北京汽車城投資管理有限公司 was 96.95% owned by 北京匯濟投資中心. 北京匯濟投資中心 was 100% owned by 北京市順義區政府. Accordingly, 北京匯濟投資中心 and 北京市順義區政府 are deemed to be interested in the shares in which 北京汽車城投資管理有限公司 and 首航國際(香港)投資有限公司 are interested by virtue of the SFO.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

The Company purchased 155,320,000 shares at an aggregate cost of approximately HK\$17.3 million during the period. Other than these purchase, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 September 2019.

CORPORATE GOVERNANCE PRACTICE

The Company has adopted the code provisions set out in the Corporate Governance Code (the “Code”) as set out in Appendix 14 of the Listing Rules. The Company has applied the principles in the Code and complied with the code provisions during the six months ended 30 September 2019 except the following:

Code A.2.1

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The roles of chairman and chief executive officer of the Company have been performed by Mr. Cheung Ngan. The Board considers that the non-segregation does not result in considerable concentration of power in one person and has the advantage of a strong and consistent leadership which is conducive to making and implementing decisions quickly and consistently. The Board will review the effectiveness of this arrangement from time to time and will consider appointing an individual as the chief executive officer when it thinks appropriate.

Code A.6.7

Code Provision A.6.7 stipulates that independent non-executive directors and non-executive directors should attend general meetings. Due to other business engagements, one non-executive director and one independent non-executive director could not attend the annual general meeting of the Company held on 26 August 2019.

Management Discussion and Analysis

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

There is no change in the director's information required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

AUDIT COMMITTEE

The audit committee, which comprises three independent non-executive directors of the Company, has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters of the Group. The Committee had reviewed the unaudited interim financial statements for the six months ended 30 September 2019.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2019

	Notes	For the six months ended	
		2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000
Continuing operations			
Revenue	6	2,675	317
Cost of sales		(2,586)	(307)
Gross profit		89	10
Other income	6	1,577	414
Selling and distribution expenses		(146)	(407)
Administrative and other expenses		(47,657)	(54,044)
Net reversal of impairment loss on trade receivables and contract assets		1,681	48
Reversal of impairment loss on other receivables and prepayments		4,860	–
Change in fair value of financial assets at fair value through profit or loss		–	(645)
Finance costs	7	(278)	(70)
Loss before income tax	8	(39,874)	(54,694)
Income tax credit	9	1,048	1,128
Loss for the period from continuing operations		(38,826)	(53,566)
Discontinued operations			
Loss for the period from discontinued operations		(2,790)	(5,085)
Loss for the period		(41,616)	(58,651)
Other comprehensive income for the period			
Item that may be reclassified subsequently to profit or loss: Exchange differences arising on translation of foreign operations		(169,853)	(264,807)
Total comprehensive income for the period		(211,469)	(323,458)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2019

	Notes	For the six months ended	
		2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000
Loss attributable to:			
Owners of the Company			
Loss for the period from continuing operations		(35,737)	(48,505)
Loss for the period from discontinued operations		(1,675)	(3,051)
		<hr/>	<hr/>
Loss for the period attributable to owners of the Company		(37,412)	(51,556)
		<hr/>	<hr/>
Non-controlling interests			
Loss for the period from continuing operations		(3,089)	(5,061)
Loss for the period from discontinued operations		(1,115)	(2,034)
		<hr/>	<hr/>
Loss for the period attributable to non-controlling interests		(4,204)	(7,095)
		<hr/>	<hr/>
		(41,616)	(58,651)
		<hr/>	<hr/>
Total comprehensive income attributable to:			
– Owners of the Company		(208,621)	(312,485)
– Non-controlling interests		(2,848)	(10,973)
		<hr/>	<hr/>
		(211,469)	(323,458)
		<hr/>	<hr/>
Loss per share from continuing and discontinued operations			
– Basic and diluted (HK\$)	11	(0.01)	(0.01)
		<hr/>	<hr/>
Loss per share from continuing operations			
– Basic and diluted (HK\$)	11	(0.01)	(0.01)
		<hr/>	<hr/>

Condensed Consolidated Statement of Financial Position

As at 30 September 2019

		30 September 2019 (unaudited) HK\$'000	31 March 2019 (audited) HK\$'000
	Notes		
Non-current assets			
Property, plant and equipment	12	62,414	62,574
Construction in progress	13	82,017	85,579
Right-of-use assets		84,966	–
Prepaid lease payments for land		–	81,153
Mining assets	14	2,379,643	2,534,111
Other intangible assets		31,511	38,799
Other receivables, deposits and prepayments	17	18,598	19,388
Total non-current assets		2,659,149	2,821,604
Current assets			
Inventories	15	27,915	38,100
Trade receivables	16	11,311	11,477
Contract assets		9,845	14,246
Other receivables, deposits and prepayments	17	49,026	44,761
Financial assets at fair value through profit or loss	18	11,000	110,000
Prepaid lease payments for land		–	1,542
Cash and bank balances		141,516	21,695
		250,613	241,821
Assets classified as held for sale		11,775	11,775
Total current assets		262,388	253,596
Total assets		2,921,537	3,075,200

Condensed Consolidated Statement of Financial Position

As at 30 September 2019

		30 September	31 March
		2019	2019
		(unaudited)	(audited)
	Notes	HK\$'000	HK\$'000
Current liabilities			
Accounts payable	19	11,689	16,664
Other payables and accruals	20	58,607	62,491
Contract liabilities		1,471	970
Lease liabilities		7,047	–
Total current liabilities		78,814	80,125
Net current assets		183,574	173,471
Total assets less current liabilities		2,842,723	2,995,075
Non-current liabilities			
Deferred tax liabilities		9,571	11,280
Other payables	20	59,919	63,809
Lease liabilities		1,044	–
Total non-current liabilities		70,534	75,089
Total liabilities		149,348	155,214
NET ASSETS		2,772,189	2,919,986
Equity			
Share capital	22	71,086	53,660
Reserves		2,697,989	2,860,364
Equity attributable to owners of the Company		2,769,075	2,914,024
Non-controlling interests		3,114	5,962
TOTAL EQUITY		2,772,189	2,919,986

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2019

Attributable to owners of the Company

	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Convertible notes equity reserve HK\$'000	Share options reserve HK\$'000	Foreign currency translation reserve HK\$'000	Capital reserve HK\$'000	Treasury reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 April 2019 (audited)	53,660	2,347,844	20,566	1,490,427	92,617	(230,055)	687	-	(861,722)	2,914,024	5,962	2,919,986
Loss for the period	-	-	-	-	-	-	-	-	(37,412)	(37,412)	(4,204)	(41,616)
Other comprehensive income	-	-	-	-	-	(171,209)	-	-	-	(171,209)	1,356	(169,853)
Total comprehensive income	-	-	-	-	-	(171,209)	-	-	(37,412)	(208,621)	(2,848)	(211,469)
Conversion of convertible notes	10,726	693,768	-	(710,494)	-	-	-	-	-	-	-	-
Placing of shares (note 22(ii))	6,700	64,046	-	-	-	-	-	-	-	70,746	-	70,746
Repurchase of shares	-	-	-	-	-	-	-	(9,052)	-	(9,052)	-	(9,052)
Share-based payments	-	-	-	-	1,978	-	-	-	-	1,978	-	1,978
Forfeited share options	-	-	-	-	(5,755)	-	-	-	5,755	-	-	-
At 30 September 2019 (unaudited)	71,086	3,111,658	20,566	779,933	88,840	(401,264)	687	(9,052)	(893,379)	2,769,075	3,114	2,772,189
At 1 April 2018 (audited)	50,360	2,318,807	20,566	1,490,427	85,043	(34,931)	687	-	(706,934)	3,224,025	25,453	3,249,478
Loss for the period	-	-	-	-	-	-	-	-	(51,556)	(51,556)	(7,095)	(58,651)
Other comprehensive income	-	-	-	-	-	(260,929)	-	-	-	(260,929)	(3,878)	(264,807)
Total comprehensive income	-	-	-	-	-	(260,929)	-	-	(51,556)	(312,485)	(10,973)	(323,458)
Share-based payments	-	-	-	-	4,791	-	-	-	-	4,791	-	4,791
Forfeited share options	-	-	-	-	(922)	-	-	-	922	-	-	-
At 30 September 2018 (unaudited)	50,360	2,318,807	20,566	1,490,427	88,912	(295,860)	687	-	(757,568)	2,916,331	14,480	2,930,811

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2019

	Notes	For the six months ended	
		2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000
OPERATING ACTIVITIES			
Loss before income tax from continuing operations		(39,874)	(54,694)
Loss before income tax from discontinued operations		(2,790)	(5,085)
		(42,664)	(59,779)
Adjustments for:			
Interest income	6	(95)	(323)
Finance costs	7	278	70
Depreciation of property, plant and equipment	12	5,155	5,187
Depreciation of right-of-use assets	8(a)	4,888	–
Amortisation of prepaid lease payments for land		–	793
Amortisation of other intangible assets	8(a)	5,054	5,460
Share-based payments		1,978	4,791
Change in fair value of financial assets at fair value through profit or loss		–	645
Gain on disposal of property, plant and equipment		(416)	–
Net reversal of impairment loss on trade receivables and contract assets	8(a)	(1,681)	(48)
Reversal of impairment loss on other receivables and prepayments	8(a)	(4,860)	–
Impairment of interest in joint venture		–	277
Exchange loss, net		75	1,965

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2019

	For the six months ended	
	2019	2018
Notes	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Operating cash flows before movements in working capital	(32,288)	(40,962)
Decrease in trade receivables	982	9,114
Decrease in contract assets	3,778	–
(Increase)/decrease in other receivables, deposits and prepayments	(2,531)	6,593
Increase in inventories	(204)	(16,578)
Decrease in accounts payable	(4,065)	(8,301)
Decrease in other payables and accruals	(252)	(8,121)
Increase/(decrease) in contract liabilities	551	(2,334)
Net cash used in operations	(34,029)	(60,589)
Income tax paid	–	–
NET CASH USED IN OPERATING ACTIVITIES	(34,029)	(60,589)
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(899)	(828)
Addition to construction in progress	(1,699)	(4,620)
Proceeds from disposal of property, plant and equipment	863	–
Advance to a joint venture	–	(277)
Proceeds from disposal of financial assets at fair value through profit or loss	99,000	–
Interest received	95	323
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	97,360	(5,402)

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2019

	For the six months ended	
	2019	2018
Notes	(unaudited) HK\$'000	(unaudited) HK\$'000
FINANCING ACTIVITIES		
Interest paid	–	(70)
Repayment of bank borrowings	–	(6,248)
Proceeds from placing of shares, net	70,746	–
Repurchase of shares	(9,052)	–
Interest portion of lease payments	(278)	–
Principal portion of lease payments	(4,056)	–
	<hr/>	<hr/>
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	57,360	(6,318)
	<hr/>	<hr/>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	120,691	(72,309)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(870)	350
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	141,516	20,974
	<hr/>	<hr/>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	141,516	20,974
	<hr/>	<hr/>

Notes to Condensed Consolidated Interim Financial Statements

1. CORPORATE INFORMATION

The Company was incorporated in Bermuda with limited liability and its shares are listed on the Stock Exchange. The Company's registered office is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. Its head office and principal place of business are located at 37th Floor, China Online Centre, 333 Lockhart Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding. The Group is principally engaged in new energy business, mining, trading of metals and minerals and processing of raw ores which was discontinued in December 2017.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

The basis of preparation, the accounting policies and the methods of computation adopted in these interim financial statements are consistent with those adopted by the Group in its annual financial statements for the year ended 31 March 2019, except as stated in note 3 below following the adoption of the new and revised Hong Kong Financial Reporting Standards in the current period. The interim financial statements should be read in conjunction with the annual financial statements.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has applied the following new and revised standards, amendments and interpretations ("HKFRSs") issued by the HKICPA, which are relevant to its operations and effective for its accounting period beginning on 1 April 2019.

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycles

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

The impact of the adoption of HKFRS 16 Leases is summarised below. The other new or amended HKFRSs that are effective from 1 April 2019 did not have any material impact on the Group's accounting policies. The Group has not applied any new and revised HKFRSs that are not yet effective for the current period.

HKFRS 16 - Leases ("HKFRS 16")

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. From a lessee's perspective, almost all leases are recognised in the statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to sections (i) to (iv) of this note.

(i) *The new definition of a lease*

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

HKFRS 16 - Leases ("HKFRS 16") (Continued)

(ii) *Accounting as a lessee*

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of whether they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Under the cost model, the Group measures the right-of-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

HKFRS 16 - Leases ("HKFRS 16") (Continued)

(ii) Accounting as a lessee (Continued)

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-of-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in substance fixed lease payments or a change in assessment to purchase the underlying asset.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

HKFRS 16 - Leases ("HKFRS 16") (Continued)

(iii) *Transition and summary of effects arising from initial application of HKFRS 16*

As a lessee

The Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect (if any) of initially applying HKFRS 16 as an adjustment to the opening balance of accumulated losses at the date of initial application (1 April 2019). The comparative information presented in 31 March 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at 1 April 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at 1 April 2019.

The Group has elected to recognise all the right-of-use assets at 1 April 2019 for leases previously classified as operating leases under HKAS 17 and measure these right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition at the date of initial application (1 April 2019). For all these right-of-use assets, the Group has applied HKAS 36 Impairment of Assets at 1 April 2019 to assess if there was any impairment as at that date.

The Group has also applied the following practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months from the date of initial application (1 April 2019) and accounted for those leases as short-term leases; (iii) excluded the initial direct costs from the measurement of the right-of-use assets at 1 April 2019; and (iv) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and (IFRIC)-Int 4; and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and (IFRIC)-Int 4.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

HKFRS 16 - Leases ("HKFRS 16") (Continued)

(iii) *Transition and summary of effects arising from initial application of HKFRS 16 (Continued)*

As a lessee (Continued)

The following table summarised the impact of transition to HKFRS 16 on consolidated statement of financial position as at 31 March 2019 to that as at 1 April 2019 (increase/ (decrease)):

	31 March 2019	Impact	1 April 2019
	HK\$'000	HK\$'000	HK\$'000
Consolidated statement of financial position			
Right-of-use assets	–	93,456	93,456
Prepaid lease payments for land (non-current)	81,153	(81,153)	–
Prepaid lease payments for land (current)	1,542	(1,542)	–
Lease liabilities (non-current)	–	3,156	3,156
Lease liabilities (current)	–	7,605	7,605

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

HKFRS 16 - Leases ("HKFRS 16") (Continued)

(iii) *Transition and summary of effects arising from initial application of HKFRS 16 (Continued)*

As a lessee (Continued)

The following reconciliation explains how the operating lease commitments disclosed under HKAS 17 as at 31 March 2019 could be reconciled to the lease liabilities recognised in the consolidated statement of financial position as at 1 April 2019:

	HK\$'000
Operating lease commitment as at 31 March 2019	13,595
Less:	
Low-value leases recognised on a straight-line basis as expense	(76)
Short-term leases recognised on a straight-line basis as expense	(812)
Future interest expenses	(447)
Adjustments as result of different treatment of extension and termination options	(1,499)
Lease liabilities as at 1 April 2019	<u>10,761</u>

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the consolidated statement of financial position as at 1 April 2019 ranged from 5% to 6.83%.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

HKFRS 16 - Leases ("HKFRS 16") (Continued)

(iv) *Impact on the financial results and cash flows of the Group*

After the initial recognition of right-of-use assets and lease liabilities as at 1 April 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a negative impact in the Group's condensed consolidated statement of profit or loss and other comprehensive income, as compared to the results if HKAS 17 had been applied during the period.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their principal element and interest element. These elements are classified as financing cash outflows, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the consolidated statement of cash flows.

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing this condensed consolidated interim financial information, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2019 annual financial statements.

5. SEGMENT REPORTING

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

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

Continuing operations:

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

Discontinued operations:

- Ores processing and trading.

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

5. SEGMENT REPORTING (CONTINUED)

(a) Reportable segments

	Continuing operations						Discontinued operations					
	Development of electric vehicles		Mining		Metal and minerals trading		Ores processing and trading		Total		Total	
	For the six months ended 30 September 2019 (unaudited) HK\$'000	For the six months ended 30 September 2018 (unaudited) HK\$'000	For the six months ended 30 September 2019 (unaudited) HK\$'000	For the six months ended 30 September 2018 (unaudited) HK\$'000	For the six months ended 30 September 2019 (unaudited) HK\$'000	For the six months ended 30 September 2018 (unaudited) HK\$'000	For the six months ended 30 September 2019 (unaudited) HK\$'000	For the six months ended 30 September 2018 (unaudited) HK\$'000	For the six months ended 30 September 2019 (unaudited) HK\$'000	For the six months ended 30 September 2018 (unaudited) HK\$'000	For the six months ended 30 September 2019 (unaudited) HK\$'000	For the six months ended 30 September 2018 (unaudited) HK\$'000
Revenue from external customers	2,675	317	-	-	-	-	-	-	2,675	317	-	317
Reportable segment (loss)/gain	(21,630)	(30,503)	(2,725)	(3,584)	3,993	(257)	(2,790)	(5,084)	(23,152)	(34,344)	(2,790)	(39,428)
Interest income	70	144	-	-	-	-	70	1	70	144	-	145
Unallocated interest income	-	-	-	-	-	-	-	-	25	178	-	178
Total interest income	-	-	-	-	-	-	70	1	95	323	-	323
Depreciation	(4,588)	(4,258)	(131)	(142)	-	-	(4,689)	(2)	(4,690)	(4,402)	(1)	(4,402)
Unallocated depreciation	-	-	-	-	-	-	-	-	(465)	(785)	-	(785)
Total depreciation	(4,588)	(4,258)	(131)	(142)	-	-	(4,689)	(2)	(5,155)	(5,187)	(1)	(5,187)
Amortisation	(5,054)	(6,253)	-	-	-	-	(5,054)	-	(5,054)	(6,253)	-	(6,253)

5. SEGMENT REPORTING (CONTINUED)

(a) Reportable segments (Continued)

Reconciliation of segment revenue and profit or loss

	For the six months ended	
	30 September	
	2019	2018
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Revenue		
Reportable segment revenue and consolidated revenue	2,675	317
Loss before income tax and discontinued operations		
Reportable segment loss	(23,152)	(39,428)
Segment loss from discontinued operations	2,790	5,085
Unallocated other income	47	123
Unallocated share-based payments	(708)	(2,001)
Unallocated impairment of interest in joint venture	–	(277)
Change in fair value of financial assets at fair value through profit or loss	–	(645)
Unallocated other corporate expenses	(18,573)	(17,481)
Finance costs	(278)	(70)
Consolidated loss before income tax from continuing operations	(39,874)	(54,694)

5. SEGMENT REPORTING (CONTINUED)
(a) Reportable segments (Continued)

	Continuing operations						Discontinued operations					
	Development of electric vehicles		Mining		Metal and minerals trading		Total		Ores processing and trading		Total	
	As at	31 March	30 September	31 March	30 September	31 March	30 September	31 March	30 September	31 March	30 September	31 March
	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019
	(audited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment assets	338,810	355,533	2,424,117	2,580,870	2,741	281	2,765,668	2,936,684	12,540	12,862	2,778,208	2,949,546
Additions to non-current assets Unallocated assets	2,387	39,971	-	73	-	-	2,387	40,044	-	-	2,387	40,044
Total additions to non-current assets											11	22
Reportable segment liabilities	(140,141)	(150,832)	(2,158)	(2,225)	(671)	(325)	(142,970)	(153,382)	(632)	(197)	(143,602)	(153,579)

5. SEGMENT REPORTING (CONTINUED)

(a) Reportable segments (Continued)

Reconciliation of segment assets and liabilities

	As at	
	30 September	31 March
	2019	2019
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Assets		
Reportable segment assets	2,778,208	2,949,546
Unallocated corporate assets*	143,329	125,654
Consolidated total assets	2,921,537	3,075,200
Liabilities		
Reportable segment liabilities	143,602	153,579
Unallocated corporate liabilities	5,746	1,635
Consolidated total liabilities	149,348	155,214

* Unallocated corporate assets as at 30 September 2019 mainly represent cash and bank balances of HK\$122,536,000 (31 March 2019: HK\$11,522,000) and financial assets at fair value through profit or loss of HK\$11,000,000 (31 March 2019: HK\$110,000,000) held by the Company.

5. SEGMENT REPORTING (CONTINUED)

(b) Geographic information

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

	Revenue from external customers		Specified non-current assets	
	For the six months ended		As at	
	30 September		30 September	31 March
	2019	2018	2019	2019
	(unaudited)	(unaudited)	(unaudited)	(audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
PRC, including Hong Kong	2,675	317	2,657,994	2,821,604
Chile	-	-	11,775	11,775
Asia Pacific	-	-	1,155	-
	2,675	317	2,670,924	2,833,379

(c) Information about major customers

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

	For the six months ended	
	30 September	
	2019	2018
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Customer A	-	209
Customer B	-	40
Customer C	2,036	-
Customer D	584	-
	2,620	249

Notes to Condensed Consolidated Interim Financial Statements

6. REVENUE AND OTHER INCOME

Revenue which is recognised at a point in time represents the invoiced value of goods supplied to customers and is analysed as follows:

	For the six months ended 30 September	
	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000
Revenue		
Continuing operations		
Sale of motor vehicles	2,620	–
Sale of batteries	55	317
	2,675	317
Other income		
Continuing operations		
Interest income	95	322
Gain on disposal of property, plant and equipment	416	–
Sundry income	1,066	92
	1,577	414
Discontinued operations		
Rental income	–	1,308
Interest income	–	1
Sundry income	6	16
	6	1,325

7. FINANCE COSTS

	For the six months ended 30 September	
	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000
Continuing operations		
Interest on bank borrowings	–	70
Interest on lease liabilities	278	–
	278	70

Notes to Condensed Consolidated Interim Financial Statements

8. LOSS BEFORE INCOME TAX

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

	For the six months ended	
	30 September 2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000
Continuing operations		
Auditor's remuneration	60	60
Amortisation of prepaid lease payments for land	–	793
Amortisation of other intangible assets	5,054	5,460
Cost of inventories recognised as expenses	2,586	307
Impairment loss on trade receivables and contract assets	476	382
Reversal of impairment loss on trade receivables and contract assets	(2,157)	(430)
	(1,681)	(48)
Reversal of impairment loss on other receivables and prepayments	(4,860)	–
Depreciation of property, plant and equipment	5,154	5,185
Depreciation of right-of-use assets	4,888	–
Exchange loss, net	58	1,965
Impairment of interest in joint venture	–	277
Operating lease rentals on leasehold land and buildings	–	6,118
Short-term and low-value lease expense	1,516	–
Research and development cost	1,006	1,490
Employee costs (including directors' remuneration)		
– Salaries and allowances	13,404	13,449
– Share-based payments (Note 23)	1,895	4,602
– Other benefits	395	606
– Pension contributions	630	1,130
	16,324	19,787

8. LOSS BEFORE INCOME TAX (CONTINUED)

(b) Discontinued operations

In December 2017, management of the Group passed a resolution to discontinue the Group's ore processing and trading segment which was carried out by the Company's subsidiary, Verde in Chile, as they consider that such businesses would not be commercially viable after the reassessment of the latest situation and the Group plans to focus its resources on development of its electric vehicle businesses. The associated assets were consequently classified as held for sale in the consolidated statement of financial position as at 31 March 2018 and 2019.

The financial performance and cash flows of Verde were as follows:

	For the six months ended	
	30 September	
	2019	2018
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Revenue	–	–
Other income	6	1,325
Administrative expenses	(2,796)	(6,410)
Loss for the period from discontinued operations	(2,790)	(5,085)
Net cash outflow from operating activities	(2,082)	(4,247)
Net cash inflow from investing activities	–	1
Net cash inflow from financing activities	2,000	4,093
Net cash outflow from discontinued operations	(82)	(153)

Notes to Condensed Consolidated Interim Financial Statements

9. INCOME TAX CREDIT

	For the six months ended 30 September	
	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000
Deferred tax	(1,048)	(1,128)
Income tax credit	(1,048)	(1,128)

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

The prevailing corporate income tax rate in the PRC for the subsidiaries is calculated at the rate of 25% on their estimated assessable profits for the period. Overseas taxes on assessable profits of the group companies are calculated at the rates of tax prevailing in the respective jurisdictions in which they operate, based on the prevailing legislation, interpretations and practices in respect thereof.

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

10. DIVIDEND

The directors do not recommend the payment or declaration of any interim dividend for the six months ended 30 September 2019 (30 September 2018: nil).

11. LOSS PER SHARE

For continuing and discontinued operations

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

	For the six months ended	
	30 September	
	2019	2018
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Loss for the period attributable to owners of the Company	(37,412)	(51,556)
	Number	Number
Weighted average number of ordinary shares in issue	6,819,426,372	5,036,046,800

The basic and diluted loss per share for both periods presented are the same as the potential ordinary shares issuable under the convertible notes and the share options are anti-dilutive.

For continuing operations

Basic and diluted loss per share for continuing operations is HK\$0.01 per share (30 September 2018: HK\$0.01 per share) based on the loss for the period from continuing operations of HK\$35,737,000 (30 September 2018: HK\$48,505,000) and the weighted average number of ordinary shares in issue detailed above. The basic and diluted loss per share for both periods presented are the same as the potential ordinary shares issuable under the convertible notes and the share options are anti-dilutive.

11. LOSS PER SHARE (CONTINUED)

For discontinued operations

Basic and diluted loss per share for discontinued operations is HK\$0.0002 per share (30 September 2018: HK\$0.0006 per share) based on the loss for the period from discontinued operations of HK\$1,675,000 (30 September 2018: HK\$3,051,000) and the weighted average number of ordinary shares in issue detailed above. The basic and diluted loss per share for both periods presented are the same as the potential ordinary shares issuable under the convertible notes and the share options are anti-dilutive.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2019, the Group acquired property, plant and equipment in an aggregate amount of approximately HK\$899,000 (30 September 2018: HK\$828,000) and transferred from inventories of approximately HK\$8,277,000 (30 September 2018: nil). Depreciation for items of property, plant and equipment was approximately HK\$5,155,000 (30 September 2018: HK\$5,187,000) during the period. Items of plant and machinery with net book value of approximately HK\$447,000 (30 September 2018: nil) were disposed, resulting in a gain on disposal of HK\$416,000 (30 September 2018: nil). Loss on exchange realignment arising on translation of the carrying amount of the property, plant and equipment amounted to approximately HK\$3,734,000 (30 September 2018: HK\$6,103,000) during the period.

13. CONSTRUCTION IN PROGRESS

Construction in progress mainly represents:

- (a) the mining assets in the PRC on the preliminary construction costs incurred for the development of road access to the factory buildings; and
- (b) the manufacturing plant in the PRC on the preliminary construction costs incurred for the new manufacturing plant of motor vehicle in Chongqing.

During the six months ended 30 September 2019, expenditure recognised as construction in progress amounted to approximately HK\$1,699,000 (30 September 2018: HK\$4,620,000) mainly represents the manufacturing plant in the PRC. Loss on exchange realignment arising on translation of construction in progress amounted to approximately HK\$5,261,000 (30 September 2018: HK\$4,581,000) during the period.

Notes to Condensed Consolidated Interim Financial Statements

14. MINING ASSETS

Mining assets have not been amortised since acquisition as the mine has not yet commenced operation since then. The mining project is ongoing and is pending for the issuance of land use right certificate for the construction of processing factory. The mining operation will be commenced upon the completion of such development. Loss on exchange realignment arising on translation of the carrying amount of the mining assets amounted to approximately HK\$154,468,000 (30 September 2018: HK\$237,957,000) during the period.

15. INVENTORIES

	As at	
	30 September 2019 (unaudited) HK\$'000	31 March 2019 (audited) HK\$'000
Raw materials	4,760	5,314
Work in progress	17,683	27,382
Finished goods	5,472	5,404
	27,915	38,100

16. TRADE RECEIVABLES

	As at	
	30 September 2019 (unaudited) HK\$'000	31 March 2019 (audited) HK\$'000
Trade receivables at amortised cost	19,848	22,155
Less: Accumulated impairment losses	(8,537)	(10,678)
	11,311	11,477

Notes to Condensed Consolidated Interim Financial Statements

16. TRADE RECEIVABLES (CONTINUED)

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

	As at	
	30 September	31 March
	2019	2019
	(unaudited)	(audited)
	HK\$'000	HK\$'000
0 – 30 days	2,076	–
31 – 90 days	–	–
91 – 180 days	11	81
181 – 365 days	–	–
More than 1 year	9,224	11,396
	11,311	11,477

The average credit period on sales of motor vehicles is 30-365 days from the invoice date.

The ageing analysis of trade receivables at the end of the reporting period, that are neither individually nor collectively considered to be impaired, was as follows:

	As at	
	30 September	31 March
	2019	2019
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Collective assessment		
Not past due	5,945	7,266
Less than 1 month past due	2,448	229
1 to 3 months past due	193	134
More than 3 months but less than 12 months past due	209	806
	8,795	8,435
Individual assessment		
More than 12 months past due	2,516	3,042
	11,311	11,477

16. TRADE RECEIVABLES (CONTINUED)

The Group applies provision matrix to measure the expected credit loss (“ECL”) prescribed by HKFRS 9. As there is no default event occurred during the period, there is no change in historical default rate and same ECL rates at 31 March 2019 were applied as at 30 September 2019. The weighted-average ECL rates ranging from 4% to 100% were applied to trade receivables.

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

	As at	
	30 September	31 March
	2019	2019
	(unaudited)	(audited)
	HK\$'000	HK\$'000
At beginning of the period/year	10,678	7,118
Impairment loss recognised during the period/year	476	5,223
Reversal of impairment losses previously recognised during the period/year	(2,006)	(1,202)
Exchange realignment	(611)	(461)
At end of the period/year	8,537	10,678

17. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at	
	30 September	31 March
	2019	2019
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Other receivables	33,994	31,371
Deposits	7,699	7,519
Prepayments	25,931	25,259
	67,624	64,149
Less: Non-current portion	(18,598)	(19,388)
	49,026	44,761

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at	
	30 September	31 March
	2019	2019
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Financial assets at fair value through profit or loss:		
Unlisted equity investments outside Hong Kong	11,000	110,000

The fair value is determined based on level 2 of fair value hierarchy: inputs other than quoted prices included within level 1 that are observable for the investments directly. The fair value is assessed under direct comparison approach with reference to similar transactions. There was no change in valuation technique for the fair value assessment during the period.

Notes to Condensed Consolidated Interim Financial Statements

19. ACCOUNTS PAYABLE

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

	As at	
	30 September 2019 (unaudited) HK\$'000	31 March 2019 (audited) HK\$'000
0 – 30 days	953	–
31 – 90 days	180	433
91 – 180 days	140	3,211
181 – 365 days	2,516	2,392
More than 1 year	7,900	10,628
	11,689	16,664

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

20. OTHER PAYABLES AND ACCRUALS

	As at	
	30 September 2019 (unaudited) HK\$'000	31 March 2019 (audited) HK\$'000
Other payables and accruals	118,526	126,300
Less: Non-current portion of other payables (note)	(59,919)	(63,809)
	58,607	62,491

The non-current portion represented the government grant in relation to the construction of manufacturing plant in the PRC. It will be recognised as reduction of construction cost in property, plant and equipment after the completion of the construction of manufacturing plant.

Notes to Condensed Consolidated Interim Financial Statements

21. CONVERTIBLE NOTES

On 28 February 2014, the Company issued zero-coupon convertible notes (the “Convertible Notes”) at a principal amount of HK\$2,910,000,000. During the period, the Convertible Notes in principal amount of HK\$804,439,800 (30 September 2018: nil) were converted into 1,072,586,400 ordinary shares (30 September 2018: nil) of the Company.

22. SHARE CAPITAL

	30 September 2019		As at	
	(unaudited) Number of shares	(unaudited) HK\$'000	31 March 2019 (audited) Number of shares	(audited) HK\$'000
<i>Authorised:</i>				
Ordinary shares of HK\$0.01 each	50,000,000,000	500,000	50,000,000,000	500,000
<i>Issued and fully paid:</i>				
At beginning of period/year	5,366,046,800	53,660	5,036,046,800	50,360
Placing of shares (note i)	670,000,000	6,700	330,000,000	3,300
Conversion of Convertible Notes (note ii)	1,072,586,400	10,726	–	–
At end of the period/year	7,108,633,200	71,086	5,366,046,800	53,660

22. SHARE CAPITAL (CONTINUED)

Note:

- (i) On 6 May 2019, 670,000,000 ordinary shares of the Company were issued at a subscription price of HK\$0.11 each to independent third parties at an aggregate consideration of HK\$73,700,000 of which HK\$6,700,000 was credited to share capital and the remaining balance of HK\$64,046,000 (net of share issue expenses of HK\$2,954,000) was credited to share premium account.
- (ii) During the current period, the Company's Convertible Notes with principal amount of HK\$804,439,800 were converted into 1,072,586,400 ordinary shares of the Company at the conversion price of HK\$0.75 per share. HK\$710,494,000 representing the equity component of the outstanding convertible notes was debited to the convertible notes equity reserve, with the corresponding amount of HK\$10,726,000 and HK\$699,768,000 credited to share capital and share premium account respectively.
- (iii) During the current period, the Company repurchased 79,800,000 shares of the Company in the open market at a consideration of HK\$9,052,000. The shares were subsequently cancelled after the period ended 30 September 2019.

23. SHARE-BASED PAYMENT TRANSACTIONS

A new share option scheme (the "New Scheme") was adopted by an ordinary resolution of the shareholders at annual general meeting of the Company on 30 August 2013 (the "New Adoption Date"). The New Scheme constitutes a share option scheme governed by Chapter 17 of the Listing Rules and will remain in force for 10 years from the New Adoption Date. As a result of the adoption of the New Scheme on 30 August 2013, the Old Scheme, which was adopted by the Company on 5 January 2004, was terminated. Upon termination of the Old Scheme, no further option can be offered thereafter but any options granted prior to such termination but not yet exercised shall continue to be valid and exercisable in accordance with the Old Scheme.

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

23. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

The movements in the number of share options during the six months ended 30 September 2019 were as follows:

Date of offer of grant	At 1 April 2019	Lapsed during the period	At 30 September 2019	Exercise price	Closing price at date of offer of grant	Exercise period	Vesting period
Under Old Scheme 16/12/2009	40,400,000	–	40,400,000	HK\$0.46	HK\$0.45	16/12/2009 to 15/12/2019	N/A
Under New Scheme 11/04/2014	57,000,000	(8,000,000)	49,000,000	HK\$1.15	HK\$1.11	12/04/2016 to 10/04/2024	12/04/2016 to 12/04/2020
10/03/2016	325,600,000	(7,500,000)	318,100,000	HK\$0.30	HK\$0.28	10/03/2016 to 09/03/2026	10/03/2016 to 11/03/2020
	<u>423,000,000</u>	<u>(15,500,000)</u>	<u>407,500,000</u>				

The movements in the number of share options during the six months ended 30 September 2018 were as follows:

Date of offer of grant	At 1 April 2018	Lapsed during the period	At 30 September 2018	Exercise price	Closing price at date of offer of grant	Exercise period	Vesting period
Under Old Scheme 16/12/2009	40,400,000	–	40,400,000	HK\$0.46	HK\$0.45	16/12/2009 to 15/12/2019	N/A
Under New Scheme 11/04/2014	58,000,000	(1,000,000)	57,000,000	HK\$1.15	HK\$1.11	12/04/2016 to 10/04/2024	12/04/2016 to 12/04/2020
10/03/2016	337,700,000	(3,500,000)	334,200,000	HK\$0.30	HK\$0.28	10/03/2016 to 09/03/2026	10/03/2016 to 11/03/2020
	<u>436,100,000</u>	<u>(4,500,000)</u>	<u>431,600,000</u>				

23. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

No share options were granted by the Company during the six months ended 30 September 2019 and 2018.

The weighted average remaining contractual life of options outstanding at the end of the period was 5.64 years (30 September 2018: 6.65 years). The weighted average exercise price of options outstanding at the end of the period was HK\$0.42 (30 September 2018: HK\$0.43).

Of the total number of options outstanding at the end of the period, 334,080,000 (30 September 2018: 275,120,000) were exercisable at the end of the period.

There was no exercise of share options during the six months ended 30 September 2019 and 2018.

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

The equity-settled share-based payment expenses of approximately HK\$1,978,000 (30 September 2018: HK\$4,791,000) was recognised during the period.

24. RELATED PARTY TRANSACTIONS

- (a) The Group had no significant transactions with related parties during the six months ended 30 September 2019 and 2018.

Notes to Condensed Consolidated Interim Financial Statements

24. RELATED PARTY TRANSACTIONS (CONTINUED)

- (b) The remuneration of key management during the period which only comprised executive directors' remuneration was as follows:

	For the six months ended	
	30 September	
	2019	2018
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Basic salaries, housing benefits, other allowances and benefits in kind	2,118	1,953
Share-based payments	47	116
Pension contributions	18	18
	2,183	2,087

25. CAPITAL COMMITMENTS

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

	As at	
	30 September	31 March
	2019	2019
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Acquisition of property, plant and equipment	19,275	20,526
Capital expenditure in respect of the construction of the ores processing plant	3,686	3,697
Capital expenditure in respect of the mining operations	8,213	8,746
Capital expenditure in respect of the development of electric vehicles	16,275	18,434
	47,449	51,403

26. FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 30 September 2019 and 31 March 2019 may be categorised as follows:

	As at	
	30 September	31 March
	2019	2019
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Financial assets		
Financial assets at amortised cost (including cash and bank balances)	204,365	86,308
Financial assets at fair value through profit or loss – unlisted investments	11,000	110,000
	215,365	196,308
Financial liabilities		
Financial liabilities at amortised cost	78,387	79,155

(a) Financial instruments not measured at fair value

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

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

26. FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (CONTINUED)

(b) Financial instruments measured at fair value

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

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

	As at 30 September 2019 (unaudited)			As at 31 March 2019 (audited)		
	Level 1	Level 2	Total	Level 1	Level 2	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets at fair value						
– Unlisted equity investments	–	11,000	11,000	–	110,000	110,000

There were no transfers between levels during the period.

27. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on 29 November 2019.