

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the Year, the revenue of the Group increased by approximately 47.8% year-on-year to approximately HK\$528.6 million as compared to approximately HK\$357.7 million last year. The revenue comprised sales and distribution of vehicles and related components, provision of engineering services and licencing income of approximately HK\$104.8 million (2020: HK\$3.5 million), sales of jewellery products, watches and other commodities of approximately HK\$377.2 million (2020: HK\$291.9 million), interest income from loan financing of approximately HK\$45.1 million (2020: HK\$46.0 million) and rental income from investment properties of approximately HK\$1.4 million (2020: HK\$16.3 million). During the Year, sales and distribution of vehicles and related components, provision of engineering services and licencing income increased due to (i) the delivery of Apollo IEs during the Year; (ii) the revenue contributed by Ideenion Group following the completion of the acquisition of Ideenion during the Year; and (iii) the licencing income from the license of vehicular platform. Sales of jewellery products, watches and other commodities increased due to improved sentiment in the retail market. Income from loan financing remained stable. In addition, rental income decreased as certain investment properties in Shenyang, PRC were expropriated by the local government.

The Group's gross profit amounted to approximately HK\$131.5 million for the Year as compared to approximately HK\$125.9 million last year. The gross profit margin decreased to approximately 24.9% (2020: 35.2%) mainly due to (i) the change of sales mix during the Year; and (ii) the decrease in margin from the sales of jewellery products, watches and other commodities to boost sales.

Other gains and losses, net for the Year mainly comprised: (i) gain on disposal of subsidiaries of approximately HK\$35.8 million (2020: loss on disposal of a subsidiary of approximately HK\$10.2 million); (ii) impairment of loans receivable of approximately HK\$12.5 million (2020: HK\$29.1 million); (iii) impairment of prepayments, deposits and other receivables of approximately HK\$23.9 million (2020: Nil); (iv) fair value gains on financial assets at fair value through profit or loss of approximately HK\$21.9 million (2020: fair value losses on financial assets at fair value through profit or loss of approximately HK\$133.3 million); and (v) fair value losses on contingent consideration payables of approximately HK\$56.0 million (2020: HK\$21.9 million) arising from the Group's acquisitions, the increase of which is mainly due to the change in share prices of the Company as at the year-end dates, which then affects the fair value of the contingent consideration shares.

General and administrative expenses increased by 72.7% to approximately HK\$294.8 million (2020: HK\$170.6 million) mainly due to the equity-settled share option expense of approximately HK\$106.9 million (2020: HK\$3.0 million) recorded during the Year.

Income tax expense significantly decreased due to the inclusion of a one-off tax provision resulting from the expropriation of investment properties recorded last year.

As a result of the foregoing, the Group's loss for the Year was approximately HK\$359.4 million (2020: HK\$359.4 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Significant Investments Held

Details of significant investments held by the Group were set out as follows:

	As at 30 September 2021			For the year ended 30 September 2021		Fair value		
	Number of preferred shares held '000	% of preferred shares held in such investee %	Percentage to the Group's total assets %	Fair value Gain HK\$'000	Share of loss of associate HK\$'000	As at 30 September 2021 HK\$'000	As at 30 September 2020 HK\$'000	Investment cost HK\$'000
Investment Details								
EV Power								
Preferred shares	142,820	33.23	8.75	42,588	(19,850)	444,684	421,946	407,679
Call option	N/A	N/A	0.35	7,732	–	17,809	10,077	
				50,320	(19,850)	462,493	432,023	
Divergent								
Preference shares	4,139	44.49	8.48	4,499	–	430,697	426,198	469,378
— 2019 Divergent convertible	N/A	N/A	1.79	10,203	–	90,804	80,601	97,500
				14,702	–	521,501	506,799	

* Represented the aggregate consideration

MANAGEMENT DISCUSSION AND ANALYSIS

(i) Investment in EV Power

EV Power and its subsidiaries are principally engaged in the provision of convenient, safe and cost-effective EV charging solutions in Hong Kong and the PRC. EV Power is China's largest charging point operator in terms of number of charging sites in operation in residential areas. It operates over 7,000 charging sites and over 32,000 charging piles (or 55,000 charging bays), covering over 30 major cities in the country. The Group's investment in EV Power represents an opportunity for the Group to create strong synergies with EV Power through the Group's proprietary EV technologies and thereby completing the full value chain of mobility.

(ii) Investment in Divergent

Divergent Technologies, Inc. ("Divergent") is a company based in the United States of America which uses 3D metal printing technology through its patented hardware and software platform to conduct research, design, development and production of 3D printed vehicle structures. Not only does the patented digital manufacturing system radically reduces capital needs and design risks, it also reduces product cycle time and increases market response. The Group believes that the investment in Divergent will create synergies with the Group's mobility businesses by vastly improving existing economy of scales of the factory of automobile OEMs.

Liquidity, Financial Resources and Gearing

As at 30 September 2021, the cash and cash equivalents of the Group amounted to approximately HK\$150.1 million (2020: HK\$184.5 million), which were mainly denominated in HK\$, Renminbi ("RMB"), Euro and Japanese Yen.

The current assets and current liabilities of the Group were approximately HK\$1,331.9 million and HK\$1,277.6 million, respectively (2020: current assets of approximately HK\$1,677.1 million and current liabilities of approximately HK\$869.9 million). The net current assets comprised of inventories of approximately HK\$173.4 million (2020: HK\$172.7 million), accounts receivable, prepayments, deposits and other receivables of approximately HK\$348.6 million (2020: HK\$639.0 million), loans receivable of approximately HK\$652.1 million (2020: HK\$678.1 million) and financial assets at fair value through profit or loss of approximately HK\$1.0 million (2020: HK\$1.4 million).

The Group's inventory turnover, accounts receivable turnover and accounts payable turnover periods for the year were 159 days, 25 days and 58 days, respectively. Overall, the turnover periods were consistent and in line with the respective policies of the Group on credit terms granted to customers and credit terms obtained from suppliers.

During the Year, the Group financed its operations and investment activities through a combination of (i) operating cashflows; and (ii) interest-bearing borrowings. As at 30 September 2021, equity attributable to owners of the Company amounted to approximately HK\$3,658.7 million (2020: HK\$3,607.2 million).

The Group's total interest-bearing bank and other borrowings as at 30 September 2021 amounting to approximately HK\$122.7 million (2020: HK\$167.0 million) were mainly denominated in RMB and Japanese Yen. The interest-bearing bank and other borrowings were mainly used for working capital purpose and all of which were at commercial lending variable interest rates. The maturity profile was spread over a period, with approximately HK\$105.4 million repayable within one year and approximately HK\$17.3 million repayable after one year.

The Group monitors capital on the basis of the gearing ratio. As at 30 September 2021, the gearing ratio was approximately 3.4% (2020: 4.5%). This ratio is calculated as total debts divided by total equity.

MANAGEMENT DISCUSSION AND ANALYSIS

Contingent Liabilities

Details of contingent liabilities of the Group are set out in note 39 to the consolidated financial statements.

Pledge of Assets

As at 30 September 2021, the Group's freehold land and buildings, certain building including right-of-use assets, investment properties and accounts receivable with an aggregate carrying amount of approximately HK\$114.9 million were pledged to secure certain bank loans to the Group of principal amount of approximately HK\$91.5 million.

Final Dividend

The Board does not recommend the payment of any dividend in respect of the Year (2020: Nil).

Capital Management

The Group's objectives when managing capital are to ensure that members of the Group will be able to continue as a going concern while maximizing the return to shareholders of the Company through the optimization of its debt and equity balance. The Group manages the amount of capital in proportion to risk, and makes adjustments to its overall capital structure through the payment of dividend, new share issues as well as the issue of new debts or the repayment of existing debts.

Foreign Exchange Exposure

The Group's sales and purchases during the Year were mostly denominated in HK\$, RMB and Japanese Yen. The Group was exposed to certain foreign currency exchange risks but it does not anticipate future currency fluctuations to cause material operational difficulties or liquidity problems. Nevertheless, the Group continuously monitors its foreign exchange position and, when necessary, will hedge foreign exchange exposure arising from contractual commitments in sourcing products from overseas suppliers.

Events After the Reporting Period

Events subsequent to the end of the Year are set out in note 45 to the consolidated financial statements.

Material Acquisitions or Disposals

As part of the Company's plan to scale down its legacy businesses including (among others) property investment, on 30 March 2021, Ming Fung Investment Holdings Limited (the "Seller"), a direct wholly-owned subsidiary of the Company, and New Viewpoints Investment Limited (the "Buyer") entered into a sale and purchase agreement, pursuant to which the Seller agreed to sell, and the Buyer agreed to acquire, the entire issued share capital of Marvel Bloom Limited ("Marvel Bloom") at a cash consideration of HK\$200 million (the "Disposal"). Marvel Bloom is principally engaged in property investment. Completion of the Disposal took place on 1 June 2021. Further details of the Disposal are set out in the announcement of the Company dated 30 March 2021.

Save as disclosed above and in this report, there was no other material acquisition or disposal of subsidiaries, associates or joint ventures by the Group during the Year.

MANAGEMENT DISCUSSION AND ANALYSIS

Issue of Listed Securities of the Company and Use of Proceeds

Subscription of Shares

On 7 December 2020, the Company and the Subscribers (who were either private individual investors or corporations with investment holding as their principal activities) entered into a subscription agreement (the "Subscription Agreement"), pursuant to which the Subscribers agreed to subscribe for, and the Company has agreed to allot and issue to the Subscribers, an aggregate of 1,066,596,000 new Shares at a subscription price of HK\$0.46 per Share on the terms and subject to the conditions set out in the Subscription Agreement. One of the Subscribers failed to meet its obligations under the Subscription Agreement to proceed with completion, and accordingly, the corresponding subscription of 254,000,000 Shares by such Subscriber has been terminated. As at the end of the Year, 812,596,000 Shares have been allotted and issued to no less than six Subscribers at a total cash consideration, before expenses, of approximately HK\$373,794,000. Save for the terminated subscription, the aggregate nominal value of the Shares issued under the Subscription Agreement was HK\$81,259,600 and the net subscription price was approximately HK\$0.44 per Share. The closing price per Share as quoted on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 4 December 2020, being the last trading day immediately prior to the date of the Subscription Agreement, was HK\$0.57. The total net proceeds from the Subscriptions were approximately HK\$357.8 million. The Company intended to use approximately 90% of the net proceeds, representing approximately HK\$322.0 million, for future potential acquisitions or investments in NEV-related businesses or technologies; and approximately 10% of the net proceeds, representing approximately HK\$35.8 million, for general working capital. As at the end of the Year, the net proceeds had been fully utilised for the intended purpose as previously disclosed. The Directors were of the view that the Subscriptions would provide a good opportunity to raise additional funds to finance future investment opportunities to further cement the Group's foothold in the NEV industry. Further details of the Subscriptions are set out in the announcement of the Company dated 7 December 2020.

Subscription of Convertible Bonds on 8 September 2021

On 8 September 2021, the Company and Walong Holdings Limited ("Walong") entered into a subscription agreement (the "Walong Agreement"), pursuant to which, on the terms and subject to the conditions therein, the Company has agreed to issue and Walong has agreed to subscribe for the convertible bonds (the "Walong Convertible Bonds") in the principal amount of HK\$78,000,000. The Walong Convertible Bonds are convertible into the Shares and the initial conversion price of the Walong Convertible Bonds is HK\$0.55 per Share. Assuming that the conversion rights attaching to the Walong Convertible Bonds have been exercised in full and there is no adjustment to the conversion price, 141,818,181 new Shares with aggregate nominal value of HK\$14,181,818.10 will be allotted and issued.

The closing price per Share as quoted on the Stock Exchange on 8 September 2021, being the date of the Walong CB Subscription Agreement, was HK\$0.55.

The gross proceeds and the net proceeds (after deduction of relevant expenses) from the issue of the Walong Convertible Bonds were HK\$78,000,000 and approximately HK\$77,000,000, respectively. The net issue price if the conversion Shares were issued at the initial conversion price was approximately HK\$0.54. The Company intends to apply the net proceeds as follows: (a) approximately 90%, representing approximately HK\$69,300,000, will be used for investment in business opportunities in order to expand into the mobility technology solutions and related business; and (b) approximately 10%, representing approximately HK\$7,700,000, will be used for general working capital of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

The subscription of the Walong Convertible Bonds offered a good opportunity to raise additional funds to strengthen the financial position and broaden the capital base of the Group so as to facilitate its future development. The Directors were of the view that the issue of the Walong Convertible Bonds would be an appropriate means of raising additional capital since (i) it will not have an immediate dilution effect on the shareholding of the existing shareholders of the Company; and (ii) in the event that the Walong Convertible Bonds are converted into Shares, the Company can improve its capital base, benefiting the long-term development of the Company.

The subscription of the Walong Convertible Bonds was completed subsequent to the end of the Year. Further details of the Walong CB Subscription Agreement are set out in the announcements of the Company dated 8 September 2021 and 9 September 2021.

Subscription of Convertible Bonds on 13 September 2021

On 13 September 2021, the Company entered into subscription agreements (the "13 September CB Subscription Agreements") with each of Able Catch Limited, Vivaldi International Limited and 45 Yi Capital Holdings Co., Ltd (collectively the "CB Subscribers"), pursuant to which, on the terms and subject to the conditions therein, the Company has agreed to issue and the CB Subscribers have agreed to subscribe for the convertible bonds (the "13 September Convertible Bonds") in the principal amount of HK\$85,800,000. The 13 September Convertible Bonds are convertible into the Shares at the initial conversion price of HK\$0.55 per Share. Assuming that the conversion rights attaching to the 13 September Convertible Bonds have been exercised in full and there is no adjustment to the conversion price, 156,000,000 new Shares with aggregate nominal value of HK\$15,600,000 will be allotted and issued.

The closing price per Share as quoted on the Stock Exchange on 13 September 2021, being the date of the 13 September CB Subscription Agreements, was HK\$0.55.

The gross proceeds and the net proceeds (after deduction of relevant expenses) from the issue of the 13 September Convertible Bonds were HK\$85,800,000 and approximately HK\$85,000,000, respectively. The net issue price if the conversion Shares are issued at the initial conversion price would be approximately HK\$0.54. The Company intends to apply the net proceeds as follows: (a) approximately 90%, representing approximately HK\$76,500,000, will be used for the investment in business opportunities in order to expand into the mobility technology solutions and related business; and (b) approximately 10%, representing approximately HK\$8,500,000, will be used for general working capital of the Group.

The subscription of the 13 September Convertible Bonds offered a good opportunity to raise additional funds to strengthen the financial position and broaden the capital base of the Group so as to facilitate its future development. The Directors were of the view that the issue of the 13 September Convertible Bonds would be an appropriate means of raising additional capital since (i) it will not have an immediate dilution effect on the shareholding of the existing Shareholders; and (ii) in the event that the 13 September Convertible Bonds are converted into Shares, the Company can improve its capital base, benefiting the long-term development of the Company.

The subscription of the 13 September Convertible Bonds was completed subsequent to the end of the Year. Further details of the 13 September CB Subscription Agreement are set out in the announcement of the Company dated 13 September 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Employees and Remuneration Policies

As at 30 September 2021, the Group had 193 (2020: 204) employees. In addition to basic salary, employees are entitled to other benefits including those under social insurance contribution, employee provident fund schemes and share option scheme of the Company. The remuneration of employees was in line with market trend and commensurate to the levels of pay in the industry and to the performance of individual employees that are regularly reviewed each year.

The annual salary of Directors is determined by reference to their performance for the year, experience, qualification, duties and responsibilities in the Company and the prevailing market rate and will be subject to review by the remuneration committee of the Board (the "Remuneration Committee") and the Board from time to time. Further details of Directors' and chief executive's remuneration and the five highest paid employees are set out in notes 10 and 11 to the financial statements, respectively.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this report, there was no other specific plan for material investments or capital assets as at 30 September 2021.