



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)

Annual Report 2020



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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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Hong Kong

LEGAL ADVISOR IN HONG KONG

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Hong Kong

BRANCH REGISTRAR 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

46th Floor, China Online Centre
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

CHAIRMAN'S STATEMENT

The Board of Directors (the "Board") of China Dynamics (Holdings) Limited (the "Company") is pleased to present the annual report of the Company and its subsidiaries (the "Group") for the year ended 31 March 2020.

RESULTS

During the year ended 31 March 2020, the Group recorded revenue of approximately HK\$5.1 million (2019: HK\$3.0 million) deriving from the sales of motor vehicles. Gross profit was approximately HK\$0.7 million (2019: HK\$0.2 million) with the gross profit margin at 13.4% (2019: 8.3%). The increase in revenue and gross profit on the sales of motor vehicles was the result of an increase in sales orders and better economies of scale. Details of the Group's current development are set out in the section headed "Business Review" below.

The Group recorded a loss of approximately HK\$162.0 million for the year as compared to a loss of approximately HK\$177.1 million for last year. The narrowed loss was mainly due to the decrease in administrative expenses to approximately HK\$108.8 million (2019: HK\$134.7 million) and the increase in fair value of approximately HK\$1.4 million (2019: decrease of approximately HK\$10.8 million) of financial assets at fair value through profit or loss ("FVTPL"). There was an impairment loss of property, plant and equipment and other intangible assets of approximately HK\$22.9 million (2019: HK\$nil) in respect of the development of electric vehicles in the People's Republic of China (the "PRC"). There was also an impairment loss on the mining assets of approximately HK\$27.6 million (2019: HK\$nil) and on the construction in progress of the mining assets of approximately HK\$10.5 million (2019: HK\$nil) as detailed in the "Mining and Production of Mineral Products" segment under "Business Review".

The loss attributable to the owners of the Company was approximately HK\$146.9 million (2019: HK\$156.6 million). Basic and diluted loss per share for the year was HK\$0.02 per share (2019: HK\$0.03 per share).

DIVIDEND

The directors of the Company do not recommend the payment of any dividend for the year ended 31 March 2020 (2019: HK\$nil).

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

Electric bus ("eBus") and electric vehicles ("EVs")

Chongqing Suitong New Energy Automotive Manufacturing Co., Ltd. ("Suitong"), is 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.

Given the ongoing new policies and measures promulgated periodically as well as the relevant government subsidy issues in the PRC, 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 favourable to Suitong in obtaining reasonable orders. As such, Suitong has been able to obtain sales order from Wulong County for its 8.5 meter buses. Production for the orders has been delayed due to the COVID-19 pandemic, but it has been resumed since early May 2020 and is expected to be delivered within this year. Although the EVs market in the PRC remains highly competitive, the Group always believes that the market potential is huge and that Suitong will be able to reap a rewarding return from the PRC in the 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 relying solely on the PRC market. In September 2019, the Group obtained orders and was expected to deliver two smart electric buses to the Hong Kong Productivity Council within year 2020 for trial run by the Airport Authority Hong Kong and the Hong Kong Anti-Cancer Society.

Also, the Group had obtained several sale 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 first orders of products are delivered. In addition, the Group had also obtained a trial order of its logistic vehicles and buses to Europe and is expected to deliver 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.

The COVID-19 pandemic since January 2020 has inevitably affected the Group's production schedule as well as the placing and executing of orders from the PRC and especially from overseas. Suitong has been able to restart its production from April onwards, and the production progress is picking up well alongside with the progressive reopening of nationwide supply chain in the PRC. However, the intensified situation worldwide has made it impossible for Suitong's technical personnel to travel to the target markets for performing products commissioning. Also, the worldwide lockdown has put several purchasing orders on hold until late May 2020.

CHAIRMAN'S STATEMENT

For the year under review, part of the sale orders from South America has been completed and recorded in the current year's profit or loss. Since some new orders from the PRC and overseas markets were still in the production phases and were not recorded in the current year, revenue for the year under review changed negligibly. After the successful showcase delivery to South America, the Company is now in the concluding stage of sizable follow-up orders of which the commercial terms is expected to be finalised soon. At the same time, several other orders from Central and South American countries are now under negotiation and the Company believes that it is in a very good position in getting these orders. With the easing of worldwide lockdown, overseas market orders have resumed and become active again. Several new orders are currently under negotiation and the Group is very optimistic that a fast market rollout plan can be successfully undertaken within a foreseeable time.

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 demand 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 when necessary.

The COVID-19 pandemic has added further complications and challenges to the Group, nevertheless, the management is ready to monitor and adjust its business model to face these challenges and cope with the new potential market and economy.

Mining and production of mineral products

The Group's wholly-owned subsidiary, Guangxi Weiri Mining Company Limited (the "Guangxi Weiri"), owns a glauberite mine located in Guangxi Zhuang Autonomous Region, the PRC (the "Glauberite Mine"). The product of the Glauberite Mine is thenardite which is a type of important raw materials used in chemical and light industrial manufacturing. As mentioned in previous annual reports, 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 Renminbi ("RMB") 18.5 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 year ended 31 March 2020. 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.

CHAIRMAN'S STATEMENT

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 was paid for approximately 100,000 square meters of land for a factory site, but relevant land use rights have not been issued as processing of land management by the local government is continuing. Procedures 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. The Group has regularly communicated and recently contacted the local government in April 2020 in respect of the progress of issuance of land use rights. Considering the pending issue on the land use rights which remains unresolved for a period of time, an impairment loss of HK\$10.5 million on the construction in progress on the mining assets in the PRC was provided during the current year.

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.

The Group has closely monitored the Glauberite Mine development and periodically assesses 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 overall situation of the mining assets. The Group has also engaged a qualified independent valuer to assess its fair value annually. The fair value is calculated under the Multi Period Excess Earnings Method, which is based on a financial budget covering a nineteen-year period from 2022 to 2041 and then reduced by the discount rate. The Group has assessed the key assumptions used for the calculation of the discounted cash flows, including the prevailing market condition of the thenardite products, the exploitation volume of the resources and the discount rate adopted. Details of the key assumptions applied for the Glauberite Mine are set out in note 19 to the consolidated financial statements. The carrying value of RMB2,166.7 million exceeded the fair value of RMB2,142.0 million and hence the impairment loss on the mining assets of RMB24.7 million, equivalent to HK\$27.6 million (2019: HK\$nil), was provided in the current year. Accordingly, the mining assets as at 31 March 2020 are stated at its fair value of RMB2,142.0 million, equivalent to HK\$2,343.0 million, and no further impairment is required. 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.

CHAIRMAN'S STATEMENT

Mineral resources and ore reserves

As at 31 March 2020, the Company, through its wholly-owned subsidiary in the PRC, owns a Glauberite Mine in Guangxi. The following table sets out the mineral information of the mine as at 31 March 2020:

Wireframe	Classification	Tonnes (‘000)	Na ₂ SO ₄ (%)	Na ₂ SO ₄ Metal tonnage (‘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

Note:

- (1) The effective date of the Mineral Resource is 31 May 2013. All tonnages are rounded to the nearest million tonnes to reflect the inherent level of confidence associated with the resources estimation. The Mineral Resource was estimated within constraining wireframe solids based on geological limits of the mineralised and internal waste units. Nominal cut off for defining the geological unit is 10% Na₂SO₄. The mineral resource estimate is in accordance with JORC Code with an effective date of 31 May 2013. Since no additional work has been done to add to the geological data set, nor has the resource been depleted through mining, the resources as at 31 March 2020 remain unchanged.

CHAIRMAN'S STATEMENT

(2) Competent person statement:

The information in this section that relates to mineral resources is based on work done by Dr. Louis Bucci, Mr. Andrew Banks, Ms. Jessica Binoir, Ms. Kirsty Sheerin and Dr. Gavin Chan, and has been peer reviewed by Mr. Danny Kentwell. Dr. Louis Bucci and Mr. Danny Kentwell take overall responsibility for the resources estimate and Dr. Gavin Chan takes responsibility for the geological model. Mr. Andrew Banks and Dr. Gavin Chan are members of The Australasian Institute of Mining and Metallurgy and Dr. Louis Bucci is a Member of the Australian Institute of Geosciences. Mr. Danny Kentwell is a Fellow of the Australasian Institute of Mining and Metallurgy. Dr. Gavin Chan and Mr. Danny Kentwell are full time employees of SRK Consulting (Australasia) Pty Ltd ("SRK") and Mr. Andrew Banks was a full time employee of SRK from June 2011 until February 2012. Dr. Louis Bucci was a full time employee of SRK from August 2004 until June 2014.

All have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity they are undertaking to qualify as Competent Persons in terms of the Australasian Code for reporting of exploration results, Mineral Resources and Ore Reserves (The JORC Code, 2004), and for inclusion of such information in this section in the form and context in which it appears.

This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

Competent Person's Consent Form from Mr. Daniel Kentwell has been obtained by China Dynamics (Holdings) Limited on 13 May 2020.

Metals and minerals trading

As the metals and minerals trading industry remained weak, the Group had not concluded any trading contract on metal ores during the year 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 consolidated statement of financial position. The disposal of the non-current assets was completed during the current year.

CHAIRMAN'S STATEMENT

DISPOSAL OF ENTIRE EQUITY INTEREST IN RIMAC

During the current year, 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 entire 7.19% 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) for 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 Disposal was completed on 9 September 2019. The investment in Rimac was previously stated as financial assets at FVTPL, and there was no gain or loss on the Disposal during the year.

LIQUIDITY AND FINANCIAL RESOURCES

The directors have considered various ways of raising funds and consider that the placings of shares represent an attractive opportunity to raise capital for the Company while broadening the shareholder base and capital base of the Company. During the year ended 31 March 2020, 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 31 March 2020, the net asset value of the Group amounted to approximately HK\$2,607.7 million (2019: HK\$2,920.0 million). The gearing ratio of the Group was nil given no bank borrowings as at 31 March 2020 (2019: HK\$nil) and the equity attributable to owners of the Company was approximately HK\$2,634.2 million (2019: HK\$2,914.0 million).

The Group's other payables and accruals amounted to HK\$121.2 million as at 31 March 2020, decreased by 4% as compared to HK\$126.3 million as at 31 March 2019. The decrease was mainly attributable to the depreciation of exchange rate between Renminbi and Hong Kong Dollar. The other payables and accruals mainly represented (i) the government grant in relation to the acquisition of land use right of approximately HK\$59.7 million (2019: HK\$63.8 million), which will be recognised as a reduction of construction cost in property, plant and equipment after the completion of the construction of the manufacturing plant in Chongqing and the fulfilment of the conditions of the government grant; and (ii) the construction cost incurred for the manufacturing plant in Chongqing of approximately HK\$40.8 million (2019: HK\$38.9 million), of which the construction of main building blocks was completed during the current year.

CHAIRMAN'S STATEMENT

As at 31 March 2020, the Company has (i) outstanding convertible notes in the principal amount of HK\$883.1 million (2019: HK\$1,687.5 million) which could be converted into 1,177,413,600 shares (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 Rule Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange" and "Listing Rules", respectively); (ii) outstanding share options entitling participants to subscribe for a total of 367,100,000 shares (2019: 423,000,000 shares) of the Company, for which 357,300,000 shares (2019: 335,080,000 shares) are vested; and (iii) outstanding share award entitling participants to obtain for a total of 165,000,000 shares (2019: nil) of the Company, which are under vesting conditions and are still not vested at 31 March 2020.

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 31 March 2020, the Group had unpledged cash and bank balances of approximately HK\$71.7 million (2019: HK\$21.7 million), of which 56.6% (2019: 60.6%) was denominated in HK dollars, 25.2% (2019: nil) was denominated in Euro, 16.8% (2019: 37.7%) was denominated in Renminbi and 0.7% (2019: 1.1%) was denominated in US dollars.

During the current year, the exchange rate of the Renminbi has depreciated by approximately 6.9% against the HK dollars. 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 any foreign currency exchange forward contracts for hedging purposes for Renminbi during the year. 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 the currency exposure and, when it considers to be an opportune time, will take the necessary actions to ensure that such exposure is properly hedged.

CHAIRMAN'S STATEMENT

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 utilised in full as intended use, as outlined 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	31,500	–
Development of 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. The net proceeds have been utilised in full as intended use, as outlined 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	41,300	–
Development of electric vehicle business in the PRC	29,300	–
	<u>70,600</u>	<u>–</u>

CHAIRMAN'S STATEMENT

PROSPECTS

Since the year 2020, the impact of COVID-19 spreading across the world and together with the Sino-American trade squabble have induced further instability to the global economy. Under these unfavourable circumstances, the Group still manages to get new sales orders from various countries. It hopes its business will return to normal in the second half of the year and it will do all to support its customers and stakeholders through this difficult time.

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. The Group is well positioned and confident in developing business in this market, and is also capable of expanding and capturing opportunities as they arise.

The product of the Glauberite Mine is thenardite, which is a type of important raw materials used in the chemical and light industrial manufacturing industries. The Group expects that there will be increasing thenardite demand from the PRC market as a 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 rationalisation. 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 year and up to the date of this report, 253,740,000 ordinary shares were acquired at an aggregate consideration of approximately HK\$27.4 million. These repurchased shares represented approximately 3.57% 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 believes 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.

CHAIRMAN'S STATEMENT

CHARGES ON THE GROUP'S ASSETS AND CONTINGENT LIABILITIES

The Group provided a guarantee to a financial institution in Chongqing for certain customers on the purchase of its motor vehicles. In the event of the customers' default, the Group would be required to compensate the financial institution for the outstanding receivables from the customers. As at 31 March 2020, all the guaranteed balances were settled (2019: outstanding RMB2.7 million) and no payment has been made by the Group (2019: nil) to the financial institution owing to customer default. Therefore, no provision has been made for this 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 31 March 2020.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2020, the Group employed 140 (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 practices. Discretionary bonuses and other individual performance bonuses 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 labor 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 (the "Share Option Scheme"). No share options were granted during the reporting period.

On 8 May 2019, the Board adopted a new share award plan (the "Share Award Plan"), under which any eligible participants, including but not limited to any directors and employees of the Group, are eligible for participating in the Share Award Plan. The Share Award Plan will remain in force for 10 years from the adoption date. Pursuant to the Share Award Plan, shares will be subscribed or acquired by the independent trustee from the market, at the cost of the Company and be held in trust for the selected participants ("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 8 May 2019, representing 688,604,680 shares. During the current year, 165,000,000 award shares were granted to the selected participants under the Share Award Plan.

CHAIRMAN'S STATEMENT

CONCLUSION

On behalf of the Board, I would like to thank shareholders for their continued support and I would also wish to take this opportunity to express my appreciation to my colleagues on the Board and all employees of the Group for their dedication and efforts in the past year.

By order of the Board

Cheung Ngan

Chairman

Hong Kong

26 June 2020

REPORT OF THE DIRECTORS

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2020.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries during the year consist of investment holding, development of new energy business, trading of metals and minerals.

SEGMENT INFORMATION

An analysis of the Group's performance for the year by business and geographical segments is set out in note 6 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2020 are set out in the "CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME" on pages 61 to 62 of this annual report.

The directors do not recommend the payment of any dividend for the year (2019: HK\$nil).

BUSINESS REVIEW

A review of the business of the Group during the year, a discussion on its performance in different segments and an indication of likely future development in the Group's business are provided in the "CHAIRMAN'S STATEMENT" on pages 3 to 14 of this annual report.

REPORT OF THE DIRECTORS

Financial key performance indicators

Set forth below are certain key performance indicators of the Group for the years ended 31 March 2020 and 2019:

	2020	2019
Revenue	HK\$5.1 million	HK\$3.0 million
Loss attributable to owners of the Company	HK\$(146.9 million)	HK\$(156.6 million)
Current ratio (current assets divided by current liabilities)	2.3 times	3.2 times
Gearing ratio (bank borrowings divided by the equity attributable to owners of the Company)	Nil	Nil
Net assets value per share (net assets divided by the total number of shares)	HK\$0.38	HK\$0.54

Principal risks and uncertainties

The Group's business may be affected by risks and uncertainties which are known and set out below:

1. Part of the Group's revenue and assets are denominated in Renminbi. As a result, fluctuations in exchange rates may affect the results of operation. The exchange rate of Renminbi depreciated by approximately 6.9% against Hong Kong dollars during the year. Hence, the value of our results and financial position will be adversely affected when they are translated into Hong Kong dollars for reporting purposes;
2. The Group's reported results could be affected by the impairment of non-financial assets. The Group may be required to recognise or reverse the impairment charges as a result of various factors including the prevailing product selling price, discount and exchange rates, operating and development cost projections, etc. The recognition or reversal of impairment charge may have material non-cash effect to the Group's results during the relevant year but will not affect the future business operations and financial conditions of the Group;

REPORT OF THE DIRECTORS

3. The new energy business of the Group is subject to relevant governmental policies and subsidies. Policy shifts may lead to changes of products and the amount of subsidies receivable. The Group closely monitors such shifts as well as strives to improve its technology and expand its market share;
4. During the year under review, the Group had a certain concentration of credit risk were 39% (2019: 39%) and 85% (2019: 85%) of the trade-related receivables and contract assets due from the Group's largest customer and the five largest customers respectively. The Group generally provides a credit period of one to three months to its customers or allows the customers to make instalment payments over twenty-four to thirty-six months. The Group maintains strict control over receivables which are reviewed regularly by senior management. The Group also endeavors to obtain quality and trustworthy customers and targets to maintain long-term strategic relationships with them; and
5. In addition, various capital and financial risks have been disclosed in notes 39 and 40 to the consolidated financial statements.

Environmental policies and performance

The Group recognises its responsibility to protect the environment from the adverse effects of its business activities. The Group continually seeks to identify and manage the environmental impact attributable to its operational activities in order to minimise this impact if possible. It aims to implement effective energy conservation measures by encouraging recycling, and seeks to upgrade equipment such as lighting and air-conditioning systems in order to increase overall operating efficiency. Discussion on the Group's environmental policies and performance will be provided in the "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2019/20" which will be published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.chinadynamics.com no later than three months after the publication of this Annual Report.

REPORT OF THE DIRECTORS

Compliance with laws and regulations

During the year under review, as far as the Group is aware, there was no material breach or non-compliance with applicable laws and regulations that had a significant impact on its business and operations. The Group has continuously reviewed the newly enacted laws and regulations affecting its operations.

The Group complies with the requirements under the Companies Ordinance, Chapter 622 of the Laws of Hong Kong (the “Companies Ordinance”), the Listing Rules and the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the “SFO”) for, among other things, the disclosure of information and corporate governance, and the Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules.

Relationships with employees, customers and suppliers

1. The sustainable development of the Group depends on the efforts and contribution of our staff. Most of the management and general staff have been serving the Group for a long period of time. The Group ensures all staff are reasonably remunerated and regularly reviews the employment policies on remuneration and other benefits.
2. The Group maintains close contact with its customers and regularly reviews requirements of customers and complaints. The Group values the views and opinions of all customers and understands the market trends from the customer’s perspective through their feedback.
3. The Group maintains good relationship with the suppliers so as to achieve long-term commercial benefits. The responsible departments work closely to make sure the procurement process is conducted in an open and fair manner. The Group’s requirements and standards are also well communicated to suppliers before the commencement of a project.

FIVE-YEAR FINANCIAL SUMMARY

The following is a summary of the results of the Group for the last five financial reporting years and of its assets and liabilities as at the respective financial reporting year-end dates, as extracted from its published audited financial statements.

REPORT OF THE DIRECTORS

RESULTS

	Year ended 31 March				
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
REVENUE	5,086	3,003	59,568	126,108	330,249
LOSS BEFORE INCOME TAX	(164,103)	(179,369)	(401,838)	(142,855)	(145,307)
Income tax credit	2,081	2,220	2,241	172	203
LOSS FOR THE YEAR	(162,022)	(177,149)	(399,597)	(142,683)	(145,104)
ATTRIBUTABLE TO:					
Owners of the Company	(146,850)	(156,625)	(321,861)	(118,408)	(120,140)
Non-controlling interests	(15,172)	(20,524)	(77,736)	(24,275)	(24,964)
	(162,022)	(177,149)	(399,597)	(142,683)	(145,104)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 March				
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
TOTAL ASSETS	2,755,389	3,075,200	3,352,073	3,356,972	3,466,101
TOTAL LIABILITIES	(147,674)	(155,214)	(148,780)	(90,036)	(79,939)
NON-CONTROLLING INTERESTS	26,446	(5,962)	(26,747)	(78,264)	(106,182)
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	2,634,161	2,914,024	3,176,546	3,188,672	3,279,980

REPORT OF THE DIRECTORS

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 18 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year, together with the reasons thereof, are set out in note 32 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-Laws of the Company or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

RESERVES

Details of movements in the reserves of the Group during the year are presented in the "CONSOLIDATED STATEMENT OF CHANGES IN EQUITY" on page 65 of this annual report.

REPORT OF THE DIRECTORS

DISTRIBUTABLE RESERVES

At the end of the reporting period, the Company had no retained profits available for distribution. Under the Companies Act 1981 of Bermuda (as amended from time to time), the contributed surplus of the Company in the amount of HK\$87,109,000 as at 31 March 2020 (2019: HK\$87,109,000) is distributable to shareholders in certain circumstances, prescribed by Section 54 thereof as mentioned in note 34(b) to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total
Sales	
– The largest customer	47.8%
– Five largest customers combined	100.0%
Purchases	
– The largest supplier	49.4%
– Five largest suppliers combined	83.9%

None of the directors, their associates or any shareholders (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major customers or suppliers noted above.

REPORT OF THE DIRECTORS

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors

Mr. Cheung Ngan (Chairman)

Ms. Chan Hoi Ying

Non-executive directors

Mr. Zhou Jin Kai

Independent non-executive directors

Mr. Chan Francis Ping Kuen

Mr. Hu Guang

Dato' Tan Yee Boon

Mr. Cheung Ngan, Ms. Chan Hoi Ying and Dato' Tan Yee Boon shall retire from the Board by rotation in accordance with the Company's Bye-Laws, and being eligible, shall offer themselves for re-election as directors of the Company at the forthcoming annual general meeting.

PERMITTED INDEMNITY PROVISION

The Company has arranged appropriate directors' and officers' liability insurance coverage in respect of legal actions against the directors and officers of the Group throughout the year.

The permitted indemnity provision is in force for the benefit of the directors as required by Section 470 of the Companies Ordinance when the directors' report is approved in accordance with Section 391(1)(a) of the Companies Ordinance.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to shareholders by reason of their holding of the Company's securities.

REPORT OF THE DIRECTORS

EMOLUMENT POLICY

The emoluments of the directors and senior management of the Company are decided by the Remuneration Committee, with regard to the market competitiveness, time commitment and comparable market statistics.

The emoluments of employees of the Group were determined on the basis of their performance, qualifications and competence.

Details of the directors' remuneration and that of the five highest paid individuals of the Group are set out in notes 9 and 10 to the consolidated financial statements, respectively.

DIRECTORS' SERVICE CONTRACTS

None of the directors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of any business of the Company were entered into or subsisted during the year.

EQUITY LINKED AGREEMENTS

The Group's equity linked agreements entered into during the year or subsisting at the end of the year include the convertible notes, share option scheme and share award plan which as detailed below:

Convertible notes

Details of the convertible notes of the Group are set out in note 31 to the consolidated financial statements.

REPORT OF THE DIRECTORS

Share option scheme

The Company's Share Option Scheme, which was adopted by an ordinary resolution of the shareholders at the 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 year ended 31 March 2020, 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 33 to the consolidated 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 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.

REPORT OF THE DIRECTORS

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 current year, 165,000,000 award shares were granted to the Selected Participants under the Share Award Plan. The granted share awards have a contractual vesting period of two years.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Movements of the outstanding share options to the directors as at 31 March 2020 were as follows:

Name of Director	Date of grant	Exercise price (HK\$)	Number of share options		
			At 1 April 2019	Lapsed during the year	At 31 March 2020
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

No share options were exercised by the directors during the year ended 31 March 2020.

Save as disclosed above, at no time during the year 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.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS

The Group had no connected transactions during the years ended 31 March 2020 and 2019.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2020, 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 SFO) which had been 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 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 corporation
		Long position	Short position	
Mr. Cheung Ngan	Beneficial owner & interest of controlled corporation	724,324,959 (Note 1)	–	10.57%
	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)	–	5.00%
Mr. Chan Francis Ping Kuen	Beneficial owner	3,700,000 (Note 3)	–	0.05%
Mr. Hu Guang	Beneficial owner	3,700,000 (Note 3)	–	0.05%

REPORT OF THE DIRECTORS

Notes:

- 1) The 724,324,959 shares include:
 - a. the number of shares of 397,120,000 held by Mr. Cheung Ngan;
 - b. the underlying shares of 3,700,000 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 options 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 31 March 2020, 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.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No director, whether directly or indirectly, had a material beneficial interest in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

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

As at 31 March 2020, 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	724,324,959 (Note 1)	–	10.57%
Faith Profit Holding Limited	Beneficial owner	323,504,959 (Note 1)	–	4.55%
Entrust Limited	Beneficial owner	982,727,510 (Note 2)	–	14.34%
Mr. Chan Tok Yu	Interest of controlled corporation	982,727,510 (Note 2)	–	14.34%
Ms. Siu Kwan	Interest of controlled corporation	982,727,510 (Note 2)	–	14.34%

REPORT OF THE DIRECTORS

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. Zhou Jin Kai	Beneficial owner	342,980,000	–	5.00%
Ms. Yao Sze Ling	Interest of controlled corporation	654,000,000 (Note 3)	–	11.09%
	Beneficial owner	117,050,000		
Mr. Chong Chin	Interest of controlled corporation	654,000,000 (Note 3)	–	9.50%
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%

Note:

- 1) The 724,324,959 shares include:
 - a. the number of shares of 397,120,000 held by Mr. Cheung Ngan;
 - b. the underlying shares of 3,700,000 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.

REPORT OF THE DIRECTORS

- 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 a 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 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN CONTRACTS

Details of the contract of significance between the Group and the substantial shareholders are set out in note 38 to the consolidated financial statements.

BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS

Name	Age	Position held	Number of years of service	Business experience
Mr. Cheung Ngan	63	Chairman, Executive Director	22	Joined the Group in March 1998 and is responsible for the development of corporate strategies, corporate planning, marketing and management functions of the Group. He has over 30 years' working experience in corporate management and investments in the PRC.

REPORT OF THE DIRECTORS

Name	Age	Position held	Number of years of service	Business experience
Ms. Chan Hoi Ying	33	Executive Director	4	Joined the Company in 2014 and was appointed as an executive director of the Company in 2016. Ms. Chan holds a Master's of Actuarial Practice from Macquarie University in Australia. She had worked for the audit department of Messrs. RSM Hong Kong for several years.
Mr. Zhou Jin Kai	67	Non-Executive Director	6	Mr. Zhou is an experienced investor who has substantial experience in the PRC markets. Mr. Zhou has demonstrated his strong business acumen, by sharing his keen insights on the prospects of the PRC market as well as introducing to the Company investment opportunities.
Mr. Chan Francis Ping Kuen	61	Independent Non-Executive Director	15	Appointed as an independent non-executive director of the Company in September 2004. Mr. Chan holds a Bachelor's Degree in economics from the University of Sydney in Australia. He is a member of the Chartered Accountants Australia and New Zealand and the Hong Kong Institute of Certified Public Accountants. Mr. Chan has over 25 years of experience in auditing, accounting and financial management and previously worked for an international accounting firm and a number of companies listed in Hong Kong and the United States. Mr. Chan is currently an executive director of Carrianna Group Holdings Company Limited, the shares of which are listed on the Main Board of the Stock Exchange.

REPORT OF THE DIRECTORS

Name	Age	Position held	Number of years of service	Business experience
Mr. Hu Guang	53	Independent Non-Executive Director	15	Appointed as an independent non-executive director of the Company in September 2004. Mr. Hu holds a Master's Degree of Business Administration from Tianjin University in the PRC. Mr. Hu has over 20 years' experience in investment, finance and property development in the PRC.
Dato' Tan Yee Boon	45	Independent Non-Executive Director	4	Appointed as an independent non-executive director of the Company in June 2016. Dato' Tan holds a Bachelor of Laws degree from the University of Glamorgan, United Kingdom. He holds a Certificate of Legal Practice from the Legal Qualifying Board of Malaysia. He is currently practicing as an advocate and solicitor of the High Court of Malaya and is also a member of the Bar Council of Malaysia. He was the founder and now a partner of Messrs. David Lai & Tan, a firm of advocates and solicitors in Malaysia. Dato' Tan possesses over 20 years of extensive experience in the field of legal and corporate practice.

Dato' Tan is currently an independent non-executive director of Protasco Berhad and Central Global Berhad (formerly known as "Central Industrial Corporation Berhad"), the shares of which are listed on the Main Market of Bursa Malaysia. He is also an independent non-executive director of Binasat Communications Berhad, the shares of which are listed on the ACE Market of Bursa Malaysia. He is also an independent non-executive director of TIL Enviro Limited, the shares of which are listed on the Main Board of the Stock Exchange.

REPORT OF THE DIRECTORS

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

Since the publication of the latest interim report and up to the date of this annual report, changes in directors' information are set out below:

- Mr. Chan Francis Ping Kuen, the independent non-executive director of the Company, has been appointed as an executive director of Carrianna Group Holdings Company Limited (a company listed on Main Board of the Stock Exchange) during the reporting period;
- The term of appointment of Dato' Tan Yee Boon, the independent non-executive director of the Company, has been renewed for a further two years from 17 June 2020 to 16 June 2022 at a director's fee of HK\$100,000 per annum; and
- The term of appointment of Ms. Chan Hoi Ying, the executive director of the Company, has been renewed for a further two years from 10 May 2020 to 9 May 2022 at annual salary entitlements of HK\$1,170,000 and housing allowance is provided on actual basis.

Save as disclosed above, there is no other change required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules.

CONFIRMATION OF INDEPENDENCE

The Company has received a written confirmation in respect of independence from each of the independent non-executive directors in compliance with Rule 3.13 of the Listing Rules and considers each of them to be independent.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out in the "Corporate Governance Report" on pages 36 to 53 to this annual report.

REPORT OF THE DIRECTORS

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year, the Company repurchased a total of 253,740,000 ordinary shares on the Stock Exchange at an aggregate cost of approximately HK\$27.4 million. These repurchased shares represented approximately 3.57% of the total number of issued shares of the Company.

Particulars of the repurchases are as follows:

Date	Number of shares repurchased	Consideration per share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
August 2019	8,640,000	0.116	0.105	969
September 2019	71,160,000	0.118	0.106	8,082
October 2019	75,520,000	0.110	0.104	8,207
December 2019	36,340,000	0.107	0.089	3,807
January 2020	45,160,000	0.105	0.098	4,648
February 2020	16,290,000	0.104	0.088	1,666
March 2020	<u>630,000</u>	0.092	0.086	<u>56</u>
Total	<u>253,740,000</u>			<u>27,435</u>

All shares repurchased were cancelled up to the date of this report. The repurchases were made for the purpose of enhancing the net asset value per share.

Saved as disclosed above, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors as at the date of this report, the Company has maintained sufficient public float as required under the Listing Rules during the reporting period.

REPORT OF THE DIRECTORS

AUDITOR

The financial statements have been audited by BDO Limited who will retire and, being eligible, offer themselves for re-appointment. A resolution will be proposed at the forthcoming annual general meeting to re-appoint BDO Limited as the Company's auditor.

ON BEHALF OF THE BOARD

Cheung Ngan

Chairman

Hong Kong

26 June 2020

CORPORATE GOVERNANCE REPORT

The Company is committed to achieving and maintaining high standards of corporate governance. The Board devotes considerable efforts to identify and formalise the best corporate governance practices suitable for the Company's needs.

CORPORATE GOVERNANCE PRACTICES

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 set out in the Code for the year ended 31 March 2020 except for Code Provisions A.2.1 and A.6.7.

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 chief executive officer when it is appropriate.

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

CODE OF CONDUCT ON DIRECTORS' SECURITIES TRANSACTIONS

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.

All directors have confirmed, following specific enquiry by the Company, they have complied with the required standards set out in the Model Code during the year ended 31 March 2020.

CORPORATE GOVERNANCE REPORT

THE BOARD

The Board is responsible for the leadership and control of the Company and overseeing the Group's business, strategic decisions and financial performances. The Board delegates to the management team the day-to-day management of the Company's business including the preparation of annual and interim reports, and for implementation of internal control, business strategies and plans developed by the Board.

Composition of the Board

The Board is currently comprised of two executive directors, one non-executive director and three independent non-executive directors. The directors who served the Board during the year ended 31 March 2020 and up to the date of this annual report are as follows:

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

Each of the directors' respective biographical details are set out in the "Biographical details in respect of directors" in the REPORT OF THE DIRECTORS of this annual report. The Board believes that its composition is well balanced with each director having sound knowledge, skills, diversity of perspectives, and experience and/or expertise relevant to the business of the Group.

The Company had arranged appropriate insurance cover for all directors.

CORPORATE GOVERNANCE REPORT

Independent non-executive directors

More than one-third of the Board is independent non-executive directors and one of them has appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules. Each of the independent non-executive directors has made an annual confirmation of independence, and the Company considers that all of the independent non-executive directors are independent in accordance with the guidelines as set out in Rule 3.13 of the Listing Rules.

Although two of the independent non-executive directors, Mr. Chan Francis Ping Kuen and Mr. Hu Guang, have been serving the Board for more than nine years, they have not engaged in any executive or management role of the Company. They have made considerable contributions to the Company with their relevant experience and knowledge throughout their years of service and has maintained an independence view in relation to the Company's affair. Hence, taking into consideration of their independence and integrity when performing duties as independent non-executive directors over the past years, there is no evidence that length of tenure will have any adverse impact on their role. The Company therefore considers all of independent non-executive directors are independent throughout the year under review.

Term of appointment of non-executive directors

All non-executive directors have been appointed for a term of two years. All directors are subject to retirement by rotation at least once every three years under the Company's Bye-Laws.

Directors' continuous training and development

The directors acknowledge the importance of keeping abreast of the business activities and development of the Company, updating their professional development, and refreshing their knowledge and skills. The Company encourages the directors to participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant. As such, all directors received updates and reading materials or attended seminars on worldwide financial market, taxation in Hong Kong and the PRC, update on disclosure requirements and other regulatory subjects relevant to the directors' duties and responsibilities. All directors had provided a record of training they received during the year ended 31 March 2020 to the Company.

CORPORATE GOVERNANCE REPORT

Chairman and Chief Executive Officer

The chairman receives significant support from the directors. The chairman of the Company, Mr. Cheung Ngan, is primarily responsible for the leadership of the Board, ensuring that all significant policy issues are discussed by the Board in a clear and constructive manner. All directors have been updated timely, giving a balanced and understandable assessment of the Company's performance and business information. The Board, led by the chairman, sets the overall direction, strategy and policies of the Company. The chairman provides leadership for the Board to ensure that it works effectively, performs its responsibilities and acts in the best interests of the Company. He is also responsible for overseeing effective functioning of the Board and application of good corporate governance practices and procedures. The chairman also encourages the directors to make full and active contributions to the Board's affairs, to voice their concerns or different views and ensure that the decisions fairly reflect the consensus.

The chairman also held meetings and have communications with the independent non-executive directors without the presence of other directors during the reporting period to discuss the Company's strategy, director's contributions, and their independent view.

Appointment and re-election of directors

The Company follows a formal and considered procedure for the appointment of new directors. The Nomination Committee identifies suitably qualified individuals to the Board and makes recommendations on proposed appointments to complement the Company's corporate strategy. The Board shall select and appoint the candidates for directorships of the Company based on their appropriate experiences, personal skills and time commitments. Any director newly appointed shall hold office only until the next following general meeting after his appointment and be subject to re-election at such meeting.

All non-executive directors and independent non-executive directors of the Company were appointed for a specific term, but subject to the relevant provisions of the Bye-Laws of the Company, or any other applicable laws whereby the directors shall vacate or retire from their office. All of them have entered into letters of appointment with the Company for a term of not more than two years.

According to the Bye-Laws of the Company, at each annual general meeting (the "AGM") of the Company, one-third of the directors for the time being shall retire from office by rotation. Every director shall be subject to retirement by rotation at least once every three years.

CORPORATE GOVERNANCE REPORT

BOARD MEETINGS AND ATTENDANCE

At least four Board meetings were scheduled to be held a year to discuss and formulate the overall strategy as well as the operational and financial performance of the Group. The board and committee meeting minutes reflect the matters considered and decisions reached in appropriate details. All minutes are kept by the Company Secretary and available to all directors for inspection.

The attendance of the directors at the Board meetings and general meetings during the year ended 31 March 2020 is as follows:

Name of Directors	Attendance/ Number of Board meetings	Attendance/ Number of general meetings
Executive directors		
Mr. Cheung Ngan (<i>Chairman</i>)	16/16	1/1
Ms. Chan Hoi Ying	16/16	1/1
Non-executive directors		
Mr. Zhou Jin Kai	13/16	0/1
Independent non-executive directors		
Mr. Chan Francis Ping Kuen	16/16	0/1
Mr. Hu Guang	15/16	1/1
Dato' Tan Yee Boon	16/16	1/1

BOARD COMMITTEE

The Board has established three committees with clearly-defined written terms of reference. The independent views and recommendations of the three committees ensure proper control of the Group and the continual achievement of the high standard of corporate governance practices.

CORPORATE GOVERNANCE REPORT

Remuneration Committee

The Remuneration Committee is currently composed of two independent non-executive directors and one executive director, being Dato' Tan Yee Boon, Mr. Chan Francis Ping Kuen and Mr. Cheung Ngan respectively. The Remuneration Committee plays an advisory role to the Board and has every right to access to professional advice relating to remuneration proposal if considered necessary. The final authority to approve any remuneration package is retained by the Board. The full terms of reference setting out the authority of the Remuneration Committee are available on the websites of the Company and the Stock Exchange.

The Remuneration Committee meets at least once a year and will meet as and when necessary or when requested by a Committee member. The attendance of the member of the Remuneration Committee during the year ended 31 March 2020 is as follows:

Name of Directors	Attendance/ Number of committee meetings
Dato' Tan Yee Boon (<i>Chairman</i>)	2/2
Mr. Chan Francis Ping Kuen	2/2
Mr. Cheung Ngan	2/2

The brief duties of the Remuneration Committee as per the terms of reference are as follows:

- i) to formulate remuneration policy for the approval of the Board by taking into consideration of individual performance and the prevailing market comparable;
- ii) to make recommendations to the Board on the Company's policy and structure for the remuneration of the directors and senior management;
- iii) to have the delegated responsibilities to determine the specific remunerations package of individual executive directors and senior management; and
- iv) to review and approve compensation payable to executive directors and senior management in connection with any loss or termination of their office or compensation arrangement relating to dismissal or removal of directors.

CORPORATE GOVERNANCE REPORT

The summary of work of the Remuneration Committee during the year ended 31 March 2020 includes:

- i) reviewed the policy for the remuneration of directors and senior management with reference to the Board's corporate goals and objectives;
- ii) reviewed the remuneration of the independent non-executive directors;
- iii) made recommendations to the Board as to the remuneration packages of directors and senior management; and
- iv) considered the grant of share-based compensation to eligible participants pursuant to the Share Award Plan.

Members of senior management during the reporting period comprised only of the executive directors and the details of the directors' remuneration are set out in note 9 to the consolidated financial statements.

Audit Committee

The Audit Committee is currently composed of three independent non-executive directors, Mr. Chan Francis Ping Kuen, Dato' Tan Yee Boon and Mr. Hu Guang. The Audit Committee is responsible for providing an independent review of the effectiveness of the financial reporting process, internal control and risk management system of the Group, and overseeing the audit process. The Audit Committee also communicates among directors, the external auditor, the internal auditor and the management as regards financial reporting, internal control, risk management and the auditing. The full terms of reference setting out the authority of the Audit Committee are available on the websites of the Company and the Stock Exchange.

The Audit Committee meets at least twice a year and will meet as and when necessary or when requested by a Committee member, the external auditor or the internal auditor. The attendance of the members of the Audit Committee during the year ended 31 March 2020 is as follows:

Name of Directors	Attendance/ Number of committee meetings
Mr. Chan Francis Ping Kuen (<i>Chairman</i>)	2/2
Dato' Tan Yee Boon	2/2
Mr. Hu Guang	1/2

CORPORATE GOVERNANCE REPORT

The brief duties of the Audit Committee as per the terms of reference are as follows:

- i) to monitor integrity of the Company's financial statements and reports;
- ii) to discuss with external auditor any matters arising from the audit of the Company's financial statements;
- iii) to review financial controls, internal controls and risk management system; and
- iv) to review the Company's financial and accounting policies and practices.

The summary of work of the Audit Committee during the year ended 31 March 2020 includes:

- i) reviewed the interim report for the six months ended 30 September 2019 and the related results announcements;
- ii) reviewed the annual financial statements for the year ended 31 March 2019 and the related results announcements;
- iii) reviewed the Group's internal control system and discussed the relevant issues including financial, operational and compliance controls and risk management functions;
- iv) reviewed the policies and practices on the Company's corporate governance, including respective policies and practices and disclosures in the Corporate Governance Report;
- v) reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions;
- vi) meeting with the internal auditor to discuss and confirm the audit plan, the risk management and internal control system of the Group and make recommendations in relation thereto;

CORPORATE GOVERNANCE REPORT

- vii) reviewed the internal audit report and the recommendations made to the Company and the effectiveness of internal audit activities;
- viii) reviewed the effectiveness of the internal control and risk management systems;
- ix) meeting with external auditor to discuss any issue arising from the audit and other matters the external auditor may raise; and
- x) reviewed the remuneration and terms of engagement of the Company's external auditor.

Nomination Committee

The Nomination Committee is currently composed of two independent non-executive directors and one executive director, being Mr. Chan Francis Ping Kuen, Dato' Tan Yee Boon and Mr. Cheung Ngan respectively. It considers matters regarding the nomination and appointment or re-appointment of directors. The Nomination Committee has the right to access to independent professional advice if considered necessary. The full terms of reference setting out the authority of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

The Board adopted the board diversity policy in compliance with the Code. The policy was adopted to ensure that a range of diversity perspectives continues to remain in the composition of the Board. The diversity includes, but is not limited to, gender, age, culture, educational backgrounds, professional skills, experience and perspectives that would complement the existing Board. The Nomination Committee then put forward the recommendation in respect of the above factors, where appropriate, to the Board for consideration and adoption. The final decision will be made according to the strengths of the candidate and its respective contributions to be made to the Board. The Nomination Committee ensures that the Board comprises members with mixed skills, knowledge and experience necessary for the Group's business development, strategies and operation. Having considered the business needs of the Company, the Nomination Committee considers that the current Board is sufficiently diversified in terms of its skills, experience, knowledge and independence.

The Nomination Committee carries out the process of selecting and recommending candidates for directorship including the education background, professional qualifications, industry's experiences, personality, and its contributions to diversify the Board. The Nomination Committee shall ensure the transparency and fairness on the selection procedure, ensure the Board has a balance of skills, continue to adopt diversity selection criteria and taking into account of a range of elements as mentioned above.

CORPORATE GOVERNANCE REPORT

The Nomination Committee meets at least once a year and will meet as and when necessary or when requested by a Committee member. The attendance of the members of the Nomination Committee during the year ended 31 March 2020 is as follows:

Name of Directors	Attendance/ Number of committee meetings
Mr. Chan Francis Ping Kuen (<i>Chairman</i>)	2/2
Dato' Tan Yee Boon	2/2
Mr. Cheung Ngan	2/2

The brief duties of the Nomination Committee as per the terms of reference are as follows:

- i) to review the structure, size and diversity (including but not limited to gender, cultural, educational background, ethnicity, professional experience, skills, knowledge and length of services) of the Board at least annually and make recommendations;
- ii) to identify individuals suitably qualified to become board members and to receive nomination from shareholders or directors, and make recommendation on the selection of individuals nominated for directorship;
- iii) to assess the independence of the independent non-executive directors in accordance with the Listing Rules and the Code; and
- iv) to make recommendations to the board on the appointment or reappointment of directors and succession planning for directors.

The summary of work of the Nomination Committee during the year ended 31 March 2020 includes:

- i) reviewed the structure, size and diversity of the Board, including but not limited to the independent non-executive directors, to ensure that it has a balance of expertise, skills and diversity of perspective appropriate to the business of the Company;
- ii) reviewed and made recommendations on the retirement of directors by rotation and the re-appointment of the retiring directors at the 2019 AGM;
- iii) reviewed and made recommendations on the re-appointment of directors during the year; and
- iv) assessed the independence of the independent non-executive directors.

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS AND CORPORATE GOVERNANCE FUNCTIONS

The directors acknowledge their responsibility for preparation of financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group, as well as their responsibility for performing the corporate governance functions. The directors ensure that the financial statements for the year ended 31 March 2020 were prepared in accordance with statutory requirements and applicable accounting standards.

The specific written terms of reference of the corporate governance functions is available on the Company's website. The primary duties of the corporate governance functions include reviewing the Company's policies, practices on corporate governance, compliance with legal and regulations requirements, monitoring the training and continuous professional development of the directors and senior management.

DIVIDEND POLICY

The Company adopted a dividend policy on 8 May 2019 to set out standard rules and guidelines to be followed by the Board in considering whether to recommend dividend. The policy sets out the consideration factors for recommendation and declaration of dividend payment, such as the Group's business and financial performance, working capital requirements, capital expenditure and future development plans, retained earnings and distributable reserves of the Group and other factors that the Board deems relevant. The payment of the dividend is also subject to shareholders' approval and compliance with applicable laws and regulations including the laws of Bermuda and the Bye-Laws of the Company.

The dividend policy does not constitute a binding commitment by the Company on its future dividend and shall not obligate the Company to declare dividend at any time or from time to time, but only represents a general rules and reference purpose regarding the dividend policy. The Board will review the policy and reserve the right to amend the said policy from time to time.

CORPORATE GOVERNANCE REPORT

AUDITOR'S RESPONSIBILITIES AND REMUNERATION

The statement of the Company's auditor BDO Limited, regarding their report responsibilities is set out in the Independent Auditor's Report on pages 54 to 60 of this report. For the year ended 31 March 2020, the remuneration paid/payable to BDO Limited was as follow:

Services rendered	Fee paid/payable HK\$'000
Audit services	1,500
Agreed-upon procedures on interim report	60
	<hr/>
	1,560

COMPANY SECRETARY

Ms. Lo Lai Man was appointed as the Company Secretary on 13 May 2015. Ms. Lo joined the Company as the accounting manager in July 2008. She holds a bachelor's degree in Accountancy and is a member of the Hong Kong Institute of Certified Public Accountants. She has over 10 years of professional experience in accounting, auditing, financial management and handling the corporate secretarial duties for listed companies in Hong Kong.

The Company Secretary is responsible for advising the Board on governance matters and also facilitates induction and professional development of the directors. The Company Secretary reports to the Chairman of the Board. All directors have access to the advice and services of the Company Secretary. The Company Secretary has day-to-day knowledge of the Company's affairs and is also responsible for ensuring the procedures of the Board meetings are observed. During the reporting period, the Company Secretary had undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL AND RISK MANAGEMENT

The Board acknowledges its overall responsibility for maintaining an effective internal control system and risk management policy of the Company. In respect of the year ended 31 March 2020, the Board considered the internal control systems and risk management are effective and adequate. No significant areas of concern that may affect the financial, operational, compliance controls, and risk management functions of the Group have been identified. The systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives. They can only provide reasonable, and not absolute, assurance against material misstatement or loss. During the review, the Board also considered the resources, qualification/experience of staff of the Group's internal control, accounting and financial reporting function, and their training and budget were adequate.

The framework of the control is as follows:

The Board

- take any necessary and appropriate action to maintain an adequate internal control system to safeguard shareholders' investments and the Company's assets;
- maintain proper accounting records and to ensure the reliability of financial information used for business operations and publication;
- determine the nature of risk that the Company is willing to take in achieving the Company's objective; and
- delegate the responsibility to the Audit Committee to review and oversee the effectiveness of the internal control systems and risk management of the Company.

Audit Committee

- review and oversee the effectiveness of the risk management and internal control systems of the Group;
- discuss with the internal auditor on the major findings and review the internal audit report; and
- review and discuss with the management of the Company to ensure that they take the responsibility on the design, implementation and monitoring the system and internal control.

CORPORATE GOVERNANCE REPORT

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| Internal auditor | <ul style="list-style-type: none">• prepare its yearly audit plan which is reviewed and approved by the Audit Committee;• discuss the major findings in respect of internal audit services with the Audit Committee and provide recommendations to improve the risk management and internal control system of the Group; and• deliver to the Audit Committee the internal audit reports regarding the main risk areas in relation to the internal audit plan. |
| The management of the Company | <ul style="list-style-type: none">• design, implement and execute the system and internal control effectively; and• monitor the risks and supervise the day-to-day operations. |

The Board, through the Audit Committee and internal auditor, has conducted an annual review of the effectiveness of the risk management and internal controls systems (including financial, operational and compliance controls) and was satisfied that the Company's internal control processes are adequate to meet the needs of the Company in its current business environment. The adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting, internal audit and financial reporting functions have been reviewed and are considered to be adequate. The Board also reviewed the profile of the significant risks and how these risks have been identified, evaluated and managed, the changes since the last annual review, in the extent of significant risks, and the Group's ability to respond to changes in its business and the external environment. The Company also incorporated the recommendations from the internal auditor to maintain an effective and adequate risk management and internal control systems of the Company.

INTERNAL AUDIT FUNCTION

To comply with the Code in relation to the establishment of internal audit function, the Company engaged and reappointed Richard Poon & Partners Risk Management Limited as an internal auditor of the Company in relation to the provision of internal audit services to the Company throughout the accounting year ended 31 March 2020. The internal audit function monitors compliance with policies and standards and the effectiveness of internal control structures of the Group.

CORPORATE GOVERNANCE REPORT

ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

The Company is committed to maintain environmental and social standard to ensure business development and sustainability. We take steps to reduce the consumption of energy and promote green office policies e.g. advocate paperless office to reduce the consumption of paper, using internal communication in the form of direct electronic mail or other electronic device, turn off computers, printers and lighting immediately after use, and use environmentally friendly products and certified materials whenever possible.

Discussion on the Group's environmental policies and social performance will be provided in the "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2019/20" which will be published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.chinadynamics.com no later than three months after the publication of this Annual Report.

INSIDE INFORMATION

There are internal procedures for the handling and dissemination of inside information, which has set out the procedures of identification, report and disclosure of inside information to ensure that the Company is able to disclose inside information properly and to ensure the information is kept confidential before such information is approved appropriately. Directors and management of the Company are responsible to take all reasonable measures to ensure that proper safeguards are in place to prevent the Company from breaching the statutory disclosure requirement.

WHISTLEBLOWING POLICY

Employees at all levels are expected to achieve the highest standards of openness, probity and accountability. A whistleblowing policy and system have been implemented and set up for employees of the Group to raise concerns, in confidential, about any suspected misconduct or malpractice within the Group.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Board recognises the importance of maintaining clear, timely and effective communication with shareholders of the Company and investors. The Board also recognises that effective communication with investors is the key to establish investor confidence and to attract new investors. Information would be communicated to shareholders and investors mainly through the Company's corporate communications including interim and annual reports, announcements, circulars and monthly return of the Company on movements in securities etc. These publications are sent to the shareholders in a timely manner and are also available on the website of the Company. Corporate communications issued by the Company have been provided to the shareholders in both English and Chinese versions to facilitate their understanding of the Group's affairs.

The annual general meetings or other general meetings of the Company provide opportunities for communication between the shareholders and the Board. Separate resolutions on each substantial issue are proposed at shareholders' meeting for shareholders' consideration and approval. During the year ended 31 March 2020, the Annual General Meeting (the "2019 AGM") was held on 26 August 2019. The attendance of each director at the general meeting is set out under the section headed "Board Meetings and Attendance" of this report.

The Chairman, the executive directors, the Chairman and/or other members of the Audit Committee, Remuneration Committee and Nomination Committee, as well as external auditor had attended the 2019 AGM of the Company to answer any questions raised. Due to other business engagements, one independent non-executive director and one non-executive director could not attend the 2019 AGM.

Explanation of detail procedures of voting by poll was given at the commencement of the AGM, and the poll results had been published according to the requirements of the Listing Rules.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

Procedure for shareholders to convene a Special General Meeting (the "SGM")

Pursuant to the Bye-Laws of the Company, SGM can be convened on requisition by shareholders. Also, the Companies Act provides that shareholders, as at the date of deposit of the requisition, hold not less than one-tenth (10%) of the issued capital of the Company and carry the right of voting at general meeting, can request the directors to convene a SGM.

The shareholders must state the purpose of the meeting and the requisition must be deposited at the registered office or head office. If the directors do not within twenty-one days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitists, or any of them representing more than one half of the total voting rights of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

Shareholders' enquiries

Shareholders should direct questions about their shareholdings to the Company's share registrar. They can also make enquiry to the Company Secretary of the Company for any publicly available company information. They can also, by stating the nature and reason in written form, make enquiry to the Board provided it has been duly served to the attention of the Board at the head office. The contact details are set out in the "CORPORATE INFORMATION" on page 2 of this annual report.

Procedure for making proposals at general meeting

Shareholders may put forward written proposals for consideration at a general meeting by submitting their proposals to the Board at the head office of the Company at least 60 days before the relevant general meeting. The proposal should be in the form of a proposed resolution and should comply with the following criteria:

- (i) to be clearly and concisely set out the proposal for discussion;
- (ii) to be in accordance with the Company's Memorandum of Association and Bye-Laws, all applicable laws and regulations and the Listing Rules;
- (iii) to be relevant to the Company's business scope and comply with all relevant requirements of a general meeting; and

CORPORATE GOVERNANCE REPORT

- (iv) in the event that the proposed business includes a proposal to amend the Bye-Laws of the Company, the proposed resolution should be in complete text and supported by, including but not limited to the following:
- the class and total number of shares beneficially owned by the individual shareholders of the group of shareholders making the proposal;
 - the reasons for the proposed resolution;
 - any interest in or anticipated benefit to the proposing shareholder or its associate; and
 - the benefits or disadvantage, if any, that the proposer suggests.

PROCEDURE FOR PROPOSING A PERSON FOR ELECTION AS A DIRECTOR

The procedure for proposing a person for election as a director was made available on the Company's website.

CONSTITUTIONAL DOCUMENTS

There was no significant change in the Company's Memorandum of Association and the Bye-Laws during the reporting period and they are available on the websites of the Company and the Stock Exchange.

INDEPENDENT AUDITOR'S REPORT



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TO THE SHAREHOLDERS OF CHINA DYNAMICS (HOLDINGS) LIMITED

(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of China Dynamics (Holdings) Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 61 to 170, which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment of assets attributable to the mining assets

As at 31 March 2020, the Group had mining assets with carrying value of approximately HK\$2,343,000,000. The mining assets are subject to annual impairment review.

The directors have concluded that there was impairment loss of approximately HK\$27,605,000 in respect of the mining assets as at 31 March 2020. This conclusion was based on the recoverable amount of the mining assets, determined using a fair value calculation which is based on a discounted cash flow valuation model that involved significant judgement and assumptions with respect to the discount rate and the underlying cash flows, in particular the future revenue growth, of the mining assets.

We focused on this area because of the magnitude of mining assets and the significance of management judgements involved in the impairment assessment of these assets. An independent professional valuer was engaged by the Group as management's expert to assess the recoverable amount of the mining assets.

Refer to note 19 to the consolidated financial statements and the accounting policies notes 4(g) and 4(h).

Our response

Our audit procedures included:

- Engaging our internal valuation expert as auditor's expert to assist us in reviewing the recoverable amount calculation prepared by management's expert, in particular the underlying assumptions and methodology adopted.
- Analysing and challenging the reasonableness of significant judgements and estimates built in the underlying cash flows used in management's impairment tests based on our knowledge of the business and industry.
- Checking the appropriateness and reasonableness of key inputs (e.g. thenardite market price, discount rate, operating costs, depreciation etc.) of the recoverable amount valuation model.
- Evaluating the competence, capability and objectivity of the management's expert.

INDEPENDENT AUDITOR'S REPORT

Impairment assessment of assets attributable to the Cash Generating Unit ("CGU") of the development of electric vehicles in the PRC

As at 31 March 2020, the Group had non-current assets with carrying value of approximately HK\$168,219,000 attributable to the CGU of development of electric vehicles in the PRC. These assets are subject to impairment review as the impairment indicators existed.

The directors have concluded that there were impairment losses of approximately HK\$22,889,000 in respect of these non-current assets as at 31 March 2020. This conclusion was based on the recoverable amount of the CGU, determined using a value in use calculation which is based on a discounted cash flow valuation model that involved significant judgement and assumptions with respect to the discount rate and the underlying cash flows, in particular the future revenue growth, of these assets.

We focused on this area because of the magnitude of the CGU's non-current assets and the significance of management judgements involved in the impairment assessment of these assets. An independent professional valuer was engaged by the Group as management's expert to assess the recoverable amount of the CGU's non-current assets.

Refer to notes 16 and 20 to the consolidated financial statements and the accounting policies note 4(h).

INDEPENDENT AUDITOR'S REPORT

Our response

Our audit procedures included:

- Engaging our internal valuation expert as auditor's expert to assist us in reviewing the recoverable amount calculation prepared by management's expert, in particular the underlying assumptions and methodology adopted.
- Assessing and challenging the reasonableness of the key assumptions such as forecast selling prices, discount rates and cost growth rate used including agreeing them to external market data.
- Analysing the future projected cash flows used in the model to determine whether they are reasonable and supportable given the current macroeconomic climate and expected future performance of the CGU.
- Checking the appropriateness and reasonableness of key inputs (e.g. unit selling price, discount rate, gross profit margin etc.) of the recoverable amount valuation model.
- Evaluating the competence, capability and objectivity of the management's expert.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited

Certified Public Accountants

Li Pak Ki

Practising Certificate Number: P01330

Hong Kong, 26 June 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Continuing operations			
Revenue	7	5,086	3,003
Cost of sales		(4,406)	(2,754)
Gross profit		680	249
Other income	7	2,032	5,230
Selling and distribution expenses		(221)	(620)
Administrative expenses		(108,769)	(134,699)
Impairment of mining assets	11(a)	(27,605)	–
Reversal of impairment/(impairment) of trade receivables, net	11(a)	2,313	(5,223)
Impairment of construction in progress	11(a)	(10,529)	–
Impairment of other receivables and prepayments, net	11(a)	(8)	(15,678)
Impairment of property, plant and equipment		(12,889)	–
Impairment of intangible assets	11(a)	(10,000)	–
Change in fair value of financial assets at fair value through profit or loss (“FVTPL”)		1,376	(10,750)
Finance costs	8	(483)	(69)
Loss before income tax	11(a)	(164,103)	(161,560)
Income tax credit	12	2,081	2,220
Loss for the year from continuing operations		(162,022)	(159,340)
Discontinued operations			
Loss for the year from discontinued operations	11(b)	–	(17,809)
Loss for the year		(162,022)	(177,149)
Other comprehensive income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(181,099)	(194,091)
Total comprehensive income for the year		(343,121)	(371,240)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Loss attributable to:			
Owners of the Company			
Loss for the year from continuing operations		(146,850)	(145,939)
Loss for the year from discontinued operations		–	(10,686)
Loss for the year attributable to owners of the Company		(146,850)	(156,625)
Non-controlling interests			
Loss for the year from continuing operations		(15,172)	(13,401)
Loss for the year from discontinued operations		–	(7,123)
Loss for the year attributable to non-controlling interests		(15,172)	(20,524)
		(162,022)	(177,149)
Total comprehensive income attributable to:			
– Owners of the Company		(330,713)	(351,749)
– Non-controlling interests		(12,408)	(19,491)
		(343,121)	(371,240)
Loss per share from continuing and discontinued operations			
	14		
– Basic and diluted (HK\$)		(0.02)	(0.03)
Loss per share from continuing operations			
	14		
– Basic and diluted (HK\$)		(0.02)	(0.03)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Property, plant and equipment	15	48,381	62,574
Construction in progress	16	68,493	85,579
Prepaid lease payments for land	17	–	81,153
Right-of-use assets	15	80,615	–
Mining assets	19	2,342,532	2,534,111
Other intangible assets	20	16,733	38,799
Other receivables, deposits and prepayments	24	15,740	19,388
Total non-current assets		2,572,494	2,821,604
Current assets			
Inventories	22	24,555	38,100
Trade receivables	23	7,614	11,477
Contract assets	28	9,803	14,246
Other receivables, deposits and prepayments	24	57,216	44,761
Financial assets at FVTPL	21	12,034	110,000
Prepaid lease payments for land	17	–	1,542
Cash and bank balances		71,673	21,695
		182,895	241,821
Assets classified as held for sale	25	–	11,775
Total current assets		182,895	253,596
Total assets		2,755,389	3,075,200
Current liabilities			
Accounts payable	26	8,633	16,664
Other payables and accruals	27	61,562	62,491
Contract liabilities	28	4,284	970
Lease liabilities	29	4,884	–
Total current liabilities		79,363	80,125
Net current assets		103,532	173,471
Total assets less current liabilities		2,676,026	2,995,075

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Non-current liabilities			
Deferred tax liabilities	30	8,514	11,280
Other payables	27	59,664	63,809
Lease liabilities	29	133	–
Total non-current liabilities		68,311	75,089
Total liabilities		147,674	155,214
NET ASSETS		2,607,715	2,919,986
Equity			
Share capital	32	68,549	53,660
Reserves		2,565,612	2,860,364
Equity attributable to owners of the Company		2,634,161	2,914,024
Non-controlling interests	35	(26,446)	5,962
TOTAL EQUITY		2,607,715	2,919,986

On behalf of the Board

Cheung Ngan
Director

Chan Hoi Ying
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	Attributable to owners of the Company											Non-controlling interests HK\$'000 (Note 35)	Total equity HK\$'000
	Share capital HK\$'000 (Note 32)	Share premium HK\$'000 (Note 34(a))	Contributed surplus HK\$'000 (Note 34(b))	Convertible	Share options reserve HK\$'000 (Note 34(c))	Share award reserve HK\$'000 (Note 34(d))	Foreign	Capital reserve HK\$'000 (Note 34(f))	Treasury reserve HK\$'000 (Note 34(g))	Accumulated losses HK\$'000	Total HK\$'000		
				notes			currency						
				equity reserve HK\$'000 (Note 34(h))			translation reserve HK\$'000 (Note 34(e))						
At 1 April 2018	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 year	-	-	-	-	-	-	-	-	-	(156,625)	(156,625)	(20,524)	(177,149)
Other comprehensive income	-	-	-	-	-	-	(195,124)	-	-	-	(195,124)	1,033	(194,091)
Total comprehensive income	-	-	-	-	-	-	(195,124)	-	-	(156,625)	(351,749)	(19,491)	(371,240)
Placing of shares	3,300	29,700	-	-	-	-	-	-	-	-	33,000	-	33,000
Share issue expense	-	(663)	-	-	-	-	-	-	-	-	(663)	-	(663)
Share-based payments	-	-	-	-	9,411	-	-	-	-	-	9,411	-	9,411
Forfeited share options	-	-	-	-	(1,837)	-	-	-	-	1,837	-	-	-
At 31 March 2019	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
At 1 April 2019	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 year	-	-	-	-	-	-	-	-	-	(146,850)	(146,850)	(15,172)	(162,022)
Other comprehensive income	-	-	-	-	-	-	(183,863)	-	-	-	(183,863)	2,764	(181,099)
Total comprehensive income	-	-	-	-	-	-	(183,863)	-	-	(146,850)	(330,713)	(12,408)	(343,121)
Repayment of capital to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(20,000)	(20,000)
Placing of shares	6,700	67,000	-	-	-	-	-	-	-	-	73,700	-	73,700
Share issue expense	-	(2,954)	-	-	-	-	-	-	-	-	(2,954)	-	(2,954)
Repurchase of shares	-	-	-	-	-	-	-	-	(27,435)	-	(27,435)	-	(27,435)
Cancellation of repurchased shares	(2,537)	(24,892)	-	-	-	-	-	-	27,429	-	-	-	-
Conversion of convertible notes	10,726	699,768	-	(710,494)	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	3,958	3,581	-	-	-	-	7,539	-	7,539
Forfeited share options	-	-	-	-	(5,756)	-	-	-	-	5,756	-	-	-
Lapsed share options	-	-	-	-	(17,226)	-	-	-	-	17,226	-	-	-
At 31 March 2020	68,549	3,086,766	20,566	779,933	73,593	3,581	(413,918)	687	(6)	(985,590)	2,634,161	(26,446)	2,607,715

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000
OPERATING ACTIVITIES			
Loss before income tax from continuing operations		(164,103)	(161,560)
Loss before income tax from discontinued operations		–	(17,809)
		(164,103)	(179,369)
Adjustments for:			
Interest income	7	(140)	(364)
Finance costs	8	483	69
Depreciation of property, plant and equipment	15(a)	9,932	9,822
Depreciation of right-of-use assets	11(a)	9,987	–
Amortisation of prepaid lease payments for land	11(a)	–	1,561
Amortisation of other intangible assets	11(a)	10,014	10,750
Share-based payments	33	7,539	9,411
Loss on disposal of financial assets at FVTPL		–	578
Change in fair value of financial assets at FVTPL		(1,376)	10,750
Gain on disposal of property, plant and equipment	7	(412)	–
Gain on lease modification		(26)	–
Impairment of inventories	11(a)	4,894	30,976
Impairment of interest in joint venture		–	277
Impairment of assets held for sale	11(b)	–	10,275
Impairment of mining assets	11(a)	27,605	–
(Reversal of impairment)/impairment of trade receivables, net	11(a)	(2,313)	5,223
(Reversal of impairment)/impairment of contract assets	11(a)	(150)	13
Impairment of other receivables and prepayments, net	11(a)	8	15,678
Impairment of property, plant and equipment	15(a)	12,889	–
Impairment of intangible assets	11(a)	10,000	–
Impairment of construction in progress	11(a)	10,529	–
Reversal of impairment of trade receivables and contract assets		–	(1,202)
Exchange loss, net		899	2,027

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

Notes	2020 HK\$'000	2019 HK\$'000
Operating cash flows before movements in working capital	(63,741)	(73,525)
Increase in inventories	(1,663)	(23,367)
Decrease in trade receivables	5,514	10,969
Decrease/(increase) in contract assets	3,751	(337)
(Increase)/decrease in other receivables, deposits and prepayments	(9,799)	8,128
Decrease in accounts payable	(7,114)	(10,584)
Increase in other payables and accruals	13,104	3,492
Increase/(decrease) in contract liabilities	3,370	(3,108)
NET CASH USED IN OPERATING ACTIVITIES	(56,578)	(88,332)
Investing activities		
Acquisition of property, plant and equipment	(433)	(1,175)
Addition to construction in progress	(2,788)	(4,866)
Advance to a joint venture	–	(277)
Proceeds from disposal of property, plant and equipment	857	–
Proceeds from disposal of financial assets at FVTPL	99,000	775
Interest received	140	419
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	96,776	(5,124)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000
FINANCING ACTIVITIES			
Interest paid on lease liabilities/bank borrowings		(483)	(69)
Repayment of bank borrowings		–	(6,248)
Repayment of principal portion of lease liabilities		(8,200)	–
Proceeds from placing of shares		73,700	33,000
Payment of issue expenses for placing of shares		(2,954)	(663)
Repurchase of shares		(27,435)	–
Repayment of capital to non-controlling interests		(20,000)	–
NET CASH GENERATED FROM FINANCING ACTIVITIES		14,628	26,020
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		54,826	(67,436)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		21,695	92,933
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(4,848)	(3,802)
CASH AND CASH EQUIVALENTS AT END OF YEAR		71,673	21,695
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		71,673	21,695

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

1. CORPORATE INFORMATION

The Company was incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (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 46th 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 and mining.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(a) Adoption of new/revised HKFRSs – effective 1 April 2019

The Group adopted the following new/revised HKFRSs which are relevant to its operations:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23	Annual Improvements to HKFRSs 2015-2017 Cycle

Except the adoption of HKFRS 16 as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group’s financial performance and positions for the current period and prior year and/or on the disclosures set out in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

(a) Adoption of new/revised HKFRSs – effective 1 April 2019 (Continued)

HKFRS 16 – Leases

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases (“HKAS 17”), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease (“HK(IFRIC)-Int 4”), HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee’s perspective, almost all leases are recognised in the consolidated 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 (ii) to (iv) of this note.

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. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

(a) Adoption of new/revised HKFRSs – effective 1 April 2019 (Continued)

HKFRS 16 – Leases (Continued)

(i) *Impact of the adoption of HKFRS 16 (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
<i>Consolidated statement of financial position</i>			
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

(a) Adoption of new/revised HKFRSs – effective 1 April 2019 (Continued)

HKFRS 16 – Leases (Continued)

(i) Impact of the adoption of HKFRS 16 (Continued)

The following reconciliation explains how the operating lease commitments disclosed applying 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
<hr/>	
<i>Reconciliation of operating lease commitments to lease liabilities</i>	
Operating lease commitments as at 31 March 2019	13,595
Less: Low-value leases recognised on a straight-line basis as expense	(76)
Short term leases for which lease terms end within 31 March 2020	(812)
Future interest expenses	(447)
Adjustments as a result of different treatment of extension	<u>(1,499)</u>
Total 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 was 5.54%.

(ii) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

(a) Adoption of new/revised HKFRSs – effective 1 April 2019 (Continued)

HKFRS 16 – Leases (Continued)

(ii) *The new definition of a lease* (Continued)

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.

The Group has elected not to separate non-lease components and account for each lease component and any associated non-lease components as a single lease component for all leases.

(iii) *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 consolidated 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 consolidated 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 a straight-line basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

(a) Adoption of new/revised HKFRSs – effective 1 April 2019 (Continued)

HKFRS 16 – Leases (Continued)

(iii) Accounting as a lessee (Continued)

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-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Refundable rental deposits

Refundable rental deposits paid are accounted for under HKFRS 9 Financial Instruments (“HKFRS 9”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

(a) Adoption of new/revised HKFRSs – effective 1 April 2019 (Continued)

HKFRS 16 – Leases (Continued)

(iii) 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-to-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 the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

(a) Adoption of new/revised HKFRSs – effective 1 April 2019 (Continued)

HKFRS 16 – Leases (Continued)

(iv) Transition

As mentioned above, 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 lessee’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 as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee’s incremental borrowing rate at the date of initial application. 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 of the date of initial application (1 April 2019) and accounted for those leases as short-term leases; and (iii) excluded the initial direct costs from the measurement of the right-of-use assets at 1 April 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

(a) Adoption of new/revised HKFRSs – effective 1 April 2019 (Continued)

HKFRS 16 – Leases (Continued)

(iv) Transition (Continued)

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 HK(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 HK(IFRIC)-Int 4.

HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments

The interpretation supports the requirements of HKFRS 12 Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and has full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the “most likely amount” or the “expected value” approach, whichever better predicts the resolution of the uncertainty.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 12 Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

(a) Adoption of new/revised HKFRSs – effective 1 April 2019 (Continued)

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 23 Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarify that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

(b) New or revised HKFRSs that have been issued but are not yet effective

The following new or revised HKFRSs, potentially relevant to the Group’s consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group’s current intention is to apply these changes when they become effective.

Amendments to HKFRS 3	Definition of a Business ¹
Amendments to HKAS 1 and HKAS 8	Definition of Material ¹
Amendments to HKFRS 16	Covid-19-Related Rent Concessions ²

¹ Effective for annual periods beginning on or after 1 January 2020

² Effective for annual periods beginning on or after 1 June 2020

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

(b) New or revised HKFRSs that have been issued but are not yet effective (Continued)

Further information about the above HKFRSs which are expected to be applicable to the Group is as follows:

Amendments to HKFRS 3 – Definition of a Business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a “substantive process”. Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of “outputs” and a “business” to focus on returns from selling goods and services to customers, rather than on cost reductions. An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKAS 1 and HKAS 8 – Definition of Material

The amendments clarify the definition and explanation of “material”, aligning the definition across all HKFRSs and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group’s accounting policies and consolidated financial statements.

Amendments to HKFRS 16 – Covid-19-Related Rent Concessions

The amendments were issued in June 2020 and are effective for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including interim or annual financial statements not yet authorised for issue as at 4 June 2020, the date the amendments were issued.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

(b) New or revised HKFRSs that have been issued but are not yet effective (Continued) *Amendments to HKFRS 16 – Covid-19-Related Rent Concessions (Continued)*

The amendments introduce a new practical expedient for lessees to elect not to assess whether Covid-19-related rent concessions is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of Covid-19 that meets all of the following conditions:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- There is no substantive change to the terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes were not lease modifications. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application of the amendments is expected to have impact on the financial position and performance of the Group if the Group would elect to early apply the amendments for the Group’s annual period beginning on 1 April 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations and the disclosure requirements of the Hong Kong Companies Ordinance (Cap.622). In addition, the financial statements include applicable disclosures required by the Listing Rules.

(b) Basis of measurement

The financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values as disclosed in note 4(i).

(c) Functional and presentation currency

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

4. PRINCIPAL ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (the “Group”). Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(a) Business combination and basis of consolidation (Continued)

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(a) Business combination and basis of consolidation (Continued)

Subsequent to acquisition, the carrying amount of non-controlling interests that represents present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in the non-controlling interest having a deficit balance.

(b) Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree over the fair value of identifiable assets and liabilities acquired.

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount, and whenever there is an indication that the unit may be impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(b) Goodwill (Continued)

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value in use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

(c) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Company considers all relevant facts and circumstances, including:

- (i) The size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;
- (ii) Substantive potential voting rights held by the Company and other parties who hold voting rights;
- (iii) Other contractual arrangements; and
- (iv) Historic patterns in voting attendance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(c) Subsidiaries (Continued)

In the note to the consolidated financial statement that discloses the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(d) Property, plant and equipment and construction in progress

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, is recognised in profit or loss in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost thereof.

Depreciation is charged so as to write off the cost of items of property, plant and equipment over their estimated useful lives using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period. The expected useful lives of property, plant and equipment are as follows:

Buildings	20 years
Leasehold improvements	3 to 10 years
Plant and machinery	5 to 15 years
Furniture, fixtures, equipment and motor vehicles	3 to 5 years

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net sale proceeds and the carrying amount of the relevant asset and is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(d) **Property, plant and equipment and construction in progress** (Continued)

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount. Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. If the lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

Construction in progress represents properties under construction for production, rental, or administrative purposes, which is stated at cost less any impairment loss and is not depreciated. Cost comprises the direct costs of construction, related professional fees, capitalised depreciation of machinery used for construction, capitalised borrowing costs on related borrowed funds and after deducting any incidental income generated from the construction work being carried out during the period of construction. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

(e) **Payments for leasehold land held for own use under operating leases (applied until 31 March 2019)**

Payments for leasehold land held for own use under operating leases represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost and are amortised over the period of the lease on a straight-line basis as an expense.

(f) **Intangible assets (excluding goodwill)**

The useful lives of intangible assets are assessed to be either finite or infinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset are reviewed at least at the end of each reporting period.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(f) Intangible assets (excluding goodwill) (Continued)

Technical know-how

Technical know-how is stated at cost less accumulated amortisation and any impairment losses (note 4(h)). Technical know-how is amortised on a straight-line basis over a period of 5 to 10 years.

Industrial proprietary rights

Industrial proprietary rights are stated at cost less accumulated amortisation and any impairment losses (note 4(h)). Industrial proprietary rights are amortised on a straight-line basis over a period of 5 to 10 years.

Internally generated intangible assets (research and development costs)

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Group is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(f) Intangible assets (excluding goodwill) (Continued)

Internally generated intangible assets (research and development costs) (Continued)

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed. The amortisation expense is recognised in profit or loss and included in cost of sales. Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in profit or loss as incurred.

(g) Mining assets

Mining assets are stated at cost less accumulated amortisation and any impairment losses (note 4(h)). Mining assets are amortised over the estimated useful lives of the mines based on the proven and probable reserves of the mines using the units of production method.

(h) Impairment of tangible and intangible assets excluding goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, construction in progress, investment in subsidiaries, associates and joint venture, mining rights and intangible assets (other than goodwill) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(h) Impairment of tangible and intangible assets excluding goodwill (Continued)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for that asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Value in use is based on the estimated future cash flows expected to be derived from the asset (or cash-generating unit (see note 4(b))), discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit).

(i) Financial instruments

(i) *Financial assets*

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(i) Financial instruments (Continued)

(i) **Financial assets** (Continued)

Financial assets at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income is recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value and dividends are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(i) Financial instruments (Continued)

(ii) *Impairment loss on financial assets*

The Group recognises loss allowances for expected credit loss (“ECL”) on trade receivables and financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets’ original effective interest rate.

The Group has elected to measure loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group’s historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets measured at amortised cost, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group’s historical experience and informed credit assessment and including forward-looking information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(i) **Financial instruments** (Continued)

(ii) **Impairment loss on financial assets** (Continued)

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets, interest income is calculated based on the gross carrying amount.

(iii) **Financial liabilities**

The Group classifies its financial liabilities as at amortised cost. Financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables and borrowings are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) **Effective interest method**

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(i) **Financial instruments** (Continued)

(v) **Equity instruments**

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) **Derecognition**

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(vii) **Convertible notes**

Convertible notes issued by the Company which together with consideration shares issued by the Company represent the entire purchase consideration for the acquisition of South China Mining Investments Limited is classified as equity instrument as the Company has the option to issue conversion shares at the conversion price on the maturity date to redeem the convertible notes and has no obligation to settle in cash. On initial recognition, the fair value of the convertible notes issued which is determined as the difference between the fair value of the net assets acquired through the acquisition of the group of companies and the fair value of the consideration shares issued is included in equity (convertible notes equity reserve). In subsequent periods, when the conversion shares are issued at the conversion price, the balance stated in convertible notes equity reserve will be transferred to share premium. Where the conversion options embedded in the convertible notes remain unexercised on the maturity date, the remaining balance in convertible notes equity reserve will be transferred to retained earnings. No gain or loss is recognised upon conversion or expiration of the conversion options embedded in the convertible notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(i) Financial instruments (Continued)

(viii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the loss allowance, being the ECL provision measured in accordance with principles of the accounting policy set out in note 4(i)(ii); and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principles of HKFRS 15.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(k) Leasing

Accounting policies applied from 1 April 2019

The Group as lessee

All leases (irrespective of whether they are operating leases or finance leases) are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist 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 low-value assets and 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 a straight-line basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(k) Leasing (Continued)

Accounting policies applied from 1 April 2019 (Continued)

The Group as lessee (Continued)

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. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are 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 uses the Group's incremental borrowing rate.

The following payments for the right-to-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, the Group measures 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 the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(k) Leasing (Continued)

Accounting policies applied until 31 March 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

(l) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(m) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and appropriate portion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

(n) Non-current assets held for sale and discontinued operation

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the assets must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets and its sale must be highly probable.

Non-current assets classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss and other comprehensive income which are re-presented in the comparative period for all operations that are discontinued by the end of the reporting period.

(o) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(o) Income tax (Continued)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(o) Income tax (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Income tax is recognised in profit or loss except when it relates to items recognised in other comprehensive income, in which case the income tax is recognised in other comprehensive income, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable liabilities and contingent liabilities over the cost of the business combination.

(p) Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (the "functional currency"). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Hong Kong dollars which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the functional currency of that entity (the "foreign currencies") are recorded in its functional currency at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement and translation of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(p) Foreign currencies (Continued)

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operation (including comparatives) are expressed in Hong Kong dollars using exchange rates prevailing at the end of each reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the exchange rates prevailing at the end of the reporting period. Exchange differences arising are recognised in the foreign currency translation reserve.

(q) Employees' benefits

(i) Short term benefits

Employee entitlements to annual leave and long service payment are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service payment as a result of services rendered by employees up to the end of the reporting period.

(ii) Employee retirement scheme

The Group operates a Mandatory Provident Fund ("MPF") Scheme for its employees in Hong Kong. Contributions to the MPF Scheme are made based on rates applicable to the respective employees' relevant income from the Group and are charged to profit or loss as they become payable in accordance with government regulations. The Group's mandatory contributions are fully and immediately vested in favour of the employees. The assets of MPF Scheme are held separately from those of the Group in an independently administered fund.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(q) **Employees' benefits** (Continued)

(ii) **Employee retirement scheme** (Continued)

Employees of the group entity operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. Such entity is required to contribute certain percentages of its payroll costs to the central pension scheme. The contributions are charged to profit or loss in the period in which they are incurred.

(r) **Equity-settled share-based payment transactions**

(i) **Equity-settled share-based payment transactions**

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees and other selected participants as consideration for equity instruments of the Group.

Share options scheme

The fair value of share options determined at the grant date is expensed over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to the share options reserve.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(r) **Equity-settled share-based payment transactions** (Continued)

(i) **Equity-settled share-based payment transactions** (Continued)

Share award plan

The fair value of award shares granted to selected participants for nil consideration is recognised as an expense over the relevant service period, being the vesting period of the award shares. The fair value is measured at the grant date of the award shares and is recognised in equity in the share award reserve. The number of award shares expected to vest is estimated based on the non-market vesting conditions. The estimates are revised at the end of each reporting period, and adjustments are recognised in profit or loss and the share award reserve.

Where award shares are forfeited due to a failure by the selected participants to satisfy the service conditions, any expenses previously recognised in relation to such shares are reversed effective from the date of the forfeiture. The award shares are to be granted by either issue of new shares by the Company or acquired by the independent trustee from market, at the cost of the Company, and are held as treasury shares until such time as they are vested.

(ii) **Share-based payment transactions among group entities**

The grant by the Company of share options, share award and over their equity instruments to the employees of subsidiaries in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investments in subsidiaries, with a corresponding credit to equity in the parent entity accounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(s) Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets, which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(t) Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(t) Related parties (Continued)

(b) (Continued)

- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(u) Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(u) Revenue recognition (Continued)

Sales of motor vehicles and batteries

The Group recognised the revenue from sales of motor vehicles and batteries at a point in time when the customer obtains control of the goods which is upon the delivery of the related goods to the customers. Revenue is measured based on the consideration specified in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

Contract costs

The Group recognises an asset from the costs incurred to fulfil a contract when those costs meet all of the following criteria:

- a) the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;
- b) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- c) the costs are expected to be recovered.

The asset recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the cost relate. The asset is subject to impairment review.

Contract asset

A contract asset represents the Group's right to consideration in exchange for goods and services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

Contract liability

A contract liability represents the Group's obligation to transfer goods and services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(v) Government grant

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future and other key sources of estimation of uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Impairment of non-financial assets (excluding goodwill)

Management periodically reviews each non-financial asset for possible impairment or reversal of previously recognised impairment. The recoverable amount of non-financial asset is the higher of its fair value less costs to sell and value in use. If such non-financial assets are considered by management to be impaired or impairment recognised is no longer required, the impairment required or reversal of impairment previously recognised is measured by the amount by which the carrying amount of the non-financial assets exceeds or exceeded by the estimated recoverable amount of the assets respectively. In determining the recoverable amount, the Group seeks professional advice or makes use of independent professional valuations as appropriate which are based on various assumptions and estimates.

Impairment of financial assets measured at amortised cost

Management estimates the amount of loss allowance for ECLs on financial assets that are measured at amortised cost based on the credit risk of the respective financial asset. The loss allowance amount is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows after taking into consideration of expected future credit loss of the respective financial asset. The assessment of the credit risk of the respective financial asset involves high degree of estimation and uncertainty. When the actual future cash flows are different from expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

Provision for obsolete inventories

Management estimates the net realisable value of inventories based primarily on the latest market prices and current market conditions. The Group carries out an inventory review at the end of each period and makes allowance on obsolete and slow moving items to write off or write down inventories to their net realisable values.

Estimation of useful lives of property, plant and equipment (including right-of-use assets)

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Income taxes

There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business of the Group. The Group recognises liabilities for anticipated tax issues based on estimates of whether taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax or deferred tax provisions in the period in which such determination is made.

6. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

6. SEGMENT REPORTING (Continued)

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 are used by the chief operating decision-maker for assessment of segment performance.

(a) Reportable segments

	Continuing operations								Discontinued operations		Total	
	Development of electric vehicles		Mining		Metal and minerals trading		Total		Ores processing and trading		Total	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Revenue from external customers	5,086	3,003	-	-	-	-	5,086	3,003	-	-	5,086	3,003
Reportable segment (loss)/profit	(90,016)	(99,618)	(46,295)	(9,588)	1,228	(19,325)	(135,083)	(128,531)	-	(17,809)	(135,083)	(146,340)
Interest income	76	177	-	1	4	-	80	178	-	1	80	179
Unallocated interest income											60	184
Total interest income											140	363
Depreciation	(13,135)	(7,970)	(537)	(279)	-	-	(13,672)	(8,249)	-	(3)	(13,672)	(8,252)
Unallocated depreciation expenses											(6,247)	(1,570)
Total depreciation											(19,919)	(9,822)
Amortisation	(10,014)	(12,311)	-	-	-	-	(10,014)	(12,311)	-	-	(10,014)	(12,311)
Impairment loss on assets held for sale	-	-	-	-	-	-	-	-	-	(10,275)	-	(10,275)
Reversal of impairment/(impairment) of other receivables and prepayments, net	284	-	-	-	-	(15,678)	284	(15,678)	-	-	284	(15,678)
Unallocated											(292)	-
Total impairment of other receivables and prepayments, net											(8)	(15,678)
Impairment of inventories	(4,894)	(30,976)	-	-	-	-	(4,894)	(30,976)	-	-	(4,894)	(30,976)
Impairment of property, plant and equipment	(12,889)	-	-	-	-	-	(12,889)	-	-	-	(12,889)	-
Impairment of intangible assets	(10,000)	-	-	-	-	-	(10,000)	-	-	-	(10,000)	-
Impairment of construction in progress	-	-	(10,529)	-	-	-	(10,529)	-	-	-	(10,529)	-
Reportable segment assets	290,054	355,533	2,377,387	2,580,870	11,942	281	2,679,383	2,936,684	-	12,862	2,679,383	2,949,546
Additions to non-current assets	11,043	39,971	382	73	-	-	11,425	40,044	-	-	11,425	40,044
Unallocated assets											15	22
Total additions to non-current assets											11,440	40,066
Reportable segment liabilities	(139,678)	(150,832)	(3,225)	(2,225)	(79)	(325)	(142,982)	(153,382)	-	(197)	(142,982)	(153,579)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

6. SEGMENT REPORTING (Continued)

(b) Reconciliation of segment revenue, profit or loss, assets and liabilities

	2020 HK\$'000	2019 HK\$'000
Revenue		
Reportable segment revenue and consolidated revenue	5,086	3,003
Loss before income tax and discontinued operations		
Reportable segment loss	(135,083)	(146,340)
Segment loss from discontinued operations	–	17,809
Unallocated other income	110	110
Change in fair value of financial assets at FVTPL	1,376	(10,750)
Unallocated share-based payments	(4,996)	(3,831)
Unallocated impairment of interest in joint venture	–	(277)
Unallocated other corporate expenses	(25,027)	(18,212)
Finance costs	(483)	(69)
Consolidated loss before income tax from continuing operations	(164,103)	(161,560)
Assets		
Reportable segment assets	2,679,383	2,949,546
Unallocated corporate assets*	76,006	125,654
Consolidated total assets	2,755,389	3,075,200
Liabilities		
Reportable segment liabilities	142,982	153,579
Unallocated corporate liabilities	4,692	1,635
Consolidated total liabilities	147,674	155,214

* Unallocated corporate assets as at 31 March 2020 mainly represent cash and bank balances of HK\$55,132,000 (2019: HK\$11,522,000) and financial assets at FVTPL of HK\$12,034,000 (2019: HK\$110,000,000) held by the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

6. SEGMENT REPORTING (Continued)

(c) 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	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
PRC, including Hong Kong	2,656	3,003	2,571,338	2,821,604
Oversea	2,430	–	1,156	11,775

(d) 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:

	2020 HK'000	2019 HK'000
Customer A	2,430	–
Customer B	2,021	–
Customer C	–	1,021
Customer D	–	754
Customer E	–	751
Customer F	581	–
	5,032	2,526

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

7. REVENUE AND OTHER INCOME

Revenue represents the invoiced value of goods supplied to customers and is analysed as follows:

	2020	2019
	HK\$'000	HK\$'000
Revenue		
Continuing operations		
Sale of motor vehicles	5,032	1,505
Sale of batteries	54	1,498
	5,086	3,003
 Disaggregation of timing of revenue recognition:		
Sale of motor vehicles		
– At a point in time	5,032	1,505
Sale of batteries		
– At a point in time	54	1,498
	5,086	3,003

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

7. REVENUE AND OTHER INCOME (Continued)

	2020 HK\$'000	2019 HK\$'000
Other income		
Continuing operations		
Gain on disposal of property, plant and equipment	412	–
Gain on lease modification	26	–
Government grants (note)	279	3,411
Sundry income	1,175	1,456
Interest income	140	363
	2,032	5,230
Discontinued operations		
Rental income	–	1,273
Interest income	–	1
Income from trading ore in Chile	–	13
Sundry income	–	18
	–	1,305

Note:

Government grants were received from local government authority the entitlements of which were under the discretion of the relevant authorities. There is no unfulfilled conditions and other contingencies attaching to the government grants that have been recognised.

8. FINANCE COSTS

	2020 HK\$'000	2019 HK\$'000
Continuing operations		
Interest on bank borrowings	–	69
Interest on lease liabilities	483	–
	483	69

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

9. DIRECTORS' REMUNERATION

Directors' emoluments disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance (Cap.622) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap.622G) is as follows:

For the year ended 31 March 2020

	Fees HK\$'000	Basic salaries, housing benefits, other allowances and benefits in kind HK\$'000	Share- based payments HK\$'000	Pension contributions HK\$'000	Total HK\$'000
Executive directors:					
Mr. Cheung Ngan	-	2,646	32	18	2,696
Ms. Chan Hoi Ying	-	1,830	32	18	1,880
Sub-total	-	4,476	64	36	4,576
Non-executive director:					
Mr. Zhou Jin Kai	-	-	32	-	32
Sub-total	-	-	32	-	32
Independent non-executive directors:					
Mr. Chan Francis Ping Kuen	100	-	32	-	132
Mr. Hu Guang	100	-	32	-	132
Dato' Tan Yee Boon	100	-	-	-	100
Sub-total	300	-	64	-	364
Total	300	4,476	160	36	4,972

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

9. DIRECTORS' REMUNERATION (Continued)

For the year ended 31 March 2019

	Fees HK\$'000	Basic salaries, housing benefits, other allowances and benefits in kind HK\$'000	Share- based payments HK\$'000	Pension contributions HK\$'000	Total HK\$'000
Executive directors:					
Mr. Cheung Ngan	–	2,646	74	18	2,738
Ms. Chan Hoi Ying	–	1,665	74	18	1,757
Sub-total	–	4,311	148	36	4,495
Non-executive director:					
Mr. Zhou Jin Kai	–	–	74	–	74
Sub-total	–	–	74	–	74
Independent non-executive directors:					
Mr. Chan Francis Ping Kuen	100	–	74	–	174
Mr. Hu Guang	100	–	74	–	174
Dato' Tan Yee Boon	100	–	–	–	100
Sub-total	300	–	148	–	448
Total	300	4,311	370	36	5,017

During the year ended 31 March 2020, no share options (2019: nil) were granted to the directors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

9. DIRECTORS' REMUNERATION (Continued)

Except for Mr. Zhou Jin Kai who unconditionally waived his entitlement to director's fees in respect of each of the years ended 31 March 2020 and 2019, there were no arrangements under which a director waived or agreed to waive any remuneration for the years ended 31 March 2020 and 2019. No remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 March 2020 and 2019.

The fair value of share options which has been recognised in profit or loss and included in the above disclosure of directors' emoluments was determined as at the date of grant of options.

10. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included two (2019: two) directors, details of whose remuneration are set out in note 9. The details of the remuneration of the remaining three (2019: three) non-director highest paid individuals are as follows:

	2020	2019
	HK\$'000	HK\$'000
Basic salaries, allowances and benefits in kind	2,278	2,478
Discretionary bonus	2,643	–
Share-based payments	566	1,444
Pension contributions	54	54
	5,541	3,976

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

10. FIVE HIGHEST PAID INDIVIDUALS (Continued)

The number of non-director highest paid individuals whose remuneration fell within the following band is as follows:

	2020	2019
	Number of Employees	Number of employees
HK\$1,000,001 to HK\$1,500,000	2	2
HK\$1,500,001 to HK\$2,000,000	–	1
HK\$3,000,001 to HK\$3,500,000	1	–
	3	3

During the year ended 31 March 2020, no share options (2019: nil) were granted to non-director, highest paid individuals in respect of their services to the Group under the share option scheme of the Company, further details of which are disclosed in note 33. The fair value of such options, which has been recognised in profit or loss and included in the above disclosure of five highest paid individuals, was determined as at the date of grant of options.

Members of senior management during the year comprised only of the executive directors whose remuneration as set out in note 9 fell within the following bands:

	2020	2019
	Number of directors	Number of directors
HK\$1,500,001 to HK\$2,000,000	1	1
HK\$2,500,001 to HK\$3,000,000	1	1
	2	2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

11. LOSS BEFORE INCOME TAX

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

	2020 HK\$'000	2019 HK\$'000
Continuing operations		
Auditor's remuneration	1,560	1,560
Amortisation of prepaid lease payments for land	–	1,561
Amortisation of other intangible assets	10,014	10,750
Cost of inventories recognised as expenses	4,406	2,754
Depreciation of property, plant and equipment	9,932	9,819
Depreciation of right-of-use assets (note)	9,987	–
Exchange loss, net	899	1,888
Impairment of inventories	4,894	30,976
(Reversal of impairment)/impairment of trade receivables, net	(2,313)	5,223
(Reversal of impairment)/impairment of contract assets	(150)	13
Impairment of interest in joint venture	–	277
Impairment of mining assets	27,605	–
Impairment of other receivables and prepayments, net	8	15,678
Impairment of intangible assets	10,000	–
Impairment of construction in progress	10,529	–
Operating lease rentals on leasehold land and buildings	–	11,859
Short-term and low-value lease expense	2,459	–
Research and development cost	1,183	2,711
Directors' remuneration	4,972	5,017
Employee costs (excluding directors' remuneration)		
– Salaries and allowances	25,664	23,854
– Share-based payments (note 33)	7,379	8,663
– Other benefits	1,655	1,186
– Pension contributions	1,251	1,940
	35,949	35,643

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

11. LOSS BEFORE INCOME TAX (Continued)

(a) Loss before income tax from continuing operations is arrived at after charging/ (crediting): (Continued)

Note:

The Group has initially applied HKFRS 16 using the cumulative effect approach and adjusted the opening balances at 1 April 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. After initial recognition of right-of-use assets at 1 April 2019, the Group as lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information has not been restated as set out in note 2(a).

(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 the disposal was completed during the year ended 31 March 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

11. LOSS BEFORE INCOME TAX (Continued)

(b) Discontinued operations (Continued)

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

	2020 HK\$'000	2019 HK\$'000
Revenue	–	–
Other income	–	1,305
Administrative expenses	–	(8,839)
Loss before tax	–	(7,534)
Impairment loss on remeasurement at fair value less costs to sell	–	(10,275)
Loss for the year from discontinued operations	–	(17,809)
Net cash outflow from operating activities	–	(6,374)
Net cash inflow investing activities	–	1
Net cash inflow from financing activities	–	5,887
Net cash outflow from discontinued operations	–	(486)

The carrying amounts of the non-current assets of Verde at 31 March 2019 are disclosed in note 25.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

12. INCOME TAX

- (a) The amount of income tax credit in the consolidated statement of comprehensive income represents:

	2020	2019
	HK\$'000	HK\$'000
Current tax		
– Provision for PRC enterprise income tax for the year	–	–
Deferred tax (note 30)		
– Origination and reversal of temporary differences	(2,081)	(2,220)
Income tax credit	(2,081)	(2,220)

Overseas taxes on assessable profits of the group companies, if any, 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.

As at 31 March 2020, subject to the agreement by the Hong Kong Inland Revenue Department, the Group had unused tax losses of HK\$141,299,000 (2019: HK\$115,974,000) available for offsetting against future profits. In addition, the Group had unused tax losses related to subsidiaries operating in Mainland China of HK\$239,381,000 (2019: HK\$191,642,000). No deferred tax asset has been recognised in respect of these losses due to the unpredictability of future profit streams.

The tax losses of the subsidiaries operating in Hong Kong will not expire under the current tax legislation. The tax losses of the subsidiaries operating in Mainland China will expire within five years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

12. INCOME TAX (Continued)

- (b) The income tax for the year can be reconciled to the loss before income tax as stated in the consolidated statement of profit or loss and other comprehensive income as follows:

	2020	2019
	HK\$'000	HK\$'000
Loss before income tax from continuing operations	(164,103)	(161,560)
Loss before income tax from discontinued operations	–	(17,809)
Loss before income tax	(164,103)	(179,369)
Tax credit at the applicable rates	(37,052)	(29,437)
Tax effect of non-taxable revenue	(238)	(1,195)
Tax effect of non-deductible expenses	15,007	19,947
Tax effect of tax losses and temporary differences not recognised	20,202	8,465
Income tax credit for the year	(2,081)	(2,220)
Income tax credit is attributable to:		
Loss from continuing operations	(2,081)	(2,220)
Loss from discontinued operations	–	–
	(2,081)	(2,220)

13. DIVIDEND

No dividend has been proposed or paid by the Company in respect of the years ended 31 March 2020 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

14. LOSS PER SHARE

From 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:

	2020 HK\$'000	2019 HK\$'000
Loss for the year attributable to owners of the Company	(146,850)	(156,625)

	2020 Number	2019 Number
Weighted average number of ordinary shares in issue	6,884,139,267	5,110,183,786

The basic and diluted loss per share for both years presented are the same as the potential ordinary shares issuable under the convertible notes, the share options and share award plan (for 2020 only) are anti-dilutive.

From continuing operations

Basic and diluted loss per share for continuing operations is HK\$0.02 per share (2019: HK\$0.03 per share) based on the loss for the year from continuing operations of HK\$146,850,000 (2019: HK\$145,939,000) and the weighted average number of ordinary shares in issue detailed above. The basic and diluted loss per share for both years presented are the same as the potential ordinary shares issuable under the convertible notes, the share options and share award plan (for 2020 only) are anti-dilutive.

From discontinued operations

For the year ended 31 March 2020, there was no discontinued operations.

For the year ended 31 March 2019, basic and diluted loss per share for discontinued operations is HK\$0.002 per share based on the loss for the year from discontinued operations of HK\$10,686,000 and the weighted average number of ordinary shares in issue detailed above. The basic and diluted loss per share presented are the same as the potential ordinary shares issuable under the convertible notes and the share options are anti-dilutive.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

15. PROPERTY, PLANT AND EQUIPMENT/RIGHT-OF-USE ASSETS

(a) Property, plant and equipment

	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures, equipment and motor vehicles HK\$'000	Total HK\$'000
Cost:				
At 1 April 2018	14,240	85,787	14,629	114,656
Additions	–	785	390	1,175
Exchange realignment	(617)	(5,241)	(565)	(6,423)
At 31 March 2019 and 1 April 2019	13,623	81,331	14,454	109,408
Additions	–	8,594	58	8,652
Transferred from construction in progress (note 16)	–	4,061	–	4,061
Disposal	–	–	(1,060)	(1,060)
Written off	–	–	(330)	(330)
Impairment loss	(6,154)	(18,217)	(448)	(24,819)
Exchange realignment	(442)	(4,858)	(524)	(5,824)
At 31 March 2020	7,027	70,911	12,150	90,088
Accumulated depreciation:				
At 1 April 2018	8,241	20,922	9,647	38,810
Charge for the year	1,187	6,886	1,749	9,822
Exchange realignment	(309)	(1,227)	(262)	(1,798)
At 31 March 2019 and 1 April 2019	9,119	26,581	11,134	46,834
Charge for the year	880	7,839	1,213	9,932
Disposal	–	–	(615)	(615)
Written off	–	–	(330)	(330)
Impairment loss	(2,712)	(8,810)	(408)	(11,930)
Exchange realignment	(275)	(1,517)	(392)	(2,184)
At 31 March 2020	7,012	24,093	10,602	41,707
Carrying amount:				
At 31 March 2020	15	46,818	1,548	48,381
At 31 March 2019	4,504	54,750	3,320	62,574

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

15. PROPERTY, PLANT AND EQUIPMENT/RIGHT-OF-USE ASSETS (Continued)

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Note	31 March 2020 HK\$'000	1 April 2019 HK\$'000
Ownership interests in leasehold land and buildings held for own use, carried at amortised cost, with remaining lease term of between 10 and 50 years	(i)	75,865	82,695
Other properties leased for own use, carried at depreciated cost	(ii)	4,750	10,761
		80,615	93,456

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2020 HK\$'000	2019 HK\$'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Ownership interests in leasehold land and buildings	1,492	—
Other properties leased for own use	8,495	—
	9,987	—
Interest on lease liabilities (note 8)	483	—
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 March 2020	2,459	—
Total minimum lease payments for leases previously classified as operating leases under HKAS 17	—	11,859

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

15. PROPERTY, PLANT AND EQUIPMENT/RIGHT-OF-USE ASSETS (Continued)

(b) Right-of-use assets (Continued)

	Land and buildings
	HK\$'000
At 31 March 2019	–
Reclassification upon adoption of HKFRS 16 (note 2(a)(i))	<u>93,456</u>
At 1 April 2019	93,456
Additions	2,491
Depreciation	(9,987)
Effect of lease modification	(24)
Exchange realignment	<u>(5,321)</u>
At 31 March 2020	<u>80,615</u>

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in note 43 and note 29 respectively.

(i) **Ownership interests in leasehold land and buildings held for own use**

The Group holds several industrial buildings for its business, where its manufacturing facilities are primarily located. The Group is the registered owner of these property interests, including the whole or part of undivided share in the underlying land. Lump sum payments were made upfront to acquire these property interests from their previous registered owners, and there are no ongoing payments to be made under the term of land lease, other than payments based on rateable values set by the relevant government authorities. These payments vary from time to time and are payable to the relevant government authorities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

15. PROPERTY, PLANT AND EQUIPMENT/RIGHT-OF-USE ASSETS (Continued)

(b) Right-of-use assets (Continued)

(ii) Other properties leased for own use

The Group has obtained the right to use other properties as its office premises and factory plant through tenancy agreements. The leases typically run for an initial period of one to three years.

16. CONSTRUCTION IN PROGRESS

	Mining assets in the PRC HK\$'000	Manufacturing plant in the PRC HK\$'000	Total HK\$'000
At 1 April 2018	22,998	26,940	49,938
Additions	73	38,818	38,891
Exchange realignment	(1,474)	(1,776)	(3,250)
At 31 March 2019 and 1 April 2019	21,597	63,982	85,579
Additions	382	2,406	2,788
Transfer to property, plant and equipment (note 15(a))	–	(4,061)	(4,061)
Impairment loss	(10,529)	–	(10,529)
Exchange realignment	(1,167)	(4,117)	(5,284)
At 31 March 2020	10,283	58,210	68,493

The mining assets in the PRC represented the preliminary construction costs incurred for the development of road access to the factory buildings.

The manufacturing plant in the PRC represented the preliminary construction costs incurred for the new manufacturing plant of motor vehicles in Chongqing.

The directors reviewed the carrying values of construction in progress of the mining assets and manufacturing plant and assessed them for impairment. Based on the results of the assessment, the directors are of the opinion that there was impairment of construction in progress of HK\$10,529,000 as at 31 March 2020 (2019: HK\$nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

17. PREPAID LEASE PAYMENTS FOR LAND

	2020 HK\$'000	2019 HK\$'000
Carrying amount:		
At 1 April	82,695	90,023
Reclassification upon adoption of HKFRS 16 (note 2(a)(i))	(82,695)	–
Amortisation	–	(1,561)
Exchange realignment	–	(5,767)
	<hr/>	<hr/>
At 31 March	–	82,695

The Group's carrying amount of the prepaid lease payments for land is analysed as follows:

	2020 HK\$'000	2019 HK\$'000
Analysed for reporting purposes as:		
Non-current	–	81,153
Current	–	1,542
	<hr/>	<hr/>
	–	82,695

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

18. INTERESTS IN SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 March 2020 are as follows:

Name of subsidiaries	Place of incorporation/ registration and operations	Particulars of issued and paid-up capital/ paid-up registered capital	Attributable equity interest		Principal activities
			2020	2019	
Directly held by the Company					
China Elegance Holdings Limited ⁽²⁾	British Virgin Islands	1,000 shares of US\$1 each	100%	100%	Investment holding
Indirectly held by the Company					
Apex Winner Limited ⁽²⁾	Hong Kong	HK\$1	100%	100%	Provision of management services
CE Investment Limited ⁽²⁾	Samoa	1 share of US\$1 each	100%	100%	Investment holding
China Dynamics New Energy Technology Company Limited ⁽²⁾	Hong Kong	HK\$10,000	100%	100%	Investment holding
China Elegance Resources Limited ⁽²⁾	British Virgin Islands	1 share of US\$1 each	100%	100%	Investment holding
China Green Dynamics Company Limited ⁽²⁾	Hong Kong	HK\$10,000	100%	100%	Motor vehicle trading
China Green Dynamics (Holdings) Limited ⁽²⁾	Hong Kong	HK\$100	100%	100%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

18. INTERESTS IN SUBSIDIARIES (Continued)

Name of subsidiaries	Place of incorporation/ registration and operations	Particulars of issued and paid-up capital/ paid-up registered capital	Attributable equity interest		Principal activities
			2020	2019	
Green Dynamic Electric Vehicle Limited ⁽²⁾	Hong Kong	HK\$1	51%	51%	Development in energy saving and environmental protection products
Hong Kong Cable Services Company Limited ⁽²⁾	Hong Kong/PRC	HK\$100,000	100%	100%	Trading of computer hardware and software, provision of computer maintenance services and software development
Loyal Dragon Development Limited ⁽²⁾	Hong Kong	HK\$1	60%	60%	Provision of office accommodations to group companies
Pacific Pipe Coating Company Limited ⁽²⁾	Hong Kong	HK\$2	100%	100%	Trading of metals and minerals
Sinocop New Energy Technology (International) Company Limited ⁽²⁾	British Virgin Islands	100 shares of US\$1 each	100%	100%	Investment holding
Sinocop New Energy Technology Company Limited ⁽²⁾	Hong Kong	HK\$100	100%	100%	Development of new energy technology and product

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

18. INTERESTS IN SUBSIDIARIES (Continued)

Name of subsidiaries	Place of incorporation/ registration and operations	Particulars of issued and paid-up capital/ paid-up registered capital	Attributable equity interest		Principal activities
			2020	2019	
South China Mining Investments Limited ⁽²⁾	British Virgin Islands	100 shares of US\$1 each	100%	100%	Investment holding
Tong Guan La Plata Company Limited ⁽²⁾	British Virgin Islands	5,000 shares of US\$10,000 each	60%	60%	Investment holding
Wise Goal Enterprises Limited ⁽²⁾	Hong Kong	HK\$1	100%	100%	Investment holding
天津中銅新能源科技有限責任公司 Tianjin Sinocop New Energy Technology Company Limited ⁽¹⁾⁽²⁾	PRC	RMB30,000,000	100%	100%	Development of new energy technology and product
重慶中銅新能源汽車技術有限公司 Chongqing Sinocop New Energy Vehicle Technology Company Limited ⁽¹⁾⁽²⁾	PRC	RMB13,526,885	100%	100%	Investment holding and motor vehicles trading
重慶穗通新能源汽車製造有限公司 Chongqing Suitong New Energy Automotive Manufacturing Co., Ltd. ⁽¹⁾⁽²⁾	PRC	RMB40,000,000	70%	70%	Motor vehicles manufacturing and trading

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

18. INTERESTS IN SUBSIDIARIES (Continued)

Name of subsidiaries	Place of incorporation/ registration and operations	Particulars of issued and paid-up capital/ paid-up registered capital	Attributable equity interest		Principal activities
			2020	2019	
重慶穗通汽車工業發展有限公司 ⁽²⁾	PRC	RMB10,550,100	70%	70%	Manufacturing of electric bus
廣西威日礦業有限責任公司 Guangxi Weiri Mining Company Limited ⁽¹⁾⁽²⁾	PRC	RMB115,836,296	100%	100%	Mining and sale of mineral resources
北京中銅首航環保動力科技有限公司 Sinocop Capital Transportation Company Limited ⁽¹⁾⁽²⁾	PRC	RMB10,000,000	51%	51%	Development of new energy technology and product
中銅動力(天津)科技有限公司 ⁽²⁾	PRC	RMB14,380,585	100%	100%	Battery manufacturing and trading

⁽¹⁾ The English names of the subsidiaries are for identification only.

⁽²⁾ The legal entity is private limited company.

The above table lists the subsidiaries of the Company, which, in the opinion of the directors of the Company, principally affected the results of the Group or constituted a substantial portion of its assets. To give details of other subsidiaries would result in particulars of excessive length.

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

19. MINING ASSETS

Cost and net carrying value:

	2020	2019
	HK\$'000	HK\$'000
At 1 April	2,534,111	2,707,654
Impairment loss	(27,605)	–
Exchange realignment	(163,974)	(173,543)
At 31 March	2,342,532	2,534,111

Mining assets have not been amortised since acquisition as the mine has not yet commenced operation since then. In the opinion of management, 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.

Impairment testing of mining assets

The directors determined the recoverable amount of the mining assets at its fair value based on a valuation of the mining assets performed by an independent firm of professional valuers (the "Valuers") using the multi period excess earnings method.

The multi period excess earnings method is based on the projection of future cash flows of the mining business of thenardite prepared from the financial budgets approved by senior management covering a nineteen-year period from 2022 to 2041 to reflect the length of time management is committed to exploit the economic benefits of the mining business of thenardite and the expected useful lives of the processing plant and machinery the Group has invested and will continue to invest. Cash flows covering a six-year period from 2022 to 2027 are based on financial budgets approved by senior management. Cash flows beyond the six-year period are extrapolated using an estimated weighted average income growth rate of 2.84% (2019: 3.26%), which does not exceed the geometric mean of 12-year average of China Producer Price Index-non ferrous Metals Mining and Dressing Year over Year. Management considers the six-year period from 2022 to 2027 reflect the length of time to incur necessary capital expenditure to exploit the economic benefits of the mining business of thenardite. The projected future cash flows are discounted to its present value by the appropriate discount rate determined from market data. Management considered that reasonably possible change in the key assumptions used for the recoverable amount would not cause further impairment loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

19. MINING ASSETS (Continued)

Impairment testing of mining assets (Continued)

Below are the key assumptions used for the multi period excess earnings method:

	2020	2019
Thenardite price per ton	RMB926	RMB933
Required rate of return for working capital	3.68%	3.26%
Required rate of return for fixed assets	12.27%	12.71%
Required rate of return for assembled workforce	20.98%	19.63%
Pre-tax discount rate	24.80%	23.17%
Post-tax discount rate	20.98%	19.63%
Income growth rate within the projected period	2.84%	3.26%
Costs growth rate within the projected period	1.25%	1.40%

Management determined the thenardite price based on relevant data obtained from third party's quotation pertaining to the mining assets in Guangxi. The income growth rate represents the expected inflation rate based on the China Producer Price Index for non-metal minerals from 2008 to 2020 and the costs growth rate represents the China Producer Price Index from 2001 to 2020. Management believes the Group can attain maximum production capacity based on planned resources within seven years of commercial production and sustain such capacity throughout the remaining projected period. The discount rate used reflects the specific risks associated with the mining business of thenardite.

The fair value of the mining assets was estimated using unobservable market data from the projection of the future cash flows of the businesses from its economic useful life and is classified within level 3 of the fair value hierarchy. Fair value was determined by discounting its multi period excess earnings by the appropriate discount rate determined from market data.

Accordingly, the recoverable amount of the mining assets as at 31 March 2020 was HK\$2,343 million, which was lower than its carrying value of HK\$2,371 million, and hence an impairment loss of HK\$27,605,000 was recognised in the profit or loss (2019: HK\$nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

20. OTHER INTANGIBLE ASSETS

	Technical know-how	Industrial proprietary rights	Total
	HK\$'000	HK\$'000	HK\$'000
At 1 April 2018	34,928	18,001	52,929
Amortisation	(8,183)	(2,567)	(10,750)
Exchange realignment	(2,228)	(1,152)	(3,380)
At 31 March 2019 and 1 April 2019	24,517	14,282	38,799
Amortisation	(7,824)	(2,190)	(10,014)
Impairment	(10,000)	–	(10,000)
Exchange realignment	(1,176)	(876)	(2,052)
At 31 March 2020	5,517	11,216	16,733

Technical know-how on the use of aluminium body frame for electric motor bus and industrial proprietary rights

Technical know-how on the use of aluminium body frame for electric motor bus of HK\$44,175,000 was acquired as part of the acquisition of Chongqing Suitong New Energy Automotive Manufacturing Co., Ltd. during the year ended 31 March 2015 and has an estimated useful life of 5 years, over which the asset is amortised.

The industrial proprietary rights is related to the exclusive rights in production of specific electric vehicles acquired during the years ended 31 March 2017 and 2016.

Both the technical know-how on the use of aluminium body frame and the industrial proprietary rights were allocated to the CGU of the development of electric vehicles. The directors determined the recoverable amount of the CGU from its value in use based on a valuation performed by the Valuers using the income approach.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

20. OTHER INTANGIBLE ASSETS (Continued)

Technical know-how on the use of aluminium body frame for electric motor bus and industrial proprietary rights (Continued)

Below are the key assumptions used for the discounted cash flow calculation:

	2020	2019
Pre-tax discount rate	20.40%	17.27%
Gross profit margin	16% – 24.21%	15% – 29.22%

The value in use of the CGU of electric bus was estimated using unobservable market data from the projection of the future cash flows of the businesses from its economic useful life.

As the recoverable amount of the CGU is less than the carrying value of the CGU's non-current assets, which comprises the property, plant and equipment, right-of-use assets (2019: prepaid land lease), construction in progress and intangible assets, an impairment loss of HK\$10,000,000 was provided on the assessed non-current assets as at 31 March 2020 (2019: HK\$nil).

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 HK\$'000	2019 HK\$'000
Financial assets at FVTPL comprise:		
Unlisted equity investments outside Hong Kong	12,034	110,000

Note:

The Group acquired 10% equity interest in two Croatia companies, Rimac and Greyp Bikes d.o.o. ("Greyp") during the year ended 31 March 2015. These companies are principally engaged in research, designing, developing, manufacturing, marketing and selling of vehicles, powertrains and battery technology systems for using in vehicles, bikes, and other motor vehicles. During the year, the equity interest in Rimac was disposed and the carrying value as at 31 March 2020 represented the Group's equity interest in Greyp. The fair value of Greyp was determined based on Level 3 of fair value hierarchy as detailed in note 41.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

22. INVENTORIES

	2020 HK\$'000	2019 HK\$'000
Raw materials	4,786	5,314
Work in progress	14,218	27,382
Finished goods	5,551	5,404
	24,555	38,100

23. TRADE RECEIVABLES

	2020 HK\$'000	2019 HK\$'000
Trade receivables at amortised cost	15,339	22,155
Less: Accumulated impairment losses	(7,725)	(10,678)
	7,614	11,477

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

	2020 HK\$'000	2019 HK\$'000
0 – 30 days	74	–
31 – 90 days	312	–
91 – 180 days	58	81
181 – 365 days	1,010	–
More than 1 year	6,160	11,396
	7,614	11,477

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

23. TRADE RECEIVABLES (Continued)

The average credit period on sales of electric vehicles is 30-365 days from the invoice date. The Group recognised impairment losses based on the accounting policy stated in note 4(i)(ii). Further details of the Group's credit policy and credit risk arising from trade receivables, contract assets, financial assets included in other receivables and deposits are set out in note 40.

24. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2020 HK\$'000	2019 HK\$'000
Other receivables	32,820	31,371
Deposits	6,609	7,519
Prepayments	33,527	25,259
	72,956	64,149
Less: Non-current portion	(15,740)	(19,388)
	57,216	44,761

25. ASSETS CLASSIFIED AS HELD FOR SALE

In December 2017, management of the Group decided to discontinue operations of Verde after considering the ore processing and trading segment's commercial viability. In June 2019, the Group received an offer to acquire these assets at United States dollars ("USD") of 1.5 million (equivalent to approximately HK\$11,775,000) and management accepted the offer. The major classes of non-current assets relating to Verde have been classified as held for sale in the consolidated statement of financial position as at 31 March 2019 and stated at the latest offer accepted by management. The disposal was completed during the year ended 31 March 2020.

	31 March 2019 HK\$'000
Net carrying amount (fair value less costs to sell)	
Property, plant and equipment	4,215
Construction in progress	1,598
Intangible assets	5,962
	11,775

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

26. ACCOUNTS PAYABLE

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

	2020	2019
	HK\$'000	HK\$'000
0 – 30 days	612	–
31 – 90 days	8	433
91 – 180 days	36	3,211
181 – 365 days	398	2,392
More than 1 year	7,579	10,628
	8,633	16,664

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

27. OTHER PAYABLES AND ACCRUALS

	2020	2019
	HK\$'000	HK\$'000
Other payables and accruals	121,226	126,300
Less: Non-current portion on other payables (note)	(59,664)	(63,809)
	61,562	62,491

Note:

The amount 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 and the fulfilment of all the conditions attached to the government grant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

28. CONTRACT ASSETS/CONTRACT LIABILITIES

Contract assets

Certain portion of the sales of electric vehicles of the Group will be settled by the PRC government, on behalf of the customers of the Group, for the sales of electric vehicles, by the way of national subsidies in accordance with the Circular on Financial Support Policies for the Promotion and Application of New Energy Vehicles 2016-2020 (Cai Jian [2015] 134) and other relevant and applicable government's notices and policies promulgated by the PRC government, and the sales contracts made between the Group and these customers. As at 31 March 2020 and 2019, the subsidy receivables from the PRC government (net of impairment losses) amounting to HK\$9,803,000 and HK\$14,246,000, respectively, were subject to the relevant subsidy policies and were not unconditional.

Contract liabilities

The contract liabilities represented the receipt in advance deposits from certain customers for the sale of motor vehicles and batteries.

The Group has applied the practical expedient in HKFRS 15.121(a) which exempts the disclosure of revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date for its sales contracts for motor vehicles and batteries as the performance obligations had an original expected duration of one year or less.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

29. LEASE LIABILITIES

HKFRS 16 was adopted on 1 April 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 1 April 2019, see note 2(a)(i). The accounting policies applied subsequent to the date of initial application, 1 April 2019, are disclosed in note 4(k).

Nature of leasing activities (in the capacity as lessee)

The Group leases a number of properties in the PRC and Hong Kong and the periodic rent is fixed over the lease term.

The following table shows the remaining contractual maturities of the Group's lease liabilities at 31 March 2020 and at the date of transition to HKFRS 16 of 1 April 2019:

	31 March 2020		1 April 2019 (note)	
	Present value HK\$'000	Minimum lease payments HK\$'000	Present value HK\$'000	Minimum lease payments HK\$'000
Not later than 1 year	4,884	5,046	7,605	7,998
Later than 1 year and not later than 5 years	133	134	3,156	3,210
	<u>5,017</u>	<u>5,180</u>	<u>10,761</u>	11,208
Less: Total future interest expenses		<u>(163)</u>		<u>(447)</u>
Present value of lease liabilities		<u>5,017</u>		<u>10,761</u>

Note:

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balance at 1 April 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Further details on the impact of the transition to HKFRS 16 are set out in note 2(a)(i).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

30. DEFERRED TAX LIABILITIES

Details of the deferred tax liabilities recognised and movement during the year:

	Intangible assets HK\$'000	Revaluation of land and building HK\$'000	Total HK\$'000
At 1 April 2018	8,732	5,689	14,421
Credited to profit or loss	(2,046)	(174)	(2,220)
Exchange alignment	<u>(557)</u>	<u>(364)</u>	<u>(921)</u>
At 31 March 2019 and 1 April 2019	6,129	5,151	11,280
Credited to profit or loss	(1,956)	(125)	(2,081)
Exchange alignment	<u>(353)</u>	<u>(332)</u>	<u>(685)</u>
At 31 March 2020	<u>3,820</u>	<u>4,694</u>	<u>8,514</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

31. 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 as part of the consideration of the acquisition of a group of companies holding mining license. The Convertible Notes have a maturity period of ten years from the date of issue and can be converted into ordinary shares of the Company at HK\$0.75 per share at the option of the holders of the Convertible Notes 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 Listing Rules. The Company shall have the right to redeem the entire or part of the principal amount of the Convertible Notes before the maturity date but not the holder of the Convertible Notes.

The Company has the option to issue conversion shares at the conversion price on the maturity date or to redeem the outstanding principal amount of the Convertible Notes. The Convertible Notes are an equity instrument as the Company has no obligation to settle in cash. The fair value of the Convertible Notes as at 28 February 2014 which is determined as the fair value of the net assets of the group companies acquired less the fair value of the consideration shares amounted to HK\$2,570,158,000 is credited to the “convertible notes equity reserve” on the issuance of the Convertible Notes. During the year, Convertible Notes in principal amount of HK\$804,439,800 (2019: HK\$nil) were converted into 1,072,586,400 (2019: nil) ordinary shares of the Company. Details of the conversion of Convertible Notes into ordinary shares of the Company during the year ended 31 March 2020 are set out in note 32(iii).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

32. SHARE CAPITAL

	2020		2019	
	Number of shares	HK\$'000	Number of shares	HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each	50,000,000,000	500,000	50,000,000,000	500,000
Issued and fully paid:				
At 1 April	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
Cancellation of repurchased shares (note (ii))	(253,670,000)	(2,537)	–	–
Conversion of Convertible Notes (note (iii))	1,072,586,400	10,726	–	–
At 31 March	6,854,963,200	68,549	5,366,046,800	53,660

Note:

- (i) During the year ended 31 March 2020, 670,000,000 ordinary shares (2019: 330,000,000 ordinary shares) of the Company were issued at a subscription price of HK\$0.11 each (2019: HK\$0.10) to independent third parties at an aggregate consideration of HK\$73,700,000 (2019: HK\$33,000,000) of which HK\$6,700,000 (2019: HK\$3,300,000) was credited to share capital and the remaining balance (net of share issue expenses) of HK\$64,046,000 (2019: HK\$29,037,000) was credited to share premium account.
- (ii) During the year ended 31 March 2020, the Company cancelled 253,670,000 shares of the Company repurchased from the open market at an aggregate consideration of HK\$27,429,000.
- (iii) During the year ended 31 March 2020, the Company's Convertible Notes in 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, of which HK\$10,726,000 was credited to share capital and the remaining balance of HK\$699,768,000 was credited to share premium account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

33. SHARE-BASED PAYMENT TRANSACTIONS

Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation.

The Old Scheme, which was adopted by an ordinary resolution of the shareholders at the special general meeting of the Company on 5 January 2004 (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 Old Scheme, the board of directors is empowered, at its discretion, to invite any full-time employees of the Company or any of its subsidiaries or associates, including any executive directors and non-executive directors of the Company or of any of its subsidiaries or associates, to take up options to subscribe for shares in the Company. The period during which an option may be exercised will be determined by the directors at their discretion, save that no option may be exercised later than 10 years after it has been granted. Acceptance of the offer shall be within 21 days after the date of offer of the grant of options, upon payment of a nominal consideration of HK\$1. The maximum number of shares in respect of which options may be granted under the Old Scheme may not exceed 10% of the aggregate of the shares of the Company in issue as at 5 August 2011, the date upon which the limit was refreshed by an ordinary resolution of the shareholders. Pursuant to the Old Scheme, the above limit can be further refreshed by the shareholders. However, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Old Scheme shall not exceed 30% of the shares in issue from time to time. The subscription price of the share options shall not be less than the higher of (i) the closing price of the shares on the Stock Exchange on the date of offer; (ii) the average closing price of the shares on the Stock Exchange for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the shares.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

33. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Share option scheme (Continued)

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. The period during which an option may be exercised will be determined by the directors at their discretion, save that no option may be exercised later than 10 years after it has been granted. Acceptance of the offer shall be within 21 days after the date of offer of the grant of options, upon payment of a nominal consideration of HK\$1. The maximum number of shares in respect of which options may be granted under the New Scheme may not exceed 10% of the aggregate of the shares of the Company in issue as at 22 August 2016, the date upon which the limit was refreshed by an ordinary resolution of the shareholders. Pursuant to the New Scheme, the above limit can be further refreshed by the shareholders. However, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme shall not exceed 30% of the shares in issue from time to time. The subscription price of the share options shall not be less than the higher of (i) the closing price of the shares on the Stock Exchange on the date of offer; (ii) the average closing price of the shares on the Stock Exchange for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the shares.

There was no share option (2019: nil) granted under the New Scheme during the year.

The movements in the number of share options during the year were as follows:

Date of offer of grant	At 01/04/2018	Forfeited during the year	At 31/03/2019	Lapsed/ forfeited during the year	At 31/03/2020	Exercise price	Closing price at date of offer of grant	Exercise period	Vesting period
Under the Old Scheme									
16/12/2009	40,400,000	-	40,400,000	(40,400,000)	-	HK\$0.46	HK\$0.45	16/12/2009 to 15/12/2019	N/A
Under the New Scheme									
11/04/2014	58,000,000	(1,000,000)	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	337,700,000	(12,100,000)	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>436,100,000</u>	<u>(13,100,000)</u>	<u>423,000,000</u>	<u>(55,900,000)</u>	<u>367,100,000</u>				

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

33. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Share option scheme (Continued)

The weighted average remaining contractual life of options outstanding at the end of the year was 5.73 years (2019: 6.09 years). The weighted average exercise price of options outstanding at the end of the year was HK\$0.41 (2019: HK\$0.43).

357,300,000 (2019: 335,080,000) share options were exercisable at the end of the year.

There was no exercise of share options during the years ended 31 March 2020 and 2019.

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 model. The contractual life of the share options and expectations of early exercise of the share options are incorporated into the models.

Fair value of share options and assumptions:

	Offer of grant on		
	16 December 2009	11 April 2014	10 March 2016
Fair value at measurement date	HK\$0.43	HK\$0.63	HK\$0.14
Share price at the date of offer of grant	HK\$0.45	HK\$1.11	HK\$0.28
Exercise price	HK\$0.46	HK\$1.15	HK\$0.30
Expected volatility	125.98%	63.33%	96.26%
Expected life	10 years	10 years	10 years
Expected dividend rate	0%	0%	0%
Risk-free interest rate	2.387%	2.048%	1.367%

An equity-settled share-based payment expense of approximately HK\$3,958,000 (2019: HK\$9,411,000) was recognised during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

33. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Share award plan

On 8 May 2019, the Share Award Plan was adopted by the Company for the purpose of providing incentives and aligning the interests of the selected employees with that of shareholders. On 25 October 2019, award shares were granted to the eligible participants.

Fair value of share award and assumptions:

	Offer of grant on 25 October 2019
Fair value at measurement date	HK\$0.096 – HK\$0.106
Share price at the date of offer of grant	HK\$0.106
Expected volatility	60.57%
Expected life	2 years
Expected dividend rate	0%
Risk-free interest rate	1.67%
Vesting period	2 years

The Company has used the Binomial model to assess the fair value of the 165,000,000 award shares granted during the year. For the year ended 31 March 2020, the Group recognised total expense of HK\$3,581,000 in relation to such award shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

34. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the "CONSOLIDATED STATEMENT OF CHANGES IN EQUITY" on page 65 of the annual report.

The nature and purposes of reserves are set out below:

(a) Share premium

The application of the share premium account is governed by Section 40 of the Bermuda Companies Act 1981 (as amended) (the "Companies Act 1981").

(b) Contributed surplus

The contributed surplus represents the excess of the fair value of the shares of the subsidiary acquired over the nominal value of the Company's shares issued in exchange thereof, at the time of the Group reorganisation in preparation for the listing of the Company's shares.

Under the Companies Act 1981, contributed surplus is available for distributions to its equity holders. However, the Company cannot declare or pay a dividend or make a distribution out of contributed surplus if:

- it is or would after the payment be unable to pay its liabilities as they fall due; or
- the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

(c) Share options reserve

Share options reserve comprises the fair value of the estimated number of unexercised share options granted to employees of the Group recognised in accordance with the accounting policy set out in note 4(r).

(d) Share award reserve

Share award reserve comprises the fair value of the estimated number of unexercised share awards granted to employees of the Group recognised in accordance with the accounting policy set out in note 4(r).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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34. RESERVES (Continued)

(e) Foreign currency translation reserve

Foreign currency translation reserve represents foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 4(p).

(f) Capital reserve

Capital reserve represents the excess of the net assets of the subsidiaries acquired by the Group from its shareholder over the consideration paid. The excess is accounted for as contributions from shareholder and credited to capital reserve.

(g) Treasury reserve

During the year ended 31 March 2020, the Group repurchased in aggregate 253,740,000 of its ordinary shares at an aggregate consideration of HK\$27,435,000. 253,670,000 ordinary shares repurchased were cancelled during the year ended 31 March 2020.

	2020		2019	
	Number of shares	HK\$'000	Number of shares	HK\$'000
Treasury shares				
At 1 April	-	-	-	-
Repurchased during the year	253,740,000	27,435	-	-
Cancellation of repurchased shares	(253,670,000)	(27,429)	-	-
At 31 March	70,000	6	-	-

(h) Convertible notes equity reserve

The balance represents the equity component of outstanding Convertible Notes issued by the Company recognised in accordance with the accounting policy set out in note 4(i)(vii).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

34. RESERVES (Continued)

(i) Movement of reserves of the Company

	Share premium HK\$'000	Contributed surplus HK\$'000	Convertible notes equity reserve HK\$'000	Share options reserve HK\$'000	Share award reserve HK\$'000	Treasury reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2018	2,318,807	87,109	1,490,427	85,043	-	-	(777,505)	3,203,881
Loss for the year and								
total comprehensive income	-	-	-	-	-	-	(388,271)	(388,271)
Placing of shares	29,700	-	-	-	-	-	-	29,700
Share issue expenses	(663)	-	-	-	-	-	-	(663)
Share-based payments	-	-	-	9,411	-	-	-	9,411
Forfeited share options	-	-	-	(1,837)	-	-	1,837	-
At 31 March 2019	2,347,844	87,109	1,490,427	92,617	-	-	(1,163,939)	2,854,058
Loss for the year and								
total comprehensive income	-	-	-	-	-	-	(357,261)	(357,261)
Placing of shares	67,000	-	-	-	-	-	-	67,000
Share issue expenses	(2,954)	-	-	-	-	-	-	(2,954)
Repurchase of shares	-	-	-	-	-	(27,435)	-	(27,435)
Cancellation of repurchased shares	(24,892)	-	-	-	-	27,429	-	2,537
Conversion of Convertible Notes	699,768	-	(710,494)	-	-	-	-	(10,726)
Share-based payments	-	-	-	3,958	3,581	-	-	7,539
Forfeited share options	-	-	-	(5,756)	-	-	5,756	-
Lapsed share options	-	-	-	(17,226)	-	-	17,226	-
At 31 March 2020	3,086,766	87,109	779,933	73,593	3,581	(6)	(1,498,218)	2,532,758

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

35. NON-CONTROLLING INTERESTS

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests. The non-controlling interests of all other subsidiaries that are not 100% owned by the Group are considered to be immaterial.

Name of subsidiaries	Proportion of ownership interests held by non-controlling interests		Loss allocated to non-controlling interests		Other comprehensive income		Accumulated non-controlling interests	
	2020	2019	2020	2019	2020	2019	2020	2019
			HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Dynamic Union International Limited	49%	49%	(107)	(281)	-	-	(10,084)	(9,977)
Tong Guan La Plata Company Limited	40%	40%	(771)	(7,123)	1,996	1,420	6,876	25,651
Chongqing Suitong New Energy Automotive Manufacturing Co., Ltd.	30%	30%	(9,672)	(11,173)	694	(248)	(16,194)	(7,216)
Others			(4,622)	(1,947)	74	(139)	(7,044)	(2,496)
			(15,172)	(20,524)	2,764	1,033	(26,446)	5,962

Summarised financial information in respect of the Company's subsidiaries that has material non-controlling interest is set out below. The summarised financial information below represents amounts before intra-group eliminations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

35. NON-CONTROLLING INTERESTS (Continued)

	2020 HK\$'000	2019 HK\$'000
Dynamic Union International Limited		
Current assets	727	739
Non-current assets	3	15
Current liabilities	(21,309)	(21,115)
Equity attributable to owners of the Company	<u>(10,495)</u>	<u>(10,384)</u>
Non-controlling interests	<u>(10,084)</u>	<u>(9,977)</u>
Revenue	<u>–</u>	<u>–</u>
Loss for the year	<u>(218)</u>	<u>(573)</u>
Loss attributable to owners of the Company	(111)	(292)
Loss attributable to the non-controlling interests	<u>(107)</u>	<u>(281)</u>
Loss for the year	<u>(218)</u>	<u>(573)</u>
Other comprehensive income attributable to owners of the Company	–	–
Other comprehensive income attributable to the non-controlling interests	<u>–</u>	<u>–</u>
Other comprehensive income for the year	<u>–</u>	<u>–</u>
Total comprehensive income attributable to owners of the Company	(111)	(292)
Total comprehensive income attributable to the non-controlling interests	<u>(107)</u>	<u>(281)</u>
Total comprehensive income for the year	<u>(218)</u>	<u>(573)</u>
Dividends paid to non-controlling interests	<u>–</u>	<u>–</u>
Net cash (outflow)/inflow from operating activities	(4)	3,586
Net cash flow from investing activities	–	–
Net cash outflow from financing activities	<u>–</u>	<u>(3,700)</u>
Net cash outflow	<u>(4)</u>	<u>(114)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

35. NON-CONTROLLING INTERESTS (Continued)

	2020 HK\$'000	2019 HK\$'000
Tong Guan La Plata Company Limited		
Current assets	73,347	118,169
Non-current assets	–	1
Current liabilities	(25,692)	(16,419)
Equity attributable to owners of the Company	<u>40,779</u>	<u>76,100</u>
Non-controlling interests	<u>6,876</u>	<u>25,651</u>
Revenue and other income	<u>5</u>	<u>1,305</u>
Loss for the year	<u>(1,927)</u>	<u>(17,809)</u>
Loss attributable to owners of the Company	<u>(1,156)</u>	<u>(10,686)</u>
Loss attributable to the non-controlling interests	<u>(771)</u>	<u>(7,123)</u>
Loss for the year	<u>(1,927)</u>	<u>(17,809)</u>
Other comprehensive income attributable to owners of the Company	2,994	22,910
Other comprehensive income attributable to the non-controlling interests	<u>1,996</u>	<u>1,420</u>
Other comprehensive income for the year	<u>4,990</u>	<u>24,330</u>
Total comprehensive income attributable to owners of the Company	1,838	12,224
Total comprehensive income attributable to the non-controlling interests	<u>1,225</u>	<u>(5,703)</u>
Total comprehensive income for the year	<u>3,063</u>	<u>6,521</u>
Dividends paid to non-controlling interests	<u>–</u>	<u>–</u>
Net cash outflow from operating activities	(1,264)	(6,374)
Net cash inflow from investing activities	–	1
Net cash inflow from financing activities	<u>2,848</u>	<u>5,887</u>
Net cash inflow/(outflow)	<u>1,584</u>	<u>(486)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

35. NON-CONTROLLING INTERESTS (Continued)

	2020 HK\$'000	2019 HK\$'000
Chongqing Suitong New Energy Automotive Manufacturing Co., Ltd.		
Current assets	49,694	63,010
Non-current assets	176,178	203,725
Current liabilities	(212,261)	(216,003)
Non-current liabilities	(68,178)	(75,088)
Equity attributable to owners of the Company	<u>(38,373)</u>	<u>(17,140)</u>
Non-controlling interests	<u>(16,194)</u>	<u>(7,216)</u>
Revenue	<u>2,305</u>	<u>3,156</u>
Loss for the year	<u>(32,551)</u>	<u>(37,189)</u>
Loss attributable to owners of the Company	<u>(22,879)</u>	<u>(26,016)</u>
Loss attributable to the non-controlling interests	<u>(9,672)</u>	<u>(11,173)</u>
Loss for the year	<u>(32,551)</u>	<u>(37,189)</u>
Other comprehensive income attributable to owners of the Company	1,646	(9,895)
Other comprehensive income attributable to the non-controlling interests	<u>694</u>	<u>(248)</u>
Other comprehensive income for the year	<u>2,340</u>	<u>(10,143)</u>
Total comprehensive income attributable to owners of the Company	<u>(21,233)</u>	<u>(35,911)</u>
Total comprehensive income attributable to the non-controlling interests	<u>(8,978)</u>	<u>(11,421)</u>
Total comprehensive income for the year	<u>(30,211)</u>	<u>(47,332)</u>
Dividends paid to non-controlling interests	<u>–</u>	<u>–</u>
Net cash outflow from operating activities	<u>(12,814)</u>	<u>(19,439)</u>
Net cash outflow from investing activities	<u>(1,510)</u>	<u>(4,738)</u>
Net cash inflow from financing activities	<u>15,456</u>	<u>23,166</u>
Net cash inflow/(outflow)	<u>1,132</u>	<u>(1,011)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

36. STATEMENT OF FINANCIAL POSITION OF COMPANY AS AT 31 MARCH 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Interests in subsidiaries	18	<u>2,535,387</u>	<u>2,787,489</u>
Total non-current assets		<u>2,535,387</u>	<u>2,787,489</u>
Current assets			
Other receivables and prepayments		404	337
Financial assets at FVTPL		12,034	110,000
Cash and bank balances		<u>55,132</u>	<u>11,522</u>
Total current assets		<u>67,570</u>	<u>121,859</u>
Total assets		<u>2,602,957</u>	<u>2,909,348</u>
Current liabilities			
Accruals		<u>1,650</u>	<u>1,630</u>
Total current liabilities		<u>1,650</u>	<u>1,630</u>
Net current assets		<u>65,920</u>	<u>120,229</u>
NET ASSETS		<u>2,601,307</u>	<u>2,907,718</u>
Equity			
Share capital	32	68,549	53,660
Reserves	34	<u>2,532,758</u>	<u>2,854,058</u>
TOTAL EQUITY		<u>2,601,307</u>	<u>2,907,718</u>

On behalf of the Board

Cheung Ngan
Director

Chan Hoi Ying
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

37. CAPITAL COMMITMENTS

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

	2020 HK\$'000	2019 HK\$'000
Acquisition of property, plant and equipment	19,591	20,526
Capital expenditure in respect of the construction of the ores processing plant	3,664	3,697
Capital expenditure in respect of the mining operations	8,178	8,746
Capital expenditure in respect of the development of electric vehicles	15,904	18,434
	47,337	51,403

38. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation.

Save as disclosed elsewhere in these financial statements, the Group had no significant transactions with related parties during the years ended 31 March 2020 and 2019.

Members of key management during the year comprised only of the directors whose remuneration is set out in note 9.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

39. CAPITAL MANAGEMENT

The Group's objective of managing capital is to safeguard its ability to continue as a going concern, to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or issue new shares.

The capital structure of the Group consists of equity attributable to owners of the Company only, comprising share capital and reserves.

The gearing ratio at the end of reporting period was as follows:

	2020 HK\$'000	2019 HK\$'000
Lease liabilities	5,017	–
Equity attributable to owners of the Company	2,634,161	2,914,024
Gearing ratio	0.19%	N/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

40. FINANCIAL RISK MANAGEMENT

Exposure to credit, liquidity, interest rate and currency risks arise in the normal course of the Group's business. These risks are limited by the Group's financial risk management policies and practices described below.

Credit risk

The Group's credit risk is primarily attributed to its trade and other receivables and cash and bank balances. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis and follow-up action is taken to recover overdue debts.

For trade receivables, the Group reassesses the lifetime ECLs at the end of the reporting period to ensure that adequate impairment losses are made for significant increases in the likelihood or risk of default occurring since initial recognition. In this regard, management of the Group considers that the Group's credit risk is significantly reduced.

The Group applies provision matrix to measure the ECLs prescribed by HKFRS 9. As at 31 March 2020, the expected loss rates applied in the provision matrix are determined with reference to the debtors' characteristics, including historical actual loss on the trade receivables and information specific to the debtors as well as pertaining to the economic environment in which the debtors operate. The weighted-average expected loss rates ranging from 4% to 100% were applied to trade receivables and contract assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

40. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Trade receivables

	ECL rate – weighted average	At 31 March 2020		Net carrying amount HK'000
		Gross carrying amount HK'000	Loss allowance HK'000	
Collective assessment:				
Not yet past due	4%	4,251	(170)	4,081
Less than one month past due	45%	1,037	(467)	570
One to three months past due	70%	288	(201)	87
More than three months but less than one year past due	80%	3,177	(2,570)	607
More than one year past due	100%	1,530	(1,530)	–
		<u>10,283</u>	<u>(4,938)</u>	<u>5,345</u>
Individual assessment:				
Not yet past due	0%	388	–	388
More than three months but less than one year past due	40%	1,010	(404)	606
More than one year past due	65%	3,658	(2,383)	1,275
		<u>5,056</u>	<u>(2,787)</u>	<u>2,269</u>
		<u>15,339</u>	<u>(7,725)</u>	<u>7,614</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

40. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Trade receivables (Continued)

		At 31 March 2019		
	ECL rate – weighted average	Gross carrying amount HK\$'000	Loss allowance HK\$'000	Net carrying amount HK\$'000
Collective assessment:				
Not yet past due	4%	7,569	(303)	7,266
Less than one month past due	60%	571	(342)	229
One to three months past due	70%	446	(312)	134
More than three months but less than one year past due	76%	3,359	(2,553)	806
More than one year past due	100%	2,093	(2,093)	–
		<u>14,038</u>	<u>(5,603)</u>	<u>8,435</u>
Individual assessment*:				
More than one year past due	50%	<u>8,117</u>	<u>(5,075)</u>	<u>3,042</u>
		<u>22,155</u>	<u>(10,678)</u>	<u>11,477</u>

* The individually assessed receivable represented a debtor which is owned by the PRC government and the Group consider the receivable was credit impaired during the year, as a result, the ECL rate increased to 50% as at 31 March 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

40. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Contract assets

	ECL rate – weighted average	At 31 March 2020		Net carrying amount HK\$'000
		Gross carrying amount HK\$'000	Loss allowance HK\$'000	
Not yet past due	4%	10,211	(408)	9,803
		At 31 March 2019		
	ECL rate – weighted average	Gross carrying amount HK\$'000	Loss allowance HK\$'000	Net carrying amount HK\$'000
Not yet past due	4%	14,839	(593)	14,246

For other receivables as at 31 March 2020, the Group has assessed and concluded that the ECL for these receivables is insignificant based on the risk of default of those counterparties under 12-month ECL approach. Thus, no loss allowance was recognised as at 31 March 2020 (2019: HK\$nil).

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit ratings agencies.

The Group's bank deposits and balances are deposits with banks in Hong Kong and the PRC. The credit risk on these liquid funds is limited because the counterparties are banks with good credit-rating.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

40. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

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

	Impairment loss allowance
	HK\$'000
At 1 April 2018	7,118
Impairment loss recognised	5,223
Reversal of impairment losses	(1,202)
Exchange realignment	(461)
	<hr/>
At 31 March 2019 and 1 April 2019	10,678
Reversal of impairment losses, net	(2,313)
Exchange realignment	(640)
	<hr/>
At 31 March 2020	<u>7,725</u>

Movement in loss allowance account in respect of contract assets during the year is as follows:

	Impairment loss allowance
	HK\$'000
At 1 April 2018	620
Impairment loss recognised	13
Exchange realignment	(40)
	<hr/>
At 31 March 2019 and 1 April 2019	593
Reversal of impairment losses	(150)
Exchange realignment	(35)
	<hr/>
At 31 March 2020	<u>408</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

40. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Group can be required to pay:

	Carrying amount HK\$'000	Contractual undiscounted cash outflow		
		Total HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year but less than 5 years HK\$'000
2020				
Accounts payable	8,633	8,633	8,633	–
Other payables and accruals	61,562	61,562	61,562	–
Lease liabilities	5,017	5,180	5,046	134
	75,212	75,375	75,241	134
2019				
Accounts payable	16,664	16,664	16,664	–
Other payables and accruals	62,491	62,491	62,491	–
	79,155	79,155	79,155	–
Financial guarantee issued Maximum amount guaranteed (note 42)	–	3,117	3,117	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

40. FINANCIAL RISK MANAGEMENT (Continued)

Interest rate risk

The Group is not exposed to significant interest rate risk as the Group has no variable rates borrowings as at 31 March 2020 and 2019.

Foreign currency risk

The Group is exposed to currency risk primarily through transactions that are denominated in currencies other than the functional currency of the operations to which they relate. The currencies giving rise to this risk is primarily USD and RMB.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The following table details the Group's exposure at the end of the reporting period to currency risk arising from forecast transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	Liabilities		Assets	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
RMB	-	-	10	11
USD	-	-	502	550

The Group regards the exposure to USD is minimal as the exchange rate between USD and HK\$ is pegged.

If the exchange rate of RMB against HK\$ had appreciated/depreciated by 5%, loss for the year would decrease/increase by HK\$429 (2019: HK\$460) respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

41. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 March 2020 and 2019 may be categorised as follows:

	2020 HK\$'000	2019 HK\$'000
Financial assets		
Financial assets at amortised cost (including cash and bank balances)	128,519	86,308
Financial assets at FVTPL – unlisted investments	12,034	110,000
	140,553	196,308
Financial liabilities		
Financial liabilities at amortised cost	75,212	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 to their corresponding fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

41. SUMMARY OF 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).

	At 31 March 2020				At 31 March 2019		
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Total
	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000
Financial assets at fair value							
– unlisted equity investments	–	–	12,034	12,034	–	110,000	110,000

The fair value hierarchy of the unlisted equity investment was transferred from level 2 to level 3 during the year, as the information adopted as market comparable required adjustments to reflect the effect of market change between the transaction date and the end of reporting period.

Information about level 2 fair value measurements

The fair value is assessed under direct comparison approach with reference to similar transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

41. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (Continued)

(b) Financial instruments measured at fair value (Continued)

Information about level 3 fair value measurements

The fair value is assessed under direct comparison approach with reference to similar transactions, adjusted by the change in general stock index in the corresponding location to reflect the market change including the impact of the outbreak of coronavirus.

The significant unobservable inputs

Adjustment factor in stock price index 73.39%

Increased/decreased stock price index by 5% would increase/decrease the fair value by HK\$218,000.

42. FINANCIAL GUARANTEE CONTRACTS/CONTINGENT LIABILITIES

During the year ended 31 March 2019, 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 of customers' default, the Group will be required to compensate the financial institution for the outstanding receivables from the customers. In the opinion of the directors of the Company, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition.

As at 31 March 2019, the Group's maximum exposure to the arrangement was HK\$3,117,000. During the year ended 31 March 2019, no payment has been made by the Group resulting from customers' default in making payments to the financial institution. Management considers the probability of further default is low and in case of default, the expected cash outflows of the Group is insignificant. Therefore, no provision has been made in the consolidated financial statements for these guarantees.

As at 31 March 2020, all the guaranteed balances were settled.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

43. NOTE SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities:

	Lease liabilities
	HK\$'000
Effect on adoption of HKFRS 16 at 1 April 2019	<u>10,761</u>
Changes from financing cash flows:	
Repayment of principal portion of lease liabilities	(8,200)
Interest paid on lease liabilities	<u>(483)</u>
Total changes from financing cash flow	<u>(8,683)</u>
Other changes:	
Increase in lease liabilities from entering into new leases during the year	2,491
Interest on lease liabilities	483
Lease modification	(50)
Exchange realignment	<u>15</u>
Total other changes	<u>2,939</u>
At 31 March 2020	<u>5,017</u>

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 June 2020.