FDG KINETIC

FDG Kinetic Limited
五龍動力有限公司

(Incorporated in Bermuda with limited liability)

Stock Code: 378

2019/20
ANNUAL REPORT

GREEN & GROWTH

CONTENTS

This annual report is printed on environmentally friendly paper

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Mr. Jaime Che *(Chief Executive Officer)*
Mr. Cao Zhong *(suspended)*

Independent Non-executive Directors:

Mr. Hung Chi Yuen Andrew
Professor Sit Fung Shuen Victor *(Chairman)*
Mr. Toh Hock Ghim

AUDIT COMMITTEE

Mr. Hung Chi Yuen Andrew *(Chairman)*
Professor Sit Fung Shuen Victor
Mr. Toh Hock Ghim

REMUNERATION COMMITTEE

Mr. Toh Hock Ghim *(Chairman)*
Mr. Jaime Che
Mr. Cao Zhong *(suspended)*
Mr. Hung Chi Yuen Andrew
Professor Sit Fung Shuen Victor

NOMINATION COMMITTEE

Professor Sit Fung Shuen Victor *(Chairman)*
Mr. Jaime Che
Mr. Cao Zhong *(suspended)*
Mr. Hung Chi Yuen Andrew
Mr. Toh Hock Ghim

RISK COMMITTEE

Mr. Hung Chi Yuen Andrew *(Chairman)*
Mr. Jaime Che
Professor Sit Fung Shuen Victor
Mr. Toh Hock Ghim

EXECUTIVE COMMITTEE

Mr. Cao Zhong *(Chairman)(suspended)*
Mr. Jaime Che

CREDIT RISK COMMITTEE

Mr. Cao Zhong *(Chairman)(suspended)*
Mr. Jaime Che
Mr. Hung Chi Yuen Andrew

AUTHORISED REPRESENTATIVES

Mr. Jaime Che
Ms. Man Yuet Lin

COMPANY SECRETARY

Ms. Man Yuet Lin

INDEPENDENT AUDITOR

Crowe (HK) CPA Limited

REGISTERED OFFICE

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

43/F Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

378

WEBSITE

www.fdgkinetic.com

BIOGRAPHIES OF DIRECTORS

Mr. Jaime Che
Executive Director & Chief Executive Officer

Mr. Che, aged 39, is an executive director and Chief Executive Officer of the Company. He is also a member of each of the Remuneration Committee, the Nomination Committee, the Executive Committee, the Risk Committee and the Credit Risk Committee of the Company. Mr. Che was appointed as the Chief Executive Officer of the Company on 19 July 2019. He also holds directorships in various subsidiaries of the Company. He is also a director of Advanced Lithium Electrochemistry (Cayman) Co., Ltd., the shares of which are listed on the Taipei Exchange (Stock Code: 5227). Mr. Che has extensive experience in investor relations and corporate finance. He was the Assistant to Managing Director/Investor Relations Manager of Fushan International Energy Group Limited (Stock Code: 639, now renamed as Shougang Fushan Resources Group Limited), a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), from November 2009 to June 2010. Mr. Che was an executive director of FDG Electric Vehicles Limited ("FDG EV", Stock Code:729, the controlling shareholder of the Company and whose shares are listed on the Stock Exchange) from 8 March 2011 to 19 August 2020, and was the chief executive officer of FDG EV from 19 July 2019 to 19 August 2020. He studied commerce at the University of New South Wales. Mr. Che was appointed to the board of directors of the Company (the "Board") on 9 March 2015.

Mr. Cao Zhong
Executive Director

Mr. Cao, aged 60, is an executive director of the Company. He was appointed as an executive director of the Company and elected as the Executive Vice-Chairman of the Company on 9 March 2015. Mr. Cao was appointed as the Chairman of the Company on 29 October 2015 and ceased to be the Chairman of the Company on 19 March 2020. He is the chairman of each of the Executive Committee and the Credit Risk Committee of the Company and a member of each of the Nomination Committee and the Remuneration Committee of the Company. He also holds directorships in various subsidiaries of the Company. Mr. Cao graduated from Zhejiang University and the Graduate School of the Chinese Academy of Social Sciences with a bachelor degree in engineering and a master degree in economics, respectively. Since 1988, Mr. Cao had served in various institutions, including the National Development and Reform Commission of the People's Republic of China (the "PRC"), Guangdong Province Huizhou Municipal People's Government, Beijing International Trust and Investment Company Limited, Shougang Corporation and the Development Research Centre of the State Council of China. Mr. Cao was a director of FDG EV from 11 March 2014 to 19 August 2020, and was the chairman and chief executive officer of FDG EV from March 2014 to February 2020 and from May 2014 to July 2019 respectively. Mr. Cao is currently an executive director and the chairman of China Resources and Transportation Group Limited (Stock Code: 269), the shares of which are listed on the Stock Exchange. Mr. Cao was appointed to the Board on 9 March 2015.

Mr. Hung Chi Yuen Andrew
Independent Non-executive Director

Mr. Hung, aged 51, is an independent non-executive director of the Company. He is also the chairman of each of the Audit Committee and the Risk Committee of the Company and a member of each of the Nomination Committee, the Remuneration Committee and the Credit Risk Committee of the Company. Mr. Hung is currently an independent non-executive director of AKM Industrial Company Limited (Stock Code: 1639) and G-Vision International (Holdings) Limited (Stock Code: 657), companies whose shares are listed on the Stock Exchange and the director of Norton Rowland CPA Limited. He received his professional training in Deloitte Touche Tohmatsu during the period from 1991 to 1993 and had worked in UBS Investment Bank as business unit controller for 7 years. Mr. Hung holds a Bachelor's Degree of Arts (Hons) in Accountancy from The Hong Kong Polytechnic University and a Master's Degree in Applied Finance from University of Western Sydney. He is a practising Certified Public Accountant, an associate member of Hong Kong Institute of Certified Public Accountants and a fellow member of The Chartered Association of Certified Accountants. Mr. Hung was appointed to the Board on 1 July 2008.

Professor Sit Fung Shuen Victor
Chairman & Independent Non-executive Director

Professor Sit, aged 73, is the Chairman and an independent non-executive director of the Company. He is also the chairman of the Nomination Committee of the Company and a member of each of the Audit Committee, the Remuneration Committee and the Risk Committee of the Company. On 19 March 2020, Professor Sit was appointed as the Chairman of the Company. Professor Sit was an independent non-executive director of Asia Energy Logistics Group Limited (Stock Code: 351) from June 2010 to July 2017, a company whose shares are listed on the Stock Exchange. He was a member of the Supervisory Board of Toulouse Blagnac Airport in France from March 2016 to June 2018 and an advisor of China Aircraft Leasing Limited from March 2017 to February 2020. Professor Sit has obtained a Ph.D. from the London School of Economics and Political Science, United Kingdom. Professor Sit is a founding director of the Advanced Institute for Contemporary China Studies of Hong Kong Baptist University from 2008 to 2013 and has also been invited to be the Honorary Professor of a number of renowned universities including Peking University, Zhongshan University, Jinan University and Xian Jiaotung University in the PRC. He has been a professor of the Department of Geography from 1977 to 2007 and was the Head of Department of Geography and Geology from 1993 to 1998 of The University of Hong Kong.

Professor Sit is currently an advisor to City Planning Commission of Shenzhen Municipal Government of the PRC (since 1988) and an advisor to City Planning Commission of Sanmin Municipal Government of Fujian Province of the PRC (since 1991). He had also assumed the posts of Deputy of the National People's Congress of the PRC from 1993 to 2008 and an advisor to the Governor of Guangdong Province of the PRC from 2000 to 2005. He was formerly a member of the Preparatory Committee of the Hong Kong Special Administrative Region ("HKSAR") of the National People's Congress of the PRC; Port and Marine Board, Committee on Port and Harbour Development, the Port Development Board of the HKSAR Government respectively. Professor Sit was appointed to the Board on 1 July 2008.

Mr. Toh Hock Ghim
Independent Non-executive Director

Mr. Toh, aged 78, is an independent non-executive director of the Company. He is also the chairman of the Remuneration Committee of the Company and a member of each of the Audit Committee, the Nomination Committee and the Risk Committee of the Company. Mr. Toh is currently the chairman, non-executive and independent director of DISA Limited and an independent director of AnAn International Limited, companies whose shares are listed on the Singapore Exchange Securities Trading Limited (the "Singapore Exchange"), an independent director of Auralite Investments Inc., a company whose shares are listed on the Toronto Stock Exchange in Canada and a chairman and non-executive director of Hon Corporation Limited (stock code: 8259), a company whose shares are listed on the Stock Exchange. He was the independent director of Lifebrandz Ltd. from January 2015 to April 2017 and AGV Group Limited from April 2016 to January 2019 (companies whose shares are listed on the Singapore Exchange), and the independent director of Fourth-Link Inc. (a company whose shares are listed on the Korea Exchange) from April 2017 to September 2018. Mr. Toh joined the Ministry of Foreign Affairs of Singapore in October 1966 with diplomatic postings to Malaysia, the Philippines, Thailand, Vietnam, the Hong Kong Special Administration Region ("SAR") and the Macau SAR. He was Singapore Ambassador to Vietnam from January 1994 to January 2002 and the Consul-General of the Consulate Generals in the Hong Kong SAR and the Macau SAR from February 2002 to December 2007. He was appointed as the Senior Advisor to the Ministry of Foreign Affairs of Singapore upon retirement from the foreign service at the end of 2007. Mr. Toh obtained his Bachelor's Degree of Arts (Political Science) from National University of Singapore. Mr. Toh was appointed to the Board on 1 July 2008.

DIRECTORS' REPORT

The directors present their report and the audited consolidated financial statements of FDG Kinetic Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 March 2020.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Group are research and development, manufacturing and trading of cathode materials for lithium-ion batteries, and direct investments, including securities trading, loan financing and asset investment.

The principal activities and particulars of the Company's principal subsidiaries as at 31 March 2020 are set out in Note 44 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group for the year ended 31 March 2020 and further discussion and analysis as required by Schedule 5 to the Hong Kong Companies Ordinance are set out in the "Management Discussion and Analysis" section on pages 12 to 19 of this annual report, the discussion thereof forms part of this Directors' Report.

SEGMENT INFORMATION

An analysis of the Group's revenue and contribution to the operating results for the year ended 31 March 2020 is set out in Note 6 to the consolidated financial statements.

RESULTS AND DIVIDENDS

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 34 to 35 of this annual report.

The directors of the Company do not recommend the payment of any dividend for the year ended 31 March 2020.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 126 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

The largest supplier of the Group by itself and together with the other four largest suppliers accounted for approximately 56% and 94% of the Group's total purchases for the year respectively.

The largest customer of the Group by itself and together with the other four largest customers accounted for approximately 58% and 96% of the Group's total turnover for the year respectively.

Save as disclosed above and to the best of the directors' knowledge, none of the directors, their close associates, or any shareholder (which to the knowledge of the directors owned more than 5% of the number of issued shares of the Company) had beneficial interests in the Group's five largest suppliers or customers.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in Note 34(B) to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 38 of this annual report and Note 43(A) to the consolidated financial statements respectively.

DIRECTORS

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

Executive Directors:

Mr. Jaime Che *(Chief Executive Officer)*	*(appointed as Chief Executive Officer on 19 July 2019)*
Mr. Cao Zhong *(suspended)*	*(ceased to be Chairman on 19 March 2020)*
Mr. Miao Zhenguo	*(resigned as executive director and Chief Executive Officer on 19 July 2019)*

Independent Non-executive Directors:

Mr. Hung Chi Yuen Andrew	
Professor Sit Fung Shuen Victor *(Chairman)*	*(appointed as Chairman on 19 March 2020)*
Mr. Toh Hock Ghim	

In accordance with Bye-law 87 of the Company's Bye-laws, Mr. Toh Hock Ghim and Mr. Cao Zhong will retire from office by rotation at the forthcoming annual general meeting of the Company. Mr. Toh Hock Ghim, being eligible, has offered himself for re-election. Mr. Cao Zhong has not offered himself for re-election.

No director proposed for re-election at the forthcoming annual general meeting of the Company 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).

The Company has received from each of its independent non-executive directors an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company considers that all the independent non-executive directors are independent.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2020, the interests and short positions of the directors and chief executive of the Company or their respective close associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

1. INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

None of the directors nor chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company.

2. LONG POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE ASSOCIATED CORPORATIONS OF THE COMPANY

(a) FDG Electric Vehicles Limited ("FDG EV")

Name of directors	Capacity	Number of ordinary shares of the associated corporation	Number of underlying shares (unlisted and physically settled equity derivatives) of the associated corporation *(Note 2)*	Total number of ordinary shares and underlying shares of the associated corporation	Approximate percentage of issued ordinary share capital of the associated corporation *(Note 3)*
Mr. Jaime Che	Beneficial owner	50,000	8,327,483	8,377,483	0.33%
Mr. Cao Zhong	Beneficial owner	–	11,538,080	11,538,080	0.46%
	Interest of controlled corporation	64,449,499	–	64,449,499 *(Note 1)*	2.57%

Notes:

1. Mr. Cao Zhong is interested or deemed to be interested in a total of 75,987,579 shares and underlying shares of FDG EV including: (i) 64,449,499 shares held by Long Hing International Limited which is wholly owned by Mr. Cao who is a director; and (ii) 11,538,080 share options*(Note 2)* held by Mr. Cao.

2. The interests in the underlying shares of FDG EV represent interests in options granted to the directors named above by FDG EV to subscribe for shares of FDG EV under a share option scheme of FDG EV.

3. These percentages are calculated on the basis of 2,504,750,675 issued shares of FDG EV as at 31 March 2020.

(b) Advanced Lithium Electrochemistry (Cayman) Co., Ltd. ("ALEEES")

Name of director	Capacity	Number of ordinary shares of the associated corporation	Number of underlying shares (unlisted and physically settled equity derivatives) of the associated corporation	Approximate percentage of issued ordinary share capital of the associated corporation
Mr. Jaime Che	Beneficial owner	–	2,000,000 *(Note 1)*	0.83%

Notes:

1. Mr. Jaime Che is interested in 2,000,000 underlying shares of ALEEES (a company listed on the Taipei Exchange, Stock Code: 5227), representing interests in the options granted to him on 2 March 2018 to subscribe for 2,000,000 shares of ALEEES at an exercise price of TWD30.00 per share (subject to adjustments) during the period from 2 March 2020 to 1 March 2028.

   The options stated above are subject to a vesting period up to three years with half of the options becoming exercisable 24 months after the date of grant and the remainder becoming exercisable 36 months after the date of grant.

2. The percentage is calculated on the basis of 241,573,654 issued shares of ALEEES as at 31 March 2020.

Save as disclosed above, as at 31 March 2020, none of the directors or chief executive of the Company or their respective close associates had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been recorded in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

Details of the share option scheme adopted by the Company on 29 August 2017 and movements of the options during the year are set out in Note 34(E) to the consolidated financial statements.

EMPLOYEES' SHARE AWARD SCHEME

Details of the employees' share award scheme adopted by the Company on 10 February 2017 and of the awarded shares during the year are set out in Note 34(D) to the consolidated financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above and "Equity Settled Share-based Transactions" as set out in Note 34(E) to the consolidated financial statements, at no time during the year was the Company or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

EMOLUMENTS OF DIRECTORS

Details of the emoluments of the directors of the Company are set out in Note 12 to the consolidated financial statements.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2020, the persons, other than the directors or chief executive of the Company, who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of substantial shareholders	Capacity	Number of ordinary shares held in long position (L)/ short position (S)	Approximate percentage of issued ordinary share capital *(Note 3)*
Sinopoly Strategic Investment Limited	Beneficial owner	3,447,222,490 (L) 3,447,222,490 (S)	51.04% (L) 51.04% (S)
Union Grace Holdings Limited	Beneficial owner	1,588,235,294 (L) 1,588,235,294 (S)	23.52% (L) 23.52% (S)
FDG EV	Interest of controlled corporations *(Note 1)*	5,035,457,784 (L) 5,035,457,784 (S)	74.56% (L) 74.56% (S)
Sino Power Resources Inc.	Person having a security interest in shares *(Note 2)*	5,035,457,784 (L)	74.56% (L)
China Orient Asset Management (International) Holding Limited	Interest of controlled corporations *(Note 2)*	5,035,457,784 (L)	74.56% (L)
Wise Leader Assets Ltd.	Interest of controlled corporations *(Note 2)*	5,035,457,784 (L)	74.56% (L)
Dong Yin Development (Holdings) Limited	Interest of controlled corporations *(Note 2)*	5,035,457,784 (L)	74.56% (L)
China Orient Asset Management Co., Ltd.	Interest of controlled corporations *(Note 2)*	5,035,457,784 (L)	74.56% (L)

Notes:

1. FDG EV is deemed or taken to be interested in (i) 3,447,222,490 shares held by Sinopoly Strategic Investment Limited which is a direct wholly-owned subsidiary of FDG EV; and (ii) 1,588,235,294 shares held by Union Grace Holdings Limited which is an indirect wholly-owned subsidiary of FDG EV.

   Mr. Jaime Che, an executive director of the Company, was also a director of each of Sinopoly Strategic Investment Limited and Union Grace Holdings Limited up to 24 August 2020 and 25 August 2020 respectively.

2. Sino Power Resources Inc. is a wholly-owned subsidiary of China Orient Asset Management (International) Holding Limited ("COAMI"). COAMI is held as to 50% by Wise Leader Assets Ltd. ("Wise Leader") and as to 50% by Dong Yin Development (Holdings) Limited ("Dong Yin"). Wise Leader is a wholly-owned subsidiary of Dong Yin, which in turn is a wholly-owned subsidiary of China Orient Asset Management Co., Ltd. ("COAMC"). Accordingly, COAMI, Wise Leader, Dong Yin and COAMC were deemed to have the same long position as Sino Power Resources Inc.

3. These percentages are calculated on the basis of 6,753,293,913 shares of the Company as at 31 March 2020.

Save as disclosed above, as at 31 March 2020, the Company had not been notified of any interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register kept by the Company under Section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Up to 19 August 2020, Mr. Cao Zhong and Mr. Jaime Che had also been directors of FDG EV, a controlling shareholder of the Company, which is also engaged in the business of research and development, manufacture and sale of cathode materials for lithium-ion batteries.

Save as disclosed above, during the year ended 31 March 2020, none of the directors of the Company or their respective close associates was interested in any business, apart from the Group's businesses, which competes or is likely to compete, either directly or indirectly, with the Group's businesses pursuant to Rule 8.10(2) of the Listing Rules.

PERMITTED INDEMNITY PROVISIONS

During the year ended 31 March 2020, the Company has in force indemnity provisions as permitted under the relevant statutes for the benefit of the directors and officers of the Company and its subsidiaries. The permitted indemnity provisions are provided for in the Company's Bye-laws and in the directors and officers liability insurance maintained for the Group in respect of potential liability and costs associated with legal proceedings that may be brought against such persons.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

There were no transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries, holding companies or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

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

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group in the normal course of business during the year ended 31 March 2020 are set out in Note 42 to the consolidated financial statements. In relation to those related party transactions that constituted connected transactions under the Listing Rules, the Company has complied with disclosure requirements in accordance with Chapter 14A of the Listing Rules.

BORROWINGS AND CONVERTIBLE BONDS

Details of the Group's borrowings and convertible bonds as at the end of the reporting period are set out in Notes 26 and 32 to the consolidated financial statements.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is established by the executive directors of the Company on the basis of their performance, experience and prevailing industry practice.

The emoluments of the directors of the Company are determined with reference to the duties and responsibilities of individual directors, the Company's performance and the prevailing market conditions and trends.

The Company has adopted a share option scheme. The purpose of such scheme is to provide incentive to selected participants, including the directors and eligible employees of the Company. Details of the share option scheme of the Company are set out in Note 34(E) to the consolidated financial statements.

The Company has adopted an employees' share award scheme. Details of the employee's share award scheme of the Company are set out in Note 34(D) to the consolidated financial statements.

The Company has established an employee benefit trust for the employees of the Group and other persons as designated to receive awarded shares to be vested under the employees' share award scheme and share options to be granted under the share option scheme (if applicable). The objective is to provide a flexible means of attracting, retaining, incentivising, rewarding, remunerating and compensating and/or providing benefits to the employees of the Group.

RETIREMENT BENEFIT SCHEMES

Information on the Group's retirement benefit schemes is set out in Note 41 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

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

During the year ended 31 March 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

DONATIONS

There were no charitable donations made by the Group during the year ended 31 March 2020.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the best knowledge of the directors of the Company, the Company maintained throughout the year a sufficient public float as required under the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Events occurred after the reporting period are detailed in Note 45 to the consolidated financial statements.

AUDITOR

On 29 May 2020, Deloitte Touche Tohmatsu resigned as auditor of the Company and Crowe (HK) CPA Limited was appointed as the auditor of the Company to fill the casual vacancy and to hold office until the conclusion of the forthcoming annual general meeting of the Company.

A resolution for the re-appointment of Crowe (HK) CPA Limited as auditor of the Company will be proposed at the forthcoming annual general meeting.

The consolidated financial statements of the Company for the previous two years ended 31 March 2018 and 2019 were audited by Deloitte Touche Tohmatsu.

On behalf of the Board

Jaime Che
Chief Executive Officer

Hong Kong, 24 September 2020

MANAGEMENT DISCUSSION AND ANALYSIS

FDG Kinetic Limited (Receivers and Managers Appointed) ("FKL" or the "Company", stock code: 378) adheres to a philosophy of "Green and Growth", gradually establishing and improving its lithium-ion ("Li-ion") battery industry chain. The Company and its subsidiaries (collectively the "Group") are principally engaged in research and development, manufacturing and trading of cathode materials for Li-ion batteries and direct investments. FKL strategically positions in the Li-ion battery and cathode materials segment, and FKL is an indirect non-wholly-owned subsidiary of FDG Electric Vehicles Limited (Provisional Liquidators Appointed) ("FDG EV", stock code: 729). Furthermore, FKL also currently holds 25% and 15.47% equity interests in Synergy Dragon Limited and Advanced Lithium Electrochemistry (Cayman) Co., Ltd. ("ALEEES", listed on the Taipei Exchange, stock code: 5227) respectively and they are engaged in the business of research and development, manufacturing and sales of batteries and new energy battery materials respectively.

Appointment of receivers and managers of the Company

As disclosed in the joint announcement of FKL and FDG EV dated 29 April 2020, the Company received a notification that SHK Finance Limited ("SHK Finance") has appointed Tang Chung Wah, Hou Chung Man and Kan Lap Kee, all of SHINEWING Specialist Advisory Services Limited as receivers and managers over all of the undertaking, property and assets of FKL and to, amongst others, exercise all of the powers of a receiver and manager given by the terms of a debenture executed by FKL in favour of SHK Finance on 5 September 2019, to secure the loan facilities granted by SHK Finance to FKL pursuant to a loan agreement entered into between FKL and SHK Finance on 5 September 2019.

Winding-up petition against the Company

As disclosed in the joint announcement of FKL and FDG EV dated 15 May 2020, the Company received a petition filed by Join View Development Limited on 14 May 2020 against FKL in the High Court of the Hong Kong Special Administrative Region (the "HK Court") for an order that FKL be wound up by the HK Court. FDG EV joined as a party opposing the petition, and the petition was heard before the HK Court on 5 August 2020 and 10 August 2020, and a second call-over hearing of the petition has been adjourned to 19 October 2020.

MARKET OVERVIEW

During the year under review, affected by adverse factors such as uncertainties brought by prolonged international trade tensions, the lingering Brexit and the outbreak of the COVID-19 pandemic worldwide, both the Chinese and global financial market faced the increased downward pressure, hence a rising risk of global economic recession. According to the economic data from the National Bureau of Statistics of China, China's gross domestic product reached RMB99 trillion in 2019, representing an increase of only 6.1% as compared to the last corresponding period. Furthermore, according to the "Global Economic Prospects" published by the World Bank in January 2020, despite the relaxed monetary policies adopted and the tax exemption and relief measures introduced by the Chinese government, the decrease in China's economic growth last year was still greater than expected given the continuous slowdown of domestic demand in China and the effect brought by the Sino-US trade disputes. In addition, as predicted by the economic report published by the World Bank on 30 March 2020, under the influence of the COVID-19 pandemic, the economic growth in China will decrease to 2.3% in 2020, which is the lowest economic growth since 1990. The World Bank also anticipated that, under the worst scenario, China's economic growth will substantially decrease to merely 0.1% this year. Besides, as quoted by Forbes, a media organisation in the United States of America (the "US"), the annual report of the United Nations stated that as affected by the Sino-US trade disputes, the global economic growth was only 2.3% last year, which is the lowest economic growth over the last decade.

Battery Business

Affected by the decrease in the production volume and sales volume of the new energy vehicle ("NEV") market in 2019, the demand for power batteries in China also decreased in 2019. According to the analysis of Gaogong Industry Research Institute ("GGII"), in March 2019, the Chinese government revised the policies for the NEV industry with a three-month transition period allowed, the purpose of which was to reduce the amount of subsidies for purchasing NEVs and tighten the subsidy standards, including setting higher requirements for energy density for power battery of NEVs and the driving distance of NEVs. Before the end of the transition period of the relevant policies, the NEV market was stimulated, hence increasing in both production volume and sales volume, which has in turn boosted the demand for power batteries in the first half of 2019. However, following the end of the transition period of the relevant policies, the growth of the NEV market slowed down or even shrank, resulting in a decrease in the demand for power batteries in the second half of 2019. According to the statistics of GGII, the output for power batteries in China in 2019 amounted to 71 GWh, up by 9.4% from the last corresponding period. The growth, however, slowed down as compared to that of 2018. In addition, according to the data from GGII, despite the growth in output for power batteries in China as compared to the last corresponding period, affected by the impact of the more substantial decrease in the price of power batteries in China in 2019, the market size of power batteries in China was only RMB71 billion in 2019, down by 11.8% as compared to the last corresponding period, demonstrating a shrinking market size of power battery in China.

Cathode Materials Business

According to the research report published by GGII, the market output for cathode materials in China in 2019 amounted to 404,000 tonnes, up by 32.5% from the last corresponding period, which was mainly attributable to the effect of the growing demand for power batteries in China, hence promoting the growth of demand for ternary cathode materials, as well as the reduction of output for cathode materials by overseas companies which has resulted in the shift of certain orders to China, therefore propelling the increase in output for cathode materials. In particular, the output for ternary cathode materials in China amounted to 192,000 tonnes, up by 40.7% as compared to the last corresponding period, representing approximately 47.6% of the total output of cathode materials. GGII also estimated that with the increase in market demand and market size of power batteries, the proportion of output for ternary cathode materials will further increase to over 50% in the future. However, according to the statistics of the GGII, the price of cathode materials demonstrated a downward trend in general in 2019, which is mainly attributable to factors including the drop in battery prices in China and passing on of the cost by battery enterprises to cathode materials enterprises, hence exerting further pressure on the price of cathode materials.

BUSINESS REVIEW

The Group has been focusing on developing its cathode materials business and actively exploring the Chinese and overseas markets in order to seek new business opportunities and looks forward to bringing positive cash flows to the Group. However, affected by the factors such as prolonged international trade tensions, the global outbreak of the COVID-19 and the decrease of oil price, there is an increasing risk of global financial recession. Furthermore, in March 2019, the Chinese government revised the policies for the NEV industry with a three-month transition period allowed. Following the end of the transition period of the relevant policies, the Chinese government officially tightened the subsidy standards, eliminated the subsidies for certain NEVs and reduced the amount of subsidies for purchasing NEVs, and therefore the growth of the NEV market has slowed down or even shrank, resulting in a decrease in the demand for power batteries in the second half of 2019. Moreover, influenced by the drop of battery prices in China, battery enterprises passed on the cost to cathode materials enterprises, leading to further pressures on the price of cathode materials, thereby affecting the profit margin of the Group's cathode materials business.

Battery Business

During the year under review, the Chinese government revised subsidy policies regarding NEVs to reduce the amount of subsidies for purchasing NEVs and tighten subsidy standards, resulting in a decrease in the production volume and sales volume in the NEV market, hence a decrease in the demand for power batteries in China in 2019. During the year under review, the performance of the Group's battery business was sluggish. Nevertheless, the Group, without compromising the quality and safety standards of the batteries, will continue to implement stringent cost control plans in a bid to lower its production cost.

Cathode Materials Business

During the year under review, revenue from cathode materials business amounted to HK$36.2 million, representing a significantly decrease of approximately 67.8% as compared with that of the last corresponding period, which was mainly attributable to a decrease in orders from the largest customer of the Group during the year under review resulted from the general slowdown of the new energy market, the COVID-19 outbreak and the lock-down of some cities in the PRC and the change of the business operation of the Group from the sales of cathode materials to provision of processing services for a customer. Looking forward, the Group will continue to proactively looking for various cooperation opportunities with business partners, exploring new customers and markets, and diversify its income sources.

During the year under review, after taking the development potential of overseas electric vehicle and energy storage system markets into consideration, ALEEES, the Group's investments which operates in Taiwan and specialises in Lithium-Ferrous-Phosphate (LFP) cathode materials and ternary oxides products, actively adjusted, developed and expanded its business with a view to satisfying market demands in the future, and its losses was narrow down comparing that of last financial year.

RISK FACTOR

Market Risk

The policy regarding reduction of subsidy in China, the influx of foreign battery enterprises in the mainland market, and increased efforts in production capacity building of both local and overseas battery enterprises have all contributed to the excessive production capacities and more intensified competition in the battery industry. Moreover, affected by a decrease in prices of power batteries, the growth in battery market size has slowed down, resulting in a decline in profit margin. The Group will continue to expand into local and foreign markets with a view to building up its competitiveness in the battery cathode materials segment.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group spares no effort in promoting environmental protection and advocating sustainable development. The Group is committed to avoid generating greenhouse gases and solid wastes in its daily operations, and strives to improve its product technologies with a view to enhancing its environmental performance.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group is devoted to creating a career development path and a good working environment for employees. In addition to conducting induction training for new staff, the Group will also provide on-the-job training to staff in a timely manner to encourage employees to develop their potential. The Group will ensure efficiency of operations so that employees could demonstrate their ability through open, equal and merit-based systems which is also the base for the monitoring and assessment of the promotion of employees. The Group also regularly reviews the benefits and remuneration of all staff. Compensation is payable according to the performance and qualifications of the employees. The Company has also set up an employee equity incentive plan to reward outstanding staff. The Group also recognises that work-life balance is important to employees. A variety of staff activities are organised from time to time. The Group cares about the physical and mental health of staff and together the Group creates a harmonious working atmosphere.

The Group has always been committed to providing customers with high-quality products. In addition to strict compliance with regulatory requirements, the Group has also established a complete quality assurance system. All products have passed rigorous tests and inspections to ensure quality, safety and are of highest standards.

To ensure the quality of raw materials and the stability of supply, the Group selects leading enterprises as suppliers with the most advance technology and products in the industry as our partners based on a strict set of criteria.

RELEVANT LAWS AND REGULATIONS

The Group's power batteries have been listed in the catalogue of "Standardised Requirements for the Automobile Power Storage Battery Industry", and complied with nationally qualified standards in capacity, energy, power, efficiency, standard life cycles and working life cycles.

The Group complies with the requirements under the Companies Ordinance, the Listing Rules, and the Securities and Futures Ordinance for the disclosure of information and corporate governance. The Group also complies with the requirements of Employment Ordinance and ordinances relating to occupational safety for the interests of employees of the Group.

FINANCIAL REVIEW

During the year under review, the Group recorded total revenue of approximately HK$42.0 million, representing a decrease of approximately 66.1% as compared with the revenue of approximately HK$123.8 million for the year ended 31 March 2019. Such decrease was mainly due to decrease in sales of cathode materials of the battery materials production business segment of approximately 67.8% as compared with that of the last corresponding period. As sales of cathode materials for nickel-cobalt manganese ("NCM") lithium-ion batteries, provision of processing income and interest income decreased, gross profit decreased from approximately HK$17.3 million for the year ended 31 March 2019 to approximately HK$3.2 million for the year ended 31 March 2020.

The Group's loss attributable to equity shareholders of the Company for the year ended 31 March 2020 amounted to approximately HK$357.4 million, representing a decrease in loss of approximately HK$271.2 million as compared with the loss of approximately HK$628.6 million for the year ended 31 March 2019. The decrease was mainly attributable to the net effects of the followings:

(i) the increase in other losses, net from approximately HK$4.2 million for the year ended 31 March 2019 to losses, net of approximately HK$32.4 million for the year ended 31 March 2020, mainly due to increase in write-down of inventories from approximately HK$2.5 million for the year ended 31 March 2019 to approximately HK$18.3 million for the year ended 31 March 2020 and net loss on derecognition of associates of approximately HK$9.4 million;

(ii) the decrease in general and administrative expenses from approximately HK$60.8 million for the year ended 31 March 2019 to approximately HK$45.0 million for the year ended 31 March 2020, mainly resulted from the implementation of more stringent cost control by the Group;

(iii) the increase in net loss on financial assets at fair value through profit or loss comparing with last year of approximately HK$60.3 million, mainly arising from the market price changes of investment in ALEEES;

(iv) the increase in net impairment losses on financial assets at amortised cost of approximately HK$44.7 million to approximately HK$75.9 million (2019: approximately HK$31.2 million) for the year ended 31 March 2020, mainly due to net effects of (a) the increase in impairment loss on amount due from an associate of approximately HK$68.2 million; and (b) the decrease of impairment losses on trade, loan and interest receivables in aggregate of approximately HK$22.4 million for the year ended 31 March 2020;

(v) the decrease of approximately HK$300.5 million on impairment of goodwill comparing with last year, netting off with the increase in impairment loss on property, plant and equipment and intangible assets of approximately HK$40.3 million and HK$7.3 million respectively, resulted from the keen competition with narrow gross profit margin in the industry; and

(vi) the decrease in share of loss of associates of approximately HK$150.6 million during the year ended 31 March 2020 comparing with last financial year, which was mainly attributable from two associates: (a) Synergy Dragon Limited ("SDL"), amounted to nil (2019: approximately HK$82.2 million), as all interest in SDL has been written down to zero during the year ended 31 March 2019, no loss was further shared during the year ended 31 March 2020; and (b) ALEEES, amounted to approximately HK$14.1 million (2019: approximately HK$82.5 million), the decrease in loss was mainly due to the improvement on sales by expanding markets in Europe, America, Japan and Korea and receipt of sales orders from new customers during the year ended 31 March 2020 and upon October 2020, the Group changed the accounting treatment of ALEEES into financial assets at fair value through profit or loss.

Segment Information

Battery Materials Production Business

During the year under review, the battery materials production business segment contributed to the Group's revenue of approximately HK$36.2 million from the sales of cathode materials for NCM lithium-ion batteries and provision of processing services, representing a decrease of approximately 67.8% as compared with the revenue of approximately HK$112.3 million for the year ended 31 March 2019. Such significantly decrease was mainly due to the decrease in orders from the largest customer during the current year resulted from the general slow-down of the new energy market and the outbreak of the COVID-19 coronavirus.

The battery materials production business segment brought a loss before tax of approximately HK$253.0 million (2019: approximately HK$451.0 million) to the Group during the year, which included share of loss of an associate, ALEEES, of approximately HK$14.1 million (2019: approximately HK$82.5 million). The Group holds approximately 19.04% (2019: approximately 21.85%) of total issued shares of ALEEES as at 31 March 2020. ALEEES is classified from interest in an associate to financial assets at fair value through profit or loss when the Group changed its shareholding to 19.04%. ALEEES is principally engaged in the business of production, research and development and sales and marketing of cathode materials for Lithium-Ferrous-Phosphate batteries. The loss of ALEEES decreased during the current year as compared with the last year, resulted from the improvement on sales of ALEEES by expanding markets in Europe, America, Japan and Korea during the current year.

Without taking into account of (i) share of loss of ALEEES of approximately HK$14.1 million (2019: approximately HK$82.5 million); (ii) the net loss on financial assets at fair value through profit or loss of approximately HK$66.7 million (2019: Nil); (iii) the one-off impairment loss on goodwill, property, plant and equipment and intangible assets of battery materials production business of approximately HK$54.1 million (2019: approximately HK$322.9 million); and (iv) exchanges loss of HK$5.0 million (2019: exchange gain of HK$11.5 million), the battery material production business of Chongqing factory incurred a loss before tax of approximately HK$113.1 million (2019: approximately HK$57.1 million) during the year. The increase in loss from the battery material production business of Chongqing was mainly caused by (a) decrease in sales; (b) decrease in reversal of impairment loss on trade receivables of HK$8.6 million from approximately HK$9.7 million for the year ended 31 March 2019 to approximately HK$1.1 million for the year ended 31 March 2020; (c) increase in write-down of inventories of HK$15.8 million from approximately HK$2.5 million for the year ended 31 March 2019 to approximately HK$18.3 million for the year ended 31 March 2020; and (d) increase in finance costs of HK$6.2 million from approximately HK$18.7 million for the year ended 31 March 2019 to approximately HK$24.9 million for the year ended 31 March 2020.

Direct Investments Business

During the year, interest income amounted to approximately HK$5.7 million (2019: approximately HK$11.5 million). The decrease was mainly due to the absence of accrued interest for a loan receivable from an independent third party for the year ended 31 March 2020.

The Group's investments measured at fair value recorded a net loss of approximately HK$1.0 million for year ended 31 March 2020 (2019: approximately HK$7.3 million).

The Group shared the profit of a joint venture, 華能壽光風力發電有限公司 ("Huaneng Shouguang") of approximately HK$3.4 million for the year ended 31 March 2020 (2019: approximately HK$5.3 million). Huaneng Shouguang is a wind power electricity developer and operator in the PRC. It generated electricity of approximately 80.9 million kWh (2019: approximately 87.9 million kWh) and recorded revenue of approximately HK$45.0 million (2019: approximately HK$50.4 million) during the year ended 31 March 2020.

Geographical Analysis of Revenue

During the year ended 31 March 2020, revenue from Hong Kong and the PRC contributed approximately 13.7% (2019: 9.3%) and 86.3% (2019: 90.7%) to the Group's total revenue, respectively.

Liquidity and Financial Resources

As at 31 March 2020, the Group's net assets attributable to equity owners of the Company amounted to approximately HK$50.5 million (2019: approximately HK$413.6 million). Net assets attributable to equity owners of the Company per share were approximately HK$0.007 (2019: approximately HK$0.06). The Group's total assets of approximately HK$551.5 million (2019: approximately HK$1,070.6 million) mainly consisted of goodwill of nil (2019: approximately HK$6.8 million), intangible assets of approximately HK$28.9 million (2019: approximately HK$52.8 million), property, plant and equipment, interests in leasehold land held for own use under operating lease and right-of-use asset in aggregate of approximately HK$177.4 million (2019: approximately HK$257.5 million), interests in associates of nil (2019: approximately HK$324.9 million), interest in a joint venture of approximately HK$98.4 million (2019: approximately HK$106.6 million), loan receivables of approximately HK$52.6 million (2019: approximately HK$125.5 million), financial assets at fair value through profit or loss of approximately HK$94.9 million (2019: approximately HK$6.4 million) and cash and cash equivalents of approximately HK$34.5 million (2019: approximately HK$6.6 million).

As at 31 March 2020, the non-current assets amounted to approximately HK$305.1 million, comparing with the amount of approximately HK$749.2 million as at 31 March 2019, representing a decrease of approximately HK$444.1 million. Such decrease are mainly due to (i) the classification of interest in an associate of ALEEES to financial assets at fair value through profit or loss; (ii) share of losses of associates and impairment loss on interest in an associate of totally approximately HK$20.5 million; (iii) the derecognition of interest in an associate which the investment cost still not paid up; and (iv) the impairment loss on goodwill, property, plant and equipment and intangible assets of battery materials production segment in aggregate of approximately HK$54.1 million for the year ended 31 March 2020.

As at 31 March 2020, the current assets amounted to approximately HK$246.4 million, representing a decrease of approximately 23.3% as compared with the current assets of approximately HK$321.4 million as at 31 March 2019. Such decrease was mainly attributable to the combined effects of (i) the classification of ALEEES to financial assets at fair value through profit or loss of approximately HK$89.7 million as at 31 March 2020; (ii) the additional allowance for expected credit losses of approximately HK$81.4 million during the current year on the amount due from an associate with reference to the financial position of the associate and other forward-looking information. As the associate is the subsidiary of FDG EV and the Group will continue to perform all necessary works to recover this receivable; and (iii) the increase of cash and cash equivalents of approximately HK$27.9 million in the current year compared with the last financial year.

As at 31 March 2020, bank and other borrowings included (i) bank borrowings of approximately HK$35.7 million (2019: approximately HK$43.0 million), denominated in RMB, were secured, interest bearing at floating rates and were repayable within one year. Such bank borrowings were granted under general banking facilities by a bank in the PRC. The general banking facilities were secured by, inter alia, certain land and buildings of the Group with carrying amounts of approximately HK$79.9 million (2019: approximately HK$107.8 million) in favour of the lender by way of the fixed charges and floating charges over all the plant and machinery and inventories of FDG Kinetic (Chongqing) Lithium Ion Battery Materials Co. Ltd.; (ii) the other borrowing of HK$65.0 million (2019: HK$100.0 million) is denominated in Hong Kong dollars, were unsecured, guaranteed by FDG EV and were overdue; (iii) other borrowing of HK$60.0 million from an independent third party (2019: Nil), secured by first fixed and floating charge over the undertaking, property and assets of the Company and were overdue; and (iv) the other borrowings of approximately HK$72.2 million (2019: approximately HK$76.9 million in total), for which approximately HK$15.9 million (2019: approximately HK$54.5 million) were repayable within one year, and approximately HK$56.3 million (2019: approximately HK$22.4 million) were overdue, denominated in RMB and out of which approximately HK$44.8 million (2019: approximately HK$47.8 million) was secured by certain machineries of the Group with carrying amounts of approximately HK$41.2 million (2019: approximately HK$61.0 million) and guaranteed by an indirect wholly-owned subsidiary of an associate.

As at 31 March 2020, the Group's lease liability amounted to approximately HK$37.2 million (2019: approximately HK$41.3 million) were overdue. The lease liability was secured by certain machineries of the Group with carrying amounts of approximately HK$35.3 million (2019: approximately HK$57.4 million) and guaranteed by an indirect wholly-owned subsidiary of an associate.

As at 31 March 2020, the current liabilities amounted to approximately HK$493.3 million, representing a decrease of approximately HK$153.7 million comparing with the amount of approximately HK$647.0 million as at 31 March 2019. Such decrease was mainly due to the net settlement of loan from the ultimate holding company of HK$50.9 million during the current year.

As at 31 March 2020, non-current liabilities being deferred tax amounted to approximately HK$7.6 million, representing a decrease of approximately HK$2.4 million comparing with the amount of approximately HK$10.0 million as at 31 March 2019.

As at 31 March 2020, the Group's gearing ratio was approximately 534.9% (2019: approximately 63.2%) calculated on the basis of bank and other borrowings of approximately HK$232.9 million (2019: approximately HK$219.9 million) plus lease liability of approximately HK$37.2 million (2019: approximately HK$41.3 million), to total equity of the Company of approximately HK$50.5 million (2019: approximately HK$413.6 million).

Foreign Exchange Exposure

The Group's transactions were mainly denominated in RMB, Hong Kong dollars and United States dollars. Exchange rates between United States dollars and Hong Kong dollars were pegged with fixed rates and relatively stable during the year under review. The Group has transactional currency exposures in RMB. The Group has not entered into any foreign currency exchange forward contracts for hedging purposes during the year. The Board will closely monitor the foreign exchange exposure and consider appropriate hedging instruments when necessary.

Material Acquisitions and Disposals

Save as disclosed in Note 19 to the Consolidated Financial Statements, the Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 March 2020.

Contingent Liabilities and Pledge of Assets

The details of the Group's pledge of assets as at 31 March 2020 and 2019 are disclosed under the section headed "Liquidity and Financial Resources".

The Group had no significant contingent liabilities as at 31 March 2020 (2019: Nil).

Capital Commitments

The Group had capital commitments as at 31 March 2020 as disclosed in Note 40 (2019: Nil).

Human Resources

As of 31 March 2020, the Group had 9 employees in Hong Kong (2019: 13 employees) and 80 employees in the PRC (2019: 132 employees). Total staff costs (including directors' emoluments) during the year ended 31 March 2020 amounted to approximately HK$16.1 million (2019: approximately HK$21.7 million). The remuneration policies are determined with reference to market conditions and individual performance of staff. The Group participates in the Mandatory Provident Fund Scheme in Hong Kong and state managed retirement benefit schemes in the PRC.

The Group has a share option scheme, an employees' share award scheme and an employee benefit trust for the benefit of its directors and eligible participants. No share option was granted, exercised, cancelled or lapsed under the share option scheme and no share award was granted to employees under the employees' share award scheme during the year under review.

There were no material changes in human resources structure and compensation approach during the year ended 31 March 2020.

FUTURE DEVELOPMENT

During the year under review, affected by adverse factors such as the Sino-US trade tensions, Brexit as well as the COVID-19 pandemic, both global economy and trade experienced a slowdown. Various credit rating agencies such as, among others, S&P Global and Fitch Ratings have also made downward adjustments to the global economic growth for 2020 onwards and anticipated that the global economy will enter into a recession with downward risks. In addition, the revision of subsidy policies regarding NEVs in China has led to a slowdown of the growth or even shrink of the NEV market, resulting in a decrease in the demand for batteries and cathode materials in China and exerted certain pressure on related enterprises. Facing the keen competition in the cathode material market, the high gearing ratio of the Group and the appointment of the Receivers, the Group will be actively under negotiation of numerous measures including debts restructuring, capital reorganisation and fund raising proposals as well as exploring new business opportunities.

Improve the performance of cathode material businesses

Affected by the structural transformation of battery industry in China and more substantial decrease in the price of power batteries and cathode materials, the battery industry is facing overcapacity and intensified competition.

Subsequent to the reporting date, the Group has signed cooperation agreement with an affiliate company of Advanced Lithium Electrochemistry (Cayman) Co., Ltd, one of the pioneers and experts in the cathode materials production, in assisting the Chongqing factory to promote its products and related services to potential customers.

CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining a high standard of corporate governance. The board of directors of the Company (the "Board") believes that sound corporate governance principles, increased transparency and independency of corporate operation, and an effective shareholder communication mechanism will promote the healthy growth of the Company and enhance the shareholders' value.

CORPORATE GOVERNANCE

The Company applied the principles of and complied with all the code provisions of the Corporate Governance Code (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31 March 2020 and up to the date of this report, except for the following deviations.

Code provision A.5.1

Pursuant to code provision A.5.1 of the Code, the nomination committee should be chaired by the chairman of the board or an independent non-executive director. On 19 March 2020, Mr. Cao Zhong ("Mr. Cao") ceased to be the chairman of the Company due to the suspension of his duties as the chairman and executive director of the Company, but he remained as an executive director of the Company and the chairman of the nomination committee of the Company (the "Nomination Committee"), thus constituting a deviation from code provision A.5.1 of the Code.

As the Company was focusing on its internal affairs at that time, the Board required reasonable time to consider the composition of Nomination Committee. At the Board meeting held on 30 June 2020, Professor Sit Fung Shuen Victor, the chairman of the Board and independent non-executive director of the Company, was appointed as the chairman of the Nomination Committee and such deviation has been rectified on 30 June 2020.

Code provision E.1.2

Pursuant to code provision E.1.2 of the Code, the chairman of the board should attend the annual general meeting. Mr. Cao, the former Chairman of the Board, was unable to attend the annual general meeting of the Company held on 3 September 2019 (the "2019 AGM") due to other business engagement. Mr. Jaime Che, an executive director and Chief Executive Officer of the Company, took the chair of the 2019 AGM.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code for securities transactions by directors (the "Securities Code"), which is largely based on the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. The Securities Code is on terms no less exacting than the required standard set out in the Model Code. Following specific enquiries the Company has been making, all directors of the Company, save as Mr. Cao, have confirmed their compliance with the required standard set out in the Model Code and the Securities Code throughout the year ended 31 March 2020.

BOARD OF DIRECTORS

Composition

The composition of the Board during the year ended 31 March 2020 and up to the date of this report is as follows:

Executive Directors:

Mr. Jaime Che *(Chief Executive Officer)*	*(appointed as Chief Executive Officer on 19 July 2019)*
Mr. Cao Zhong	*(suspended and ceased to be Chairman on 19 March 2020)*
Mr. Miao Zhenguo	*(resigned as executive director and Chief Executive Officer on 19 July 2019)*

Independent Non-executive Directors:

Mr. Hung Chi Yuen Andrew	
Professor Sit Fung Shuen Victor *(Chairman)*	*(appointed as Chairman on 19 March 2020)*
Mr. Toh Hock Ghim	

The biographical details of the existing directors are set out in the "Biographies of Directors" on pages 3 to 4 of this annual report.

Role and Function

The Board has reserved for its decision or consideration matters covering mainly the overall strategy of the Group; annual and interim results; material acquisition, disposal or investments; directors' appointment or re-appointment; and other significant business, financial or legal matters.

The Board has delegated the day-to-day operations of the Group to the management and the management has been providing the Board with monthly reports, which contain, inter alia, business information, financial summaries including cash and bank balances and key events of the Group (if any).

The Board is responsible for overseeing corporate governance practices of the Group and will assign certain functions to other board committee(s) as and when appropriate.

Chairman and Chief Executive

Professor Sit Fung Shuen Victor is the Chairman and Mr. Jaime Che is the Chief Executive Officer of the Company. The respective roles of the Chairman and the Chief Executive Officer are clearly established and segregated. The Chairman is responsible for the leadership and effective running of the Board, and for ensuring that all key and appropriate issues are discussed by the Board in a timely and constructive manner. Directors are encouraged to participate actively in all Board and board committees meetings of which they are members. The Chairman holds meeting with the independent non-executive directors at least annually to exchange views and comments further to those discussed at the Board meetings. The Chief Executive Officer, supported by other Board members and the senior management, is responsible for the day-to-day management of the Group's business, including developing and proposing the Group's strategies and policies for the Board's consideration and the implementation of major strategies and policies approved by the Board and board committees.

Independent Non-executive Directors

The Company has three independent non-executive directors.

The term of appointment of each of the independent non-executive directors of the Company is two years.

All the independent non-executive directors are subject to retirement by rotation and re-election at the annual general meetings pursuant to the Bye-laws of the Company and the Listing Rules.

Throughout the year ended 31 March 2020, the Company complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive directors, at least one independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise, and a sufficient number of independent non-executive directors representing at least one-third of the board, respectively.

The Board has received from each independent non-executive director an annual confirmation of his independence and considers that all the independent non-executive directors are independent under the guidelines set out in Rule 3.13 of the Listing Rules.

Relationship

There is no financial, business, family or other material relationship among the members of the Board.

Meetings and Attendance

The Board held four regular meetings and three additional meetings during the year ended 31 March 2020. The individual attendance records of the directors are as follows:

Name of directors		Number of meetings attended/held
Executive Directors:		
Mr. Jaime Che		7/7
Mr. Cao Zhong	*(suspended on 19 March 2020)*	6/7
Mr. Miao Zhenguo	*(resigned on 19 July 2019)*	3/3
Independent Non-executive Directors:		
Mr. Hung Chi Yuen Andrew		7/7
Professor Sit Fung Shuen Victor		7/7
Mr. Toh Hock Ghim		7/7

Time Commitment

The Board has reviewed the contribution required from all directors to perform their responsibilities to the Company and considered that each of the directors has been spending sufficient time and attention to the Company's affairs.

Training

The Company recognises the importance of continuous professional development of directors so as to ensure that their contribution to the Board remains informed and relevant. All directors have been actively participating in different aspects of professional training to develop and refresh their knowledge and skills. For the year ended 31 March 2020, all the directors, namely Mr. Jaime Che, Mr. Cao Zhong, Mr. Hung Chi Yuen Andrew, Professor Sit Fung Shuen Victor and Mr. Toh Hock Ghim read materials relating to regulatory updates. Some directors also participated in seminars at their own choice.

Insurance

The Company has arranged appropriate insurance cover in respect of legal action against its directors and senior management.

BOARD COMMITTEES

The Board has established six committees, namely the Remuneration Committee, the Nomination Committee, the Audit Committee, the Risk Committee, the Executive Committee and the Credit Risk Committee. Each committee reports back to the Board on its decisions or recommendations, unless there are legal or regulatory restrictions on its ability to do so.

Remuneration Committee

The terms of reference of the Remuneration Committee are in compliance with the code provisions set out in the Code. The Remuneration Committee currently comprises three independent non-executive directors, namely Mr. Toh Hock Ghim (Chairman of the Remuneration Committee), Mr. Hung Chi Yuen Andrew and Professor Sit Fung Shuen Victor, and two executive directors, namely Mr. Jaime Che and Mr. Cao Zhong (suspended).

The principal duties of the Remuneration Committee are (i) to make recommendations to the Board on the Company's policy and structure for all directors' and senior management's remuneration; (ii) to make recommendations to the Board on the remuneration packages of individual executive directors and senior management; (iii) to make recommendations to the Board on the remuneration of non-executive directors; (iv) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives; and (v) to ensure that no director or any of his associates is involved in deciding his own remuneration. The full version of the terms of reference of the Remuneration Committee is available on the Stock Exchange's website and the Company's website at www.fdgkinetic.com.

The Remuneration Committee held one meeting during the year ended 31 March 2020. The individual attendance records of the committee members are as follows:

Name of committee members		Number of meetings attended/held
Mr. Toh Hock Ghim *(Chairman)*		1/1
Mr. Hung Chi Yuen Andrew		1/1
Professor Sit Fung Shuen Victor		1/1
Mr. Jaime Che	*(appointed on 19 July 2019)*	N/A
Mr. Cao Zhong		1/1
Mr. Miao Zhenguo	*(resigned on 19 July 2019)*	1/1

During the year ended 31 March 2020, the Remuneration Committee considered and recommended to the Board the proposal for the Board to fix the directors' remuneration to be put forward at the 2019 annual general meeting of the Company for shareholders' approval.

The primary objective of the director remuneration policy is to attract, retain and motivate the Board members by providing fair reward for their contribution to the Group's performance. The directors' remuneration packages are determined with reference to the duties and responsibilities of individual directors, the Company's performance and the prevailing market conditions and trends. The Company has adopted a share option scheme for the purpose of providing incentives or rewards to eligible participants, including the directors of the Company (i) in recognition of their contribution to the Group; (ii) to attract and retain or otherwise maintain an on-going relationship with them for the benefit of the Group; and (iii) to align their interests with the shareholders of the Company, thereby encouraging them to work towards enhancing the value of the shares of the Company.

During the year ended 31 March 2020, no director was involved in deciding his own remuneration.

Nomination Committee

The terms of reference of the Nomination Committee are in compliance with the code provisions set out in the Code. The Nomination Committee currently comprises two executive directors, namely Mr. Jaime Che and Mr. Cao Zhong (suspended), and three independent non-executive directors, namely Mr. Hung Chi Yuen Andrew, Professor Sit Fung Shuen Victor (Chairman of the Nomination Committee) and Mr. Toh Hock Ghim.

The principal duties of the Nomination Committee are (i) to review the structure, size and diversity (including but without limitation to gender, age, cultural and education background, professional and industry experience, skills, knowledge and length of service) of the Board and make recommendations on any proposed changes to the Board to complement the Group's business strategy; (ii) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; (iii) to assess the independence of independent non-executive directors; and (iv) to make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive. The full version of the terms of reference of the Nomination Committee is available on the Stock Exchange's website and the Company's website at www.fdgkinetic.com.

The Nomination Committee held one meeting during the year ended 31 March 2020. The individual attendance records of the committee members are as follows:

Name of committee members		Number of meetings attended/held
Professor Sit Fung Shuen Victor *(Chairman)*	*(appointed as Chairman on 30 June 2020)*	1/1
Mr. Hung Chi Yuen Andrew		1/1
Mr. Toh Hock Ghim		1/1
Mr. Jaime Che	*(appointed on 19 July 2019)*	N/A
Mr. Cao Zhong	*(ceased to be Chairman on 30 June 2020)*	1/1
Mr. Miao Zhenguo	*(resigned on 19 July 2019)*	1/1

During the year ended 31 March 2020, the Nomination Committee (i) reviewed the structure, size and composition of the Board; (ii) considered and recommended to the Board the re-election of directors who were subject to retirement by rotation at the 2019 annual general meeting of the Company; and (iii) assessed the independence of the independent non-executive directors.

Board Diversity Policy

The Board has adopted a board diversity policy (the "Board Diversity Policy"). Under the Board Diversity Policy, the selection of candidates for Board appointment will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional and industry experience, skills, knowledge and length of service. The Nomination Committee has considered that the current Board composition has the appropriate skills, experience and diversity of perspectives that are required to support the execution of the business strategies of the Company and achieve the effective running of the Board.

The Nomination Committee will monitor the implementation of the Board Diversity Policy and assess the Board composition on an annual basis.

Nomination Policy

The Board has adopted a nomination policy (the "Nomination Policy"). Pursuant to the Nomination Policy, the assessment of the suitability of a proposed candidate for directorship by the Nomination Committee will be based on (i) diversity perspectives mentioned under the Board Diversity Policy above; (ii) commitment in respect of available time, such as the number and nature of offices held in public companies or organisations, and other executive appointments or significant commitments; and (iii) other factors considered to be appropriate as the case may be.

The Nomination Committee will evaluate a proposed candidate for directorship based on the criteria as set out above and provide to the Board with all the information required including information set out in Rule 13.51(2) of the Listing Rules in relation to the proposed candidate and make recommendations for the Board's consideration and approval. For proposing candidates to stand for election or re-election at a general meeting, the Nomination Committee will make nominations to the Board for its consideration and recommendation.

The Nomination Committee will monitor the implementation of the Nomination Policy to ensure its objectives can be achieved.

Audit Committee

The terms of reference of the Audit Committee are in compliance with the code provisions set out in the Code. The Audit Committee currently comprises three independent non-executive directors, namely Mr. Hung Chi Yuen Andrew (Chairman of the Audit Committee), Professor Sit Fung Shuen Victor and Mr. Toh Hock Ghim.

The principal duties of the Audit Committee are (i) to oversee the relationship with the auditor of the Company (the "Auditor"); (ii) to review the annual and interim results before publication; (iii) to oversee the Group's financial reporting system, risk management and internal control systems; and (iv) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The full version of the terms of reference of the Audit Committee is available on the Stock Exchange's website and the Company's website at www.fdgkinetic.com.

The Audit Committee held two meetings during the year ended 31 March 2020. The individual attendance records of the committee members are as follows:

Name of committee members	Number of meetings attended/held
Mr. Hung Chi Yuen Andrew *(Chairman)*	2/2
Professor Sit Fung Shuen Victor	2/2
Mr. Toh Hock Ghim	2/2

During the year ended 31 March 2020, the Audit Committee (i) reviewed the accounting policies and practices adopted by the Group; (ii) reviewed the Company's results for the year ended 31 March 2019 and six months ended 30 September 2019 and recommended the same to the Board for approval; (iii) recommended to the Board the re-appointment of the Auditor; (iv) reviewed the effectiveness of the Group's internal control systems, inter alia, the financial, operational and compliance controls functions of the Group; and (v) reviewed the adequacy of resources, qualifications and experience of staff of the Group's accounting, internal audit and financial reporting function, and their training programmes and budget.

The Audit Committee has reviewed with the management and the Auditor the audited results of the Group for the year ended 31 March 2020.

Risk Committee

The Risk Committee currently comprises three independent non-executive directors, namely Mr. Hung Chi Yuen Andrew (Chairman of the Risk Committee), Professor Sit Fung Shuen Victor and Mr. Toh Hock Ghim, and one executive director, namely Mr. Jaime Che with specific terms of reference.

The principal duties of the Risk Committee are (i) to advise the Board on the Group's risk appetite statement(s), risk principles and other risk-related issues including corporate actions and proposed strategic transactions such as mergers, acquisitions and disposals; (ii) to oversee risk management framework to identify and deal with financial, operational, legal, regulatory, technology, business and strategic risks faced by the Group and amend and supplement this from time to time; (iii) to approve the Group's risk policies and risk tolerances; (iv) to consider emerging risks relating to the Group's business and strategies to ensure that appropriate arrangements are in place to control and mitigate the risks effectively; (v) to review risk reports and breaches of risk tolerances and policies; (vi) to review and assess the effectiveness of the Group's risk control/mitigation tools including the enterprise risk management programme, the risk management systems, the internal audit function relating to risk management and the Group's contingency plans; (vii) to review the Group's capital adequacy and solvency levels; and (viii) to monitor stress testing results of the Group's key risk exposures.

The Risk Committee held two meetings during the year ended 31 March 2020. The individual attendance records of the committee members are as follows:

Name of committee members		Number of meetings attended/held
Mr. Hung Chi Yuen Andrew *(Chairman)*		2/2
Mr. Jaime Che		2/2
Professor Sit Fung Shuen Victor		2/2
Mr. Toh Hock Ghim		2/2
Mr. Miao Zhenguo	*(resigned on 19 July 2019)*	1/1

During the year ended 31 March 2020, the Risk Committee (i) reviewed the effectiveness of the Group's risk management system; and (ii) reviewed the risk management reports for the year ended 31 March 2019.

Executive Committee

The Executive Committee currently comprises two executive directors, namely Mr. Cao Zhong (Chairman of the Executive Committee) (suspended) and Mr. Jaime Che. It meets as and when necessary and operates as a general management committee under the direct authority of the Board.

Credit Risk Committee

The Credit Risk Committee currently comprises two executive directors, namely Mr. Cao Zhong (Chairman of the Credit Risk Committee) (suspended) and Mr. Jaime Che, and one independent non-executive director, namely Mr. Hung Chi Yuen Andrew with specific terms of reference. It meets as and when necessary to review lending portfolio and monitor lending risk.

AUDITOR'S REMUNERATION

For the year ended 31 March 2020, the Auditor's remuneration amounted to approximately HK$1,700,000 for audit service and approximately HK$165,000 for non-audit service.

FINANCIAL REPORTING

The directors acknowledge their responsibility for preparing the consolidated financial statements of the Group.

The statement of the Auditor about their reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 31 to 33 of this annual report.

GOING CONCERN AND MITIGATION MEASURES

During the year ended 31 March 2020, the Group incurred a net loss attributable to owners of the Company of approximately HK$357,418,000 and, as of that date, the Group had net current liabilities of approximately HK$246,927,000. As at the same date, the Group's aggregate bank and other borrowings and lease liability amounted to approximately HK$232,901,000 and HK$37,200,000, respectively, while its cash and cash equivalents amounted to approximately HK$34,461,000. As at 31 March 2020, repayments in respect of the Group's aggregate other borrowings and lease liability amounted to approximately HK$181,300,000 and HK$37,200,000, respectively, were overdue but the Group has not been able to obtain extension for the repayment of these other borrowings and lease liability from the financial institutions and the lease creditor. These total outstanding borrowings amounts are therefore immediately repayable under the relevant financing contracts.

Subsequent to the end of the reporting period, on 29 April 2020, the Company has been put into receivership by SHK Finance Limited ("SHK Finance") to which the Group owned debts of approximately HK$60,000,000 plus relevant overdue interests, which amounts are secured by way of fixed and floating charges over the assets and whole undertakings of the Company under a debenture dated 5 September 2019 executed by the Company in favour of the creditor. On 14 May 2020, Join View Development Limited ("Join View"), to which the Company owed outstanding debt of approximately HK$65,000,000 plus relevant overdue interests, submitted a petition to the High Court of the Hong Kong Special Administrative Region (the "HK Court") for an order for the compulsory winding up of the Company. FDG EV, the ultimate holding company, joined as a party opposing the petition, and the petition was heard before the HK Court on 5 August 2020 and 10 August 2020, and a second call-over hearing of the petition has been adjourned to 19 October 2020. On 28 April 2020, FDG EV demanded the Company to repay the outstanding loan with a principal of HK$30,000,000 (the "Demanded Loan") by giving one business day's prior written notice pursuant to a loan agreement entered into between the Company and FDG EV, as the Company's bank balance of approximately HK$27,650,000 has been frozen on 6 May 2020 upon request by the receivers and managers (the "Receivers"), the Company was unable to make repayment up to the date of approval of the consolidated financial statements. In addition, as of the date of approval of the consolidated financial statements, there were outstanding litigations brought by trade creditors and a lease creditor against a subsidiary requesting the subsidiary to repay the outstanding trade payable, other borrowings and lease liability, amounting to approximately HK$5,136,000, HK$72,199,000 and HK$37,200,000, respectively, for which the court hearings are yet completed. The Group is currently reviewing the legal documents and considering various alternatives and negotiation to resolve these litigations. The Company has decided not to proceed with the investment in ALEEES (GuiZhou) Co., Ltd. and explore solutions with the associate's shareholders, for which the capital commitment was HK$139,549,000 at 31 March 2020.

In view of such circumstances, the Directors have given careful consideration to the future liquidity and financial position of the Group and its available sources of finances in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain plans and measures ("Plans and Measures") have been taken or formulated to mitigate the liquidity pressure and to improve the Group's financial position which include, but are not limited to, the followings:

(i) The Group and the Receivers of the Company are actively looking for potential buyers to acquire all or part of the Group's non-core assets and business through various channels, such as the Group's financial assets at fair value through profit or loss and investment in the joint venture with an aggregate book value of HK$193,361,000 as of 31 March 2020. The Group expects to realise these investments within the next twelve months;

(ii) The Group is negotiating with SHK Finance for the renewal or extension of the secured other borrowings of HK$60,000,000 and overdue interests. SHK Finance informed the Company on 29 April 2020 that Receivers have been appointed, details of which are disclosed in Note 45(A) to the consolidated financial statements. The Group expect such negotiation will bear result upon the completion of the Reorganisation Plan (as defined below);

(iii) The Group is negotiating with Join View for the renewal or extension of the unsecured other borrowings of HK$65,000,000 and overdue interests. Join View filed a petition with the HK Court on 14 May 2020 for an order that the Company be wound up by the HK Court, details of which are disclosed in Note 45(B) to the consolidated financial statements. The Group expect such negotiation will bear result upon the completion of the Reorganisation Plan (as defined below);

(iv) The Group is proactively looking for investors to refinance the loans from SHK Finance and Join View; and

(v) The Group has engaged lawyers to prepare reorganisation plans (the "Reorganisation Plan") which would involve capital reorganisation and debt restructuring, as well as negotiating with potential investors to participate in fund raising initiatives and, where appropriate, with collaboration of the Receivers of the Company within the next three months.

The Audit Committee has reviewed and agreed with the Board's position and has discussed with the Auditor regarding the disclaimer of opinion as set out on pages 31 to 33 of this annual report based on the Plans and Measures.

Whether the Group will be able to continue as going concern would depend upon the Group's ability to generate adequate financing and operating cash flows through the Plans and Measures as set out in Note 1 to the consolidated financial statements.

The Board has sought the view of the Auditor. On the assumption that those Plans and Measures are undertaken successfully and there is positive monthly working capital forecast prepared by the management to at least twelve months from the date the directors of the Company approved the consolidated financial statements for the year ended 31 March 2021 provided that the assumptions used in the forecast are supportable, the auditor may conclude the "significant uncertainties" on going concern and disclaimer can be removed.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for establishing and maintaining adequate and effective systems of risk management and internal control of the Group and reviewing their effectiveness annually.

The Group's risk management and internal control systems include a management structure with defined lines of responsibility and limits of authority. These systems aim to provide reasonable, but not absolute, assurance that assets are safeguarded against misappropriations, transactions are executed in accordance with the management's authorisation, and accounting records are reliable and proper for preparing financial information and are not materially misstated. The systems are designed to identify, evaluate and manage risks effectively rather than to eliminate the risks of failure to achieve business objectives.

The Group has established a risk management framework in providing direction in identifying, evaluating and managing significant risks. Risks that would adversely affect the achievement of the Group's objectives are identified and assessed and prioritised according to a set of standard criteria. Risk mitigation plans and risk owners are then established for those risks which are considered to be significant.

During the year ended 31 March 2020, the effectiveness of the Group's risk management and internal control systems, inter alia, the financial, operational and compliance controls functions of the Group have been reviewed and no material deficiencies have been identified during the review. The relevant findings and recommendations have been reported to the Audit Committee/Risk Committee and the Board. The management will deal with the areas for improvement which come to the attention of the Board and the Audit Committee/Risk Committee. The Board considered that the risk management and internal control systems are effective and adequate and is committed to improving the Group's risk management and internal control systems on an ongoing basis.

After the reporting period and as disclosed in the announcements of the Company dated 31 May 2020, 18 June 2020 and 30 June 2020, despite the numerous requests and demands from the Board to the former legal representative and senior management including Mr. Miao Zhenguo and Mr. Wu Fei of FDG Kinetic (Chongqing) Lithium Ion Battery Materials Co., Ltd.* 五龍動力(重慶)鋰電材料有限公司, a subsidiary of FDG Kinetic in the PRC (the "Uncooperative Subsidiary"), the Board are encountering difficulties in obtaining the requisite information and records from the Uncooperative Subsidiary which resulted in the delay to release of the final results of the Group for the year ended 31 March 2020. Upon the management of the head office physically visiting the Uncooperative Subsidiary with the local lawyers, and conduct face-to-face liaising with the senior management, most staff of the Uncooperative Subsidiary are cooperative. The Board will take necessary actions in consultation with the Receivers of the Company, including but not limited to perform special audit and checking the actions of the management of the Uncooperative Subsidiary during this period with the assistance of external auditors or local lawyers. Possible legal actions may be taken against individual personnel who are in breach of their duty in order to protect the interest of the Shareholders and creditors of the Company.

The Group complies with requirements of the Securities and Futures Ordinance (the "SFO") and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

SHAREHOLDERS' RIGHTS

The Company values the views of its shareholders and recognises their interests in the Group's strategy and performance. The Company has formulated the shareholders' communication policy which will be reviewed by the Board from time to time to ensure its effectiveness.

Shareholders' Meetings

The annual general meeting and other general meetings (if any) of the Company are the primary forum for communication by the Company with the shareholders and for shareholders' participation. All shareholders are encouraged to attend the general meetings or to appoint proxies to attend and vote at meetings on their behalf if they are unable to attend the meetings in person.

During the year ended 31 March 2020, the Company held the annual general meeting on 3 September 2019 (the "AGM"). The individual attendance records of the directors at the AGM are as follows:

Name of directors		Number of meetings attended/held
Executive Directors:		
Mr. Jaime Che		1/1
Mr. Cao Zhong	*(suspended on 19 March 2020)*	0/1
Mr. Miao Zhenguo	*(resigned on 19 July 2019)*	N/A
Independent Non-executive Directors:		
Mr. Hung Chi Yuen Andrew		1/1
Professor Sit Fung Shuen Victor		1/1
Mr. Toh Hock Ghim		1/1

The Auditor has attended the AGM to answer questions about the conduct of the audit, the preparation and content of the Independent Auditor's Report, the accounting policies and auditor's independence.

Requisition for Special General Meeting

Pursuant to bye-law 58 of the Bye-laws of the Company, shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company (the "Company Secretary"), to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If the Board fails to proceed to convene such meeting within twenty-one days after such deposit, such shareholder(s) may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

During the year ended 31 March 2020, no such requisition(s) has/have been received.

Procedures for Putting Forward Proposals at Shareholders' Meetings

According to Sections 79 and 80 of the Companies Act 1981 of Bermuda, shareholder(s) of the Company, at his/their own expense, holding (i) not less than one-twentieth of the total voting rights of all shareholders having at the date of requisition the right to vote at general meeting; or (ii) of not less than 100 in number, can submit a written request stating the resolution intended to be moved at the next annual general meeting. The requisition signed by the relevant shareholder(s) must be deposited at the head office of the Company at Rooms 3001-3005, 30th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong for the attention to the Company Secretary not less than six weeks before the meeting. The request will be verified with the Hong Kong branch share registrar and transfer office (the "Share Registrar") of the Company and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the resolution in the notice for such general meeting.

As mentioned in the above section headed "Requisition for Special General Meeting", eligible shareholder(s) can make a requisition to convene a special general meeting and move forward a resolution thereat. The requisition signed by the relevant shareholder(s) must be deposited at the head office of the Company in Hong Kong for the attention to the Company Secretary. Only when the request has been verified with the Share Registrar to be proper and in order, the Company Secretary will ask the Board to include the resolution in the notice for such general meeting.

During the year ended 31 March 2020, no such requisition(s) has/have been received.

The procedures as to how shareholder(s) can propose a person for election as a director are detailed in the "Procedures for Shareholders to Propose a Candidate for election as a Director" which is available on the Company's website at www.fdgkinetic.com.

Dividend Policy

The Board has adopted a dividend policy (the "Dividend Policy") The Company considers stable and sustainable returns to the shareholders of the Company to be its goals.

Pursuant to the Dividend Policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board will take into account, inter alia, (i) the general financial condition of the Group; (ii) the Group's actual and future operations and liquidity position; (iii) the Group's expected working capital requirements and future expansion plans; (iv) the Group's debt to equity ratios and the debt level; (v) any restrictions on payment of dividends that may be imposed by the Group's lenders; (vi) the retained earnings and distributable reserves of the Company and each of the members of the Group; (vii) the shareholders' and the investors' expectation and industry's norm; (viii) the general market conditions; and (ix) any other factors that the Board deems appropriate.

The Board will review the Dividend Policy from time to time.

Enquiries

All enquiries to the Board are welcome and can be brought through our investor relations' email at investor@fdgkinetic.com or directly in person through participation in general meetings.

Crowe

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
FDG KINETIC LIMITED
(RECEIVERS AND MANAGERS APPOINTED)
(Incorporated in Bermuda with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of FDG Kinetic Limited (the "Company") and its subsidiaries (the "Group") set out on pages 34 to 125 which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of profit or loss, 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.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

MULTIPLE UNCERTAINTIES RELATING TO GOING CONCERN

We draw attention to Note 1 to the consolidated financial statements, which indicates that the Group incurred a net loss of approximately HK$357,418,000 for the year ended 31 March 2020 and, as of that date, the Group had net current liabilities of approximately HK$246,927,000. As at the same date, the Group's aggregate bank and other borrowings and lease liability amounted to approximately HK$232,901,000 and HK$37,200,000, respectively, while its cash and cash equivalents amounted to approximately HK$34,461,000.

As at 31 March 2020, the Group's aggregate other borrowings and lease liability amounted to approximately HK$181,300,000 and HK$37,200,000, respectively, were overdue and became immediately repayable. Subsequent to 31 March 2020, with effect on 19 April 2020, the Company has been put into receivership by a secured lender, SHK Finance Limited ("SHK Finance") to which the Company owed a loan with a principal of approximately HK$60,000,000 and accrued interests of approximately HK$2,852,000 at 31 March 2020 and, on 14 May 2020, another lender, Join View Development Limited ("Join View") to which the Company owed a loan with a principal of approximately HK$65,000,000 and accrued interests of approximately HK$4,000,000 at 31 March 2020, submitted a petition to the Hong Kong High Court for the compulsory winding up of the Company for which the latest hearing was adjourned to 19 October 2020. In addition, there were outstanding litigations brought by creditors and a lease creditor against a subsidiary of the Company for the repayment of the outstanding trade payable, other borrowings and lease liability, amounting to approximately HK$5,136,000, HK$72,199,000 and HK$37,200,000, respectively, for which the respective court hearings are still in progress. The Group is currently reviewing the legal documents and considering various alternatives and negotiations to resolve the litigations with the plaintiffs. These conditions, together with others described in Note 1 to the consolidated financial statements, indicate the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

Notwithstanding the abovementioned, the consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the successful implementation of the Group's plans and measures as set out in Note 1 to the consolidated financial statements to meet its financial obligations and to satisfy its future working capital and other financial commitments, including but not limited to: (i) the successful disposal of all or part of the Group's non-core assets and business, such as the Group's financial assets at fair value through profit or loss and investment in the joint venture, to generate funds for repaying its debts and/or its working capital; (ii) the successful negotiations and the signing of formal extension agreement with its lenders and other creditors for a standstill, rescheduling or extension the repayment schedules of the relevant debts; (iii) the successful refinancing of the loans from SHK Finance and Join View; and (iv) successful implementation of reorganisation plans which, amongst others, would involve internal capital and debt restructuring, as well as seeking potential investors to participate in fund raising initiatives, and where appropriate, with collaboration of the Receivers and Managers of the Company. The successful outcomes of the abovementioned plans and measures are subject to multiple uncertainties and are not yet completed at the date of approval of the consolidated financial statements.

Should the Group fail to achieve the intended effects resulting from the plans and measures as mentioned in Note 1 to the consolidated financial statements, it might not be able to continue to operate as a going concern, and adjustments would have to be made to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively, to write down the carrying amounts of the Group's assets to their net realisable amounts, and to provide for any further liabilities that may arise. The effects of these adjustments have not been reflected in the consolidated financial statements.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (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 assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of the consolidated financial statements. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to form an audit opinion on these consolidated financial statements.

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.

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong, 24 September 2020

Leung Chun Wa
Practising Certificate Number PO4963

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Revenue	5		
Goods and services		**36,230**	112,280
Interest income		**5,747**	11,480
Total revenue		**41,977**	123,760
Cost of sales		**(38,737)**	(106,492)
		3,240	17,268
Other income		**236**	591
Other losses	7	**(32,404)**	(4,170)
Selling and distribution costs		**(1,744)**	(4,556)
General and administrative expenses		**(45,027)**	(60,829)
Research and development expenses		**(6,807)**	(11,585)
Finance costs	8	**(46,804)**	(46,422)
Other operating expenses	11	**(15,111)**	–
Net loss on financial assets at fair value through profit or loss	11	**(67,630)**	(7,257)
Impairment loss on financial assets at amortised costs, net	9	**(75,926)**	(31,219)
Impairment loss on goodwill	11	**(6,514)**	(307,000)
Impairment loss on property, plant and equipment	11	**(40,333)**	–
Impairment loss on intangible assets	11	**(7,283)**	–
Impairment loss on interest in an associate	11	**(6,418)**	(15,920)
Share of results of associates		**(14,113)**	(164,666)
Share of results of a joint venture		**3,373**	5,263
Loss before taxation	11	**(359,265)**	(630,502)
Income tax credit	10	**1,847**	1,920
Loss for the year		**(357,418)**	(628,582)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences arising from translation of foreign operations		**(60)**	(23,903)
– Share of other comprehensive income of associates		**(8,465)**	(18,634)
– Release of other comprehensive income upon derecognition of associates		**9,414**	–
– Share of other comprehensive income of a joint venture		**(6,520)**	(11,290)
Other comprehensive income for the year		**(5,631)**	(53,827)
Total comprehensive income for the year		**(363,049)**	(682,409)

	Note	**2020** **HK$'000**	2019 HK$'000
Loss for the year attributable to owners of the Company		**(357,418)**	(628,582)
Other comprehensive income for the year attributable to owners of the Company		**(5,631)**	(53,827)
Total comprehensive income for the year attributable to owners of the Company		**(363,049)**	(682,409)
		HK cents	HK cents
Loss per share	*14*		
Basic and diluted		**(5.29)**	(9.31)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Goodwill	15	–	6,755
Intangible assets	17	28,940	52,823
Property, plant and equipment	18	161,587	240,286
Interests in leasehold land held for own use under operating lease	18	–	17,204
Right-of-use asset	18	15,785	–
Interests in associates	19	–	324,900
Interest in a joint venture	20	98,417	106,564
Loan receivables	22	–	321
Other non-current assets		367	367
		305,096	749,220
Current assets			
Inventories	23	9,421	35,485
Trade and other receivables	24	49,798	66,732
Loan receivables	22	52,555	125,174
Financial assets at fair value through profit or loss	21	94,944	6,438
Amount due from an associate	19	5,213	80,979
Cash and cash equivalents	25	34,461	6,587
		246,392	321,395
Current liabilities			
Bank and other borrowings	26	232,901	219,933
Trade payables	27	17,865	5,589
Accruals and other payables	28	151,814	127,298
Contract liabilities	29	419	–
Loan from the ultimate holding company	30	49,100	100,000
Lease liability	31	37,200	41,255
Amount due to an associate	19	–	148,640
Tax payables		4,020	4,269
		493,319	646,984
Net current liabilities		(246,927)	(325,589)
Total assets less current liabilities		58,169	423,631
Non-current liabilities			
Deferred tax liabilities	33	7,635	10,048
NET ASSETS		50,534	413,583

	2020 **HK$'000**	2019 HK$'000
CAPITAL AND RESERVES		
Share capital	**1,350,659**	1,350,659
Reserves	**(1,300,125)**	(937,076)
TOTAL EQUITY	**50,534**	413,583

The consolidated financial statements on pages 34 to 125 were approved and authorised for issue by the Board of Directors on 24 September 2020 and are signed on its behalf by:

Hung Chi Yuen Andrew
Director

Jaime Che
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	Attributable to owners of the Company							
	Share capital HK$'000 *(Note 34(B))*	Share premium HK$'000	Contributed surplus HK$'000 *(Note 34(C)(i))*	Exchange reserve HK$'000	Equity component of convertible bonds HK$'000 *(Note 32)*	Other reserve HK$'000 *(Note 34(C)(ii))*	Accumulated losses HK$'000	Total HK$'000
At 1 April 2018	1,350,659	2,429,465	82,445	34,979	498,183	6,849	(3,306,588)	1,095,992
Loss for the year	–	–	–	–	–	–	(628,582)	(628,582)
Other comprehensive income	–	–	–	(53,827)	–	–	–	(53,827)
Total comprehensive income for the year	–	–	–	(53,827)	–	–	(628,582)	(682,409)
Conversion of convertible bonds	–	–	–	–	(498,183)	–	498,183	–
At 31 March 2019 and 1 April 2019	1,350,659	2,429,465	82,445	(18,848)	–	6,849	(3,436,987)	413,583
Loss for the year	–	–	–	–	–	–	(357,418)	(357,418)
Other comprehensive income	–	–	–	(15,045)	–	–	–	(15,045)
Release of other comprehensive income upon derecognition of associates	–	–	–	9,414	–	–	–	9,414
Total comprehensive income for the year	–	–	–	(5,631)	–	–	(357,418)	(363,049)
At 31 March 2020	**1,350,659**	**2,429,465**	**82,445**	**(24.479)**	**–**	**6,849**	**(3,794,405)**	**50,534**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Operating activities			
Loss before taxation		**(359,265)**	(630,502)
Adjustments for:			
Amortisation of intangible assets	*17*	**13,929**	14,482
Amortisation of interests in leasehold land held for own use under operating lease	*18*	**–**	388
Amortisation of right-of-use asset	*18*	**377**	–
Depreciation of property, plant and equipment	*18*	**25,418**	4,793
Finance costs	*8*	**46,804**	46,422
Impairment loss on loan receivable	*22*	**–**	30,844
Impairment loss on interest receivable		**–**	4,959
Impairment loss on interest in an associate	*11*	**6,418**	15,920
Impairment loss on intangible assets	*11*	**7,283**	–
Impairment loss on goodwill	*11*	**6,514**	307,000
Impairment loss on property, plant and equipment	*11*	**40,333**	–
Impairment losses on trade receivables	*9*	**13,412**	–
Impairment loss on amount due from an associate	*9*	**81,426**	13,200
Reversal of impairment loss on loan receivable, net of written off	*9*	**(12,844)**	(7,750)
Reversal of impairment loss on interest receivable	*9*	**(4,959)**	(318)
Reversal of impairment losses on trade receivables	*9*	**(1,109)**	(9,716)
Interest income	*5*	**(5,747)**	(11,591)
Net loss on financial assets at fair value through profit or loss	*11*	**67,630**	7,257
Net loss on derecognition of associates	*7*	**9,414**	–
Write-down of inventories	*7*	**18,312**	2,472
Share of results of associates		**14,113**	164,666
Share of results of a joint venture		**(3,373)**	(5,263)
Operating cash flows before movements in working capital		**(35,914)**	(52,737)
Decrease in inventories		**6,227**	23,075
Decrease in financial assets at fair value through profit or loss		**233**	8,805
Decrease in trade and other receivables		**6,053**	56,640
Increase/(decrease) in trade and bills payables		**12,959**	(34,748)
Increase in accruals and other payables		**5,549**	15,725
Cash (used in)/generated from operations		**(4,893)**	16,760
Interest received		**4,969**	258
Net cash generated from operating activities		**76**	17,018

	Note	**2020 HK$'000**	2019 HK$'000
Investing activities			
Withdrawal of pledged bank deposits		**–**	10,651
Advance to an associate		**–**	(25,000)
Advance to the ultimate holding company		**–**	(2,900)
Repayment from an associate		**–**	6,046
Proceeds from repayment of loan receivables		**82,360**	–
Purchase of property, plant and equipment		**(15)**	(32,590)
Net cash from/(used in) investing activities		**82,345**	(43,793)
Financing activities			
Repayment to the ultimate holding company		**(127,300)**	–
Repayment of bank and other borrowings		**(39,824)**	(15,607)
Repayment of lease liability		**(1,574)**	(1,698)
Payment on redemption of convertible bonds		**–**	(100,000)
Interest paid		**(20,573)**	(31,426)
New bank and other borrowings raised	*26*	**60,000**	108,417
Loan from the ultimate holding company		**76,400**	1,300
Net cash used in financing activities		**(52,871)**	(39,014)
Net increase/(decrease) in cash and cash equivalents		**29,550**	(65,789)
Cash and cash equivalents at beginning of the year		**6,587**	74,101
Effect of foreign exchange rate changes		**(1,676)**	(1,725)
Cash and cash equivalents at end of the year		**34,461**	6,587

1. GENERAL

FDG Kinetic Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's immediate holding company is Sinopoly Strategic Investment Limited, a limited liability company incorporated in the British Virgin Islands (the "BVI"). The Company's ultimate holding company is FDG Electric Vehicles Limited (Joint Provisional Liquidators Appointed) ("FDG EV"), a company incorporated in Bermuda with limited liability and its shares are listed on the Main Board of the Stock Exchange (Stock Code: 729). The address of the registered office of the Company is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and the address of the principal place of business of the Company is 43/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong.

The consolidated financial statements are prepared in Hong Kong dollar ("HK$"), which is the same as the functional currency of the Company.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are research and development, manufacturing and trading of cathode materials for lithium-ion batteries, and direct investments, including securities trading, loan financing and asset investment. The principal activities of the Company's principal subsidiaries are set out in Note 44.

During the year ended 31 March 2020, the Group incurred a net loss attributable to owners of the Company of approximately HK$357,418,000 and, as of that date, the Group had net current liabilities of approximately HK$246,927,000. As at the same date, the Group's aggregate bank and other borrowings and lease liability amounted to approximately HK$232,901,000 and HK$37,200,000, respectively, while its cash and cash equivalents amounted to approximately HK$34,461,000. As at 31 March 2020, the Group's aggregate other borrowings and lease liability amounted to approximately HK$181,300,000 and HK$37,200,000, respectively, were overdue but the Group has not been able to obtain extension for the repayment of these other borrowings and lease liability from the financial institutions and the lease creditor. These total outstanding borrowings amounts are therefore immediately repayable under the relevant financing contracts.

Subsequent to the end of the reporting period, on 29 April 2020, the Company has been put into receivership by SHK Finance Limited ("SHK Finance") to which the Group owed debts of approximately HK$60,000,000 plus relevant overdue interests, which amounts are secured by way of fixed and floating charges over the assets and whole undertakings of the Company under a debenture dated 5 September 2019 executed by the Company in favour of the creditor. On 14 May 2020, Join View Development Limited ("Join View"), to which the Company owed outstanding debt of approximately HK$65,000,000 plus relevant overdue interests, submitted a petition to the High Court of the Hong Kong Special Administrative Region (the "HK Court") for an order for the compulsory winding up of the Company. FDG EV, the ultimate holding company, joined as a party, opposed the petition, and the petition was heard before the HK Court on 5 August 2020 and 10 August 2020, and a second call-over hearing of the petition has been adjourned to 19 October 2020. On 28 April 2020, FDG EV demanded the Company to repay the outstanding loan with a principal of HK$30,000,000 (the "Demanded Loan") by giving one business day's prior written notice pursuant to a loan agreement entered into between the Company and FDG EV, as the Company's bank balance of approximately HK$27,650,000 has been frozen on 6 May 2020 upon request by the Receivers (as defined in Note 45(A)), the Company was unable to make repayment up to the date of approval of the consolidated financial statements. In addition, as of the date of approval of the consolidated financial statements, there were outstanding litigations brought by trade creditors and a lease creditor against a subsidiary requesting the subsidiary to repay the outstanding trade payable, other borrowings and lease liability, amounting to approximately HK$5,136,000, HK$72,199,000 and HK$37,200,000, respectively, for which the court hearings are still in progress. The Group is currently reviewing the legal documents and considering various alternatives and negotiations to resolve these litigations with the plaintiffs. The Company has decided not to proceed with the investment in ALEEES GuiZhou (as defined in Note 19) and explore solutions with the associate's shareholders, for which the capital commitment outstanding was approximately HK$139,549,000 at 31 March 2020.

1. GENERAL (CONTINUED)

In view of such circumstances, the directors of the Company (the "Directors") have given careful consideration to the future liquidity and financial position of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain plans and measures have been taken or formulated to mitigate the liquidity pressure and to improve the Group's financial position which include, but are not limited to, the followings:

(i) The Group and the Receivers of the Company are actively looking for potential buyers to acquire all or part of the Group's non-core assets and business through various channels, such as the Group's financial assets at fair value through profit or loss ("FVTPL") and investment in the joint venture with an aggregate book value of HK$193,361,000 as of 31 March 2020. The Group expects to realise these investments within the next twelve months;

(ii) The Group is negotiating with SHK Finance for the renewal or extension of the secured other borrowings of HK$60,000,000 and overdue interests. SHK Finance informed the Company on 29 April 2020 that receivers and managers have been appointed, details of which are disclosed in Note 45(A). The Group expects such negotiations will bear results upon the completion of the Reorganisation Plan (as defined below);

(iii) The Group is negotiating with Join View for the renewal or extension of the unsecured other borrowings of HK$65,000,000 and overdue interests. Join View filed a petition with the HK Court on 14 May 2020 for an order that the Company be wound up by the HK Court, details of which are disclosed in Note 45(B). The Group expects such negotiations will bear results upon the completion of the Reorganisation Plan (as defined below);

(iv) The Group is proactively looking for investors to refinance the loans from SHK Finance and Join View; and

(v) The Group has engaged lawyers to prepare reorganisation plans (the "Reorganisation Plan") which would involve capital reorganisation and debt restructuring, as well as negotiating with potential investors to participate in fund raising initiatives and, where appropriate, with collaboration of the Receivers and of the Company within the next three months.

In addition, as disclosed in Note 40, the Group has decided not to proceed with the investment in ALEEES GuiZhou and explore solutions with the associate's shareholders, for which the capital commitment outstanding was approximately HK$139,549,000 at 31 March 2020.

The board of the Directors (the "Board") has reviewed the Group's cash flow projections prepared by the management of the Group. The cash flow projections cover a period of not less than twelve months from the date of approval of the consolidated financial statements. The Board is of the opinion that, taking into accounts the successful implementation of the above-mentioned plans and measures, the Group will have sufficient working capital to finance its obligations and to meet its financial obligations as they fall due for not less than twelve months from the date of approval of the consolidated financial statements. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

1. GENERAL (CONTINUED)

Notwithstanding the above, since the execution of the plans and measures are at a preliminary stage, significant uncertainties exist as to whether management of the Group will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows through the following plans and measures which are not yet completed at the date of the approval of the consolidated financial statements:

(i) Successful disposal of all or part of the Group's non-core assets and business, such as financial assets at FVTPL and investment in the joint venture;

(ii) Successful negotiation and the signing of a formal extension agreement with SHK Finance for the renewal of or extension for repayments of outstanding secured other borrowings of HK$60,000,000 and overdue interests or alternatively, successful refinancing of the overdue amount;

(iii) Successful negotiation and the signing of a formal extension agreement with Join View for the renewal of or extension for repayments of outstanding unsecured other borrowings of HK$65,000,000 and overdue interests or alternatively, successful refinancing of the overdue amount;

(iv) Successful refinancing of the loans from SHK Finance and Join View; and

(v) Successful implementation of restructuring plans which, amongst others, would involve capital reorganisation and debts restructuring, and new funding from potential investors.

Should the Group fail to achieve the intended effects resulting from the above mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to reclassify the Group's non-current assets and non-current liabilities as current assets and current liabilities respectively, to write down the carrying amounts of the Group's assets to their net realisable amounts and to provide for any further liabilities which might arise. The effects of these adjustments have not been reflected in the consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

NEW AND AMENDMENTS TO HKFRSs THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR

The HKICPA has issued a new HKFRS, HKFRS 16, Leases, and a number of amendments to HKFRSs and an interpretation that are first effective for the current accounting period of the Group.

Except for HKFRS 16, Leases, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2.1 HKFRS 16 Leases

HKFRS 16 replaces HKAS 17, Leases, and the related interpretations, HK(IFRIC) 4, Determining whether an arrangement contains a lease, HK(SIC) 15, Operating leases – incentives, and HK(SIC) 27, Evaluating the substance of transactions involving the legal form of a lease. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low-value assets. The lessor accounting requirements brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 April 2019. The Group has elected to use the modified retrospective approach and there was no cumulative effect on the opening balance of equity at 1 April 2019 upon the initial application of HKFRS 16. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 April 2019. For contracts entered into before 1 April 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

NEW AND AMENDMENTS TO HKFRSs THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR (CONTINUED)

2.1 HKFRS 16 Leases (Continued)

Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, there is no newly capitalised lease as the Group does not have material leases which were classified as operating leases at the date of initial application of HKFRS 16. The Group's leasehold land held for own use previously capitalised with carrying amount of RMB17,204,000 as at 1 April 2019, was reclassified as right-of-use asset upon the initial application of HKFRS 16.

Lessor accounting

The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2020

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of amendments and a new standard which are not yet effective for the year ended 31 March 2020 and which have not been adopted in these consolidated financial statements. These developments include the following which may be relevant to the Group.

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[6]
Amendment to HKFRS 16	COVID-19-Related Rent Concessions[5]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an investor and its Associates or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[7]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKAS 16	Property, Plant and Equipment-Proceeds before Intended Use[6]
Amendments to HKAS 37	Onerous Contracts-Cost of Fulfilling a Contract[6]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[6]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 June 2020
6 Effective for annual periods beginning on or after 1 January 2022
7 Effective for annual periods beginning on or after 1 January 2023

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to HKFRSs mentioned below, the Directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 17, Insurance Contracts

HKFRS 17 replaces HKFRS 4 and it is a single principle-based standard for the recognition, measurement, presentation and disclosure of insurance contracts in the financial statements of the issuers of those contracts.

The Directors do not anticipate that the application of the new standard in the future will have a material impact on the Group's consolidated financial statements as the Group does not have such contracts.

Amendments to HKFRS 3, Definition of a Business

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business.

The Directors do not anticipate that the application of the amendments in the future will have a material impact on the Group's consolidated financial statements.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform

The amendments deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in HKFRS 9 and HKAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The amendments modify specific hedge accounting requirements so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. The amendments also require specific disclosures about the extent to which the entities' hedging relationships are affected by the amendments. There are also amendments to HKFRS 7 Financial Instruments: Disclosures regarding additional disclosures around uncertainty arising from the interest rate benchmark reform.

The Directors do not anticipate that the application of the amendments in the future will have a material impact on the Group's consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

Amendments to HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to HKFRS 10 Consolidated Financial Statements and HKAS 28 Investments in Associates and Joint Ventures deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The Directors do not anticipate that the application of the amendments in the future will have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 1 and HKAS 8, Definition of Material

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

The Directors do not anticipate that the application of the amendments in the future will have a material impact on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use ("VIU") in HKAS 36 "Impairment of Assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability. The principal accounting policies are set out below.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF CONSOLIDATION (CONTINUED)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

BUSINESS COMBINATIONS

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred. At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share–based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after reassessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOODWILL

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs") (or groups of CGUs) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU (or group of CGUs) is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGUs). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU or any of the CGU within the group of CGU, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the CGU, the amount of goodwill disposed of is measured on the basis of the relative values of the operation disposed of and the portion of the CGU retained.

The Group's policy for goodwill arising on the acquisition of associates and a joint venture is described below.

INVESTMENTS IN ASSOCIATES AND A JOINT VENTURE

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and a joint venture are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate or joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of loss of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS IN ASSOCIATES AND A JOINT VENTURE (CONTINUED)

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of VIU and fair value less costs of disposal ("FVLCD")) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKFRS 9/HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE FROM CONTRACTS WITH CUSTOMERS

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance 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.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. 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.

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

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

Revenue from sales of goods

Revenue from the sales of cathode materials for battery production is recognised based upon goods delivered, which is the point in time when the customer has the ability to direct the use of the goods and obtain the control of the goods.

Revenue from provision of services

Revenue from provision of processing services is recognised when the customers obtains the control of services and the Group has present right to payment and the collection of the consideration is probable.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, including buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values 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, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

INTANGIBLE ASSETS ACQUIRED IN A BUSINESS COMBINATION

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RESEARCH AND DEVELOPMENT EXPENDITURE

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

LEASED ASSETS

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LEASED ASSETS (CONTINUED)

The Group as lessee

(A) Policy applicable from 1 April 2019

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item and presents lease liabilities separately in the statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LEASED ASSETS (CONTINUED)

The Group as lessee (Continued)

(B) Policy applicable prior to 1 April 2019

In the comparative period, as a lessee the Group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the Group. Leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases, with the following exceptions:

– land held for own use under an operating lease, the fair value of which could not be measured separately from the fair value of a building situated thereon at the inception of the lease, was accounted for as being held under a finance lease, unless the building was also clearly held under an operating lease. For these purposes, the inception of the lease was the time that the lease was first entered into by the Group, or taken over from the previous lessee.

Where the Group acquired the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets were recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, were recorded as obligations under finance leases. Depreciation was provided at rates which wrote off the cost or valuation of the assets over the term of the relevant lease or, where it was likely the Group would obtain ownership of the asset, the life of the asset. Impairment losses were accounted for in accordance with the accounting policy as set out below. Finance charges implicit in the lease payments were charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

Where the Group had the use of assets held under operating leases, payments made under the leases were charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis was more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received were recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LEASED ASSETS (CONTINUED)

The Group as lessee (Continued)

(B) Policy applicable prior to 1 April 2019 (Continued)

The Group as lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised with the rights of use of the leased assets are passed to the tenant and is credited to the profit or loss on a straight-line basis over the term of the relevant lease.

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described above, then the Group classifies the sub-lease as an operating lease.

Sales and leaseback transactions

A sales and leaseback transaction involves the sale of an asset and the leasing back of the same asset. The lease payment and the sale price are usually interdependent because they are negotiated as a package. The accounting treatment of a sale and leaseback transaction depends upon the type of lease involved. If the lease back is a finance lease, the transaction is a means whereby the lessor provides finance to the lessee, with the asset as security.

FOREIGN CURRENCIES

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the year in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FOREIGN CURRENCIES (CONTINUED)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

RETIREMENT BENEFIT COSTS

Payments to the defined contribution retirement benefit plans, including state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered services entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

TAXATION

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 "loss before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and 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.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated 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. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax 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.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates and interest in a joint venture, 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.

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 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 is realised, based on tax rate (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.

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.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 April 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or fair value through other comprehensive income ("FVTOCI") as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the “other gains and losses” line item.

Impairment of financial assets

The Group recognises a loss allowance for expected credit loss (“ECL”) on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, loan receivables, amount due from an associate, pledged bank deposits and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12 months ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets (Continued)

Impairment of financial assets (Continued)

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for all debtors.

For all other instruments, the Group measures the loss allowance equal to 12 months ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of the reporting period. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' in accordance with globally understood definitions.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets (Continued)

Impairment of financial assets (Continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amounts, with the exception of trade receivables and loan receivables where the corresponding adjustment is recognised through a loss allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities including trade and bills payables, other payables, bank and other borrowings, loan from the ultimate holding company, amount due to an associate and liability component of convertible bonds are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

CONVERTIBLE BONDS

The component parts of the convertible bonds issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for measuring the fair value of similar non-convertible instruments that does not have an associated equity component. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible bonds, the balance recognised in equity will be transferred to accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONVERTIBLE BONDS (CONTINUED)

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the term of the convertible bonds using the effective interest method.

IMPAIRMENT LOSSES ON TANGIBLE AND INTANGIBLE ASSETS OTHER THAN GOODWILL

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives 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 relevant asset is estimated in order to determine the extent of the impairment loss, if any.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of FVLCD and VIU. In assessing VIU, 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 (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its FVLCD, its VIU and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of these consolidated financial statements and the reported amounts of revenues and expenses for the year presented. Changes in assumptions may have a significant impact on the consolidated financial statements in the periods where the assumptions are changed. The application of assumptions and estimates means that any selection of different assumptions would cause the Group's reporting to differ. The Group believes that the assumptions that have been made are appropriate and that the consolidated financial statements therefore present the financial position and results fairly, in all material respects. Management has discussed with the Audit Committee the development, selection and disclosure of the Group's significant accounting policies and estimates and the application of these policies.

The key sources of estimation uncertainty are as follows:

(I) IMPAIRMENT ASSESSMENT ON GOODWILL, INTANGIBLE ASSETS AND OTHER TANGIBLE ASSETS ALLOCATED TO FDG KINETIC (CHONGQING) (AS DEFINED IN NOTE 44)

In determining whether goodwill, intangible assets, property, plant and equipment and interests in leasehold land held for own use under operating lease or right-of-use asset allocated to FDG Kinetic (Chongqing) that are allocated to the battery materials production segment of the Group, which is an individual CGU of the Group, are impaired requires an estimation of recoverable amount of the CGU to which these assets have been allocated, which is based on the VIU of that CGU. The VIU is determined based on discounted cash flow projections of the CGU with the involvement of an independent valuer appointed by the Group. The key assumptions used for the discounted cash flow projections include the discount rate, terminal growth rate, budgeted sales, gross margin and future capital expenditure of the CGU. The discount rate applied is determined by using the Capital Assets Pricing Model and the growth rate applied is determined based on the expected long-term inflation in the PRC, while other key assumptions relating to the estimation of cash inflows/outflows are determined by taking into account the financial budgets approved by the Directors, past performance of the CGU and management's expectation on the market development. Further details are set out in Note 16. Where the actual cash flows are less than expected or there are changes in facts and circumstances which resulted in downward revision of future cash flows, a material impairment loss may arise.

As at 31 March 2020, the carrying amounts of goodwill, intangible assets, property, plant and equipment and right-of-use asset (2019: interests in leasehold land held for own use under operating lease) relating to FDG Kinetic (Chongqing), are approximately Nil, HK$28,940,000, HK$161,576,000 and HK$15,785,000, respectively (2019: approximately HK$6,755,000, HK$52,823,000, HK$240,257,000 and HK$17,204,000, respectively).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(II) IMPAIRMENT OF INTERESTS IN ASSOCIATES AND A JOINT VENTURE

When there is an indication that interests in associates and a joint venture may suffer an impairment loss, management assesses the recoverable amounts of the associates and joint venture, talking into account their current financial performance and position, and the cash flows of each associate or joint venture, which require significant judgment.

As at 31 March 2020, the carrying amounts of interests in associates and a joint venture are Nil (2019: HK$324,900,000) and HK$98,417,000 (2019: HK$106,564,000), respectively. The management performed impairment assessments on interests in associates and a joint venture and impairment losses of HK$6,418,000 (2019: HK$15,920,000) and Nil (2019: Nil) were recognised for the Group's interest in an associate and interest in a joint venture, respectively, in the consolidated statement of profit or loss for the year ended 31 March 2020. Further details are disclosed in Notes 19 and 20.

(III) EXPECTED CREDIT LOSS ON RECEIVABLES

The management estimates expected credit losses resulting from the inability of the debtors to make the required payments. The management's estimation is based on the ageing of the receivables balances and contract assets, credit-worthiness, historical write-off experience and forward looking information such as economic conditions. If the financial conditions of the debtors were to deteriorate, actual write-offs would be higher than estimated.

As at 31 March 2020, the carrying amounts of trade and other receivables, amount due from an associate and loan receivables are approximately HK$49,798,000 (2019: HK$66,732,000), HK$5,213,000 (2019: HK$80,979,000) and HK$52,555,000 (2019: HK$125,174,000), respectively. Further details are disclosed in Notes 19, 22, 24 and 36(B).

(IV) FAIR VALUE MEASUREMENTS AND VALUATION PROCESSES

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes.

Management of the Group is responsible for determination of the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent they are available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. Management of the Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Note 36(C) provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

As at 31 March 2020, the carrying amount of financial assets at fair value through profit or loss is approximately HK$94,944,000 (2019: approximately HK$6,438,000).

(V) VALUATION OF INVENTORIES

Inventories are carried at the lower of cost and net realisable value at the end of the reporting period. Net realisable value is determined on the basis of the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The management estimates the net realisable value for inventories based primarily on the latest invoice prices, current and expected future market conditions, historical experience on selling similar inventories and physical conditions of the inventories. It could change significantly as a result of changes in market conditions. In addition, the management performs an inventory review at the end of the reporting period and assess the need for write down of inventories.

As at 31 March 2020, the carrying amount of inventories is approximately HK$9,421,000 (2019: approximately HK$35,485,000).

5. REVENUE

(I) DISAGGREGATION OF REVENUE

	Notes	2020 HK$'000	2019 HK$'000
Revenue from contracts with customers			
– Sales of cathode materials for battery production	*(a)*	**33,646**	102,680
– Provision of processing services	*(a)*	**2,584**	9,600
		36,230	112,280
Interest income	*(b)*	**5,747**	11,480
		41,977	123,760
Geographical markets and revenue from contracts with customers			
The PRC		**36,230**	112,280
Hong Kong		**–**	–
		36,230	112,280

Notes:

(a) Sales of cathode materials for battery production and revenue from the provision of processing services are classified as revenue under battery materials production segment in the segment information. Both types of revenue are recognised at a point in time.

(b) Interest income is classified as revenue under direct investments in the segment information.

5. REVENUE (CONTINUED)

(II) PERFORMANCE OBLIGATIONS FOR CONTRACTS WITH CUSTOMERS

Sales of cathode materials for battery production (revenue recognised at a point in time)

Revenue is recognised when control of the goods has transferred, being when the goods have been delivered to the customers' specified location. The normal credit term is 30 to 90 days (2019: 30 days) upon delivery.

Revenue is recognised for sales which are considered highly probable that a significant reversal in the cumulative revenue recognised will not occur. A contract liability is recognised for sales in which revenue has yet been recognised.

Provision of processing services (revenue recognised at a point in time)

Revenue from the provision of processing services is recognised when the customers obtains the control of services and the Group has the present right to payment and the collection of the consideration is probable.

(III) TRANSACTION PRICE ALLOCATED TO THE REMAINING PERFORMANCE OBLIGATION FOR CONTRACTS WITH CUSTOMERS

All the revenue from contracts with customers are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to unsatisfied contracts is not disclosed.

6. SEGMENT INFORMATION

The segment information reported to the Directors, being the chief operating decision makers (the "CODM") for the purposes of resources allocation and assessment of segment performance, focuses on type of goods delivered or services provided.

The Group's reportable and operating segments are as follows:

(i) Battery materials production segment, which includes research and development, manufacture and sales of cathode materials for nickel-cobalt-manganese lithium-ion batteries, lithium ferrous phosphate batteries representing the Group's interest in ALEEES and provision of processing services; and

(ii) Direct investments segment, which includes loan financing, securities trading and asset investment.

6. SEGMENT INFORMATION (CONTINUED)

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

	Battery Materials Production		Direct Investments		Total	
	2020	2019	**2020**	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Reportable segment revenue from external customers	**36,230**	112,280	**5,747**	11,480	**41,977**	123,760
Reportable segment results	**(252,976)**	(450,969)	**(77,372)**	(142,007)	**(330,348)**	(592,976)
Central administrative cost, and directors' emoluments					**(28,917)**	(37,526)
Loss before taxation					**(359,265)**	(630,502)

Segment results represent profit or loss attributable to the segment without allocation of corporate income, central administrative costs, write-down of certain inventories and directors' emoluments. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

6. SEGMENT INFORMATION (CONTINUED)

Other segment information:

	Battery Materials Production		Direct Investments		Unallocated		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Amounts included in the measure of segment results or segment assets:								
Bank interest income	**(1)**	(111)	**(44)**	(48)	**–**	–	**(45)**	(159)
Depreciation and amortisation	**33,857**	19,646	**–**	–	**17**	17	**33,874**	19,663
Interest expenses	**24,902**	18,684	**21,902**	27,738	**–**	–	**46,804**	46,422
Income tax credit	**(1,847)**	(1,920)	**–**	–	**–**	–	**(1,847)**	(1,920)
Net loss on financial assets at fair value through profit or loss	**66,670**	–	**960**	7,257	**–**	–	**67,630**	7,257
Impairment loss on goodwill	**6,514**	307,000	**–**	–	**–**	–	**6,514**	307,000
Impairment loss on interest in an associate	**6,418**	15,920	**–**	–	**–**	–	**6,418**	15,920
Impairment loss on property, plant and equipment	**40,333**	–	**–**	–	**–**	–	**40,333**	–
Impairment loss on intangible assets	**7,283**	–	**–**	–	**–**	–	**7,283**	–
Impairment loss on trade receivables	**13,412**	–	**–**	–	**–**	–	**13,412**	–
Impairment loss on loan receivable	**–**	–	**–**	30,844	**–**	–	**–**	30,844
Impairment loss on interest receivable	**–**	–	**–**	4,959	**–**	–	**–**	4,959
Impairment loss on amount due from an associate	**–**	–	**81,426**	13,200	**–**	–	**81,426**	13,200
Reversal of impairment losses on trade receivables	**(1,109)**	(9,716)	**–**	–	**–**	–	**(1,109)**	(9,716)
Reversal of impairment loss on loan receivable	**–**	–	**(12,844)**	(7,750)	**–**	–	**(12,844)**	(7,750)
Reversal of impairment loss on interest receivable	**–**	–	**(4,959)**	(318)	**–**	–	**(4,959)**	(318)
Share of results of associates	**14,113**	82,444	**–**	82,222	**–**	–	**14,113**	164,666
Share of results of a joint venture	**–**	–	**(3,373)**	(5,263)	**–**	–	**(3,373)**	(5,263)
Write-down of inventories	**7,080**	2,472	**–**	–	**11,232**	–	**18,312**	2,472
Interests in associates	**–**	324,900	**–**	–	**–**	–	**–**	324,900
Interest in a joint venture	**–**	–	**98,417**	106,564	**–**	–	**98,417**	106,564
Addition to non-current assets *(Note)*	**15**	32,590	**–**	–	**–**	–	**15**	32,590

Note: Non-current assets excluded financial instruments.

6. SEGMENT INFORMATION (CONTINUED)

(A) SEGMENT ASSETS AND LIABILITIES

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

	2020 HK$'000	2019 HK$'000
Segment assets		
Battery materials production	**345,582**	723,042
Direct investments	**170,166**	328,783
Total segment assets	**515,748**	1,051,825
Unallocated assets	**35,740**	18,790
Consolidated assets	**551,488**	1,070,615
Segment liabilities		
Battery materials production	**221,266**	355,019
Direct investments	**245,245**	275,422
Total segment liabilities	**466,511**	630,441
Unallocated liabilities	**34,443**	26,591
Consolidated liabilities	**500,954**	657,032

For the purposes of monitoring segment performance and allocating resources to segments:

(i) All assets are allocated to reportable segments other than those assets which are centrally managed by the Group's management, including certain property, plant and equipment, other non-current assets, certain inventories, certain other receivables and certain cash and cash equivalents; and

(ii) All liabilities are allocated to reportable segments other than those liabilities which are centrally managed by the Group's management, including certain accruals and other payables.

6. SEGMENT INFORMATION (CONTINUED)

(B) GEOGRAPHICAL INFORMATION

The Group's operations are mainly located in Hong Kong, the PRC and Taiwan.

Information about the Group's revenue is presented based on the location of the operations of the respective group companies. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue		Non-current assets *(Note)*	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**5,747**	11,480	**11**	29
The PRC	**36,230**	112,280	**305,085**	572,595
Taiwan	**–**	–	**–**	176,275
	41,977	123,760	**305,096**	748,899

Note: Non-current assets excluded financial instruments.

(C) INFORMATION ABOUT MAJOR CUSTOMERS

Revenue from customers contributing over 10% of the total revenue of the Group are as follows:

	2020	2019
	HK$'000	HK$'000
Customer A – revenue from battery materials production	**24,340**	72,003
Customer B – revenue from battery materials production	**5,674**	N/A#
Customer C – revenue from direct investments	**5,659**	N/A*
Customer D – revenue from battery materials production	**N/A#**	21,498

No revenue was contributed by these customers during the year ended 31 March 2020 or 2019, respectively.

* The transactions with this customer did not contribute 10% or more of total revenue of the Group during the year ended 31 March 2019.

(D) REVENUE FROM MAJOR PRODUCTS AND SERVICES

The Group's revenue from its major products and services is disclosed in Note 5.

7. OTHER LOSSES

	2020 HK$'000	2019 HK$'000
Net foreign exchange loss	**4,678**	1,698
Write-down of inventories	**18,312**	2,472
Net loss on derecognition of associates	**9,414**	–
	32,404	4,170

8. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interest on convertible bonds	**–**	13,445
Interest on lease liability	**10,662**	2,006
Interest on bank and other borrowings	**36,142**	30,971
	46,804	46,422

9. IMPAIRMENT LOSSES ON FINANCIAL ASSETS AT AMORTISED COSTS, NET

	2020 HK$'000	2019 HK$'000
Impairment losses on trade receivables	**(13,412)**	–
Impairment loss on loan receivable	**–**	(30,844)
Impairment loss on interest receivable	**–**	(4,959)
Impairment loss on amount due from an associate	**(81,426)**	(13,200)
Reversal of impairment losses on trade receivables		
– included in loss allowance	**583**	9,716
– already written off against cost in prior years	**526**	–
Reversal of impairment loss on loan receivable, net of write off	**12,844**	7,750
Reversal of impairment loss on interest receivable	**4,959**	318
	(75,926)	(31,219)

10. INCOME TAX CREDIT

	2020 **HK$'000**	2019 HK$'000
Deferred tax and total income tax credit for the year	**(1,847)**	(1,920)

No provision for the Hong Kong Profits Tax has been made for both years as the Group did not have any assessable profits in Hong Kong.

Under the Law of People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%, except for a subsidiary in the PRC, which is subject to a preferential tax rate of 15% until 31 December 2020. No PRC income tax has been made for both years as the Group did not have any assessable profits in the PRC.

The deferred tax of approximately HK$1,847,000 (2019: approximately HK$1,920,000) that has been credited to the consolidated statement of profit or loss and other comprehensive income arose from origination and reversal of temporary differences in respect of fair value adjustment on business combination.

The income tax credit for the year can be reconciled to the loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2020 **HK$'000**	2019 HK$'000
Loss before taxation	**(359,265)**	(630,502)
Tax at the average income tax rates of 16.3% (2019: 15.3%)	**(58,461)**	(96,337)
Tax effect of share of results of associates and a joint venture	**1,772**	26,301
Tax effect of expenses not deductible for tax purpose	**61,994**	59,544
Tax effect of income not taxable for tax purpose	**(22,686)**	(5,489)
Tax effect of unused tax losses not recognised	**15,535**	14,061
Utilisation to tax losses previously not recognised	**(1)**	–
Income tax credit	**(1,847)**	(1,920)

11. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

	2020 HK$'000	2019 HK$'000
Salaries and other benefits	**20,577**	27,708
Contributions to defined contribution retirement plan	**1,556**	2,036
Less: Amounts capitalised in inventories	**(6,054)**	(8,000)
Staff costs, including directors' emoluments	**16,079**	21,744
Auditor's remuneration *(Note (i))*		
Charge for the year:		
– audit services	**1,700**	2,350
– non-audit services	**165**	1,087
Cost of inventories recognised as expenses	**38,737**	106,492
Amortisation of intangible assets	**13,929**	14,482
Amortisation of interests in leasehold land held for own use under operating lease	**–**	388
Amortisation of right-of-use asset	**377**	–
Depreciation of property, plant and equipment	**25,418**	23,747
Less: Amounts capitalised in inventories	**(5,850)**	(18,954)
	19,568	4,793
Other operating expenses *(Note (ii))*	**15,111**	–
Impairment loss on goodwill *(Note (iii))*	**6,514**	307,000
Impairment loss on property, plant and equipment *(Note (iii))*	**40,333**	–
Impairment loss on intangible assets *(Note (iii))*	**7,283**	–
Net loss on financial assets at FVTPL *(Note (iv))*	**67,630**	7,257
Impairment loss on interest in an associate *(Note (iv))*	**6,418**	15,920
Impairment losses on trade receivables	**13,412**	–
Write-down of inventories	**18,312**	2,472
Operating lease charges in respect of property rentals	**1,097**	1,225
Bank interest income	**(45)**	(159)

Notes:

(i) The amount excludes remuneration paid to other auditors of certain subsidiaries, amounting to approximately HK$188,000 (2019: approximately HK$124,000) for audit service.

(ii) The other operating expenses represent certain indirect operating expenses arising from the under-utilisation of production capacity of the battery materials production in Chongqing.

(iii) Affected by COVID-19 pandemic and the lock down of some cities in the PRC, the sales to and production for existing customers decreased significantly in the current financial year. With keen competition in the industry and low gross profit margin which resulted in a decrease of the expected future cash flows which further resulted in an impairment loss on goodwill amounting to approximately HK$6,514,000 (2019: approximately HK$307,000,000), impairment loss on property, plant and equipment amounting to approximately HK$40,333,000 (2019: Nil) and impairment loss on intangible assets amounting to approximately HK$7,283,000 (2019: Nil) being recognised in the current year.

(iv) For the interest in ALEEES, the Group changed the classification of the investment from interest in an associate to financial assets at fair value through profit and loss with effect from October 2019, as the Group's interest in ALEEES was reduced to approximately 19.04%.

12. DIRECTORS' EMOLUMENTS

Directors' remuneration disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, is as follows:

For the year ended 31 March 2020

Name of directors	Discretionary fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Directors bonuses and carried interest HK$'000 *(Note (a))*	Retirement benefit schemes contributions HK$'000	Sub-total HK$'000	Share-based payments HK$'000	Total HK$'000
Executive directors							
Jaime Che *(Chief Executive Officer) (Note (b))*	1,920	–	–	18	1,938	–	1,938
Cao Zhong *(Note (c))*	2,895	–	–	18	2,913	–	2,913
Miao Zhenguo *(Note (d))*	716	–	–	6	722	–	722
	5,531	–	–	42	5,573	–	5,573
Independent non-executive directors							
Hung Chi Yuen Andrew	400	–	–	–	400	–	400
Sit Fung Shuen Victor	400	–	–	–	400	–	400
Toh Hock Ghim	400	–	–	–	400	–	400
	1,200	–	–	–	1,200	–	1,200
	6,731	–	–	42	6,773	–	6,773

12. DIRECTORS' EMOLUMENTS (CONTINUED)

For the year ended 31 March 2019

Name of directors	Discretionary fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Directors bonuses and carried interest HK$'000 *(Note (a))*	Retirement benefit schemes contributions HK$'000	Sub-total HK$'000	Share-based payments HK$'000	Total HK$'000
Executive directors							
Jaime Che *(Chief Executive Officer) (Note (b))*	1,870	–	–	18	1,888	–	1,888
Cao Zhong *(Note (c))*	3,000	–	–	18	3,018	–	3,018
Miao Zhenguo *(Note (d))*	2,150	–	–	18	2,168	–	2,168
Sun Ziqiang *(Note (e))*	1,355	–	–	12	1,367	–	1,367
	8,375	–	–	66	8,441	–	8,441
Non-executive director							
Chen Yanping *(Note (f))*	750	–	–	–	750	–	750
	750	–	–	–	750	–	750
Independent non-executive directors							
Hung Chi Yuen Andrew	400	–	–	–	400	–	400
Sit Fung Shuen Victor	400	–	–	–	400	–	400
Toh Hock Ghim	400	–	–	–	400	–	400
	1,200	–	–	–	1,200	–	1,200
	10,325	–	–	66	10,391	–	10,391

Notes:

(a) The amounts represent the actual discretionary bonus in respect of the preceding year approved and paid to respective directors during the year.

(b) Mr. Jaime Che has been appointed as the Chief Executive Officer of the Company on 19 July 2019.

(c) The Board has resolved on 19 March 2020 to suspend the duties of Mr. Cao Zhong as the chairman and executive director of the Company.

(d) Mr. Miao Zhenguo has resigned as an executive director and the Chief Executive Officer of the Company on 19 July 2019.

(e) Mr. Sun Ziqiang has resigned on 30 November 2018.

(f) Dr. Chen Yanping retired on 31 August 2018.

12. DIRECTORS' EMOLUMENTS (CONTINUED)

Mr. Jaime Che is the Chief Executive Officer of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive Officer.

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

The non-executive director's emoluments shown above were mainly for their services as the Directors or its subsidiaries.

The independent non-executive directors' emoluments shown above were mainly for their services as the Directors.

13. FIVE HIGHEST PAID EMPLOYEES

During the year ended 31 March 2020, the five highest paid employees in the Group were the Directors, of which three (2019: four) were the executive directors and two (2019: one) were the independent non-executive directors (2019: non-executive director) of the Company, details of whose emoluments are disclosed in Note 12.

14. LOSS PER SHARE

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:		
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	**357,418**	628,582

	2020	2019
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**6,753,293,913**	6,753,293,913

The diluted loss per share for the year ended 31 March 2020 equals to the basic loss per share as the potential ordinary shares outstanding during the year had no dilutive effect on the basic loss per share.

The computation of diluted loss per share for the year ended 31 March 2019 did not assume the conversion of the Company's outstanding convertible bonds on or before redemption at 4 August 2018 since their assumed exercise would result in a decrease in loss per share.

15. GOODWILL

	Allocated to battery materials production HK$'000
COST	
At 1 April 2018	488,847
Exchange realignment	(32,198)
At 31 March 2019 and 1 April 2019	456,649
Exchange realignment	(27,928)
At 31 March 2020	**428,721**
ACCUMULATED IMPAIRMENT	
At 1 April 2018	152,969
Provided for the year	307,000
Exchange realignment	(10,075)
At 31 March 2019 and 1 April 2019	449,894
Provided for the year	6,514
Exchange realignment	(27,687)
At 31 March 2020	**428,721**
CARRYING VALUES	
At 31 March 2020	**–**
At 31 March 2019	6,755

Particulars regarding impairment testing on goodwill are disclosed in Note 16.

16. IMPAIRMENT TESTING ON GOODWILL, INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT AND INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASE OR RIGHT OF USE ASSET

For the purposes of impairment testing, goodwill set out in Note 15, intangible assets set out in Note 17 and property, plant and equipment and interests in leasehold land held for own use under operating lease or right-of-use asset set out in Note 18 have been allocated to FDG Kinetic (Chongqing) that belong to the battery materials production segment of the Group, which is an individual CGU.

Management of the Group determines that the goodwill of this CGU is impaired by approximately HK$6,514,000 (2019: approximately HK$449,894,000) and approximately HK$7,283,000 (2019: Nil) and HK$40,333,000 (2019: Nil) for the intangible assets, property, plant and equipment are recognised, respectively as at 31 March 2020.

Affected by the keen competition in the battery material production industry with low gross profit margin and the COVID-19 pandemic outbreak, these factors resulted in a decrease of the expected future cash flows which resulted in an impairment loss on goodwill, intangible assets and property, plant and equipment.

The basis of the recoverable amount of the above CGU and the major underlying assumptions are summarised below:

Recoverable amount is the higher of FVLCD and VIU. The recoverable amount of this CGU as at 31 March 2020 of approximately HK$206,301,000 (2019: HK$168,148,000) is determined based on its VIU (2019: FVLCD). The change in the basis for determining the recoverable amount is due to the exclusion of future capital expenditure to increase production capacity. The VIU (2019: FVLCD) of this CGU is assessed by the management of the Group based on a discounted cash flows method under the income approach performed by an independent valuer appointed by the Group. The calculation uses cash flow projections based on the financial budgets approved by the Directors, and discount rate of 24% (2019: 23%) that is determined by an independent valuer using the Capital Assets Pricing Model, which is within level 3 fair value hierarchy. The cash flow projections exclude (2019: include) future capital expenditure on the CGU to increase the production capacity which would result in a substantial increase in the net cash inflows derived from this CGU. The cash flows beyond the five-year period are extrapolated using a terminal growth rate of 3% (2019: 3%) per annum. This growth rate is determined based on the expected long-term inflation in the PRC. Other key assumptions relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin generated from the CGU, such estimation is determined based on the past performance of the CGU and management's expectations on the market development.

As at 31 March 2020, the carrying amounts of goodwill, intangible assets, property, plant and equipment and right-of-use asset (2019: interests in leasehold land held for own use under operating lease) relating to FDG Kinetic (Chongqing), are approximately Nil, HK$28,940,000, HK$161,576,000 and HK$15,785,000 (2019: approximately HK$6,755,000, HK$52,823,000, HK$240,257,000 and HK$17,204,000), respectively.

17. INTANGIBLE ASSETS

	Technical know-hows HK$'000
COST	
At 1 April 2018	109,384
Exchange realignment	(7,204)
At 31 March 2019 and 1 April 2019	102,180
Exchange realignment	(6,249)
At 31 March 2020	**95,931**
ACCUMULATED AMORTISATION	
At 1 April 2018	37,372
Charge for the year	14,482
Exchange realignment	(2,497)
At 31 March 2019 and 1 April 2019	49,357
Charge for the year	13,929
Impairment loss for the year	7,283
Exchange realignment	(3,578)
At 31 March 2020	**66,991**
NET BOOK VALUE	
At 31 March 2020	**28,940**
At 31 March 2019	52,823

The above intangible assets are amortised on a straight-line basis over the expected useful lives of 7 years. They are tested for impairment whenever there is an indication that they may have suffered an impairment loss. Particulars regarding impairment testing on intangible assets are disclosed in Note 16.

18. PROPERTY, PLANT AND EQUIPMENT, INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASE OR RIGHT-OF-USE ASSET

	Buildings HK$'000	Furniture, fixture and equipment HK$'000	Plant and machinery HK$'000	Sub-total HK$'000	Interests in leasehold land held for own use under operating lease I HK$'000	Right-of-use asset HK$'000	Total HK$'000
COST							
At 1 April 2018	117,305	3,925	105,246	226,476	19,848	–	246,324
Additions	–	812	94,308	95,120	–	–	95,120
Exchange realignment	(7,726)	(255)	(7,165)	(15,146)	(1,307)	–	(16,453)
At 31 March 2019	109,579	4,482	192,389	306,450	18,541	–	324,991
Upon adoption of HKFRS 16	–	–	–	–	(18.541)	18.541	–
At 1 April 2019 (as restated)	109,579	4,482	192,389	306,450	–	18.541	324,991
Additions	–	15	–	15	–	–	15
Exchange realignment	(6,702)	(269)	(11,767)	(18,738)	–	(1,134)	(19,872)
At 31 March 2020	**102,877**	**4,228**	**180,622**	**287,727**	**–**	**17,407**	**305,134**
ACCUMULATED DEPRECIATION							
At 1 April 2018	14,328	2,035	29,105	45,468	1,012	–	46,480
Provided for the year	5,573	710	17,464	23,747	388	–	24,135
Exchange realignment	(959)	(132)	(1,960)	(3,051)	(63)	–	(3,114)
At 31 March 2019	18,942	2,613	44,609	66,164	1,337	–	67,501
Upon adoption of HKFRS 16	–	–	–	–	(1,337)	1,337	–
At 1 April 2019 (as restated)	18,942	2,613	44,609	66,164	–	1,337	67,501
Provided for the year	5,357	472	19,589	25,418	–	377	25,795
Impairment loss for the year	16,145	–	24,188	40,333	–	–	40,333
Exchange realignment	(1,724)	(170)	(3,881)	(5,775)	–	(92)	(5,867)
At 31 March 2020	**38,720**	**2,915**	**84,505**	**126,140**	**–**	**1,622**	**127,762**
NET BOOK VALUE							
At 31 March 2020	**64,157**	**1,313**	**96,117**	**161,587**	**–**	**15,785**	**177,372**
At 31 March 2019	90,637	1,869	147,780	240,286	17,204	–	257,490

18. PROPERTY, PLANT AND EQUIPMENT AND INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASE OR RIGHT-OF-USE ASSET (CONTINUED)

The Group leases its leasehold land held for own use under operating lease arrangements. The lease is negotiated for a term of 50 years. Upon adoption of HKFRS 16 on 1 April 2019, interests in leasehold land held for own use under operating leases amounting to approximately HK$17,204,000 were recognised as right-of-use asset.

Land and buildings with total carrying amount of approximately HK$79,942,000 (2019: approximately HK$107,841,000) and plant and machinery with total carrying amount of approximately HK$41,234,000 (2019: approximately HK$60,987,000) were pledged as securities for the Group's bank borrowings and other borrowings respectively (Note 26).

As at 31 March 2020, the carrying amount of plant and machinery of the Group included an amount of approximately HK$35,324,000 (2019: approximately HK$57,989,000) in respect of assets held under leases (Note 31).

The above items of property, plant and equipment and interests in leasehold land held for own use under operating lease or right-of-use asset, are depreciated/amortised on a straight-line basis at the following rates per annum:

Buildings	18 years
Furniture, fixture and equipment	3–10 years
Plant and machinery	7 years
Interests in leasehold land held for own use under operating lease/right-of-use asset	47 years

19. INTERESTS IN ASSOCIATES AND AMOUNT DUE FROM/TO AN ASSOCIATE

	2020 HK$'000	2019 HK$'000
(i) Interests in associates		
Cost of investment in associates		
Listed in Taiwan	–	393,066
Unlisted	**750,000**	909,120
Share of post-acquisition losses and other comprehensive expenses	**(276,047)**	(428,182)
Less: Impairment loss *(Note (i))*	**(473,953)**	(549,104)
	–	324,900
(ii) Amount due from an associate *(Note (ii))*		
Advance	**99,838**	94,179
Less: Impairment allowance	**(94,625)**	(13,200)
	5,213	80,979
(iii) Amount due to an associate *(Note (iii))*	–	148,640

19. INTERESTS IN ASSOCIATES AND AMOUNT DUE FROM/TO AN ASSOCIATE (CONTINUED)

Details of the Group's associates at the end of the reporting period are as follows:

Name of associate	Country of incorporation/ establishment	Principal place of business	Registered capital	Proportion of ownership held by the Group		Proportion of voting rights held by the Group		Principal activities
				2020	2019	**2020**	2019	
Advanced Lithium Electrochemistry (Cayman) Co., Ltd. ("ALEEES")	The Cayman Islands	Taiwan	New Taiwan Dollar ("NT$") 2,105,736,540	**-** ***(Note (i))***	21.85%	**-** ***(Note (i))***	21.85%	Investment holding and its subsidiaries are engaged in research and development, production and marketing and sales of cathode materials for lithium ferrous phosphate batteries
Synergy Dragon Limited ("SDL")	The BVI	The PRC	US$100	**25%**	25%	**25%**	25%	Investment holding and its subsidiaries are engaged in research and development, production and sales of batteries and related products
ALEEES (GuiZhou) Co., Ltd. ("ALEEES GuiZhou")* 立凱電能科技(貴州)有限公司	The PRC	The PRC	RMB250,000,000	**-** ***(Note (iii))***	51% *(Note (v))*	**-** ***(Note (iii))***	40%	Research and development, sales and manufacturing of new energy battery materials

* The English name of this company established in the PRC is directly translated from its Chinese name and is furnished for identification purpose only. Should any inconsistencies between the Chinese name and the English name exist, the Chinese name shall prevail.

19. INTERESTS IN ASSOCIATES AND AMOUNT DUE FROM/TO AN ASSOCIATE (CONTINUED)

Notes:

(i) As at 31 March 2019, the recoverable amount of the interest in ALEEES was calculated based on its market value less cost of disposal of approximately HK$176,275,000. As the recoverable amount was lower than its carrying amount, an impairment loss of approximately HK$15,920,000 was recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2019. The market value less cost of disposal is categorised as Level 1 of fair value hierarchy. During the year, the interest in an associate has been classified to financial assets at FVTPL with effect from October 2019, as the Group's shareholdings in ALEEES had been reduced to approximately 19.04%.

As at 31 March 2019, the carrying amount of the interest in SDL dropped to zero after the share of results of SDL and thus no further impairment loss was recognised in the consolidated statement of profit or loss and other comprehensive income.

(ii) As at 31 March 2020, the balance represented three unsecured loans to an associate with total principal sum of approximately HK$99,838,000 (2019: approximately HK$91,645,000), which bear interest at 6% per annum and with maturity within one year. During the year, two unsecured loans were due.

Details of impairment assessment of amount due from an associate for the year ended 31 March 2020 are set out in Note 36(B).

(iii) As at 31 March 2019, the balance represented the obligations for unpaid investment cost in ALEEES GuiZhou, which was interest-free and with maturity within one year.

ALEEES GuiZhou was accounted for as an associate at 31 March 2019 as in accordance with the memorandum and articles of the entity, relevant activities of the entity require consent of a simple majority in its board of directors. The Group was able to appoint two out of five directors in the board of this associate, thus, the Group was only able to exercise significant influence in this associate.

In order to alleviate the current liquidity situation of the Group, during the year ended 31 March 2020, the Group has decided not to proceed with this investment and explore solutions with the associate's shareholders. At 31 March 2020, the Group has capital commitments amounted to approximately HK$139,549,000 (Note 40) for the Group's obligation for unpaid investment cost of its investment in ALEEES GuiZhou. Pursuant to a board resolution of ALEEES GuiZhou, the Group agreed to dispose of its entire interest in ALEEES GuiZhou to one of the existing shareholders of ALEEES GuiZhou.

Interests in associates are accounted for using the equity method in the consolidated financial statements.

19. INTERESTS IN ASSOCIATES AND AMOUNT DUE FROM/TO AN ASSOCIATE (CONTINUED)

Summarised financial information of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

	2020	2019	
	SDL	ALEEES	SDL
	HK$'000	HK$'000	HK$'000
Current assets	**124,230**	134,197	508,864
Non-current assets	**487,019**	645,707	566,492
Current liabilities	**(818,775)**	(130,604)	(1,026,497)
Non-current liabilities	**(122,318)**	(48,797)	(130,287)

	2020	2019	
	SDL	ALEEES	SDL
	HK$'000	HK$'000	HK$'000
Revenue	**91,249**	44,440	133,034
Loss for the year	**(256,839)**	(377,463)	(410,318)
Other comprehensive income for the year	**(9,027)**	1,785	(34,177)
Total comprehensive income for the year	**(265,866)**	(375,678)	(444,495)
Dividends received from the associates during the year	**–**	–	–

19. INTERESTS IN ASSOCIATES AND AMOUNT DUE FROM/TO AN ASSOCIATE (CONTINUED)

Reconciliation of the above summarised financial information to the carrying amount of the interests in associates recognised in the consolidated financial statements:

	2020	2019	
	SDL	ALEEES	SDL
	HK$'000	HK$'000	HK$'000
Net (liabilities)/assets of associates	**(329,844)**	600,503	(81,428)
Less: share of associates held by non-controlling interests	**–**	(1)	–
	(329,844)	600,502	(81,428)
Proportion of the Group's ownership interests in associates	**25%**	21.85%	25%
Net assets of interests in associates attributable to the Group	**–**	131,181	–
Goodwill	**–**	122,014	–
Less: Impairment loss	**–**	(76,920)	–
Carrying amounts of the Group's interests in associates	**–**	176,275	–

The unrecognised share of loss of an associate is as follows:

	2020	2019
	HK$'000	HK$'000
Unrecognised share of loss of an associate in prior years	**(20,357)**	–
Unrecognised share of loss of an associate for the year	**(62,104)**	(20,357)
Cumulative unrecognised share of loss of an associate	**(82,461)**	(20,357)

INFORMATION OF AN ASSOCIATE THAT IS NOT MATERIAL

	2020	2019
	HK$'000	HK$'000
The Group's share of loss and total comprehensive expense	**–**	(10,467)
Carrying amount of the Group's interest in the associate	**–**	148,625

20. INTEREST IN A JOINT VENTURE

	2020 HK$'000	2019 HK$'000
Cost of unlisted investment in a joint venture	**95,341**	95,341
Share of post-acquisition profits and other comprehensive income, net of dividends received	**3,076**	11,223
	98,417	106,564

Details of the Group's joint venture at the end of the reporting period are as follows:

Name of joint venture	Country of establishment	Principal place of business	Issued and paid up capital	Proportion of ownership held by the Group 2020	Proportion of ownership held by the Group 2019	Proportion of voting rights held by the Group 2020	Proportion of voting rights held by the Group 2019	Principal activity
Hua Neng Shou Guang Wind Power Generation Limited ("Hua Neng")* 華能壽光風力發電有限公司	The PRC	The PRC	RMB186,730,000	**45%**	45%	**45%**	45%	Investment, construction and operation of wind power electricity facility, development, generation and sale of wind power electricity; provision of consultancy and related services in respect of electricity projects

* The English name of this company established in the PRC is directly translated from its Chinese name and is furnished for identification purpose only. Should any inconsistencies between the Chinese name and the English name exist, the Chinese name shall prevail.

Summarised financial information of the Group's joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

	Hua Neng 2020 HK$'000	2019 HK$'000
Current assets	**108,563**	79,759
Non-current assets	**308,395**	355,336
Current liabilities	**(197,560)**	(198,287)
Non-current liabilities	**(694)**	–

20. INTEREST IN A JOINT VENTURE (CONTINUED)

	Hua Neng	
	2020	2019
	HK$'000	HK$'000
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**69,724**	43,559
Current financial liabilities (excluding trade and other payables and provisions)	**–**	(197,760)
Non-current financial liabilities (excluding trade and other payables and provisions)	**–**	–

	Hua Neng	
	2020	2019
	HK$'000	HK$'000
Revenue	**44,947**	50,257
Profit for the year	**7,496**	11,696
Other comprehensive income for the year – Exchange differences arising from translation of financial statements	**(14,489)**	(25,089)
Total comprehensive income for the year	**(6,993)**	(13,393)
Dividends received from the joint venture during the year	**–**	331
The above profit for the year include the following:		
Depreciation and amortisation	**28,049**	28,729
Interest income	**591**	319
Interest expense	**–**	–
Income tax expense	**(2,686)**	(3,912)

20. INTEREST IN A JOINT VENTURE (CONTINUED)

Reconciliation of the above summarised financial information to the carrying amount of the interest in a joint venture recognised in the consolidated financial statements:

	Hua Neng	
	2020	2019
	HK$'000	HK$'000
Net assets of a joint venture	**218,704**	236,808
Proportion of the Group's ownership interest in a joint venture	**45%**	45%
Carrying amount of the Group's interest in a joint venture	**98,417**	106,564

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	2019
	HK$'000	HK$'000
Financial assets mandatorily measured at FVTPL:		
Listed equity securities in Hong Kong	**–**	231
Listed equity securities in Taiwan *(Note 36(C))*	**89,700**	–
Unlisted funds *(Note 36(C))*	**5,244**	6,207
	94,944	6,438

All listed and unlisted securities classified as financial assets at FVTPL are issued by corporate entities.

22. LOAN RECEIVABLES

	2020	2019
	HK$'000	HK$'000
Fixed-rate loan receivables	**52,555**	156,339
Less: allowance for ECL	**–**	(30,844)
Net fixed-rate loan receivables	**52,555**	125,495
Presented by:		
Non-current assets	**–**	321
Current assets	**52,555**	125,174
	52,555	125,495

Included in the Group's loan receivables balances are debtors with aggregate carrying amount of approximately HK$52,555,000 (2019: approximately HK$55,978,000) which are past due over one year before the extension of the Contract Year (as defined in Note below) for which the Group has not provided for impairment loss. A deposit of approximately HK$61,292,000 (2019: approximately HK$65,285,000) has been received by the Group as the settlement received in advance for such loan receivables. Details are set out in the Note below.

22. LOAN RECEIVABLES (CONTINUED)

Note: Included in net fixed-rate loan receivables is a one debtor (2019: two) with a carrying amount of approximately HK$52,555,000 (2019: approximately HK$69,156,000 and HK$55,978,000). The principal amount of the loan receivable is RMB50,000,000 (equivalent to approximately HK$54,725,000), which is secured by a mining right of an iron ore mine in the PRC.

For the loan secured by a mining right of an iron ore mine in the PRC (the "Mining Loan"), on 17 December 2015, the Group appointed CITIC International Assets Management Limited ("CIAM") as its exclusive agent in collecting and handling the Mining Loan and its outstanding accrued interest for twenty four calendar months from 17 December 2015 (the "Contract Year"). CIAM should pay deposits by instalments of RMB56,000,000 in total (equivalent to approximately HK$63,078,000) to the Group by 31 May 2016. CIAM undertook to collect RMB56,000,000 (the "Agreed Amount") for the Group and should the amount collected exceed the Agreed Amount, the excess will be paid to CIAM as agency fee. The Group also has the right to exercise a put option to sell the Mining Loan to CIAM at the consideration of the Agreed Amount less any amount recovered from the Mining Loan during the Contract Year and the Group is able to use deposits received from CIAM to offset the Mining Loan. On 15 December 2017, the Contract Year has been extended for another six calendar months to 17 June 2018. On 15 June 2018, the Contract Year has been extended for another three calendar months to 17 September 2018. On 14 September 2018, the Contract Year has been extended for another three calendar months to 17 December 2018. On 14 December 2018, the Contract Year has been extended for another one calendar month to 17 January 2019 and no further extension of the Contract Year since then. In the opinion of the Directors, the fair value of the put option is insignificant as the collateral is worth more than the exercise price of the put option. As at 31 March 2020, the Group had received deposits of approximately HK$61,292,000 (2019: approximately HK$65,285,000) from CIAM and included in the Group's accruals and other payables (Note 28). As at 12 April 2019, the Group entered into a sale and purchase agreement with CIAM for the disposal of the subsidiary which hold such Mining Loan to CIAM. As at the date of approval of the consolidated financial statements, the transaction was not yet been completed.

At 31 March 2020, the Group's loan receivable is carried at a fixed interest rate of 28.5% per annum (2019: from 6% to 28.5% per annum).

Before granting any new loans, the Directors will assess the potential borrower's credit quality and define credit limits of the borrower. The Directors will continuously assess the recoverability of loan receivables.

The Group has a concentration of credit risk in the above loans as one borrower (2019: two) accounted for 100% (2019: approximately 100%) of total fixed-rate loan receivables as at 31 March 2020. In order to minimise the credit risk, management of the Group has monitored the repayment ability of the borrowers continuously.

22. LOAN RECEIVABLES (CONTINUED)

An analysis of the net fixed-rate loan receivables, based on the maturity date, is as follows:

	2020 HK$'000	2019 HK$'000
On demand and due within one year	**52,555**	125,174
Over five years	**–**	321
	52,555	125,495

Details of impairment assessment of loan receivables for the years ended 31 March 2020 and 2019 are set out in Note 36(B).

23. INVENTORIES

	2020 HK$'000	2019 HK$'000
Raw materials	**2,362**	19,657
Finished goods	**7,059**	15,828
	9,421	35,485

24. TRADE AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Trade receivables	**19,214**	17,743
Bills receivables	**109**	–
	19,323	17,743
Less: allowance for ECL	**(13,308)**	(870)
	6,015	16,873
Value-added tax receivables	**27,459**	31,455
Interest receivables	**8,737**	9,306
Other receivables	**346**	325
Deposits and prepayments	**7,241**	8,773
	49,798	66,732

The trade receivables were carried at amortised cost in the Group's consolidated statement of financial position. All of the interest receivables, other receivables, deposits and prepayments classified as current assets are expected to be repaid or charged to profit or loss within one year.

An ageing analysis of trade and bills receivables, based on the invoice date (or date of revenue recognition, if earlier), is as follows:

	2020 HK$'000	2019 HK$'000
Within one month	**–**	7,134
Between one and three months	**–**	345
Over three months	**6,015**	9,394
	6,015	16,873

Trading terms with customers are either on a cash basis or on credit. For those customers who trade on credit, a credit period of 30 to 90 days (2019: 30 days) is allowed. Credit limits are set for customers. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. Overdue balances are regularly reviewed by the management of the Group. The carrying amounts of the receivables approximate their fair values.

As at 31 March 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK$5,906,000 (2019: approximately HK$9,394,000) which are past due at the end of the reporting period. Out of the past due balances, approximately HK$4,903,000 (2019: approximately HK$7,277,000) has been past due for 90 days or more and is not considered as in default as the Group considered such balances could be recovered based on repayment history, the financial conditions and the current credit worthiness of each customer. The Group does not hold any collateral over these balances.

Details of impairment assessment of trade receivables for the years ended 31 March 2020 and 2019 are set out in Note 36(B).

25. CASH AND CASH EQUIVALENTS

	2020 HK$'000	2019 HK$'000
Deposits placed with other financial institutions	**352**	319
Bank balances and cash	**34,109**	6,268
	34,461	6,587

The bank balances carry interest at rates ranged from 0.00% to 1.80% (2019: 0.00% to 0.39%) per annum.

Details of impairment assessment of bank balances for the year ended 31 March 2020 are set out in Note 36(B).

26. BANK AND OTHER BORROWINGS

	2020 HK$'000	2019 HK$'000
Secured bank borrowing *(Note (i))*		
– Within one year	**35,702**	43,031
Secured other borrowings *(Note (ii))*		
– Within one year	**104,836**	47,757
Unsecured other borrowing *(Note (iii))*		
– Within one year	**92,363**	129,145
	232,901	219,933
Less: Amount due within one year shown under current liabilities	**(232,901)**	(219,933)
Amount due after one year	**–**	–

Notes:

(i) At 31 March 2020, the bank borrowing of the Group of approximately RMB32,620,000 (equivalent to approximately HK$35,702,000) (2019: approximately RMB36,911,000 (equivalent to approximately HK$43,031,000)) was secured by a pledge over land and buildings with total carrying amount of approximately HK$79,942,000 (2019: approximately HK$107,841,000) as set out in Note 18.

26. BANK AND OTHER BORROWINGS (CONTINUED)

Notes: (Continued)

(ii) During the year ended 31 March 2020, the Group raised new secured other borrowing of HK$60,000,000 under a debenture from an independent third party which is bearing interest at 15% per annum, secured by first fixed and floating charge over the undertaking, property and assets of the Company and repayable in September 2020. During the year, the Group was unable to make certain interest repayments on this secured other borrowing, for which the lender has requested for the immediate repayment of full outstanding amounts. The management of the Group is in the process of negotiating for an extension of the repayment date of this other borrowing with the creditor. The lender has exercised its power under the debenture and appointed Receivers and took over all of the undertaking, property and assets of the Company, details of which are set out in Note 45(A).

As at 31 March 2020, the amount of approximately HK$44,836,000 (2019: approximately HK$47,757,000) was guaranteed by an indirect wholly-owned subsidiary of an associate and was secured by a pledge over the Group's plant and machinery with a total carrying amount of approximately HK$41,234,000 (2019: approximately HK$60,987,000) as set out in Note 18. During the year, the Group failed to repay the principal and interest payments of these other borrowings. The management of the Group is in the process of negotiating for an extension of the repayment date of these other borrowings with the creditor. Details of the litigations against the Group for the repayment of the outstanding balances due of HK$44,836,000 are set out in Note 45(C).

(iii) As at 31 March 2020, the other borrowing of HK$65,000,000 (2019: HK$100,000,000) was guaranteed by FDG EV. During the year, the Group was unable to make certain interest repayments on this unsecured other borrowing, for which the lender has requested for the immediate repayment of full outstanding amounts. The management of the Group is in the process of negotiating for an extension of the repayment date of this other borrowing with the creditor. Details of the litigations against the Group for the repayment of the outstanding balance due of HK$65,000,000 are set out in Note 45(B).

The remaining balance of approximately HK$27,363,000 (2019: approximately HK$29,145,000) was guaranteed by an indirect wholly-owned subsidiary of an associate. During the year, the Group failed to repay the principal and interest payments of these other borrowings. The management of the Group is in the process of negotiating for an extension of the repayment date of these other borrowings with the creditors. Details of the litigations against the Group for the repayment of the outstanding balances due of approximately HK$27,363,000 are set out in Note 45(C).

The Group's bank borrowing is carried at variable interest rate at prevailing lending rate quoted by the People's Bank of China ("PBOC"). The Group's other borrowings are carried at fixed interest rates.

The effective interest rates of bank and other borrowings ranged from 6.04% to 21% (2019: 6.04% to 21%) per annum.

27. TRADE PAYABLES

	2020 **HK$'000**	2019 HK$'000
Trade payables	**17,865**	5,589

An ageing analysis of trade payables, based on the invoice date, is as follows:

	2020 **HK$'000**	2019 HK$'000
Between one and three months	**–**	538
Over three months	**17,865**	5,051
	17,865	5,589

The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

The carrying amounts of trade payables approximate their fair values.

28. ACCRUALS AND OTHER PAYABLES

	2020 HK$'000	2019 HK$'000
Deposits received *(Note 22)*	**61,292**	65,285
Amount due to a fellow subsidiary *(Note 42(B))*	**982**	–
Amount due to the ultimate holding company *(Note 42(B))*	**522**	–
Interest payable	**40,608**	15,579
Other accruals and payables *(Note)*	**48,410**	46,434
	151,814	127,298

Note: Other accruals and payables mainly comprise a non-refundable deposit received from a third party.

29. CONTRACT LIABILITIES

	2020 HK$'000	2019 HK$'000
Sales of cathode materials for battery production	**419**	–
Presented by:		
Current liabilities	**419**	–

30. LOAN FROM THE ULTIMATE HOLDING COMPANY

The amount is unsecured, interest-free and repayable on 28 April 2020 (2019: repayable in September 2019). Details of the actions taken by the ultimate holding company are set out in Note 45(D).

31. LEASE LIABILITY

During the year ended 31 March 2018, the Group has entered into a sale and leaseback transaction with an independent third party by way of sale and leasing back of certain plant and machinery. In accordance with the lease agreement, the term of the lease is three years which carries a fixed interest rate of 6% per annum, guaranteed by an indirect wholly-owned subsidiary of an associate and secured by the lessor's charge over the leased plant and machinery (Note 18). The ownership of those plant and machinery will be transferred back to the Group upon the end of the lease term. Such transaction is considered as sale and leaseback arrangement resulting in a finance lease upon initial recognition under HKAS 17, and has not been classified as a lease liability under HKFRS 16 upon initial adoption in current year.

	2020 **HK$'000**	2019 HK$'000
Presented by:		
Current liabilities	**37,200**	41,255

	Minimum lease payments		**Present value of minimum lease payments**	
	2020 **HK$'000**	2019 HK$'000	**2020** **HK$'000**	2019 HK$'000
Lease liability:				
Within one year	**38,901**	43,067	**37,200**	41,255
More than one year, but not exceeding two years	**–**	–	**–**	
	38,901	43,067	**37,200**	41,255
Less: Future finance charges	**(1,701)**	(1,812)	**–**	–
Present value of lease liability	**37,200**	41,255	**37,200**	41,255
Less: Amount due for settlement within one year and shown under current liabilities			**(37,200)**	(41,255)
Amount due for settlement after one year and shown under non-current liabilities			**–**	–

As at 31 March 2020, the Group failed to repay the principal and interest payments of approximately HK$37,200,000 of this lease liability. The management of the Group is in the process of negotiating a new financing arrangement with the creditor of this lease liability in order to repay the overdue amounts to this creditor. Details of the litigations against the Group for the repayment of the outstanding balances due of approximately HK$37,200,000 are set out in Note 45(C).

32. CONVERTIBLE BONDS

On 4 August 2015, the Company issued convertible bonds with an aggregate principal amount of HK$750,000,000 (the "Convertible Bonds").

The Convertible Bonds have been separated into the liability and equity components as follows:

	Liability component HK$'000	Equity component HK$'000	Total HK$'000
At 1 April 2018	192,561	498,183	690,744
Add: Interest charged *(Note 8)*	13,445	–	13,445
Less: Interest paid/payable	(6,006)	–	(6,006)
Less: Redemption during the year *(Note)*	(200,000)	(498,183)	(698,183)
At 31 March 2019, 1 April 2019 and **31 March 2020**	**–**	**–**	**–**

Note: On 4 August 2018, the entire outstanding Convertible Bonds with the principal amount of HK$200,000,000 remained unexercised was redeemed and extinguished by the Company upon expiration of the Convertible Bonds.

33. DEFERRED TAX LIABILITIES

The followings are the deferred tax liabilities recognised and movements thereon during the year:

	Fair value adjustment on business combination HK$'000
At 1 April 2018	12,806
Credited to profit or loss for the year	(1,920)
Exchange realignment	(838)
At 31 March 2019 and 1 April 2019	10,048
Credited to profit or loss for the year	(1,847)
Exchange realignment	(566)
At 31 March 2020	**7,635**

As at 31 March 2020, the Group had unused tax losses of approximately HK$554,092,000 (2019: approximately HK$488,067,000) available for offset against future assessable profits. No deferred tax asset was recognised due to the unpredictability of future profit streams. The Hong Kong tax losses of approximately HK$296,134,000 (2019: approximately HK$295,683,000) may be carried forward indefinitely and the remaining PRC tax losses of approximately HK$257,958,000 (2019: approximately HK$192,384,000) will expire in various dates in the next five years.

34. CAPITAL, RESERVES AND DIVIDENDS

(A) DIVIDENDS

No dividend had been paid or declared during the year. The Board does not recommend the payment of a dividend for the year ended 31 March 2020 (2019: Nil).

(B) SHARE CAPITAL

Authorised and issued share capital

	Number of ordinary shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.20 each at 1 April 2018, 31 March 2019, 1 April 2019 and **31 March 2020**	**12,500,000,000**	**2,500,000**
Issued and fully paid:		
Ordinary shares of HK$0.20 each at 1 April 2018, 31 March 2019, 1 April 2019 and **31 March 2020**	**6,753,293,913**	**1,350,659**

(C) NATURE AND PURPOSE OF RESERVES

(i) Contributed surplus

Contributed surplus represents the difference between net assets of the companies acquired and the aggregate nominal value of shares issued by the Company under the scheme of arrangement in 1992.

(ii) Other reserve

Other reserve arose as a result of (i) repurchase of the Company's listed securities, representing the excess of the nominal value of the share repurchased over the consideration paid; (ii) goodwill reserve arising on acquisition of subsidiaries of the Company prior to 1 January 2005; and (iii) statutory surplus reserve for PRC subsidiaries.

Each PRC subsidiary is required to allocate 10% of its net profit, as determined under the Accounting Standards for Business Enterprises and other relevant requirements issued by the Ministry of Finance, to the statutory surplus reserve until the reserve balance reaches 50% on its registered capital.

34. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(D) EMPLOYEES' SHARE AWARD SCHEME

The Company has adopted an employees' share award scheme on 10 February 2017. The objectives of the employees' share award scheme of the Company are (i) to recognise the contributions by the eligible participants and to motivate them for the continual operation and further development of the Group; (ii) to align the interests of the eligible participants with the shareholders of the Company for the benefit of the Group; and (iii) to attract and retain suitable personnel for the interest of the Group and the shareholders of the Company as a whole.

The Board may designate any eligible participant for participation in the employees' share award scheme, including employee, director, officer, agent, supplier, customer, business partner, advisor, consultant (or its representative or employee) or employee of any member of the Group, nominee and/or trustee of any employee benefit trust established by the Company, or any other person as determined by the Board who it considers will contribute or have contributed to the Group and determine the number of shares to be awarded. The number of shares of the Company granted under the employees' share award scheme is limited to 8% of the issued share capital of the Company at all relevant times. Further details of the employees' share award scheme of the Company are disclosed in the announcement of the Company dated 10 February 2017.

No shares (2019: Nil) were awarded under the employees' share award scheme of the Company during the year ended 31 March 2020.

(E) EQUITY SETTLED SHARE-BASED TRANSACTIONS

Share Option Scheme

Pursuant to the ordinary resolution passed at each of the annual general meetings of the Company and FDG EV both held on 29 August 2017, the Company has adopted a share option scheme (the "Scheme").

As at the date of approval of the consolidated financial statements of the Company, there were no outstanding share options. During the year ended 31 March 2020, no share options were held by any of the directors, eligible employees and other participants of the Company and no share options were granted, exercised, cancelled or lapsed.

A summary of the principal terms of the Scheme is set out below:

Purpose

The purpose of the Scheme is to enable the Company to grant options to the Eligible Participants (as defined below) to subscribe for the shares of the Company (i) in recognition of their contribution to the Group; (ii) to attract and retain or otherwise maintain an on-going relationship with them for the benefit of the Group; and (iii) to align their interests with the shareholders of the Company, thereby encouraging them to work towards enhancing the value of the shares of the Company.

34. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(E) EQUITY SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

Share Option Scheme (Continued)

Participants

The Board may, at its absolute discretion, invite any persons belonging to any of the following classes of participants (the "Eligible Participants") to take up options to subscribe for the shares of the Company:

(a) any employee (whether full time or part time) of, or any individual for the time being seconded to work for, any member of the Group or any entity in which any member of the Group holds any equity interest (the "Invested Entity");

(b) any directors (including executive, non-executive and independent non-executive directors) of the Company, or any directors of any member of the Group or any Invested Entity;

(c) any supplier of goods or services to any member of the Group or any Invested Entity;

(d) any customer, agent or distributor of any member of the Group or any Invested Entity;

(e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;

(f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity who has contributed or may contribute to the Group or the applicable Invested Entity;

(g) any adviser (professional or otherwise) or consultant to any member of the Group or any Invested Entity;

(h) any joint venture or business partner of any member of the Group, or any Invested Entity, who has contributed or may contribute to the Group or the applicable Invested Entity;

(i) any nominee and/or trustee of any trusts established by the Company for employees of the Group and other persons as designated by the Company; and

(j) any other person as determined by the Board who the Board considers, in its absolute discretion, has contributed or will contribute, by way of joint venture, business alliance, other business arrangement or otherwise, to the development and growth of any member of the Group or any Invested Entity,

and, for the purpose of the Scheme, an offer for the grant of an option may be made to any company wholly owned by one or more Eligible Participants.

34. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(E) EQUITY SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

Share Option Scheme (Continued)

Total number of shares available for issue

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and not yet exercised under the Scheme and any other share option schemes must not in aggregate exceed 30% of the shares of the Company in issue from time to time.

The total number of shares which may be issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Scheme and any other share option schemes) to be granted under the Scheme and any other share option schemes must not in aggregate exceed 10% of the shares of the Company in issue as at the date of adoption of the Scheme.

Maximum entitlement of each participant

An offer for the grant of an option to any director, chief executive or substantial shareholder of the Company, or any of their respective associates must be approved by the independent non-executive directors and FDG EV (excluding any independent non-executive director who or whose associate is the proposed grantee of an option). Where any grant of options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the shares issued and to be issued upon the exercise of all options already granted and to be granted under the Scheme and any other share option schemes (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(a) representing in aggregate over 0.1% of the shares in issue; and

(b) having an aggregate value, based on the closing price of the shares at the offer date of each offer for the grant of an option, in excess of HK$5 million,

such further grant of options must be approved by the shareholders in general meetings of the Company and FDG EV.

Subject to the aforesaid, the total number of shares issued and which may fall to be issued upon the exercise of any options granted under the Scheme and any other share option schemes (including both exercised or outstanding options) to each grantee in any 12-month period must not in aggregate exceed 1% of the shares in issue for the time being. Any further grant of options to a grantee in excess of such limit must be separately approved by shareholders in general meetings of the Company and FDG EV with such grantee and his close associates (or his associates if the grantee is a connected person) abstaining from voting.

Option period

The period within which the shares must be taken up under an option shall be determined and notified by the Board to the grantee thereof, but such period shall end in any event not later than 10 years from the date of offer of the option subject to the provisions for early termination thereof.

Minimum period for which an option must be held before it can be exercised

Unless otherwise determined by the Board and stated in the offer for the grant of an option to a grantee, a grantee is not required to hold an option for any minimum period before the exercise of an option granted to him.

34. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(E) EQUITY SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

Share Option Scheme (Continued)

Amount payable upon acceptance of option

A nominal consideration of HK$1.00 is payable on acceptance of the offer of an option, which shall not be later than 21 days from the offer date.

Subscription price for shares

The subscription price for shares under the Scheme will be a price determined by the Board, but shall not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the offer date, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of a share.

Remaining life of the Scheme

The Scheme commenced on 29 August 2017 and shall continue in force until the tenth anniversary of such date.

35. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the returns to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt (which includes bank and other borrowings, loan from the ultimate holding company and amount due to an associate as disclosed in Note 26, Note 30 and Note 19, respectively) and equity attributable to owners of the Company (comprising issued share capital and reserves).

The Directors review the capital structure at each interim and financial year end. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as issue of new debts and redemption of existing debts.

36. FINANCIAL INSTRUMENTS

(A) CATEGORIES OF FINANCIAL INSTRUMENTS

	2020 HK$'000	2019 HK$'000
Financial assets		
Financial assets mandatorily measured at FVTPL	**94,944**	6,438
Financial assets at amortised cost	**107,327**	239,565
Financial liabilities		
Amortised cost	**427,566**	570,622

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial instruments mainly include financial assets at FVTPL, loan receivables, certain trade and other receivables, amount due from an associate, cash and cash equivalents, bank and other borrowings, trade payables, certain other payables, loan from the ultimate holding company and amount due to an associate. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. There has been no change to the policies on how to mitigate these risks.

Market risk

(i) Currency risk

Several subsidiaries of the Company have certain financial assets at FVTPL, bank balances, other payables and amount due to an associate that are denominated in foreign currencies. As a result, the Group is exposed to fluctuations in foreign exchange rates. Management has closely monitored foreign exchange exposure and will undertake procedures necessary to mitigate the currency risk.

The carrying amounts of the Group's major foreign currencies denominated monetary assets and liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000
United States dollar ("USD")	**5,428**	213	**–**	–
RMB	**316**	4,089	**17,691**	148,640

36. FINANCIAL INSTRUMENTS (CONTINUED)

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis

The Group's foreign currency risk is mainly concentrated on the fluctuation of USD and RMB. For the relevant group entities in which HK$ is adopted as functional currency, since HK$ is pegged to USD, the Group does not expect any significant movements in USD/HK$ exchange rate. As the overall balance of monetary assets denominated in USD is insignificant, no sensitivity analysis on the change in USD exchange rate against the respective functional currency is presented.

The management expects the fluctuations in foreign exchange rates in the functional currency of the relevant group entities against the relevant foreign currencies is within 5%. This percentage is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in currency exchange rates.

The following table details the Group's sensitivity to a 5% (2019: 5%) decrease in the functional currency of the relevant group entities. The following sensitivity analysis includes only outstanding monetary items denominated in foreign currencies and adjusts their translation at the year end for a 5% change in foreign currency exchange rates. A positive (negative) number below indicates a decrease (an increase) in loss for the year when the currency below strengthen 5% against the functional currency of the relevant group entities. For a 5% (2019: 5%) weakening of the currency against the functional currency of the relevant group entities, there would be an equal and opposite impact on the loss for the year.

	2020 **HK$'000**	2019 HK$'000
Impact on loss for the year in relation to:		
– RMB	**(869)**	(7,228)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to the amount due from an associate, loan receivables, fixed bank deposits, other borrowings, lease liability and convertible bonds, which carry fixed interest rate as set out in Notes 19, 22, 25, 26, 31 and 32, respectively.

36. FINANCIAL INSTRUMENTS (CONTINUED)

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (Continued)

(ii) Interest rate risk (Continued)

The Group is also exposed to cash flow interest rate risk in relation to variable interest rate bank balances and bank borrowings as set out in Notes 25 and 26, respectively.

The Group currently does not have any interest rate hedging policy in relation to fair value interest rate risk and cash flow interest rate risk. The Directors monitor the Group's exposure on ongoing basis and will consider hedging the interest rate should the need arise.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of prevailing lending rate quoted by the PBOC.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for non-derivative financial instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole financial year. A 50 basis point (2019: 50 basis point) increase or decrease is used when reporting interest rate risk internally to key management personnel and represent management's assessment of the reasonably possible changes in interest rates of variable rate bank balances and variable rate bank borrowings, respectively.

If interest rates on the Group's variable rate bank balances had been 50 basis point higher or lower and all other variables were held constant, the Group's loss for the year ended 31 March 2020 would decrease or increase by approximately HK$154,000 (2019: approximately HK$6,000).

If interest rates on the Group's variable rate bank borrowings had been 50 basis point higher or lower and all other variables were held constant, the Group's loss for the year ended 31 March 2020 would increase or decrease by approximately HK$540,000 (2019: approximately HK$215,000).

(iii) Other price risk

The Group is exposed to equity price risk arising from listed equity securities and unlisted funds held by the Group. Management manages this exposure by maintaining a portfolio of investment with difference risks. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below includes listed equity securities and unlisted funds that are carried at fair values and has been determined based on the exposure to equity price risk at the end of the reporting year.

If the prices of the respective listed equity securities and unlisted funds has been 10% (2019: 10%) higher/lower, loss for the year ended 31 March 2020 would decrease/increase by approximately HK$9,494,000 (2019: approximately HK$644,000) as a result of the changes in fair value of the securities and unlisted fund.

36. FINANCIAL INSTRUMENTS (CONTINUED)

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk and impairment assessment

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

Trade receivables arising from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customers credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 on trade balances individually. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk on certain individual customers. At the end of the reporting period, the five largest trade receivable balances accounted for approximately 100% (2019: approximately 100%) of the trade receivables and the largest trade receivable balance was approximately 69% (2019: approximately 42%) of the Group's total trade receivables.

Other receivables

For other receivables, the Group performs impairment assessment under 12 months ECL model upon application of HKFRS 9 since outstanding balance is reviewed regularly by the management of the Group and there has not been a significant increase in credit risk since initial recognition. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

Loan receivables

For loan receivables, except for those which had been determined as credit-impaired, the Group performs impairment assessment under 12 months ECL model upon application of HKFRS 9 since these receivables were secured by collaterals and there has not been a significant increase in credit risk since initial recognition. The credit risk associated with the loan receivable with a principal amount of RMB50,000,000 is mitigated because it is secured by a mining right of an iron ore mine in the PRC and a deposit of HK$61,292,000 for the loan principal and interests accrued thereon has been received by the Group (Note 22). In this regard, the Directors consider that the Group's credit risk is significantly reduced.

For the loan receivables with a principal amount of HK$100,000,000, as the counterparty failed to repay the principal and interest payments on the due date, the amount had been determined as credit-impaired and the Group performs impairment assessment under the lifetime ECL. An impairment loss of approximately HK$30,844,000 was recognised against loan receivables as at 31 March 2019.

Amount due from an associate

For the amount due from an associate, the Group performs impairment assessment under 12 months ECL model upon application of HKFRS 9 (2019: incurred loss model) since outstanding balance is reviewed regularly by the management of the Group. During the year, an impairment loss of approximately HK$81,426,000 (2019: HK$13,200,000) was recognised in the consolidated statement of profit or loss and other comprehensive income.

36. FINANCIAL INSTRUMENTS (CONTINUED)

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk and impairment assessment (Continued)

Pledged bank deposits and bank balances

The credit risk on pledged bank deposits, deposits placed with other financial institutions and bank balances is limited because the counterparties are banks and financial institutions with high credit rating assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, loan receivables and on trade receivables from certain individual customers, the Group does not have any other significant concentration of credit risk.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12 months ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL – not credit-impaired	12 months ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

36. FINANCIAL INSTRUMENTS (CONTINUED)

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

2020	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount	
				HK$'000	HK$'000
Financial assets at amortised cost					
Loan receivables	N/A	Low risk	12 months ECL	**52,555**	
		Loss	Lifetime ECL – Credit-impaired	**–**	**52,555**
Trade receivables	N/A	Low risk	Lifetime ECL – Not Credit-impaired	**–**	
		Watch list	Lifetime ECL – Not Credit-impaired	**5,906**	
		Loss	Lifetime ECL – credit-impaired	**13,308**	**19,214**
Bills receivable	N/A	Low risk	12 months ECL	**109**	
Other receivables	N/A	Low risk	12 months ECL	**62,676**	
Amount due from an associate	N/A	Watch list	12 months ECL	**99,838**	
Bank balances	Baa1 to Aa1	N/A	12 months ECL	**34,453**	

36. FINANCIAL INSTRUMENTS (CONTINUED)

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

2019	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount HK$'000	HK$'000
Financial assets at amortised cost					
Loan receivables	N/A	Low risk	12 months ECL	56,339	
		Loss	Lifetime ECL – Credit-impaired	100,000	156,339
Trade receivables	N/A	Low risk	Lifetime ECL – Not Credit-impaired	7,134	
		Watch list	Lifetime ECL – Not Credit-impaired	4,991	
		Loss	Lifetime ECL – credit-impaired	5,618	17,743
Other receivables	N/A	Low risk	12 months ECL	70,909	
Amount due from an associate	N/A	Watch list	12 months ECL	94,179	
Bank balances	Baa1 to Aa1	N/A	12 months ECL	6,579	

36. FINANCIAL INSTRUMENTS (CONTINUED)

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk and impairment assessment (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables.

	2020 Lifetime ECL (credit-impaired) HK$'000	2019 Lifetime ECL (credit-impaired) HK$'000
As at 1 April	**870**	11,307
Impairment losses recognised *(Note 9)*	**13,412**	–
Impairment losses reversed *(Note 9)*	**(583)**	(9,716)
Exchange adjustments	**(391)**	(721)
As at 31 March	**13,308**	870

Change in the loss allowance for trade receivables is mainly due to:

	2020 Increase/ (decrease) in lifetime ECL credit-impaired HK$'000	2019 Increase/ (decrease) in lifetime ECL credit-impaired HK$'000
Debtors with a gross carrying amount of approximately HK$13,059,000 defaulted and determined as credit-impaired as at 31 March (2019: Nil)	**13,059**	–
Debtors with a gross carrying amount of approximately HK$5,906,000 under watch list	**353**	–
Settlement in full of trade debtors with a gross carrying amount of approximately HK$583,000 (2019: approximately HK$9,716,000)	**(583)**	(9,716)

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, that is, when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

36. FINANCIAL INSTRUMENTS (CONTINUED)

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk and impairment assessment (Continued)

The following table shows the movement in lifetime ECL that has been recognised for loan receivables.

	2020 Lifetime ECL (credit-impaired) HK$'000	2019 Lifetime ECL (credit-impaired) HK$'000
As at 1 April	**30,844**	7,750
Change due to financial instruments recognised as at 1 April:		
– Impairment losses recognised *(Note 9)*	**–**	30,844
– Impairment losses reversed *(Note 9)*	**(12,844)**	(7,750)
– Impairment losses written-off	**(18,000)**	–
As at 31 March	**–**	30,844

Changes in the loss allowance for loan receivables are mainly due to:

	2020 Increase/ (decrease) in lifetime ECL (Credit-impaired) HK$'000	2019 Increase/ (decrease) in lifetime ECL (Credit-impaired) HK$'000
A debtor with a gross carrying amount of HK$100,000,000 defaulted and determined as credit-impaired as at 31 March	**–**	30,844
Partial settlement of HK$82,000,000 (2019: settlement in full) from a debtor with a gross carrying amount of HK$100,000,000 (2019: HK$7,750,000)	**(12,844)**	(7,750)
Written-off of unsettled balance of HK$18,000,000 of a debtor with a gross carrying amount of HK$100,000,000 (2019: Nil)	**(18,000)**	–

36. FINANCIAL INSTRUMENTS (CONTINUED)

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank and other borrowings and ensures compliance with loan covenants. The amount of net current liabilities of the Group is approximately HK$246,927,000 (2019: approximately HK$325,589,000) as at 31 March 2020, which causes the Group in significant liquidity risk. At the end of reporting period, the Group has taken appropriate measures as set out in Note 1 to mitigate such liquidity risk.

The following table details the Group's remaining contractual maturity for its financial liabilities and obligations under finance leases based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities and obligations under finance leases based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. However, for those secured and unsecured other borrowings and obligations under finance leases which the Group had failed to repay the principal and interest payments during the year, the entire outstanding principal amounts are on demand and repayable immediately. Interests on those secured and unsecured other borrowings and obligations under finance leases are excluded. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

Liquidity and interest risk tables

	Weighted average effective interest rate %	On demand or less than 1 month HK$'000	1–3 months HK$'000	3 months to 1 year HK$'000	1–5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March 2020 HK$'000
As at 31 March 2020							
Trade payables	–	–	–	14,666	3,199	17,865	17,865
Other payables	–	90,500	–	–	–	90,500	90,500
Loan from the ultimate holding company	–	49,100	–	–	–	49,100	49,100
Bank and other borrowings							
– variable rate	4.75-6.45	74,157	6,181	17,128	14,174	111,640	107,901
– fixed rate	15-21	135,193	–	–	–	135,193	125,000
Lease liability	6.00	38,901	–	–	–	38,901	37,200
		387,851	6,181	31,794	17,373	443,199	427,566

36. FINANCIAL INSTRUMENTS (CONTINUED)

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

Liquidity and interest risk tables (Continued)

	Weighted average effective interest rate %	On demand or less than 1 month HK$'000	1–3 months HK$'000	3 months to 1 year HK$'000	1–5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March 2019 HK$'000
As at 31 March 2019							
Trade payables	–	–	538	5,051	–	5,589	5,589
Other payables	–	55,205	–	–	–	55,205	55,205
Loan from the ultimate holding company	–	–	–	100,000	–	100,000	100,000
Bank and other borrowings							
– variable rate	6.04	–	43,484	–	–	43,484	43,031
– fixed rate	14.61	178,227	–	–	–	178,227	176,902
Lease liability	6.00	41,255	–	–	–	41,255	41,255
Amount due to an associate	–	148,640	–	–	–	148,640	148,640
		423,327	44,022	105,051	–	572,400	570,622

The amounts included above for variable interest rate instruments is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

36. FINANCIAL INSTRUMENTS (CONTINUED)

(C) FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised into Level 1, 2 and 3, as set out in Note 3, based on the degree to which the inputs to the fair value measurements are observable.

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	31 March 2020 HK$'000	31 March 2019 HK$'000		
Financial assets mandatorily measured at FVTPL				
– Listed equity securities in Hong Kong	**–**	231	Level 1	Quoted bid prices in active markets
– Listed equity securities in Taiwan	**89,700**	–	Level 1	Quoted bid prices in active markets
– Quoted funds	**5,244**	6,207	Level 2	Quoted prices in the over-the-counter markets

There was no transfer of the fair value hierarchy from level 1 to level 2, or level 3, and vice-versa, during the two years.

Fair values of financial assets and liabilities that are not measured at fair value on a recurring basis

All of the carrying amounts of the Group's financial assets and liabilities carried at amortised cost are not materially different from their fair values as at 31 March 2020 and 2019.

37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows used in financing activities.

	Interest payable HK$'000	Bank and other borrowings HK$'000	Convertible bonds HK$'000	Loan from the ultimate holding company HK$'000	Lease liability HK$'000	Total HK$'000
At 1 April 2018	1,630	136,067	192,561	–	45,977	376,235
Financing cash flows	(15,706)	92,810	(106,006)	(7,700)	(2,412)	(39,014)
Foreign exchange translation	(1,316)	(8,944)	–	–	(4,316)	(14,576)
Interest expenses	30,971	–	13,445	–	2,006	46,422
Non-cash changes	–	–	(100,000)	107,700	–	7,700
At 31 March 2019 and 1 April 2019	15,579	219,933	–	100,000	41,255	376,767
Financing cash flows	(20,573)	20,176	–	(50,900)	(1,574)	(52,871)
Foreign exchange translation	(1,202)	(7,208)	–	–	(2,481)	(10,892)
Interest expenses	46,804	–	–	–	–	46,804
At 31 March 2020	**40,608**	**232,901**	**–**	**49,100**	**37,200**	**359,808**

38. MAJOR NON-CASH TRANSACTIONS

FOR THE YEAR ENDED 31 MARCH 2020

As at 31 March 2020, the Group decided not to proceed with the investment in ALEEES GuiZhou, as disclosed in Note 19(iii), and the unpaid investment cost of approximately HK$139,549,000 and the amount due to an associate of approximately HK$139,549,000 (as obligations for capital contribution to ALEEES GuiZhou) were derecognised.

FOR THE YEAR ENDED 31 MARCH 2019

(a) On 4 August 2018, the Company redeemed the entire outstanding Convertible Bonds with the principal amount of HK$200,000,000 (Note 32), accordingly, HK$100,000,000 of such amount was settled by the loan advanced from FDG EV (Note 30) pursuant to a loan agreement entered into by the Company with FDG EV during the year ended 31 March 2019.

(b) Prior to the year ended 31 March 2018, the Group has written off loan receivable and interest receivable from a debtor of approximately HK$7,750,000 and HK$318,000, respectively and reversal of such impairment losses is recognised during the year ended 31 March 2019. Pursuant to the settlement agreement and mutual release entered into on 18 October 2018 by FDG EV and the debtor, FDG EV agreed to take up the loan and interest receivables and shall pay approximately US$1,312,000 (equivalent to approximately HK$10,173,000) to the Group, in which the amount constitutes the amount of the outstanding balance of the loan due from the debtor to the Group, and shall be paid and directed to the Group via means mutually agreed to by FDG EV and the Group. The loan and interest receivables of approximately US$1,312,000 (equivalent to approximately HK$10,173,000) taken up by FDG EV, together with an advance made to FDG EV of HK$2,900,000 during the year ended 31 March 2019, were settled by cash of HK$1,300,000 and offset against the outstanding interest and other payables of approximately HK$11,773,000 during the year ended 31 March 2019. The excess amount of approximately HK$2,105,000 recovered from FDG EV is recognised as interest income during the year ended 31 March 2019 as no interest was accrued since full impairment was made in prior years.

39. OPERATING LEASES COMMITMENTS

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2020 **HK$'000**	2019 HK$'000
Within one year	**281**	210
In the second to fifth year inclusive	**–**	–
	281	210

The Group is the lessee in respect of a number of properties held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 April 2019 to recognise lease liabilities relating to these leases (see Note 3). From 1 April 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the Group's accounting policies set out in Note 3, and the details regarding the Group's future lease payments are disclosed in Note 31.

40. CAPITAL COMMITMENTS

As at 31 March 2020, the Group has capital commitments amounted to approximately HK$139,549,000 for the Group's obligation for unpaid investment cost of its investment in ALEEES GuiZhou. In order to alleviate the current liquidity situations of the Group, the Group has decided not to proceed with this investment and explore solutions with the associate's shareholders.

41. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance. The MPF scheme is defined contribution retirement plans administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

The employees employed by the PRC subsidiaries are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

The total expense recognised in profit or loss of approximately HK$1,556,000 (2019: approximately HK$2,036,000) represents contributions payable to these plans by the Group at rate specified in the rules of the schemes.

42. MAJOR RELATED PARTY TRANSACTIONS

(A) TRANSACTIONS WITH RELATED COMPANIES

The Group entered into the following transactions with related parties during the reporting period:

	Note	**2020 HK$'000**	2019 HK$'000
Rental expenses paid to a fellow subsidiary	*(i)*	**(960)**	(960)
Consultancy fee paid to a fellow subsidiary	*(i)*	**(960)**	(960)
Expenses reimbursed to a fellow subsidiary	*(i)*	**(969)**	(966)
Interest expenses paid to a fellow subsidiary	*(ii)*	**–**	(6,231)
Interest income receivable from FDG EV	*(iii)*	**–**	13
Interest income receivable from an associate	*(iv)*	**5,659**	5,526

Notes:

(i) The amounts represented rental expenses, consultancy fee and other expenses reimbursed to a fellow subsidiary, which is a wholly-owned subsidiary of FDG EV.

(ii) The amount represented interest expense paid for the Convertible Bonds.

(iii) During the year ended 31 March 2019, the Group has made an advance to FDG EV at an interest of 3% per annum and the Group received an interest of approximately HK$13,000 from FDG EV. FDG EV has fully repaid the loan to the Group before 31 March 2019.

(iv) The amount represented interest income derived from the amount due from an associate (Note 19(ii)).

(B) BALANCES WITH RELATED COMPANIES

	2020 HK$'000	2019 HK$'000
Amount due from an associate *(Note 19)*	**5,213**	80,979
Amount due to an associate *(Note 19)*	**–**	(148,640)
Amount due to a fellow subsidiary	**(982)**	–
Amount due to the ultimate holding company	**(522)**	–
Loan from the ultimate holding company *(Note 30)*	**(49,100)**	(100,000)

(C) KEY MANAGEMENT PERSONNEL REMUNERATION

The remuneration of the Directors and other members of key management during the year was as follows:

	2020 HK$'000	2019 HK$'000
Salaries	**6,731**	10,325
Other short-term employee benefits	**42**	66
	6,773	10,391

The remuneration of the Directors and key executives is determined by the Nomination and Remuneration Committee of the Company having regard to the performance of individuals and market trends.

42. MAJOR RELATED PARTY TRANSACTIONS (CONTINUED)

(D) GUARANTEE

As disclosed in Note 26, the Group's other borrowings of HK$65,000,000 (2019: HK$100,000,000) and approximately HK$72,199,000 (2019: approximately HK$76,902,000) as at 31 March 2020 are guaranteed by FDG EV and an indirect wholly-owned subsidiary of an associate, respectively.

As disclosed in Note 31, the Group's lease liability as at 31 March 2020 and 31 March 2019 are guaranteed by an indirect wholly-owned subsidiary of an associate.

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	**2020 HK$'000**	2019 HK$'000
Non-current assets			
Property, plant and equipment		**11**	29
Investment in subsidiaries		**253,852**	707,037
Other non-current assets		**367**	367
		254,230	707,433
Current assets			
Other receivables		**966**	1,062
Amounts due from subsidiaries		**1,522**	1,344
Cash and cash equivalents		**30,733**	906
		33,221	3,312
Current liabilities			
Accruals and other payables		**(21,816)**	(10,508)
Other borrowings		**(125,000)**	(100,000)
Loan from the ultimate holding company		**(49,100)**	(100,000)
Amounts due to subsidiaries		**(35,825)**	(47,478)
		(231,741)	(257,986)
Net current liabilities		**(198,520)**	(254,674)
Total assets less current liabilities		**55,710**	452,759
NET ASSETS		**55,710**	452,759
CAPITAL AND RESERVES			
Share capital		**1,350,659**	1,350,659
Reserves	*(a)*	**(1,294,949)**	(897,900)
TOTAL EQUITY		**55,710**	452,759

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

(a) RESERVES

THE COMPANY

	Share premium HK$'000	Equity component of convertible bonds HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2018	2,429,465	498,183	2,184	(3,217,402)	(287,570)
Loss for the year	–	–	–	(610,330)	(610,330)
Transfer upon expiration of convertible bonds	–	(498,183)	–	498,183	–
At 31 March 2019 and 1 April 2019	2,429,465	–	2,184	(3,329,549)	(897,900)
Loss for the year	–	–	–	(397,049)	(397,049)
At 31 March 2020	**2,429,465**	**–**	**2,184**	**(3,726,598)**	**(1,294,949)**

44. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 March 2020 and 2019 are as follows:

Name of subsidiary	Place of incorporation/ registration/ establishment	Issued and fully paid share/ registered capital	Percentage of issued share/ registered capital held by the Company Directly 2020	Directly 2019	Indirectly 2020	Indirectly 2019	Principal activities
Active Way International Limited	Hong Kong	HK$2	**–**	–	**100%**	100%	Investment holding and loan financing
Bowen Limited	Hong Kong	HK$2	**100%**	100%	**–**	–	Investment holding
Cash Level Investments Limited	The BVI	US$1	**–**	–	**100%**	100%	Securities trading
Cherrylink Investments Limited	The BVI	US$1	**100%**	100%	**–**	–	Investment holding
Premier Property Management Limited	Hong Kong	US$43,220,010	**–**	–	**100%**	100%	Investment holding
Profit Union Investments Limited	The BVI	US$1	**–**	–	**100%**	100%	Securities trading
五龍動力(重慶)鋰電材料有限公司 (FDG Kinetic (Chongqing) Lithium Ion Battery Materials Co., Ltd.) ("FDG Kinetic (Chongqing)")	The PRC	US$43,200,000	**–**	–	**100%**	100%	Manufacturing and trading of cathode materials
事安投資諮詢(深圳)有限公司	The PRC	RMB60,000,000	**–**	–	**100%**	100%	Investment consultancy services

None of the subsidiaries had any debt securities outstanding at the end of the reporting period or at any time during the year.

44. PRINCIPAL SUBSIDIARIES (CONTINUED)

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

At the end of the reporting period, the composition of the Company's subsidiaries are as follows. The principal activities and place of incorporation and business of these subsidiaries are summarised as follows:

Principal activities	Country/place of incorporation	Principal country/ place of business	Number of subsidiaries 2020	2019
Manufacturing and trading of cathode materials	The PRC	The PRC	**1**	1
Investment holding and/or loan financing	Hong Kong	Hong Kong	**4**	4
	The BVI	Hong Kong	**9**	9
Securities trading	The BVI	Hong Kong	**2**	2
Investment consultancy services	The PRC	The PRC	**1**	1
Dormant/inactive	Hong Kong	Hong Kong	**7**	7
	The BVI	Hong Kong	**6**	6
			30	30

45. EVENTS AFTER THE REPORTING PERIOD

(A) APPOINTMENT OF RECEIVERS AND MANAGERS

On 29 April 2020, the Company received a letter from a legal adviser acting for SHK Finance informing the Company that Tang Chung Wah, Hou Chung Man and Kan Lap Kee, all of SHINEWING Specialist Advisory Services Limited had been appointed by SHK Finance as receivers and managers (the "Receivers") over all of the undertakings, property and assets of the Company and to, amongst others, exercise all of the powers of a receiver and manager given by the terms of a debenture executed by the Company in favour of SHK Finance to secure the loan facilities (the "Loan") granted by SHK Finance to the Company pursuant to a loan agreement entered into between the Company and SHK Finance, which were overdue. On the same date, bank balances of approximately HK$27,650,000 has been requested to be frozen by the Receivers and has been frozen on 6 May 2020. As at 31 March 2020, the outstanding principal of the Loan is HK$60,000,000 and the accrued interest is approximately HK$2,852,000.

(B) WINDING UP PETITION AGAINST THE COMPANY

On 14 May 2020, Join View, a creditor of the Company, filed a petition (the "Petition") with the High Court of the Hong Kong Special Administrative Region (the "HK Court") for an order that the Company be wound up by the HK Court. The Petition was filed against the Company for failure to pay Join View an outstanding debt and the accrued interest pursuant to a loan agreement entered into among Join View as lender, the Company as borrower and FDG EV as guarantor. As at 31 March 2020, the outstanding principal of the loan was HK$65,000,000 and the accrued interest was approximately HK$4,002,000. FDG EV joined as a party opposing the Petition, and the Petition was heard before the HK Court on 5 August 2020 and 10 August 2020, and a second call-over hearing of the Petition has been adjourned to 19 October 2020.

45. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

(C) LITIGATIONS COMMENCED BY CREDITORS

As of the date of approval of the consolidated financial statements, there were outstanding litigations brought by trade creditors and a lease creditor against a subsidiary of the Company requesting the subsidiary to repay the outstanding trade payables, other borrowings and lease liability, amounting to approximately HK$5,136,000, HK$72,199,000 and HK$37,200,000, respectively. The litigations are still at early stage and subject to further court hearing. The Group is currently reviewing the legal documents and considering various alternatives and negotiation to resolve the litigations.

(D) DEMAND FROM FDG EV ON THE LOAN FROM ULTIMATE HOLDING COMPANY

On 28 April 2020, FDG EV demanded the Company to repay the outstanding loan with principal of HK$30,000,000 (the "Demanded Loan") by giving one business day's prior written notice pursuant to a loan agreement entered into between the Company and FDG EV, as the Company's bank balance of approximately HK$27,650,000 has been frozen on 6 May 2020 upon request by the Receivers, the Company was unable to make repayment up to the date of approval of the consolidated financial statements.

(E) DILUTION OF INVESTMENT IN ALEEES

After the end of the reporting period, the Group's interest in ALEEES, which has been reclassified to financial assets at FVTPL during the year ended 31 March 2020, was further changed from approximately 19.04% to 15.47% upon the issuance of new shares by ALEEES.

46. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year's presentation.

GROUP FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the four financial years ended 31 March 2020, 2019, 2018 and 2017, and financial period ended 31 March 2016, as extracted from the published audited consolidated financial statements and reclassified and restated as appropriate, is set out below:

	Year ended 31 March 2020 HK$'000	Year ended 31 March 2019 HK$'000	Year ended 31 March 2018 HK$'000	Year ended 31 March 2017 HK$'000	Fifteen months ended 31 March 2016 HK$'000
Loss attributable to owners of the Company	**(357,418)**	(628,582)	(1,026,653)	(206,191)	(1,970,512)
Total assets	**551,488**	1,070,615	1,817,457	2,804,288	2,667,799
Total liabilities	**(500,954)**	(657,032)	(721,465)	(1,355,820)	(894,603)
Net assets	**50,534**	413,583	1,095,992	1,448,468	1,773,196
Non-controlling interests	**–**	–	–	–	–
Total equity attributable to owners of the Company	**50,534**	413,583	1,095,992	1,448,468	1,773,196