



中國動力
China Dynamics



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

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

Annual Report 2021



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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Cheung Ngan (*Chairman*)

Mr. Miguel Valdecabres Polop (*Chief Executive Officer*)

Ms. Chan Hoi Ying

Independent Non-Executive Directors

Mr. Chan Francis Ping Kuen

Mr. Hu Guang

Dato' Tan Yee Boon

AUDIT COMMITTEE

Mr. Chan Francis Ping Kuen

Mr. Hu Guang

Dato' Tan Yee Boon

AUDITOR

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STOCK CODE

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AUTHORISED REPRESENTATIVE

Ms. Chan Hoi Ying

Ms. Lo Lai Man, CPA

COMPANY SECRETARY

Ms. Lo Lai Man, CPA

PRINCIPAL BANKER

Bank of Communications Co., Ltd

Hang Seng Bank Limited

WEBSITE

www.chinadynamics.com



CHAIRMAN'S STATEMENT

The Board of Directors (the "Board") of China Dynamics (Holdings) Limited (the "Company") is pleased to present the annual report of the Company and its subsidiaries (the "Group") for the year ended 31 March 2021.

RESULTS

During the year ended 31 March 2021, the Group recorded revenue of approximately HK\$23.8 million (2020: HK\$5.1 million), which was derived from the sales of motor vehicles. Gross profit amounted to approximately HK\$6.9 million (2020: HK\$0.7 million), with a gross profit ratio of 28.9% (2020: 13.4%). The increase in revenue and gross profit on the sales of motor vehicles was the result of an increase in sales orders and better economies of scale. Following the enhancement of its R&D capabilities and the efforts made on international commercial and sales, the Group's results have rebounded and remained on a more positive trend. The Group is now working on a cost optimization plan in order to ensure maximum efficiency and thus add more value to its final products. Details of the Group's current development are set out in the section headed "Business Review" below.

The Group recorded a loss of approximately HK\$787.3 million for the year, as compared with a loss of approximately HK\$162.0 million for last year. The increase in the loss was mainly due to the increase in non-cash expenses including (i) an impairment loss on the mining assets in Guangxi of approximately HK\$690.0 million (2020: HK\$27.6 million); and (ii) the share-based payment expenses to approximately HK\$22.6 million (2020: HK\$7.5 million). Such expenses were non-cash items and will not affect the cash flow of the Group.

The loss was partly offset by the reversal on the impairment loss of intangible assets of approximately HK\$5.1 million (2020: impairment loss of HK\$10.0 million) in respect of the development of electric vehicles with details in the "Electric bus and electric vehicles" segment under "Business Review".

The loss attributable to the owners of the Company was approximately HK\$780.5 million (2020: HK\$146.9 million). Basic and diluted loss per share for the year was HK\$0.1 per share (2020: HK\$0.02 per share).

DIVIDEND

The directors of the Company do not recommend the payment of any dividend for the year ended 31 March 2021 (2020: HK\$nil).

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

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

The Group, through its subsidiary, Chongqing Suitong New Energy Automotive Manufacturing Co., Ltd. ("Suitong"), has a production base in Chongqing engaged in the manufacture of electric buses and their entire electric power and control systems, the manufacture of other buses, and the marketing and selling of vehicle components.

During the year, Suitong has successfully completed sales orders from Wulong County for its 8.5-meter buses. Although the massive EV market in the People's Republic of China (the "PRC") remains highly competitive, we maintain confidence in the Group's advantage in technical capabilities and believe that Suitong will remain committed to seeking new sales orders and will subsequently be able to reap a rewarding return from the huge potential within the PRC market in the years to come.

As discussed in the last annual report, the Group have diversified its business into overseas markets instead of relying solely on the PRC market. In the current year, the Group completed sales orders from the Hong Kong Productivity Council for two smart electric buses as part of a trial run by the Airport Authority Hong Kong and the Hong Kong Anti-Cancer Society. Orders for two more new smart electric buses are currently under negotiation. The Company will also start to sell our fully electric 65-seats coached to the Hong Kong market in the latter half of the year. Two of the coaches have already arrived in Hong Kong ready to sell and we are now negotiating terms with prospective buyers. The Group is optimistic that tourism will revive in the post pandemic era, and will drive a big demand for the inevitable switching to electrify coaches. Given our coaches are currently almost the only approved model of their type in Hong Kong, we are confident that the Company has a very strong advantage in this more than 7,000 unit-strong market sector. In addition, the Company had launched its fully electric 19-seat low-floor minibus late last year, which will be ready for sale in the second half of this year. The Company has already secured a small trial order for this minibus. This minibus is suitable for both the franchise and non-franchise minibus sectors in Hong Kong with total more than 4,000 units. Given our minibus's unique low-floor design with no comparable model at this moment, the Company is highly confident that we can secure a sizeable market share in these sectors.



CHAIRMAN'S STATEMENT

The Group has also completed the development of a customised city bus named COMET for emerging markets in Southeast Asia, with the first orders having been unveiled and delivered during the year under review. A launching ceremony was held in the Philippines to showcase this pioneering and environmentally friendly form of public transportation. Again, the potential of the markets that the Group has entered is enormous and we expect many more orders in the near future. For the year under review, several sales orders from the Philippines were completed and are thus recorded in the current year's results. Following the successful showcase in the Philippines, the Company has received sizable follow-up orders and will deliver no fewer than 500 COMET units in the coming 24 months. The Company is currently producing these follow-up orders and is expected to deliver around 100 units of the COMET in the third and early in the fourth quarter of 2021. The Group believes that COMET is by far the most suitable and feasible model for replacing the Jeepney in Philippines. The market size of the Jeepney in the Philippines is several hundred thousand units. The Group is very confident in dominating the Philippines Jeepney market through progressive market penetration.

For the South American market, the Group has developed a 12-meter "rolling platform", which is a complete chassis with a powertrain, battery pack, steering, wheels and brakes etc. This way the Group can meet the B2B business demand coming from local bus manufacturers that lack the technology to develop their own platform. The Group has already secured a sizable order for 12-meter e-platforms and another 12-meter city bus from Latin America. These orders will certainly contribute positive revenue upon completion and will therefore improve the Group's overall financial performance. Nevertheless, as a result of the travel restrictions imposed in response to the COVID-19 pandemic, together with country-specific impact from the pandemic, the completion of such sales orders has been complicated by unexpected delays.

On 30 April 2021, the Company has entered into an investment agreement to subscribe for 4.98% of Quantron AG, a company incorporated in Germany principally engaged in e-mobility in inner-city and regional passenger and freight transport. The Group believes that this investment will bring synergy effect and present a good opportunity to further expand our business in Europe. As such, the Company has successfully obtained orders through Quantron AG in Europe for our 12-meter electric bus and 12-meter hydrogen bus, which are expected to be delivered in the third and fourth quarter of 2021 respectively. The demand for electric buses and vehicles in Europe is strongly growing and the Company expects there will be a steady stream of orders after the delivery of these buses.

CHAIRMAN'S STATEMENT

The Group strongly believe that a trend for a faster rollout for overseas markets is now underway. In addition, the Group has obtained a trial order of its logistics vehicles for the European market which is expected to be delivered within a few months. Again, the Group is highly confident that further orders from Europe will be secured following the trial period of this first series of orders. Moreover, during the year, the Group appointed a new chief executive officer, Mr. Miguel Valdecabres Polop, who is leading its internationalisation and whose appointment has attracted the attention of international investors who have now begun to pay closer attention to the Group's recent development.

The COVID-19 pandemic has inevitably affected the Group's production schedule as well as the placement and fulfilment of orders, particularly those from overseas. Suitong was able to restart its production from April 2020 onwards, and progress in production is picking up nicely alongside the steady advances in reopening of national supply chains in the PRC. However, the intensified restrictions worldwide have made it impossible for Suitong's technical personnel to travel to target markets to perform product commissioning. Travel bans and lockdowns remain a significant challenge for the Group, as they make the order process and cooperation more difficult since EV products have to comply with local regulations and operational requirements.

In the current year, several sales orders from Central and South American countries were confirmed with expected delivery by 2021.

The Group is currently utilizing the existing production plant in the Wulong District of Chongqing, which has sufficient production capacity to cope with the increasing number of overseas orders. The main building blocks of the new production plant in the Qijiang District of Chongqing, meanwhile, have been completed but the installation of production equipment has still not commenced. The Group is evaluating the situation and is considering the best use of the new plant in order to maximize its efficiency and the Group's interest.

Mining and production of mineral products

The Group's wholly-owned subsidiary, Guangxi Weiri Mining Company Limited (the "Guangxi Weiri"), owns a glauberite mine located in the Guangxi Zhuang Autonomous Region of the PRC (the "Glauberite Mine"). The product extracted from the Glauberite Mine is thenardite, an important raw material used in chemical and light industrial manufacturing. No other significant exploration, development or production activity related to the Glauberite Mine was conducted during the year ended 31 March 2021. The mineral resources available have not changed since its acquisition on 28 February 2014. Further details regarding these resources are available in the "Mineral Resources and Ore Reserves" section below.



CHAIRMAN'S STATEMENT

Guangxi Weiri has completed the purchase of land use rights covering 63,118 square meters of land at a cost of RMB7.6 million. Another RMB8.4 million has been paid for approximately 100,000 square meters of land for a factory site, however, relevant land use rights have not yet been issued as the local government is still executing the land management process. The purchase procedure for approximately 41,500 square meters of land for road access has also been completed, but no payment has been made to the government thus far since the land use rights of the second parcel of land as stated above are still pending approval. An accumulated expenditure of approximately RMB18.5 million was incurred for the construction of an access road to the factory site. Guangxi Weiri is working closely with the local government to resolve the land issue. The Group has been in regular communication with the local government and has closely monitored the progress of the issuance of land use rights.

Guangxi Weiri will weigh the relevant risks involved before any construction work is carried out. As mentioned in previous annual reports, Guangxi Weiri is considering all options, including the possibility of negotiating with the local government to take over an abandoned thenardite processing plant nearby so as to resolve the long-term land issues. Although that plant is not within the Guangxi Weiri mine site, careful assessment has found it feasible from both the geotechnical resources and government administrative perspectives. Guangxi Weiri will carefully assess this possibility and will reduce risks, if any, by strictly controlling the relevant capital expenditure that may be incurred.

The Group has closely monitored the Glauberite Mine development and has periodically assessed its resources, financial viability, and general condition. The management has conducted regular financial analysis, taking into account its resources, technical parameters and market situation, so as to assess the mining asset's overall situation. The Group has also engaged the services of a qualified independent valuer to assess its fair value. The fair value is calculated under the Multi Period Excess Earnings Method, which is based on a financial budget covering an 18-year period from 2023 to 2041 and then discounted to its present value by the discount rate. The Group has assessed the key assumptions used for the calculation of the discounted cash flows, including the prevailing market condition of thenardite products, the exploitation volume of the resources and the discount rate adopted. Details of the key assumptions applied for the Glauberite Mine are set out in note 19 to the consolidated financial statements. In accordance with the report of the Valuer, the fair value of the Glauberite Mine as at 31 March 2021 is RMB1,540.1 million. The carrying value of RMB2,142.0 million exceeded the fair value and hence the impairment loss on the mining assets of RMB601.9 million, equivalent to HK\$690.0 million (2020: HK\$27.6 million), was made in the current year. The decrease in fair value of the mining assets was due to the multiple effect on the assumption used in the Multi Period Excess Earnings Method, including the increase in discount rate to 21.96% (2020: 20.98%), decrease in income growth rate to 2.68% (2020: 2.84%) and increase in costs growth rate to 1.40% (2020: 1.25%). The higher discount rate is due to the uncertainty and fluctuation of global demand during the outbreak of COVID-19 and its subsequent period. Such impairment loss are non-cash items and will not affect the cash flow of the Group. The Group will assess any possibility and means to minimize risks and to maximize shareholders benefits as a whole. Given the Glauberite Mine's distinct advantage in terms of its immense resources, strategic location and market potential, the Group remains highly confident that it is a unique and valuable asset.

CHAIRMAN'S STATEMENT

Mineral resources and ore reserves

As at 31 March 2021, the Company, through its wholly-owned subsidiary in the PRC, owns a Glauberite Mine in Guangxi. The following table sets out the mineral information of the mine as at 31 March 2021:

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

Notes:

- (1) The effective date of the Mineral Resource is 31 May 2013. All tonnages are rounded to the nearest million tonnes to reflect the inherent level of confidence associated with the resources estimation. The Mineral Resource was estimated within constraining wireframe solids based on geological limits of the mineralized and internal waste units. Nominal cut off for defining the geological unit is 10% Na₂SO₄. The mineral resource estimate is in accordance with the JORC Code with an effective date of 31 May 2013. Since no additional work has been done to add to the geological data set, nor has the resource been depleted through mining, the resources as at 31 March 2021 remain unchanged.



CHAIRMAN'S STATEMENT

(2) Competent person statement:

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

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

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

The Competent Person's Consent Form from Mr. Daniel Kentwell was obtained by China Dynamics (Holdings) Limited on 28 May 2021.

Metals and minerals trading

As the metals and minerals trading industry remained weak and the profit margins of such business are low, the Group had not concluded any trading contract on metal ores during the year to avoid any possible risks. The Group continues to identify and pursue other types of resources for the trading business and believes that it will be able to seize such opportunities as they arise.

LIQUIDITY AND FINANCIAL RESOURCES

The directors have considered various ways of raising funds and consider that the subscription and placing of shares represents an attractive opportunity to raise capital for the Company while broadening the shareholder base and capital base of the Company. Due to the rapid expansion of the business mentioned above, the Group may continue to seek external financial resources in the future in order to finance its operations. As at 31 March 2021, the net asset value of the Group amounted to approximately HK\$2,071.5 million (2020: HK\$2,607.7 million). The gearing ratio of the Group was nil, given no bank borrowings as at 31 March 2021 (2020: HK\$nil) and the equity attributable to owners of the Company was approximately HK\$2,107.7 million (2020: HK\$2,634.2 million).

CHAIRMAN'S STATEMENT

As at 31 March 2021, the Group's other payables and accruals amounted to HK\$142.0 million, an increase of 17.2% as compared with HK\$121.2 million as at 31 March 2020. The increase was attributable to the 7.8% appreciation of Renminbi against the Hong Kong Dollar and the increase in the construction cost for the manufacturing plant of motor vehicles in Chongqing. The other payables and accruals mainly represented (i) the government grant in relation to the acquisition of land use rights of approximately HK\$64.7 million (2020: HK\$59.7 million), which will be recognized as a reduction of construction costs in property, plant and equipment after the completion of the construction of the manufacturing plant in Chongqing and the fulfilment of the conditions of the government grant; and (ii) the construction cost incurred for the manufacturing plant in Chongqing of approximately HK\$53.1 million (2020: HK\$40.8 million), with the construction of the main building blocks having been completed in the previous year ended 31 March 2020.

As at 31 March 2021, the Company has (i) outstanding convertible notes in the principal amount of HK\$7.5 million (2020: HK\$883.1 million) which could be converted into 10,000,000 shares (2020: 1,177,413,600 shares) of the Company based on the conversion price of HK\$0.75 per share subject to the conversion restriction set out in the terms of the convertible notes in relation to the compliance with the relevant requirements of the Codes on Takeovers and Mergers and Share Buy-backs and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules" and "Stock Exchange", respectively); (ii) outstanding share options entitling participants to subscribe for a total of 615,100,000 shares (2020: 367,100,000 shares) of the Company, for which 615,100,000 shares (2020: 357,300,000 shares) are vested; and (iii) outstanding share awards entitling participants to obtain a total of 97,000,000 shares (2020: 97,000,000 shares) of the Company, which are under vesting conditions, and a total of 48,500,000 shares are vested as at 31 March 2021.

The operating cash flows of the Group are mainly denominated in HK dollars, Renminbi and US dollars. Certain bank deposits, receivables and payables of the Group are denominated in Renminbi, US dollars and Euros. As at 31 March 2021, the Group had unpledged cash and bank balances of approximately HK\$52.7 million (2020: HK\$71.7 million), of which 83.5% (2020: 56.6%) was denominated in HK dollars, 0.6% (2020: 25.2%) was denominated in Euros, 14.6% (2020: 16.8%) was denominated in Renminbi and 0.1% (2020: 0.7%) was denominated in US dollars.

During the reporting period, the exchange rate of the Renminbi appreciated by approximately 7.8% against the HK dollar. This had a positive impact on the Group's results thanks to the increased value of the Group's assets that are denominated in Renminbi. The Group has not entered into any foreign currency exchange forward contracts for hedging purposes for Renminbi during the year. Foreign exchange exposure in respect of US dollars is considered to be minimal as the exchange rate between HK dollars and US dollars is pegged. Foreign exchange exposure in respect of the Euro is also considered to be minimal in the current year. The Group will closely monitor its currency exposure and, when it considers appropriate, will take the necessary actions to ensure that such exposure is properly hedged.

CHAIRMAN'S STATEMENT

USE OF PROCEEDS

On 18 March 2021, the Company issued 268,000,000 new shares to a subscriber at a price of HK\$0.145 per subscription share under the general mandate granted to the directors of the Company at the annual general meeting of the Company held on 31 August 2020. The net proceeds from the subscription after deducting all relevant expenses were approximately HK\$38.86 million. The net proceeds have partly been utilised as per intended use, as outlined below:

	Actual use of proceeds up to the date of this report HK\$'000 (approximately)	Remaining proceeds kept in an interest- bearing bank account pending usage HK\$'000 (approximately)
General working capital for the settlement of administrative expenses	16,412	2,788
Development of electric vehicle business of the Group	12,263	7,397
	<u>28,675</u>	<u>10,185</u>

Subsequent to the reporting date, on 24 June 2021, the Company issued 367,660,000 new shares at a placing price of HK\$0.15, details of which are set out in the section headed "Events after the reporting date" below.

PROSPECTS

Since early 2020, the impact of COVID-19 spreading across the world resulting in the lockdown measures imposed by various countries which have disrupted global logistics and deteriorated the global economy. Under these unfavorable circumstances, the Group has still managed to obtain new sales orders from various countries. It is expected that the business environment will return to normal in the coming financial year, and in the meantime the Group will, on a best-efforts basis, continue to support its customers and stakeholders through this difficult period.

CHAIRMAN'S STATEMENT

The Group believes that the new energy sectors are a major trend in improving air pollution and enhancing economic sustainability and are therefore a key focus of global interest. With this in mind, the use of electric vehicles with zero emissions is becoming increasingly widespread worldwide. With the Group's diversification of business into overseas export markets, it is confident that the eBus and EVs business will grow at a fast pace, contributing more to the Group's overall revenue and elevating its business to the next level. The Group is well positioned and confident in its ability to further develop the market and is also capable of expanding and capturing new opportunities as they arise.

The product of the Glauberite Mine is thenardite, which is an important raw material used in the chemical and light industrial manufacturing industries. The Group believes that the Glauberite Mine is a valuable asset and will continue to regularly assess its resources, financial viability and general condition.

SHARE REPURCHASES

The Company cancelled 70,000 shares at an aggregate cost of approximately HK\$6,000 during the year. Other than these purchases, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 March 2021.

CHARGES ON THE GROUP'S ASSETS AND CONTINGENT LIABILITIES

There was no other charge on the Group's assets and the Group did not have any significant contingent liabilities as at 31 March 2021 and 31 March 2020.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2021, the Group employed 111 (2020: 140) full-time managerial and skilled staff principally in Hong Kong and the PRC. The Group also engaged some international advisors in Europe to support its growth strategy in the global market. The Group is now working on a cost optimization plan in order to ensure maximum efficiency. During the current year, the salaries expenses, excluding the share-based payments, have been decreased 21.6% to HK\$22.4 million (2020: HK\$28.6 million).

The Group remunerates and provides benefits for its employees based on current industry practices. Discretionary bonuses and other individual performance bonuses are awarded to staff based on the financial performance of the Group and performance of individual staff. In the PRC, the Group provides staff welfare for its employees in accordance with prevailing labor legislation. In Hong Kong, the Group provides staff benefits including the mandatory provident fund scheme and medical scheme. In addition, share options and share awards are granted to eligible employees in accordance with the terms of the Company's share option scheme (the "Share Option Scheme") adopted on 30 August 2013 and the Company's share award plan (the "Share Award Plan") adopted on 8 May 2019.



CHAIRMAN'S STATEMENT

During the year under review, on 25 February 2021, the Company granted 278,000,000 share options under the Share Option Scheme to certain participants at the exercise price of HK\$0.13 per share for a period of ten years from the date of the grant.

EVENTS AFTER THE REPORTING DATE

On 7 April 2021, the Company granted 15,000,000 share options under the Share Option Scheme to a participant at the exercise price of HK\$0.142 per share for a period of ten years from the date of grant. In addition, on 13 April 2021, the Company granted 97,000,000 shares as awards to eligible participants under the Share Award Plan.

On 29 April 2021, one contractor has commenced an arbitration against Guangxi Weiri (the "Arbitration") and applied to the People's Court of Qingxiu District Nanning Municipality for judicial preservation to freeze the assets of Guangxi Weiri up to RMB2,055,087. Accordingly, a land property of Guangxi Weiri has been ordered to be detained for a period of three years from 29 April 2021. The carrying value of the land property is RMB6.6 million as at 31 March 2021. The Arbitration has entered the judicial process. We may provide guarantee in the full sum of RMB2,055,087 as security for the Arbitration in order to release the subjected land property.

On 30 April 2021, the Company entered into an investment agreement to subscribe for 4.98% of Quantron AG, a company incorporated in Germany, at a cash consideration of EUR2.03 million. Up to the date of this report, EUR2.03 million (equivalent to approximately HK\$19.0 million) has been paid and share registration is processing. Quantron AG is principally engaged in e-mobility systems for inner-city and regional passenger and freight transport. It specializes in the electrification of used and existing vehicles.

On 14 May 2021, the Company entered into a placing agreement with a placing agent to place, on a best effort basis, a maximum of 1,000,000,000 new shares at HK\$0.15 per placing share under the general mandate granted to the directors of the Company at the annual general meeting of the Company held on 31 August 2020. The placing was completed on 24 June 2021 and issued 367,660,000 new shares to not less than six independent third parties. The net proceeds from the placing after deducting all relevant expenses were approximately HK\$53.5 million and are intended to be used for general working capital purposes and the development of the electric vehicle business of the Group. Up to the date of this report, the raised funds have still not been utilized and the balance is currently being kept in an interest-bearing bank account pending usage.

CHAIRMAN'S STATEMENT

On 18 May 2021, the Group received a court notice from the Intermediate People's Court of Nanning Municipality (the "Court") that Guangxi Weiri has commenced legal proceedings (the "Proceedings") against its holding company, Wise Goal Enterprises Limited, and applied to the Court for the equity interest in Guangxi Weiri to be judicially preserved (the "Property Preservation"). The Group considered that the Proceedings and Property Preservation are untrue and misleading and hence has lodged an application to the Court on 24 May 2021 to release the Property Preservation. The Court hearing was held on 18 June 2021 and accepted our statement on the objection of Property Preservation. Up to the date of this report, the Group have not received the Court decision on the Proceedings.

On 28 May 2021, a special general meeting of the Company was held, and the shareholders approved the change of the Company's name from "China Dynamics (Holdings) Limited" to "Ev Dynamics (Holdings) Limited". Up to the date of this report, the application on the change of name is in progress at the Registrar of Companies in Hong Kong.

CONCLUSION

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

By order of the Board

Cheung Ngan

Chairman

Hong Kong

30 June 2021



REPORT OF THE DIRECTORS

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2021.

CHANGE OF COMPANY NAME

Pursuant to the special resolution passed at the special general meeting on 28 May 2021 and approved by the Registrar of Companies in Bermuda on 14 June 2021, the name of the Company was changed from “China Dynamics (Holdings) Limited (中國動力(控股)有限公司)” to “Ev Dynamics (Holdings) Limited (科軒動力(控股)有限公司)”. Up to the date of this report, the application on the change of name is in progress at the Registrar of Companies in Hong Kong.

PRINCIPAL ACTIVITIES

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

SEGMENT INFORMATION

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2021 are set out in the “CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME” on pages 62 to 63 of this annual report.

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

BUSINESS REVIEW

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

REPORT OF THE DIRECTORS

Financial key performance indicators

Set forth below are certain key performance indicators of the Group for the years ended 31 March 2021 and 2020:

	2021	2020
Revenue	HK\$23.8 million	HK\$5.1 million
Loss attributable to owners of the Company	HK\$(780.5 million)	HK\$(146.9 million)
Current ratio (current assets divided by current liabilities)	1.9 times	2.3 times
Gearing ratio (bank borrowings divided by the equity attributable to owners of the Company)	Nil	Nil
Net assets value per share (net assets divided by the total number of shares)	HK\$0.25	HK\$0.38

Principal risks and uncertainties

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

1. Part of the Group's revenue and assets are denominated in Renminbi. As a result, fluctuations in exchange rates may affect the results of operation. The exchange rate of Renminbi appreciated by approximately 7.8% against Hong Kong dollars during the year. Hence, the value of our results and financial position have a positive impact when they are translated into Hong Kong dollars for reporting purposes;
2. The Group's reported results could be affected by the impairment of non-financial assets. The Group may be required to recognise or reverse the impairment charges as a result of various factors including the prevailing product selling price, discount and exchange rates, operating and development cost projections, etc. The recognition or reversal of impairment charge may have material non-cash effect to the Group's results during the relevant year but will not affect the future business operations and financial conditions of the Group;



REPORT OF THE DIRECTORS

3. The new energy business of the Group is subject to relevant governmental policies and subsidies. Policy shifts may lead to changes of products and the amount of subsidies receivable. The Group closely monitors such shifts as well as strives to improve its technology and expand its market share;
4. During the year under review, the Group had a certain concentration of credit risk were 34% (2020: 39%) and 80% (2020: 85%) of the trade-related receivables and contract assets due from the Group's largest customer and the five largest customers respectively. The Group generally provides a credit period of one to three months to its customers or allows the customers to make instalment payments over twenty-four to thirty-six months. The Group maintains strict control over receivables which are reviewed regularly by senior management. The Group also endeavors to obtain quality and trustworthy customers and targets to maintain long-term strategic relationships with them; and
5. In addition, various capital and financial risks have been disclosed in notes 38 and 39 to the consolidated financial statements.

Environmental policies and performance

The Group recognises its responsibility to protect the environment from the adverse effects of its business activities. The Group continually seeks to identify and manage the environmental impact attributable to its operational activities in order to minimise this impact if possible. It aims to implement effective energy conservation measures by encouraging recycling, and seeks to upgrade equipment such as lighting and air-conditioning systems in order to increase overall operating efficiency. Discussion on the Group's environmental policies and performance will be provided in the "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2020/21" which will be published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.chinadynamics.com no later than three months after the publication of this annual report.

REPORT OF THE DIRECTORS

Compliance with laws and regulations

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

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

Relationships with employees, customers and suppliers

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

FIVE-YEAR FINANCIAL SUMMARY

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

REPORT OF THE DIRECTORS

RESULTS

	Year ended 31 March				
	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
REVENUE	23,788	5,086	3,003	59,568	126,108
LOSS BEFORE INCOME TAX	(788,146)	(164,103)	(179,369)	(401,838)	(142,855)
Income tax credit	851	2,081	2,220	2,241	172
LOSS FOR THE YEAR	(787,295)	(162,022)	(177,149)	(399,597)	(142,683)
ATTRIBUTABLE TO:					
Owners of the Company	(780,525)	(146,850)	(156,625)	(321,861)	(118,408)
Non-controlling interests	(6,770)	(15,172)	(20,524)	(77,736)	(24,275)
	(787,295)	(162,022)	(177,149)	(399,597)	(142,683)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 March				
	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
TOTAL ASSETS	2,243,525	2,755,389	3,075,200	3,352,073	3,356,972
TOTAL LIABILITIES	(172,073)	(147,674)	(155,214)	(148,780)	(90,036)
NON-CONTROLLING INTERESTS	36,280	26,446	(5,962)	(26,747)	(78,264)
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	2,107,732	2,634,161	2,914,024	3,176,546	3,188,672



REPORT OF THE DIRECTORS

PROPERTY, PLANT AND EQUIPMENT

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

SUBSIDIARIES

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

SHARE CAPITAL

Details of movements in the Company's share capital during the year, together with the reasons thereof, are set out in note 31 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

RESERVES

Details of movements in the reserves of the Group during the year are presented in the "CONSOLIDATED STATEMENT OF CHANGES IN EQUITY" on page 66 of this annual report.

REPORT OF THE DIRECTORS

DISTRIBUTABLE RESERVES

At the end of the reporting period, the Company had no retained profits available for distribution. Under the Companies Act 1981 of Bermuda (as amended from time to time), the contributed surplus of the Company in the amount of HK\$87,109,000 as at 31 March 2021 (2020: HK\$87,109,000) is distributable to shareholders in certain circumstances, prescribed by Section 54 thereof as mentioned in note 33(b) to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

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

	Percentage of the Group's total
Sales	
– The largest customer	37.3%
– Five largest customers combined	100.0%
Purchases	
– The largest supplier	25.7%
– Five largest suppliers combined	70.6%

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

REPORT OF THE DIRECTORS

DIRECTORS

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

Executive directors

Mr. Cheung Ngan (Chairman)

Mr. Miguel Valdecabres Polop (Chief Executive Officer) (appointed on 16 October 2020)

Ms. Chan Hoi Ying

Non-executive director

Mr. Zhou Jin Kai (removed on 22 December 2020)

Independent non-executive directors

Mr. Chan Francis Ping Kuen

Mr. Hu Guang

Dato' Tan Yee Boon

In accordance with the Bye-law 111, Mr. Hu Guang will retire from office of directors by rotation at the AGM. Mr. Hu will not offer himself for re-election due to his personal commitments on his other business. Mr. Wu will retire as an independent non-executive director upon conclusion of the AGM. Mr. Hu has confirmed that he has no disagreement with the Board and there are no any matters that need to be brought to the attention of the shareholders of the Company and the Stock Exchange in respect of his retirement.

In accordance with Bye-law 115, Mr. Miguel Valdecabres Polop who have been appointed as an executive director and a chief executive officer (the "CEO") of the Company on 16 October 2020 shall hold office only until the forthcoming AGM of the Company and shall then be eligible for re-election at the meeting.

Moreover, Mr. Chan Francis Ping Kuen, shall retire from the Board by rotation in accordance with the Company's Bye-Laws, and being eligible, shall offer himself for re-election as directors of the Company at the AGM.

PERMITTED INDEMNITY PROVISION

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



REPORT OF THE DIRECTORS

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

TAX RELIEF AND EXEMPTION

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

EMOLUMENT POLICY

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

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

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

DIRECTORS' SERVICE CONTRACTS

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

MANAGEMENT CONTRACTS

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

REPORT OF THE DIRECTORS

EQUITY LINKED AGREEMENTS

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

Convertible notes

Details of the convertible notes of the Group are set out in note 30 to the consolidated financial statements.

Share option scheme

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

On 25 February 2021, the Company granted 278,000,000 share options under the Share Option Scheme to certain participants at the exercise price of HK\$0.13 each for a period of ten years from the date of grant. Also, on 7 April 2021, the Company granted 15,000,000 share options under the Share Option Scheme to a participant at the exercise price of HK\$0.142 each for a period of ten years from the date of grant.

During the year ended 31 March 2021, no ordinary shares were issued in relation to the share options exercised by participants under the Share Option Scheme of the Company. Details of the Share Option Scheme are set out in note 32 to the consolidated financial statements.

Share award plan

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

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



REPORT OF THE DIRECTORS

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

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

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

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

On 25 October 2019, the Board granted a total of 165,000,000 shares as awards to the eligible participants under the Share Award Plan (the “Original Award”). Among which, a total of 97,000,000 shares were accepted by the eligible participants (the “Selected Participants”). On 13 April 2021, the Board resolved to cancel and replace the Original Award by new awards of a total of 97,000,000 shares (the “Awarded Shares”) to the Selected Participants. The first 50% of the Awarded Shares, i.e. 48,500,000 shares have been vested on the Date of Grant and the remaining 50% of the Awarded Shares will be vested on 26 October 2021.

REPORT OF THE DIRECTORS

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Movements of the outstanding share options to the directors as at 31 March 2021 were as follows:

Name of Director	Date of grant	Exercise price (HK\$)	Number of share options		
			At 1 April 2020	Granted/ (Lapsed) during the year	At 31 March 2021
Mr. Cheung Ngan	10 March 2016	0.30	3,700,000	–	3,700,000
Mr. Miguel Valldcabres Polop (appointed on 16 October 2020)	25 February 2021	0.13	–	80,000,000	80,000,000
Ms. Chan Hoi Ying	10 March 2016	0.30	3,700,000	–	3,700,000
Mr. Zhou Jin Kai (removed on 22 December 2020)	10 March 2016	0.30	3,700,000	(3,700,000)	–
Mr. Chan Francis Ping Kuen	10 March 2016	0.30	3,700,000	–	3,700,000
Mr. Hu Guang	10 March 2016	0.30	3,700,000	–	3,700,000

No share options were exercised by the directors during the year ended 31 March 2021.

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

CONNECTED TRANSACTIONS

The Group had no connected transactions during the years ended 31 March 2021 and 2020.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2021, the interests and short positions of the directors in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the Model Code to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Capacity or nature of interest	Number of shares or underlying shares		Approximate percentage of shareholding in the Company or associated corporation
		Long position	Short position	
Mr. Cheung Ngan	Beneficial owner & interest of controlled corporation	724,324,959 (Note 1)	–	8.74%
	Interest of controlled corporation	1,000 (Note 2)	–	20%
Mr. Miguel Valldcabres Polop	Beneficial owner	80,000,000 (Note 3)	–	0.96%
Ms. Chan Hoi Ying	Beneficial owner	3,700,000 (Note 3)	–	0.07%
Mr. Chan Francis Ping Kuen	Beneficial owner	3,700,000 (Note 3)	–	0.05%
Mr. Hu Guang	Beneficial owner	3,700,000 (Note 3)	–	0.05%

REPORT OF THE DIRECTORS

Notes:

- 1) The 724,324,959 shares include:
 - a. the number of shares of 498,038,559 held by Mr. Cheung Ngan;
 - b. the underlying shares of 3,700,000 from the share options granted, details of which are set out in the section headed "Directors' Rights to Acquire Shares" above; and
 - c. the number of shares of 222,586,400 held by Faith Profit Holding Limited, which was wholly owned by Mr. Cheung Ngan.
- 2) The 1,000 shares represent the indirect interest in Tong Guan La Plata Company Limited ("TGLP"), which is 60% indirectly held by the Company and hence is an associated corporation. The 20% beneficial interest in TGLP is held by Catania Copper (Chile) Limited. Catania Copper (Chile) Limited is 40% held by Great Base Holdings Limited and 60% held by Catania Mining Limited. Catania Mining Limited is 55% held by CM Universal Corporation. Faith Profit Holding Limited held 50% interest in Great Base Holdings Limited. Mr. Cheung Ngan held 100% interest in Faith Profit Holding Limited and 51% interest in CM Universal Corporation.
- 3) Being options to acquire ordinary shares of the Company, and further details of which are set out in the section headed "Directors' Rights to Acquire Shares" above.

Save as disclosed above, as at 31 March 2021, none of the directors of the Company have interest or short positions in the shares and underlying shares or other securities of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the Model Code to be notified to the Company and the Stock Exchange.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

REPORT OF THE DIRECTORS

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

As at 31 March 2021, the following shareholders had registered an interest or short position in the shares or underlying shares of 5% or more of the issued share capital of the Company in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name of substantial shareholder	Capacity or nature of interest	Number of shares or underlying shares		Approximate percentage of shareholding in the Company
		Long position	Short position	
Mr. Cheung Ngan	Beneficial owner & interest of controlled corporation	724,324,959 (Note 1)	–	8.74%
Faith Profit Holding Limited	Beneficial owner	222,586,400 (Note 1)	–	2.68%
Entrust Limited	Beneficial owner	982,727,510 (Note 2)	–	11.85%
Mr. Chan Tok Yu	Interest of controlled corporation	982,727,510 (Note 2)	–	11.85%
Ms. Siu Kwan	Interest of controlled corporation	982,727,510 (Note 2)	–	11.85%
HK Guoxin Investment Group Limited	Beneficial owner	740,000,000 (Note 3)	–	8.93%
Mr. Li Feng Mao	Interest of controlled corporation	740,000,000 (Note 3)	–	8.93%

REPORT OF THE DIRECTORS

Note:

- 1) The number of shares of 724,324,959 shares include:
 - a. the number of shares of 498,038,559 held by Mr. Cheung Ngan;
 - b. the underlying shares of 3,700,000 from the share options granted to Mr. Cheung Ngan; and
 - c. the number of shares of 222,586,400 held by Faith Profit Holding Limited, which was wholly owned by Mr. Cheung Ngan. Accordingly, Mr. Cheung Ngan is deemed to be interested in the shares in which Faith Profit Holding Limited is interested by virtue of the SFO.
- 2) Entrust Limited is controlled as to 34% by Mr. Chan Tok Yu, 25% by Ms. Chan Hoi Ying (Executive Director of the Company), 25% by Mr. Chan Hin Yeung and 16% by Ms. Siu Kwan. Mr. Chan Tok Yu's interest is held by Ms. Siu Kwan as a trustee. Accordingly, Mr. Chan Tok Yu and Ms. Siu Kwan are deemed to be interested in the shares in which Entrust Limited is interested by virtue of the SFO.
- 3) The number of shares of 740,000,000 is held by HK Guoxin Investment Group Limited, which was wholly owned by Mr. Li Feng Mao. Accordingly, Mr. Li Feng Mao is deemed to be interested in the shares in which HK Guoxin Investment Group Limited is interested by virtue of the SFO.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN CONTRACTS

Details of the contract of significance between the Group and the substantial shareholders are set out in note 37 to the consolidated financial statements.

BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS

Name	Age	Position held	Number of years of service	Business experience
Mr. Cheung Ngan	64	Chairman, Executive Director	23	Joined the Group in March 1998 and is responsible for the development of corporate strategies, corporate planning, marketing and management functions of the Group. He has over 30 years' working experience in corporate management and investments in the PRC.

REPORT OF THE DIRECTORS

Name	Age	Position held	Number of years of service	Business experience
Mr. Miguel Valdecabres Polop	45	Chief Executive Officer, Executive Director	1	Appointed as an executive director and chief executive officer of the Company on 16 October 2020. Mr. Polop holds a Bachelor in Economics at Universidad de Valencia in Spain and holds a Master Degree in Accounting and Management at the University of Southampton in United Kingdom. He worked at Campos Racing, a Spanish motor racing team, as its chief financial officer and then worked for five years at PwC in Spain and United Kingdom. Mr. Polop co-founded and was appointed as board member of Formula E, a single-seater motorsport championship that uses only electric cars. With his entrepreneurial expertise, he pioneered and was a chief executive officer of QEV Technologies, an engineering company specializing in the field of electro-mobility solutions in Spain, which includes design, construction and homologation of electric vehicles, the potential and the use of electric vehicles in the racing world as well as the installation, control and maintenance of electric charging infrastructures. Mr. Polop has extensive experience in fund raising and management skills.
Ms. Chan Hoi Ying	34	Executive Director	5	Joined the Company in 2014 and was appointed as an executive director of the Company in 2016. Ms. Chan holds a Master's of Actuarial Practice from Macquarie University in Australia. She had worked for the audit department of Messrs. RSM Hong Kong for several years.

REPORT OF THE DIRECTORS

Name	Age	Position held	Number of years of service	Business experience
Mr. Chan Francis Ping Kuen	62	Independent Non-Executive Director	16	Appointed as an independent non-executive director of the Company in September 2004. Mr. Chan holds a Bachelor's Degree in economics from the University of Sydney in Australia. He is a member of the Chartered Accountants Australia and New Zealand and the Hong Kong Institute of Certified Public Accountants. Mr. Chan has over 30 years of experience in auditing, accounting and financial management and previously worked for an international accounting firm and a number of companies listed in Hong Kong and the United States. Mr. Chan is currently an executive director of Carrianna Group Holdings Company Limited, the shares of which are listed on the Main Board of the Stock Exchange.
Mr. Hu Guang	54	Independent Non-Executive Director	16	Appointed as an independent non-executive director of the Company in September 2004. Mr. Hu holds a Master's Degree of Business Administration from Tianjin University in the PRC. Mr. Hu has over 20 years' experience in investment, finance and property development in the PRC.

REPORT OF THE DIRECTORS

Name	Age	Position held	Number of years of service	Business experience
Dato' Tan Yee Boon	46	Independent Non-Executive Director	5	Appointed as an independent non-executive director of the Company in June 2016. Dato' Tan holds a Bachelor of Laws degree from the University of Glamorgan, United Kingdom. He holds a Certificate of Legal Practice from the Legal Qualifying Board of Malaysia. He is currently practicing as an advocate and solicitor of the High Court of Malaya and is also a member of the Bar Council of Malaysia. He is now a partner of Messrs. David Lai & Tan, a firm of advocates and solicitors in Malaysia. Dato' Tan possesses over 20 years of extensive experience in the field of legal and corporate practice.

Dato' Tan is currently an independent non-executive director of Protasco Berhad and Daya Materials Berhad, the shares of which are listed on the Main Market of Bursa Malaysia. He is also an independent non-executive director of Binasat Communications Berhad, the shares of which are listed on the ACE Market of Bursa Malaysia and TIL Enviro Limited, the shares of which are listed on the Main Board of the Stock Exchange. He was previously an independent non-executive director of Central Global Berhad, the shares of which are listed on the Main Market of Bursa Malaysia.

REPORT OF THE DIRECTORS

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

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

- The terms of appointment of each of Mr. Chan Francis Ping Kuen and Mr. Hu Guang, both of them are independent non-executive directors of the Company, has been renewed for a further two years from 1 July 2021 to 30 June 2023 at a director's fee of HK\$100,000 per annum.

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

CONFIRMATION OF INDEPENDENCE

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

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out in the "Corporate Governance Report" on pages 36 to 54 to this annual report.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

The Company cancelled 70,000 shares at an aggregate cost of approximately HK\$6,000 during the year. Other than these purchase, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

PUBLIC FLOAT

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



REPORT OF THE DIRECTORS

AUDITOR

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

ON BEHALF OF THE BOARD

Cheung Ngan

Chairman

Hong Kong

30 June 2021

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules. The Company has applied the principles in the Code and complied with the code provisions set out in the Code for the year ended 31 March 2021 except for Code Provisions A.2.1, A.4.1 and A.6.7.

Code Provision A.2.1 stipulates that the roles of chairman and CEO should be separated and should not be performed by the same individual. During the year, the roles of chairman and CEO of the Company have been performed by Mr. Cheung Ngan until 16 October 2020. The Board considers that the non-segregation does not result in considerable concentration of power in one person and has the advantage of a strong and consistent leadership which is conducive to making and implementing decisions quickly and consistently.

On 16 October 2020, Mr. Cheung Ngan resigned from the position of CEO of the Company and Mr. Miguel Valdecabres Polop has been appointed as an executive director and the CEO on the same day. Following the change of the CEO, the Company has complied with the code provision A.2.1.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. One non-executive director do not have specific terms of appointment during the year. However, he is subject to retirement by rotation at least once every three years under the Company's Bye-Laws. Following the removal of non-executive director on 22 December 2020, the Company has complied with the code provision A.4.1.

Code Provision A.6.7 stipulates that independent non-executive directors and non-executive director should attend general meetings. Due to other business engagements, one independent non-executive director could not attend the annual general meeting of the Company held on 31 August 2020 and one independent non-executive director could not attend the special general meeting of the Company held on 22 December 2020.

CORPORATE GOVERNANCE REPORT

CODE OF CONDUCT ON DIRECTORS' SECURITIES TRANSACTIONS

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

All directors have confirmed, following specific enquiry by the Company, they have complied with the required standards set out in the Model Code during the year ended 31 March 2021.

THE BOARD

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

Composition of the Board

The Board is currently comprised of three executive directors and three independent non-executive directors. The directors who served the Board during the year ended 31 March 2021 and up to the date of this annual report are as follows:

Executive directors

Mr. Cheung Ngan (Chairman)
Mr. Miguel Valdecabres Polop (Chief Executive Officer) (appointed on 16 October 2020)
Ms. Chan Hoi Ying

Non-executive director

Mr. Zhou Jin Kai (removed on 22 December 2020)

Independent non-executive directors

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

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

The Company had arranged appropriate insurance cover for all directors.

CORPORATE GOVERNANCE REPORT

Independent non-executive directors

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

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

In accordance with the Bye-law 111, Mr. Hu Guang will retire from office of directors by rotation at the forthcoming AGM. Mr. Hu will not offer himself for re-election due to his personal commitments on his other business. Mr. Wu will retire as an independent non-executive director upon conclusion of the forthcoming AGM.

The Board and the Nomination Committee considers that Mr. Chan Francis Ping Kuen who has served for more than nine years are capable of bringing fresh perspectives and independent judgment to the Board for various reasons, including his professional competency, commitment to training and other continuous professional development activities, demonstrating ethical behavior and questioning and/or monitoring the Board and senior management.

Term of appointment of non-executive directors

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

Directors' continuous training and development

The directors acknowledge the importance of keeping abreast of the business activities and development of the Company, updating their professional development, and refreshing their knowledge and skills. The Company encourages the directors to participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant. As such, all directors received updates and reading materials or attended seminars on worldwide financial market, investor relations, taxation in Hong Kong and the PRC, update on disclosure requirements and other regulatory subjects relevant to the directors' duties and responsibilities. All directors had provided a record of training they received during the year ended 31 March 2021 to the Company.



CORPORATE GOVERNANCE REPORT

Chairman and Chief Executive Officer

During the year, the roles of chairman and CEO of the Company have been performed by Mr. Cheung Ngan until 16 October 2020. On 16 October 2020, Mr. Cheung Ngan resigned from the position of CEO and Mr. Miguel Valdecabres Polop has been appointed as an executive director and CEO on the same day. Since then, the roles and responsibilities of the chairman and CEO are separate and distinct and are not performed by the same individual.

The chairman continue to receive significant support from the directors. The chairman is primarily responsible for the leadership of the Board, ensuring that all significant policy issues are discussed by the Board in a clear and constructive manner. All directors have been updated timely, giving a balanced and understandable assessment of the Company's performance and business information. The Board, led by the chairman, sets the overall direction, strategy and policies of the Company. The chairman provides leadership for the Board to ensure that it works effectively, performs its responsibilities and acts in the best interests of the Company. He is also responsible for overseeing effective functioning of the Board and application of good corporate governance practices and procedures. The chairman also encourages the directors to make full and active contributions to the Board's affairs, to voice their concerns or different views and ensure that the decisions fairly reflect the consensus. The chairman also held meetings and have communications with the independent non-executive directors without the presence of other directors during the reporting period to discuss the Company's strategy, director's contributions, and their independent view.

The CEO is responsible for proposing strategy to the Board and ensuring effective implementation of the strategy set by the Board for the Company's business. The CEO reports to the Board on the Company's actual and forecast performance against its objectives and monitors the achievement of objectives of the business units.

The chairman and CEO can jointly oversee the daily management and operation of the various developments of the Group and business expansion. The Board also considers that there are adequate balance of power and safeguards in place and will review and monitor this situation periodically and will ensure that present structure would not impair the balance of power of the Company.

Appointment and re-election of directors

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

CORPORATE GOVERNANCE REPORT

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

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

BOARD MEETINGS AND ATTENDANCE

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

The attendance of the directors at the Board meetings and general meetings during the year ended 31 March 2021 is as follows:

Name of Directors	Attendance/ Number of Board meetings	Attendance/ Number of general meetings
Executive directors		
Mr. Cheung Ngan (<i>Chairman</i>)	16/16	2/2
Mr. Miguel Valldecabres Polop (<i>Chief Executive Officer</i>) (appointed on 16 October 2020)	11/11	1/1
Ms. Chan Hoi Ying	16/16	2/2
Non-executive director		
Mr. Zhou Jin Kai (removed on 22 December 2020)	2/11	1/1
Independent non-executive directors		
Mr. Chan Francis Ping Kuen	16/16	1/2
Mr. Hu Guang	16/16	1/2
Dato' Tan Yee Boon	16/16	2/2

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEE

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

Remuneration Committee

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

The Remuneration Committee meets at least once a year and will meet as and when necessary or when requested by a Committee member. The attendance of the member of the Remuneration Committee during the year ended 31 March 2021 is as follows:

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



CORPORATE GOVERNANCE REPORT

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

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

The summary of work of the Remuneration Committee during the year ended 31 March 2021 includes:

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

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

CORPORATE GOVERNANCE REPORT

Audit Committee

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

The Audit Committee meets at least twice a year and will meet as and when necessary or when requested by a Committee member, the external auditor or the internal auditor. The attendance of the members of the Audit Committee during the year ended 31 March 2021 is as follows:

Name of Directors	Attendance/ Number of committee meetings
Mr. Chan Francis Ping Kuen (<i>Chairman</i>)	3/3
Dato' Tan Yee Boon	3/3
Mr. Hu Guang	3/3

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

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

CORPORATE GOVERNANCE REPORT

The summary of work of the Audit Committee during the year ended 31 March 2021 includes:

- i) reviewed the interim report for the six months ended 30 September 2020 and the related results announcements;
- ii) reviewed the annual financial statements for the year ended 31 March 2020 and the related results announcements;
- iii) reviewed the Group's internal control system and discussed the relevant issues including financial, operational and compliance controls and risk management functions;
- iv) reviewed the policies and practices on the Company's corporate governance, including respective policies and practices and disclosures in the Corporate Governance Report;
- v) reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions;
- vi) meeting with the internal auditor to discuss and confirm the audit plan, the risk management and internal control system of the Group and make recommendations in relation thereto;
- vii) reviewed the internal audit report and the recommendations made to the Company and the effectiveness of internal audit activities;
- viii) reviewed the effectiveness of the internal control and risk management systems;
- ix) meeting with external auditor to discuss any issue arising from the audit and other matters the external auditor may raise; and
- x) reviewed the remuneration and terms of engagement of the Company's external auditor.

Nomination Committee

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

CORPORATE GOVERNANCE REPORT

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

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

The Nomination Committee meets at least once a year and will meet as and when necessary or when requested by a Committee member. The attendance of the members of the Nomination Committee during the year ended 31 March 2021 is as follows:

Name of Directors	Attendance/ Number of committee meetings
Mr. Chan Francis Ping Kuen (<i>Chairman</i>)	4/4
Dato' Tan Yee Boon	4/4
Mr. Cheung Ngan	4/4



CORPORATE GOVERNANCE REPORT

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

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

The summary of work of the Nomination Committee during the year ended 31 March 2021 includes:

- i) reviewed the structure, size and diversity of the Board, including but not limited to the independent non-executive directors, to ensure that it has a balance of expertise, skills and diversity of perspective appropriate to the business of the Company;
- ii) identified individuals to become board members and make recommendation for directorship during the year;
- iii) reviewed and made recommendations on the retirement of directors by rotation and the re-appointment of the retiring directors at the 2020 AGM;
- iv) reviewed and made recommendations on the re-appointment of directors during the year; and
- v) assessed the independence of the independent non-executive directors.



CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS AND CORPORATE GOVERNANCE FUNCTIONS

The directors acknowledge their responsibility for preparation of financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group, as well as their responsibility for performing the corporate governance functions. The directors ensure that the financial statements for the year ended 31 March 2021 were prepared in accordance with statutory requirements and applicable accounting standards.

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

DIVIDEND POLICY

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

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

CORPORATE GOVERNANCE REPORT

AUDITOR'S RESPONSIBILITIES AND REMUNERATION

The statement of the Company's auditor BDO Limited, regarding their report responsibilities is set out in the Independent Auditor's Report on pages 55 to 61 of this report. For the year ended 31 March 2021, the remuneration paid/payable to BDO Limited was as follow:

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

COMPANY SECRETARY

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

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



CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL AND RISK MANAGEMENT

The Board acknowledges its overall responsibility for maintaining an effective internal control system and risk management policy of the Company. In respect of the year ended 31 March 2021, the Board considered the internal control systems and risk management are effective and adequate. No significant areas of concern that may affect the financial, operational, compliance controls, and risk management functions of the Group have been identified. The systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives. They can only provide reasonable, and not absolute, assurance against material misstatement or loss. During the review, the Board also considered the resources, qualification/experience of staff of the Group's internal control, accounting and financial reporting function, and their training and budget were adequate.

The framework of the control is as follows:

The Board	• take any necessary and appropriate action to maintain an adequate internal control system to safeguard shareholders' investments and the Company's assets; • maintain proper accounting records and to ensure the reliability of financial information used for business operations and publication; • determine the nature of risk that the Company is willing to take in achieving the Company's objective; and • delegate the responsibility to the Audit Committee to review and oversee the effectiveness of the internal control systems and risk management of the Company.
Audit Committee	• review and oversee the effectiveness of the risk management and internal control systems of the Group; • discuss with the internal auditor on the major findings and review the internal audit report; and • review and discuss with the management of the Company to ensure that they take the responsibility on the design, implementation and monitoring the system and internal control.

CORPORATE GOVERNANCE REPORT

Internal auditor	• prepare its yearly audit plan which is reviewed and approved by the Audit Committee; • discuss the major findings in respect of internal audit services with the Audit Committee and provide recommendations to improve the risk management and internal control system of the Group; and • deliver to the Audit Committee the internal audit reports regarding the main risk areas in relation to the internal audit plan.
The management of the Company	• design, implement and execute the system and internal control effectively; and • monitor the risks and supervise the day-to-day operations.

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

INTERNAL AUDIT FUNCTION

To comply with the Code in relation to the establishment of internal audit function, the Company engaged and reappointed Richard Poon & Partners Risk Management Limited as an internal auditor of the Company in relation to the provision of internal audit services to the Company throughout the accounting year ended 31 March 2021. The internal audit function monitors compliance with policies and standards and the effectiveness of internal control structures of the Group.



CORPORATE GOVERNANCE REPORT

ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

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

Discussion on the Group's environmental policies and social performance will be provided in the "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2020/21" which will be published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.chinadynamics.com no later than three months after the publication of this annual report.

INSIDE INFORMATION

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

WHISTLEBLOWING POLICY

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

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

The annual general meetings or other general meetings of the Company provide opportunities for communication between the shareholders and the Board. Separate resolutions on each substantial issue are proposed at shareholders' meeting for shareholders' consideration and approval. During the year ended 31 March 2021, two shareholders' general meeting were held, including the Annual General Meeting (the "2020 AGM") was held on 31 August 2020 and the Special General Meeting (the "SGM") was held on 22 December 2020. The attendance of each director at the general meetings is set out under the section headed "Board Meetings and Attendance" of this report.

The Chairman, the executive directors, the Chairman and/or other members of the Audit Committee, Remuneration Committee and Nomination Committee, as well as external auditor had attended the 2020 AGM of the Company to answer any questions raised. Due to other business engagements, one independent non-executive director could not attend the 2020 AGM and one independent non-executive director could not attend the SGM.

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

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

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

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

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

Shareholders' enquiries

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

Procedure for making proposals at general meeting

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

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



CORPORATE GOVERNANCE REPORT

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

PROCEDURE FOR PROPOSING A PERSON FOR ELECTION AS A DIRECTOR

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

CONSTITUTIONAL DOCUMENTS

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

INDEPENDENT AUDITOR'S REPORT



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TO THE SHAREHOLDERS OF CHINA DYNAMICS (HOLDINGS) LIMITED

(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of China Dynamics (Holdings) Limited ("the Company") and its subsidiaries (together the "Group") set out on pages 62 to 160, which comprise the consolidated statement of financial position as at 31 March 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

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

Impairment assessment of assets attributable to the mining assets

As at 31 March 2021, the Group had mining assets with carrying value of approximately HK\$1,826,229,000. The mining asset is subject to annual impairment review.

The directors have concluded that there was an impairment loss of approximately HK\$689,997,000 in respect of the mining assets as at 31 March 2021. This conclusion was based on the recoverable amount of the mining assets, determined using a fair value calculation which is based on a discounted cash flow valuation model that involved significant judgment and assumptions with respect to the discount rate and the underlying cash flows, in particular the future revenue growth, of the mining assets.

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

Refer to disclosure note 19 to the consolidated financial statements, critical accounting judgments and estimation in note 5 and the accounting policies in notes 4(e) and 4(f).

Our response

Our audit procedures included:

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



INDEPENDENT AUDITOR'S REPORT

Impairment assessment of other intangible assets

As at 31 March 2021, the Group had other intangible assets with carrying value of approximately HK\$18,316,000 which has been attributable to the cash generating unit of development of electric vehicles ("CGU") in the PRC. These assets are subject to impairment review as the impairment indicators existed.

The directors have concluded that reversal of impairment losses of HK\$5,119,000 in respect of the other intangible assets as at 31 March 2021. This conclusion was based on the recoverable amount of the CGU, determined using a value in use calculation which is based on a discounted cash flow valuation model that involved significant judgment and assumptions with respect to the discount rate and the underlying cash flows, in particular the future revenue growth, of these assets.

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

Refer to disclosure note 20 to the consolidated financial statements, critical accounting judgments and estimation in note 5 and the accounting policies in note 4(f).

INDEPENDENT AUDITOR'S REPORT

Our response

Our audit procedures included:

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

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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



INDEPENDENT AUDITOR'S REPORT

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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



INDEPENDENT AUDITOR'S REPORT

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

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



INDEPENDENT AUDITOR'S REPORT

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

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

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

BDO Limited

Certified Public Accountants

Pak Tak Lun

Practising Certificate Number: P06170

Hong Kong, 30 June 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Revenue	7	23,788	5,086
Cost of sales		(16,912)	(4,406)
Gross profit		6,876	680
Other income	7	4,218	2,032
Selling and distribution expenses		(1,000)	(221)
Administrative expenses		(102,999)	(108,769)
Impairment of mining assets	11	(689,997)	(27,605)
(Impairment)/reversal of impairment of trade receivables, net	11	(4,434)	2,313
Impairment of construction in progress	11	–	(10,529)
Impairment of other receivables and prepayments, net	11	(8,798)	(8)
Impairment of property, plant and equipment	11	–	(12,889)
Reversal of impairment/(impairment) of intangible assets	11	5,119	(10,000)
Change in fair value of financial assets at fair value through profit or loss ("FVTPL")		3,406	1,376
Finance costs	8	(537)	(483)
Loss before income tax	11	(788,146)	(164,103)
Income tax credit	12	851	2,081
Loss for the year		(787,295)	(162,022)
Other comprehensive income/(loss) for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		189,592	(181,099)
Total comprehensive loss for the year		(597,703)	(343,121)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Loss attributable to:			
– Owners of the Company		(780,525)	(146,850)
– Non-controlling interests		(6,770)	(15,172)
		(787,295)	(162,022)
Total comprehensive loss attributable to:			
– Owners of the Company		(587,869)	(330,713)
– Non-controlling interests		(9,834)	(12,408)
		(597,703)	(343,121)
Loss per share			
– Basic and diluted (HK\$)	14	(0.1)	(0.02)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Non-current assets			
Property, plant and equipment	15	47,345	48,381
Construction in progress	16	74,268	68,493
Right-of-use assets	17	91,394	80,615
Mining assets	19	1,826,229	2,342,532
Other intangible assets	20	18,316	16,733
Other receivables, deposits and prepayments	24	12,925	15,740
Total non-current assets		2,070,477	2,572,494
Current assets			
Inventories	22	29,216	24,555
Trade receivables	23	7,534	7,614
Contract assets	27	10,630	9,803
Other receivables, deposits and prepayments	24	56,693	57,216
Financial assets at FVTPL	21	16,278	12,034
Cash and bank balances		52,697	71,673
Total current assets		173,048	182,895
Total assets		2,243,525	2,755,389
Current liabilities			
Accounts payable	25	8,637	8,633
Other payables and accruals	26	77,314	61,562
Contract liabilities	27	1,789	4,284
Lease liabilities	28	3,753	4,884
Total current liabilities		91,493	79,363
Net current assets		81,555	103,532
Total assets less current liabilities		2,152,032	2,676,026

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Non-current liabilities			
Deferred tax liabilities	29	8,352	8,514
Other payables	26	64,694	59,664
Lease liabilities	28	7,534	133
Total non-current liabilities		80,580	68,311
Total liabilities		172,073	147,674
NET ASSETS		2,071,452	2,607,715
Equity			
Share capital	31	82,902	68,549
Reserves		2,024,830	2,565,612
Equity attributable to owners of the Company		2,107,732	2,634,161
Non-controlling interests	34	(36,280)	(26,446)
TOTAL EQUITY		2,071,452	2,607,715

On behalf of the Board

Cheung Ngan

Director

Chan Hoi Ying

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2021

	Attributable to owners of the Company											Non-controlling interests HK\$'000 (Note 34)	Total equity HK\$'000
	Share capital	Share premium	Contributed surplus	Convertible notes equity reserve	Share options reserve	Share award reserve	Foreign currency translation reserve	Capital reserve	Treasury reserve	Accumulated losses	Total		
	HK\$'000 (Note 31)	HK\$'000 (Note 33(a))	HK\$'000 (Note 33(b))	HK\$'000 (Note 33(h))	HK\$'000 (Note 33(c))	HK\$'000 (Note 33(d))	HK\$'000 (Note 33(e))	HK\$'000 (Note 33(f))	HK\$'000 (Note 33(g))	HK\$'000	HK\$'000		
At 1 April 2019	53,660	2,347,844	20,566	1,490,427	92,617	–	(230,055)	687	–	(861,722)	2,914,024	5,962	2,919,986
Loss for the year	–	–	–	–	–	–	–	–	–	(146,850)	(146,850)	(15,172)	(162,022)
Other comprehensive loss	–	–	–	–	–	–	(183,863)	–	–	–	(183,863)	2,764	(181,099)
Total comprehensive loss	–	–	–	–	–	–	(183,863)	–	–	(146,850)	(330,713)	(12,408)	(343,121)
Repayment of capital to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(20,000)	(20,000)
Placing of shares	6,700	67,000	–	–	–	–	–	–	–	–	73,700	–	73,700
Share issue expense	–	(2,954)	–	–	–	–	–	–	–	–	(2,954)	–	(2,954)
Repurchase of shares	–	–	–	–	–	–	–	–	(27,435)	–	(27,435)	–	(27,435)
Cancellation of repurchased shares	(2,537)	(24,892)	–	–	–	–	–	–	27,429	–	–	–	–
Conversion of convertible notes	10,726	699,768	–	(710,494)	–	–	–	–	–	–	–	–	–
Share-based payments	–	–	–	–	3,958	3,581	–	–	–	–	7,539	–	7,539
Forfeited share options	–	–	–	–	(5,756)	–	–	–	–	5,756	–	–	–
Lapsed share options	–	–	–	–	(17,226)	–	–	–	–	17,226	–	–	–
At 31 March 2020	68,549	3,086,766	20,566	779,933	73,593	3,581	(413,918)	687	(6)	(985,590)	2,634,161	(26,446)	2,607,715
At 1 April 2020	68,549	3,086,766	20,566	779,933	73,593	3,581	(413,918)	687	(6)	(985,590)	2,634,161	(26,446)	2,607,715
Loss for the year	–	–	–	–	–	–	–	–	–	(780,525)	(780,525)	(6,770)	(787,295)
Other comprehensive income	–	–	–	–	–	–	192,656	–	–	–	192,656	(3,064)	189,592
Total comprehensive loss	–	–	–	–	–	–	192,656	–	–	(780,525)	(587,869)	(9,834)	(597,703)
Cancellation of repurchased shares	(1)	(5)	–	–	–	–	–	–	6	–	–	–	–
Conversion of convertible notes	11,674	761,634	–	(773,308)	–	–	–	–	–	–	–	–	–
Subscription of shares	2,680	36,180	–	–	–	–	–	–	–	–	38,860	–	38,860
Share-based payments	–	–	–	–	17,932	4,648	–	–	–	–	22,580	–	22,580
Forfeited share options	–	–	–	–	(4,050)	–	–	–	–	4,050	–	–	–
At 31 March 2021	82,902	3,884,575	20,566	6,625	87,475	8,229	(221,262)	687	–	(1,762,065)	2,107,732	(36,280)	2,071,452

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2021

	Notes	2021 HK\$'000	2020 HK\$'000
OPERATING ACTIVITIES			
Loss before income tax		(788,146)	(164,103)
Adjustments for:			
Interest income	7	(61)	(140)
Finance costs	8	537	483
Depreciation of property, plant and equipment	15	7,238	9,932
Depreciation of right-of-use assets	11	7,432	9,987
Amortisation of other intangible assets	11	4,951	10,014
Share-based payments	32	22,580	7,539
Change in fair value of financial assets at FVTPL		(3,406)	(1,376)
Loss/(gain) on disposal of property, plant and equipment	7	2	(412)
Gain on lease modification	7	–	(26)
COVID-19 related rent concession		(177)	–
Impairment of inventories	11	–	4,894
Impairment of mining assets	11	689,997	27,605
Impairment/(reversal of impairment) of trade receivables, net	11	4,434	(2,313)
Reversal of impairment of contract assets	11	–	(150)
Impairment of other receivables and prepayments, net	11	8,798	8
Impairment of property, plant and equipment	15	–	12,889
(Reversal of impairment)/impairment of intangible assets	11	(5,119)	10,000
Impairment of construction in progress	11	–	10,529
Exchange (gain)/loss, net		(2,219)	899

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Operating cash flows before movements in working capital		(53,159)	(63,741)
Increase in inventories		(2,649)	(1,663)
(Increase)/decrease in trade receivables		(3,906)	5,514
Decrease in contract assets		–	3,751
Increase in other receivables, deposits and prepayments		(105)	(9,799)
Decrease in accounts payable		(700)	(7,114)
Increase in other payables and accruals		9,738	13,104
(Decrease)/increase in contract liabilities		(2,534)	3,370
NET CASH USED IN OPERATING ACTIVITIES		(53,315)	(56,578)
Investing activities			
Acquisition of property, plant and equipment		(2,457)	(433)
Addition to construction in progress		–	(2,788)
Proceeds from disposal of property, plant and equipment		7	857
Proceeds from disposal of financial assets at FVTPL		–	99,000
Interest received		61	140
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES		(2,389)	96,776

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2021

	Notes	2021 HK\$'000	2020 HK\$'000
FINANCING ACTIVITIES			
Interest paid on lease liabilities		(537)	(483)
Repayment of principal portion of lease liabilities		(5,808)	(8,200)
Proceeds from subscription of shares		38,860	–
Proceeds from placing of shares		–	73,700
Payment of issue expenses for placing of shares		–	(2,954)
Repurchase of shares		–	(27,435)
Repayment of capital to non-controlling interests		–	(20,000)
NET CASH GENERATED FROM FINANCING ACTIVITIES		32,515	14,628
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(23,189)	54,826
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		71,673	21,695
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		4,213	(4,848)
CASH AND CASH EQUIVALENTS AT END OF YEAR		52,697	71,673
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		52,697	71,673

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

1. CORPORATE INFORMATION

The Company was incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's registered office is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. Its head office and principal place of business are located at 46th Floor, China Online Centre, 333 Lockhart Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding. The Group is principally engaged in new energy business and mining.

On 28 May 2021, a special general meeting of the Company is held and a resolution is passed to change the Company's name from China Dynamics (Holdings) Limited (中國動力(控股)有限公司 in Chinese) to Ev Dynamics (Holdings) Limited (科軒動力(控股)有限公司 in Chinese).

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

(a) Adoption of new or amended HKFRSs – effective 1 April 2020

The Hong Kong Institute of Certified Public Accountants has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKFRS 16	COVID-19-Related Rent Concessions

None of these new or amended HKFRSs has a material impact on the Group's results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period except for the amendments to HKFRS 16, COVID-19-Related Rent Concessions. Impact on the application of amendments to HKFRS 16, COVID-19-Related Rent Concessions are summarised below:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

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

(a) Adoption of new or amended HKFRSs – effective 1 April 2020 (Continued)

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

HKFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the COVID-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 pandemic and only if all of the following criteria are satisfied:

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

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of HKFRS 16 in accounting for the rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The Group has elected to utilise the practical expedient for all rent concessions that meet the criteria. In accordance with the transitional provisions, the Group has applied the amendment retrospectively, and has not restated prior period figures. As the rent concessions have arisen during the current financial period, there is no retrospective adjustment to opening balance of retained earnings at 1 April 2020 on initial application of the amendment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

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

(a) Adoption of new or amended HKFRSs – effective 1 April 2020 (Continued)

Amendments to HKFRS 16 – COVID-19-Related Rent Concessions (Continued)

The application of the practical expedient has resulted in the reduction of total lease liabilities of HK\$177,000. The effect of this reduction has been recorded in profit or loss as “government subsidies” in the period in which the event or condition that triggers those payments occurs.

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

The following new or amended HKFRSs, potentially relevant to the Group’s consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group’s current intention is to apply these changes on 1 April 2021 when they become effective.

Amendments to HKAS 1 and Hong Kong Interpretation 5 (2020) (“HK-INT5 (2020)”)	Classification of Liabilities as Current or Non-current and Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁵
Amendments to HKAS 1	Disclosure of Accounting Policies ⁵
Amendments to HKAS 8	Definition of Accounting Estimates ⁵
Amendments to HKAS 12	Recognition of Deferred Tax Liabilities and Deferred Tax Assets ⁵
Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021 ²
Amendments to HKAS 16	Proceeds before Intended Use ³
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ³
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ¹
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁴
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 9 Financial Instruments and Illustrative Examples accompanying HKFRS 16 Leases ³

¹ Effective for annual periods beginning on or after 1 January 2021.

² Effective for annual periods beginning on or after 1 April 2021.

³ Effective for annual periods beginning on or after 1 January 2022.

⁴ Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

⁵ Effective for annual periods beginning on or after 1 January 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

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

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

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

Amendments to HKAS 1 and HK Int 5 (2020) – Classification of Liabilities as Current or Non-current and Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Int 5 (2020) was revised as a consequence of the amendments to HKAS 1 issued in August 2020. The revision to HK Int 5 (2020) updates the wordings in the interpretation to align with the amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

Amendments to HKAS 1 – Disclosure of Accounting Policies

The key amendments to HKAS 1 include:

- Requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- Clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- Clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a group's financial statements.

The directors of the Company do not anticipate that the application of these amendments in the future will have an impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

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

(b) New or amended HKFRSs that have been issued but are not yet effective (Continued) *Amendments to HKAS 8 – Definition of Accounting Estimates*

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a Group develops an accounting estimate to achieve the objective set out by an accounting policy.

The directors of the Company do not anticipate that the application of these amendments in the future will have an impact on the Group’s consolidated financial statements.

Amendments to HKAS 12 – Recognition of Deferred Tax Liabilities and Deferred Tax Assets

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of HKAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The directors of the Company do not anticipate that the application of these amendments in the future will have an impact on the Group’s consolidated financial statements.

Amendments to HKFRS 16 – COVID-19-Related Rent Concessions beyond 30 June 2021

The amendments modify one of the criteria that must be met in order for the practical expedient to be applied. They extend the period over which lease payments originally due may be reduced to end on 30 June 2022 (previously 30 June 2021). Therefore, using the earlier example of a rent concession which reduced lease payments originally due by 15% from July 2020 to July 2021, an entity that is eligible to apply the revised practical expedient could account for this rent concession using the practical expedient, whereas it could not under the original amendments issued in May 2020.

The directors of the Company is currently assessing the impact that the application of the amendments will have on the Group’s consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

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

(b) New or amended HKFRSs that have been issued but are not yet effective (Continued) *Amendments to HKAS 16 – Proceeds before Intended Use*

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The directors of the Company is currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

Amendments to HKAS 37 – Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The directors of the Company is currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 – Interest Rate Benchmark Reform – Phase 2

The amendments address issues that might affect financial reporting when a group replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "Reform"). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

The directors of the Company do not anticipate that the application of these amendments in the future will have an impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

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

(b) New or amended HKFRSs that have been issued but are not yet effective (Continued) *Amendments to HKFRS 3 – Reference to the Conceptual Framework*

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HKFRIC 21 Levies, the acquirer applies HKFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The directors of the Company is currently assessing the impact that the application of the amendments in the future will have on the Group’s consolidated financial statements.

Annual Improvements to HKFRSs 2018-2020 – Amendments to HKFRS 9 Financial Instrument and Illustrative Examples accompanying HKFRS 16 Leases

Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9, Financial Instruments, which clarify the fees included in the ‘10 per cent’ test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other’s behalf are included.
- HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

The directors of the Company do not anticipate that the application of these amendments in the future will have an impact on the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

3. BASIS OF PREPARATION

(a) Statement of compliance

These financial statements have been prepared in accordance with all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance (Cap.622). In addition, these financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

(b) Basis of measurement and going concern assumption

These financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values.

The Group incurred a loss of HK\$787,295,000 (2020: HK\$162,022,000) for the year ended 31 March 2021. This condition may cast significant doubt about the Group's ability to continue as a going concern.

Management of the Group has prepared a cash flow forecast for the next twelve months after the end of the reporting period. Management is of the view that the Group meets its day-to-day working capital requirements through internal funding and placing of shares. The Group's forecasts and projections, taking account of the placing of shares taken place on 24 June 2021 and the reasonably possible changes in trading performance, show that the Group would be able to operate within the level of its current resources. The directors of the Company are of the view that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

(c) Functional and presentation currency

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

4. PRINCIPAL ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

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

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to such non-controlling interests even if this results in the non-controlling interest having a deficit balance.

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

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

(b) Subsidiaries

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

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

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

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

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

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

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(d) Intangible assets (other than goodwill)

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

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

Technical know-how

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

Industrial proprietary rights

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

Internally generated intangible assets (research and development costs)

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(d) Intangible assets (other than goodwill) (Continued)

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

Capitalised development costs are amortised over the periods of 5 to 10 years the Group expects to benefit from selling the products developed. The amortisation expense is recognised in profit or loss and included in cost of sales. Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in profit or loss as incurred.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in profit or loss as incurred.

(e) Mining assets

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

(f) Impairment of tangible and intangible assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, construction in progress, investment in subsidiaries, mining rights and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(f) Impairment of tangible and intangible assets (other than financial assets) (Continued)

Value in use is based on the estimated future cash flows expected to be derived from the asset (or CGU), 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 CGU).

(g) Financial instruments

(i) Financial assets

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

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

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

Debt instruments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(g) Financial instruments (Continued)

(i) Financial assets (Continued)

Equity instruments

Fair value through other comprehensive income ("FVOCI")

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

FVTPL

All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends are recognised in profit or loss.

(ii) Impairment loss on financial assets

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(g) Financial instruments (Continued)

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

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

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

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

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

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

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual or a collective basis.

The Group considers a financial asset to be credit-impaired when significant financial difficulty of the debtor, a breach of contract, restructuring of a loan or advance, it is probable that the debtor will enter bankruptcy etc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(g) Financial instruments (Continued)

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

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

(iii) **Financial liabilities**

The Group classifies its financial liabilities depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

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

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

(iv) **Effective interest method**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(g) Financial instruments (Continued)

(v) *Equity instruments*

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

(vi) *Derecognition*

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

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

(vii) *Convertible notes*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

(i) Leasing

The Group as lessee

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

Right-of-use asset

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(i) Leasing (Continued)

The Group as lessee (Continued)

Lease liability

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(j) Provisions and contingent liabilities

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

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

(k) Inventories

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

(l) Income tax

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(I) Income tax (Continued)

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

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

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

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(l) **Income tax** (Continued)

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

(m) **Foreign currencies**

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(m) Foreign currencies (Continued)

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

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

(n) Employees' benefits

(i) Short term benefits

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

(ii) Employee retirement scheme

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(o) Equity-settled share-based payments

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

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

Share options scheme

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

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

Share award plan

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(o) Equity-settled share-based payments (Continued)

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

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

(p) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Company;
- (ii) has significant influence over the Company; or
- (iii) is a member of key management personnel of the Company or the Company's parent.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(p) Related parties (Continued)

(b) An entity is related to the Group if any of the following conditions applies:
(Continued)

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(q) Revenue recognition

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

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

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

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

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception.

Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method.

For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(q) Revenue recognition (Continued)

Sales of motor vehicles and batteries

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

Contract costs

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

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

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

Contract asset and contract liability

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(r) Government grant

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Given COVID-19 pandemic has created and may continue to create significant uncertainty in macroeconomic conditions, actual results may differ from these estimates.

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

Going concern

The assessment of the going concern assumption involves making a judgment by the Board of the Group, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The Board of the Company considers that the Group have the capabilities to continue as going concerns and the major events and conditions, which may give rise to business risks, that individually or collectively may cast significant doubt upon the going concern assumption and related mitigating measures taken by management are set out in note 3(b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

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

Impairment of non-financial assets

As at the reporting date, the Group's non-financial assets (including property, plant and equipment, construction in progress, mining assets and other intangible assets) are subject to impairment testing as impairment indicators existed. The recoverable amount of the CGUs are the higher of the value in use or fair value less cost to sell. The estimation of the recoverable amounts of the Group's CGUs requires the directors to estimate the future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate the present value.

In determining the recoverable amounts of the CGU of the development of electric vehicles, the valuer has based its valuation on income approach (2020: income approach) which involves unobservable market data from the projection of cash flows of the business. In determining the recoverable amounts of the CGU of the mining assets, the valuer has based its valuation on income approach using the multi period excess earnings method. In relying on the valuation, management has exercised their judgment and is satisfied that the methods of valuation adopted are appropriate for the relevant recoverable amounts of the CGUs and reflective of current market conditions.

Further information on the impairment assessments are provided in notes 16 and 20.

Impairment of financial assets measured at amortised cost

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

Further information on the impairment assessment on respective financial assets are provided in note 39.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

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

Provision for obsolete inventories

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

Estimation of useful lives of property, plant and equipment and intangible assets

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

Income taxes

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

6. SEGMENT REPORTING

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

6. SEGMENT REPORTING (Continued)

(a) Reportable segments

	Development of electric vehicles		Mining		Metal and minerals trading		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	23,788	5,086	–	–	–	–	23,788	5,086
Reportable segment (loss)/profit	(61,205)	(90,016)	(696,380)	(46,295)	(1,043)	1,228	(758,628)	(135,083)
Interest income	11	76	–	–	–	4	11	80
Unallocated interest income							50	60
Total interest income							61	140
Depreciation	(9,606)	(13,135)	(549)	(537)	–	–	(10,155)	(13,672)
Unallocated depreciation expenses							(4,515)	(6,247)
Total depreciation							(14,670)	(19,919)
Amortisation	(4,951)	(10,014)	–	–	–	–	(4,951)	(10,014)
(Impairment)/reversal of impairment of other receivables and prepayments, net	(8,798)	284	–	–	–	–	(8,798)	284
Unallocated							–	(292)
Total impairment of other receivables and prepayments, net							(8,798)	(8)
Impairment of inventories	–	(4,894)	–	–	–	–	–	(4,894)
Impairment of property, plant and equipment	–	(12,889)	–	–	–	–	–	(12,889)
Reversal of impairment/(impairment) of intangible assets	5,119	(10,000)	–	–	–	–	5,119	(10,000)
Impairment of construction in progress	–	–	–	(10,529)	–	–	–	(10,529)
Impairment of mining assets	–	–	(689,997)	(27,605)	–	–	(689,997)	(27,605)
Reportable segment assets	295,388	290,054	1,863,519	2,377,387	11,918	11,942	2,170,825	2,679,383
Additions to non-current assets	1,526	11,043	–	382	–	–	1,526	11,425
Unallocated assets							931	15
Total additions to non-current assets							2,457	11,440
Reportable segment liabilities	(160,221)	(139,678)	(2,989)	(3,225)	(130)	(79)	(163,340)	(142,982)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

6. SEGMENT REPORTING (Continued)

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

	2021 HK\$'000	2020 HK\$'000
Revenue		
Reportable segment revenue and consolidated revenue	23,788	5,086
Loss before income tax		
Reportable segment loss	(758,628)	(135,083)
Unallocated other income	3,012	110
Change in fair value of financial assets at FVTPL	3,406	1,376
Unallocated share-based payments	(20,552)	(4,996)
Unallocated other corporate expenses	(14,847)	(25,027)
Finance costs	(537)	(483)
Consolidated loss before income tax	(788,146)	(164,103)
Assets		
Reportable segment assets	2,170,825	2,679,383
Unallocated corporate assets*	72,700	76,006
Consolidated total assets	2,243,525	2,755,389
Liabilities		
Reportable segment liabilities	163,340	142,982
Unallocated corporate liabilities	8,733	4,692
Consolidated total liabilities	172,073	147,674

* Unallocated corporate assets as at 31 March 2021 mainly represent cash and bank balances of HK\$41,130,000 (2020: HK\$55,132,000) and financial assets at FVTPL of HK\$16,278,000 (2020: HK\$12,034,000) held by the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

6. SEGMENT REPORTING (Continued)

(c) Geographic information

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

	Revenue from external customers		Specified non-current assets	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
PRC, including Hong Kong	18,223	2,656	2,070,143	2,571,338
Japan	–	–	334	1,156
Peru	–	2,430	–	–
Philippines	5,565	–	–	–

(d) Information about major customers

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

	2021 HK\$'000	2020 HK\$'000
Customer A	8,862	–
Customer B	7,400	–
Customer C	5,565	2,430
Customer D	365	2,021
Customer E	–	581
	22,192	5,032

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

7. REVENUE AND OTHER INCOME

Revenue from contracts with customers within the scope of HKFRS 15

(a) Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods at a point in time in the following major product lines:

	2021 HK\$'000	2020 HK\$'000
Sale of motor vehicles	23,788	5,032
Sale of batteries	—	54
	23,788	5,086

Note: Disaggregation of revenue from contracts with customers by geographic markets is disclosed in note 6(c).

(b) Assets and liabilities related to contracts with customers

The following table provides information about contract assets and contract liabilities from contracts with customers:

	2021 HK\$'000	2020 HK\$'000
Contract assets	10,630	9,803
Contract liabilities	1,789	4,284

The contract assets primarily relate to certain portion of the sales of electric vehicles of the Group that will be settled by the PRC government by the way of national subsidies in accordance with the Circular on Financial Support Policies for the Promotion and Application of New Energy Vehicles 2016-2020 (Cai Jian [2015] 134) and other relevant and applicable government's notices and policies promulgated by the PRC government, and the sales contracts made between the Group and these customers.

The contract liabilities mainly relate to the advance consideration received from customers. HK\$4,284,000 of the contract liabilities as of 31 March 2020 has been recognised as revenue for the year ended 31 March 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

7. REVENUE AND OTHER INCOME (Continued)

	2021 HK\$'000	2020 HK\$'000
Other income		
(Loss)/gain on disposal of property, plant and equipment	(2)	412
Gain on lease modification	–	26
Rental income	762	–
Government grants (note)	838	279
Exchange gain	2,219	–
Sundry income	340	1,175
Interest income	61	140
	4,218	2,032

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

8. FINANCE COSTS

	2021 HK\$'000	2020 HK\$'000
Interest on lease liabilities	537	483

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

9. DIRECTORS' REMUNERATION

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

For the year ended 31 March 2021

	Fees HK\$'000	Basic salaries, housing benefits, other allowances and benefits in kind HK\$'000	Share- based payments HK\$'000	Pension contributions HK\$'000	Total HK\$'000
Executive directors:					
Mr. Cheung Ngan	-	2,646	-	18	2,664
Mr. Miguel Valdecabres Polop (appointed on 16 October 2020)	815	-	5,162	-	5,977
Ms. Chan Hoi Ying	-	1,830	-	18	1,848
Sub-total	815	4,476	5,162	36	10,489
Non-executive director:					
Mr. Zhou Jin Kai (removed on 22 December 2020)	-	-	-	-	-
Sub-total	-	-	-	-	-
Independent non-executive directors:					
Mr. Chan Francis Ping Kuen	100	-	-	-	100
Mr. Hu Guang	100	-	-	-	100
Dato' Tan Yee Boon	100	-	-	-	100
Sub-total	300	-	-	-	300
Total	1,115	4,476	5,162	36	10,789

On 25 February 2021, 80,000,000 share options (2020: nil) were granted to Mr. Miguel Valdecabres Polop. Save as the above, no share options were granted to others directors during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

9. DIRECTORS' REMUNERATION (Continued)

For the year ended 31 March 2020

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

There were no arrangements under which a director waived or agreed to waive any remuneration for the years ended 31 March 2021 and 2020. No remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 March 2021 and 2020.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

10. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included three (2020: two) directors, details of whose remuneration are set out in note 9. The details of the remuneration of the remaining two (2020: three) non-director highest paid individuals are as follow:

	2021 HK\$'000	2020 HK\$'000
Basic salaries, allowances and benefits in kind	1,547	2,278
Discretionary bonus	–	2,643
Share-based payments	7,720	566
Pension contributions	36	54
	9,303	5,541

The number of non-director highest paid individuals whose remunerations fell within the following bands are as follow:

	2021 Number of employees	2020 Number of employees
HK\$1,000,001 to HK\$1,500,000	–	2
HK\$3,000,001 to HK\$3,500,000	1	1
HK\$6,000,001 to HK\$6,500,000	1	–
	2	3

During the year ended 31 March 2021, 120,000,000 share options (2020: nil) were granted to non-director, highest paid individuals in respect of their services to the Group under the share option scheme of the Company, further details of which are disclosed in note 32. The fair value of such options, which has been recognised in profit or loss and included in the above disclosure of five highest paid individuals, was determined as at the date of grant of options.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

11. LOSS BEFORE INCOME TAX

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

	2021 HK\$'000	2020 HK\$'000
Auditor's remuneration	1,560	1,560
Amortisation of other intangible assets	4,951	10,014
Cost of inventories recognised as expenses	16,912	4,406
Depreciation of property, plant and equipment	7,238	9,932
Depreciation of right-of-use assets	7,432	9,987
Exchange (gain)/loss, net	(2,219)	899
Impairment of inventories	–	4,894
Impairment/(reversal of impairment) of trade receivables, net	4,434	(2,313)
Reversal of impairment of contract assets	–	(150)
Impairment of mining assets	689,997	27,605
Impairment of other receivables and prepayments, net	8,798	8
Impairment of property, plant and equipment	–	12,889
(Reversal of impairment)/impairment of intangible assets	(5,119)	10,000
Impairment of construction in progress	–	10,529
Short-term and low-value lease expense	3,181	2,459
Research and development cost	283	1,183
Directors' remuneration	10,789	4,972
Employee costs (excluding directors' remuneration)		
– Salaries and allowances	20,139	25,664
– Share-based payments (note 32)	17,418	7,379
– Other benefits	1,039	1,655
– Pension contributions	1,223	1,251
	39,819	35,949

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

12. INCOME TAX

- (a) The amount of income tax credit in the consolidated statement of profit or loss and other comprehensive income represents:

	2021 HK\$'000	2020 HK\$'000
Current tax		
– Provision for PRC enterprise income tax for the year	–	–
Deferred tax		
– Origination and reversal of temporary differences	(851)	(2,081)
Income tax credit	(851)	(2,081)

Overseas taxes on assessable profits of the group companies, if any, are calculated at the rates of tax prevailing in the respective jurisdictions in which they operate, based on the prevailing legislation, interpretations and practices in respect thereof.

As at 31 March 2021, subject to the agreement by the Hong Kong Inland Revenue Department, the Group had unused tax losses of HK\$157,064,000 (2020: HK\$141,299,000) available for offsetting against future profits. In addition, the Group had unused tax losses related to subsidiaries operating in Mainland China of HK\$185,418,000 (2020: HK\$239,381,000). No deferred tax asset has been recognised in respect of these losses due to the unpredictability of future profit streams.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

12. INCOME TAX (Continued)

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

	2021 HK\$'000	2020 HK\$'000
Loss before income tax	(788,146)	(164,103)
Tax credit at the applicable rates	(193,068)	(37,052)
Tax effect of non-taxable revenue	(1,938)	(238)
Tax effect of non-deductible expenses	182,688	15,007
Tax effect of tax losses and temporary differences not recognised	11,467	20,202
Income tax credit for the year	(851)	(2,081)

13. DIVIDEND

No dividend has been proposed or paid by the Company in respect of the years ended 31 March 2021 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

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:

	2021 HK'000	2020 HK'000
Loss for the year attributable to owners of the Company	(780,525)	(146,850)
	2021 Number	2020 Number
Weighted average number of ordinary shares in issue	7,311,107,678	6,884,139,267

Basic and diluted loss per share is HK\$0.1 per share (2020: HK\$0.02 per share) based on the loss for the year of HK\$780,525,000 (2020: HK\$146,850,000) and the weighted average number of ordinary shares in issue detailed above. The basic and diluted loss per share for both years presented are the same as the potential ordinary shares issuable under the convertible notes, the share option scheme and share award plan are anti-dilutive.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures, equipment and motor vehicles HK\$'000	Total HK\$'000
Cost:				
At 1 April 2019	13,623	81,331	14,454	109,408
Additions	–	8,594	58	8,652
Transferred from construction in progress (note 16)	–	4,061	–	4,061
Disposal	–	–	(1,060)	(1,060)
Written off	–	–	(330)	(330)
Impairment loss	(6,154)	(18,217)	(448)	(24,819)
Exchange realignment	(442)	(4,858)	(524)	(5,824)
At 31 March 2020 and 1 April 2020	7,027	70,911	12,150	90,088
Additions	1,378	64	1,015	2,457
Disposal	–	–	(49)	(49)
Exchange realignment	220	5,567	589	6,376
At 31 March 2021	8,625	76,542	13,705	98,872
Accumulated depreciation:				
At 1 April 2019	9,119	26,581	11,134	46,834
Charge for the year	880	7,839	1,213	9,932
Disposal	–	–	(615)	(615)
Written off	–	–	(330)	(330)
Impairment loss	(2,712)	(8,810)	(408)	(11,930)
Exchange realignment	(275)	(1,517)	(392)	(2,184)
At 31 March 2020 and 1 April 2020	7,012	24,093	10,602	41,707
Charge for the year	211	6,268	759	7,238
Disposal	–	–	(40)	(40)
Exchange realignment	206	1,930	486	2,622
At 31 March 2021	7,429	32,291	11,807	51,527
Carrying amount:				
At 31 March 2021	1,196	44,251	1,898	47,345
At 31 March 2020	15	46,818	1,548	48,381

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

16. CONSTRUCTION IN PROGRESS

	Mining assets in the PRC HK\$'000	Manufacturing plant in the PRC HK\$'000	Total HK\$'000
At 1 April 2019	21,597	63,982	85,579
Additions	382	2,406	2,788
Transfer to property, plant and equipment (note 15)	–	(4,061)	(4,061)
Impairment	(10,529)	–	(10,529)
Exchange realignment	(1,167)	(4,117)	(5,284)
At 31 March 2020 and 1 April 2020	10,283	58,210	68,493
Exchange realignment	867	4,908	5,775
At 31 March 2021	11,150	63,118	74,268

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

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

The directors carried out impairment assessment on the recoverable amounts of construction in progress of the mining assets and manufacturing plant in the PRC. Based on the results of these assessments, the directors are of the opinion that there was no impairment of construction in progress as at 31 March 2021 (2020: HK\$10,529,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

17. RIGHT-OF-USE ASSETS

An analysis of the net book values of right-of-use assets by classes of underlying assets is as follows:

	Note	2021 HK\$'000	2020 HK\$'000
Ownership interests in leasehold land and buildings held for own use, carried at amortised cost, with remaining lease term of between 10 and 50 years	(i)	80,681	75,865
Other properties leased for own use, carried at depreciated cost	(ii)	10,713	4,750
		91,394	80,615

The analysis of movement of the Group's right-of-use assets is as follows:

	Land and buildings HK\$'000
At 1 April 2019	93,456
Additions	2,491
Depreciation	(9,987)
Lease modification	(24)
Exchange realignment	(5,321)
At 31 March 2020 and 1 April 2020	80,615
Additions	11,646
Depreciation	(7,432)
Exchange realignment	6,565
At 31 March 2021	91,394

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in note 41 and note 28, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

17. RIGHT-OF-USE ASSETS (Continued)

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

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

(ii) Other properties leased for own use

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

18. INTERESTS IN SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 March 2021 are as follows:

Name of subsidiaries	Place of incorporation/ registration and operations	Particulars of issued and paid-up capital/ paid-up registered capital	Attributable equity interest		Principal activities
			2021	2020	
Directly held by the Company					
China Elegance Holdings Limited ⁽²⁾	British Virgin Islands	1,000 shares of US\$1 each	100%	100%	Investment holding
Indirectly held by the Company					
Apex Winner Limited ⁽²⁾	Hong Kong	HK\$1	100%	100%	Provision of management services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

18. INTERESTS IN SUBSIDIARIES (Continued)

Name of subsidiaries	Place of incorporation/ registration and operations	Particulars of issued and paid-up capital/ paid-up registered capital	Attributable equity interest 2021	2020	Principal activities
CE Investment Limited ⁽²⁾	Samoa	1 share of US\$1 each	100%	100%	Investment holding
China Dynamics New Energy Technology Company Limited ⁽²⁾	Hong Kong	HK\$10,000	100%	100%	Motor vehicle trading
China Elegance Resources Limited ⁽²⁾	British Virgin Islands	1 share of US\$1 each	100%	100%	Investment holding
China Green Dynamics Company Limited ⁽²⁾	Hong Kong	HK\$10,000	100%	100%	Motor vehicle trading
China Green Dynamics (Holdings) Limited ⁽²⁾	Hong Kong	HK\$100	100%	100%	Investment holding
Green Dynamic Electric Vehicle Limited ⁽²⁾	Hong Kong	HK\$1	51%	51%	Development in energy saving and environmental protection products
Hong Kong Cable Services Company Limited ⁽²⁾	Hong Kong/PRC	HK\$100,000	100%	100%	Trading of computer hardware and software, provision of computer maintenance services and software development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

18. INTERESTS IN SUBSIDIARIES (Continued)

Name of subsidiaries	Place of incorporation/ registration and operations	Particulars of issued and paid-up capital/ paid-up registered capital	Attributable equity interest		Principal activities
			2021	2020	
Pacific Pipe Coating Company Limited ⁽²⁾	Hong Kong	HK\$2	100%	100%	Trading of metals and minerals
Sinocop New Energy Technology (International) Company Limited ⁽²⁾	British Virgin Islands	100 shares of US\$1 each	100%	100%	Investment holding
Sinocop New Energy Technology Company Limited ⁽²⁾	Hong Kong	HK\$100	100%	100%	Development of new energy technology and product
South China Mining Investments Limited ⁽²⁾	British Virgin Islands	100 shares of US\$1 each	100%	100%	Investment holding
Tong Guan La Plata Company Limited ⁽²⁾	British Virgin Islands	5,000 shares of US\$10,000 each	60%	60%	Investment holding
Wise Goal Enterprises Limited ⁽²⁾	Hong Kong	HK\$1	100%	100%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

18. INTERESTS IN SUBSIDIARIES (Continued)

Name of subsidiaries	Place of incorporation/ registration and operations	Particulars of issued and paid-up capital/ paid-up registered capital	Attributable equity interest		Principal activities
			2021	2020	
天津中銅新能源科技有限責任公司 Tianjin Sinocop New Energy Technology Company Limited ⁽¹⁾⁽²⁾	PRC	RMB30,000,000	100%	100%	Development of new energy technology and product
重慶中銅新能源汽車技術有限公司 Chongqing Sinocop New Energy Vehicle Technology Company Limited ⁽¹⁾⁽²⁾	PRC	RMB13,526,885	100%	100%	Investment holding and motor vehicles trading
重慶穗通新能源汽車製造有限公司 Chongqing Suitong New Energy Automotive Manufacturing Co., Ltd. ⁽¹⁾⁽²⁾	PRC	RMB40,000,000	70%	70%	Motor vehicles manufacturing and trading
重慶穗通汽車工業發展有限公司 ⁽²⁾	PRC	RMB10,550,100	70%	70%	Manufacturing of electric bus
廣西威日礦業有限責任公司 Guangxi Weiri Mining Company Limited ⁽¹⁾⁽²⁾	PRC	RMB119,338,079	100%	100%	Mining and sale of mineral resources

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

18. INTERESTS IN SUBSIDIARIES (Continued)

Name of subsidiaries	Place of incorporation/ registration and operations	Particulars of issued and paid-up capital/ paid-up registered capital	Attributable equity interest		Principal activities
			2021	2020	
北京中銅首航環保動力科技有限公司 Sinocop Capital Transportation Company Limited ⁽¹⁾⁽²⁾	PRC	RMB10,000,000	51%	51%	Development of new energy technology and product
中銅動力(天津)科技有限公司 ⁽²⁾	PRC	RMB14,735,485	100%	100%	Battery manufacturing and trading
深圳市中動智慧新能源技術有限公司 ⁽²⁾	PRC	RMB3,043,692	100%	100%	Development of new energy technology and product
日本動力株式會社 Japan Dynamics Company Limited ⁽¹⁾⁽²⁾	Japan	JPY10,000,000	100%	100%	Marketing of new energy technology and product

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

⁽²⁾ The legal entity is private limited company.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

19. MINING ASSETS

Cost and net carrying value:

	2021 HK\$'000	2020 HK\$'000
At 1 April	2,342,532	2,534,111
Impairment loss	(689,997)	(27,605)
Exchange realignment	173,694	(163,974)
At 31 March	1,826,229	2,342,532

Mining assets have not been amortised since acquisition as the mine has not yet commenced operation since then. In the opinion of management, the mining project is ongoing and is pending for the issuance of land use right certificate for the construction of processing factory. The mining operation will be commenced upon the completion of such development.

Impairment testing of mining assets

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

The multi period excess earnings method is based on the projection of future cash flows of the mining business of thenardite prepared from the financial budgets approved by senior management covering a eighteen-year period from 2023 to 2041 to reflect the length of time management is committed to exploit the economic benefits of the mining business of thenardite and the expected useful lives of the processing plant and machinery the Group has invested and will continue to invest. Cash flows covering a six-year period from 2023 to 2028 are based on financial budgets approved by senior management. Cash flows beyond the six-year period are extrapolated using an estimated weighted average income growth rate of 2.68% (2020: 2.84%), which does not exceed the geometric mean of twelve-year average of China Producer Price Index-non ferrous Metals Mining and Dressing Year over Year. Management considers the six-year period from 2023 to 2028 reflect the length of time to incur necessary capital expenditure to exploit the economic benefits of the mining business of thenardite. The projected future cash flows are discounted to its present value by the appropriate discount rate determined from market data. Management considered that reasonably possible change in the key assumptions used for the recoverable amount would not cause further impairment loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

19. MINING ASSETS (Continued)

Impairment testing of mining assets (Continued)

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

	2021	2020
Thenardite price per ton	RMB903	RMB926
Required rate of return for working capital	3.68%	3.68%
Required rate of return for fixed assets	13.41%	12.27%
Required rate of return for assembled workforce	21.96%	20.98%
Post-tax discount rate	21.96%	20.98%
Income growth rate within the projected period	2.68%	2.84%
Costs growth rate within the projected period	1.40%	1.25%

Management determined the thenardite price based on relevant data obtained from third party's quotation pertaining to the mining assets in Guangxi. The income growth rate represents the expected inflation rate based on the China Producer Price Index for non-metal minerals from 2010 to 2021 and the costs growth rate represents the China Producer Price Index from 2001 to 2021. Management believes the Group can attain maximum production capacity based on planned resources within seven years of commercial production and sustain such capacity throughout the remaining projected period. The discount rate used reflects the specific risks associated with the mining business of thenardite.

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

Accordingly, the recoverable amount of the mining assets as at 31 March 2021 was HK\$1,826 million, which was lower than its carrying value of HK\$2,540 million, and hence an impairment loss of HK\$689,997,000 was recognised in the profit or loss (2020: HK\$27,605,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

20. OTHER INTANGIBLE ASSETS

	Technical know-how	Industrial proprietary rights	Total
	HK\$'000	HK\$'000	HK\$'000
At 1 April 2019	24,517	14,282	38,799
Amortisation	(7,824)	(2,190)	(10,014)
Impairment	(10,000)	–	(10,000)
Exchange realignment	(1,176)	(876)	(2,052)
At 31 March 2020 and 1 April 2020	5,517	11,216	16,733
Amortisation	(2,891)	(2,060)	(4,951)
Reversal of impairment	5,119	–	5,119
Exchange realignment	541	874	1,415
At 31 March 2021	8,286	10,030	18,316

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

20. OTHER INTANGIBLE ASSETS (Continued)

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

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

	2021	2020
Pre-tax discount rate	22.98%	20.40%
Gross profit margin	19.8%-23%	16%-24.21%

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

As the recoverable amount of the CGU exceeded the carrying value of the CGU's non-current assets, which comprises the property, plant and equipment, right-of-use assets, construction in progress and intangible assets, the directors are of the opinion that there was reversal of impairment of HK\$5,119,000 on the assessed non-current assets as at 31 March 2021 (2020: impairment loss of HK\$10,000,000).

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 HK\$'000	2020 HK\$'000
Financial assets at FVTPL comprise:		
Unlisted equity investments outside Hong Kong	16,278	12,034

Note:

The Group held 6.56% equity interest in a Croatia company, Greyp Bikes d.o.o. ("Greyp"). Greyp is principally engaged in research, designing, developing, manufacturing, marketing and selling of electric bike, bike sensor, bicycle parts and accessories. The fair value of Greyp was determined based on Level 3 of fair value hierarchy as detailed in note 40.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

22. INVENTORIES

	2021 HK\$'000	2020 HK\$'000
Raw materials	6,009	4,786
Work in progress	17,337	14,218
Finished goods	5,870	5,551
	29,216	24,555

23. TRADE RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Trade receivables at amortised cost	20,497	15,339
Less: Accumulated impairment losses	(12,963)	(7,725)
	7,534	7,614

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

	2021 HK\$'000	2020 HK\$'000
0 – 30 days	1,137	74
31 – 90 days	–	312
91 – 180 days	386	58
181 – 365 days	2,764	1,010
More than 1 year	3,247	6,160
	7,534	7,614

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

23. TRADE RECEIVABLES (Continued)

The average credit period on sales of electric vehicles is 30-365 days from the invoice date. The Group recognised impairment losses based on the accounting policy stated note 4(g)(ii). Further details of the Group's credit policy and credit risk arising from trade receivable, contract assets, financial assets included in other receivables and deposits are set out in note 39.

24. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2021 HK\$'000	2020 HK\$'000
Other receivables	30,064	32,820
Deposits	5,014	6,609
Prepayments	34,540	33,527
	69,618	72,956
Less: Non-current portion	(12,925)	(15,740)
	56,693	57,216

25. ACCOUNTS PAYABLE

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

	2021 HK\$'000	2020 HK\$'000
0 – 30 days	–	612
31 – 90 days	48	8
91 – 180 days	550	36
181 – 365 days	322	398
More than 1 year	7,717	7,579
	8,637	8,633

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

26. OTHER PAYABLES AND ACCRUALS

	2021 HK\$'000	2020 HK\$'000
Other payables and accruals	142,008	121,226
Less: Non-current portion on other payables (note)	(64,694)	(59,664)
	77,314	61,562

Note:

The amount represented the government grant in relation to the construction of manufacturing plant in the PRC. It will be recognised as reduction of construction cost in property, plant and equipment after the completion of the construction of manufacturing plant and the fulfillment of all the conditions attached to the government grant.

27. CONTRACT ASSETS/CONTRACT LIABILITIES

Contract Assets

Certain portion of the sales of electric vehicles of the Group will be settled by the PRC government, on behalf of the customers of the Group, for the sales of electric vehicles, by the way of national subsidies in accordance with the Circular on Financial Support Policies for the Promotion and Application of New Energy Vehicles 2016-2020 (Cai Jian [2015] 134) and other relevant and applicable government's notices and policies promulgated by the PRC government, and the sales contracts made between the Group and these customers. As at 31 March 2021 and 2020, the subsidy receivables from the PRC government, net of impairment losses, amounting to HK\$10,630,000 and HK\$9,803,000, respectively, were subject to the relevant subsidy policies and were not unconditional. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are considered as low as the counterparty is the PRC government. The provision rates of contract assets reflects the time value of money, and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecast of future economic conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

27. CONTRACT ASSETS/CONTRACT LIABILITIES (Continued)

Contract Liabilities

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

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

28. LEASE LIABILITIES

The Group as a lessee

The Group leases a number of properties in the PRC and Hong Kong and the periodic rent is fixed over the lease term. The lease payments are fixed and there are no renewal options, variable lease payments nor restrictions or covenants included in these lease agreements.

The Group also regularly entered into short-term leases for office premises and car parking. The Group does not recognise right-of-use assets and lease liabilities in regard of these short-term leases. The Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease terms.

The following table shows the remaining contractual maturities of the Group's lease liabilities at 31 March 2021 and 2020:

	2021		2020	
	Present value HK\$'000	Minimum lease payments HK\$'000	Present value HK\$'000	Minimum lease payments HK\$'000
Not later than 1 year	3,753	4,298	4,884	5,046
Later than 1 years and not later than 5 years	7,534	8,122	133	134
	<u>11,287</u>	<u>12,420</u>	<u>5,017</u>	<u>5,180</u>
Less: Total future interest expenses		<u>(1,133)</u>		<u>(163)</u>
Present value of lease liabilities		<u>11,287</u>		<u>5,017</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

29. DEFERRED TAX LIABILITIES

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

	Intangible assets HK\$'000	Revaluation of land and building HK\$'000	Total HK\$'000
At 1 April 2019	6,129	5,151	11,280
Credited to profit or loss	(1,956)	(125)	(2,081)
Exchange alignment	(353)	(332)	(685)
At 31 March 2020 and 1 April 2020	3,820	4,694	8,514
Credited to profit or loss	(723)	(128)	(851)
Exchange alignment	297	392	689
At 31 March 2021	3,394	4,958	8,352

30. CONVERTIBLE NOTES

On 28 February 2014, the Company issued zero-coupon convertible notes (the "Convertible Notes") at a principal amount of HK\$2,910,000,000 as part of the consideration of the acquisition of a group of companies holding mining license. The Convertible Notes have a maturity period of ten years from the date of issue and can be converted into ordinary shares of the Company at HK\$0.75 per share at the option of the holders of the Convertible Notes subject to the conversion restriction set out in the terms of the Convertible Notes in relation to the compliance with the relevant requirements of the Hong Kong Code on Takeovers and Mergers and the Listing Rules. The Company shall have the right to redeem the entire or part of the principal amount of the Convertible Notes before the maturity date but not the holder of the Convertible Notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

30. CONVERTIBLE NOTES (Continued)

The Company has the option to issue conversion shares at the conversion price on the maturity date or to redeem the outstanding principal amount of the Convertible Notes. The Convertible Notes are an equity instrument as the Company has no obligation to settle in cash. The fair value of the Convertible Notes as at 28 February 2014 which is determined as the fair value of the net assets of the group companies acquired less the fair value of the consideration shares amounted to HK\$2,570,158,000 is credited to the “convertible notes equity reserve” on the issuance of the Convertible Notes. During the year, Convertible Notes in principal amount of HK\$875,560,200 (2020: HK\$804,439,800) were converted into 1,167,413,600 (2020: 1,072,586,400) ordinary shares of the Company. Details on conversion is as follow:

	Principal amount HK\$'000	Number of shares	Convertible notes equity reserve HK\$'000
At 1 April 2019	1,687,500	2,250,000,000	1,490,427
Conversion to shares	(804,440)	(1,072,586,400)	(710,494)
At 31 March 2020 and 1 April 2020	883,060	1,177,413,600	779,933
Conversion to shares	(875,560)	(1,167,413,600)	(773,308)
At 31 March 2021	7,500	10,000,000	6,625

Details of the conversion of Convertible Notes into ordinary shares of the Company during the year ended 31 March 2021 are set out in note 31(iii).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

31. SHARE CAPITAL

	2021		2020	
	Number of shares	HK\$'000	Number of shares	HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each	<u>50,000,000,000</u>	<u>500,000</u>	<u>50,000,000,000</u>	<u>500,000</u>
Issued and fully paid:				
At 1 April	6,854,963,200	68,549	5,366,046,800	53,660
Placing of shares (note (i))	–	–	670,000,000	6,700
Subscription of shares (note (i))	268,000,000	2,680	–	–
Cancellation of repurchased shares (note (ii))	(70,000)	(1)	(253,670,000)	(2,537)
Conversion of Convertible Notes (note (iii))	<u>1,167,413,600</u>	<u>11,674</u>	<u>1,072,586,400</u>	<u>10,726</u>
At 31 March	<u>8,290,306,800</u>	<u>82,902</u>	<u>6,854,963,200</u>	<u>68,549</u>

Notes:

- (i) During the year ended 31 March 2021, 268,000,000 ordinary shares (2020: 670,000,000 ordinary shares) of the Company were issued at a subscription price of HK\$0.145 each (2020: HK\$0.11) to independent third parties at an aggregate consideration of HK\$38,860,000 (2020: HK\$73,700,000) of which HK\$2,680,000 (2020: HK\$6,700,000) was credited to share capital and the remaining balance of HK\$36,180,000 (2020: HK\$64,046,000) was credited to share premium account.
- (ii) During the year ended 31 March 2020, the Company repurchased and cancelled 253,670,000 shares of the Company in the open market at an aggregate consideration of approximately HK\$27,429,000. During the year ended 31 March 2021, the Company cancelled the remaining 70,000 shares of the Company carried forward from repurchase in the financial year 31 March 2020.
- (iii) During the year ended 31 March 2021, the Company's Convertible Notes in principal amount of HK\$875,560,200 (2020: HK\$804,439,800) were converted into 1,167,413,600 (2020: 1,072,586,400) ordinary shares of the Company at the conversion price of HK\$0.75 (2020: HK\$0.75) per share, of which approximately HK\$11,674,000 (2020: HK\$10,726,000) was credited to share capital and the remaining balance of approximately HK\$761,634,000 (2020: HK\$699,768,000) was credited to share premium account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

32. SHARE-BASED PAYMENT TRANSACTIONS

Share option scheme

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

A old share option scheme, which was adopted by an ordinary resolution of the shareholders at the special general meeting of the Company on 5 January 2004 (the "Adoption Date") (the "Old Scheme"), constitutes a share option scheme governed by Chapter 17 of the Listing Rules and will remain in force for 10 years from the Adoption Date.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

32. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Share option scheme (Continued)

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

On 25 February 2021, 278,000,000 share option (2020: nil) under the New Scheme were grant to a director and employee with exercise price of HK\$0.13 per share. The closing price at the date of grant was HK\$0.12 per share.

In addition, subsequent to the end of the financial year, on 7 April 2021, 15,000,000 share options under the New Scheme were granted to a grantee with both exercise price and closing price at date of grant at HK\$0.14 per share. The grantee is not a director, chief executive or substantial shareholders or any of their associates as defined in the Listing Rules.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

32. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Share option scheme (Continued)

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

Date of offer of grant	At 01/04/2019	Lapsed/ forfeited during the year	At 31/03/2020	Granted during the year	Forfeited during the year	At 31/03/2021	Exercise price	Closing price at date of offer of grant	Exercise period	Vesting period
Under the Old Scheme										
16/12/2009	40,400,000	(40,400,000)	-	-	-	-	HK\$0.46	HK\$0.45	16/12/2009 to 15/12/2019	N/A
Under the New Scheme										
11/04/2014	57,000,000	(8,000,000)	49,000,000	-	-	49,000,000	HK\$1.15	HK\$1.11	12/04/2016 to 10/04/2024	12/04/2016 to 12/04/2020
10/03/2016	325,600,000	(7,500,000)	318,100,000	-	(30,000,000)	288,100,000	HK\$0.30	HK\$0.28	10/03/2016 to 09/03/2026	10/03/2016 to 11/03/2020
25/02/2021	-	-	-	278,000,000	-	278,000,000	HK\$0.13	HK\$0.12	25/02/2021 to 24/02/2031	N/A
	<u>423,000,000</u>	<u>(55,900,000)</u>	<u>367,100,000</u>	<u>278,000,000</u>	<u>(30,000,000)</u>	<u>615,100,000</u>				

The weighted average remaining contractual life of options outstanding at the end of the year was 6.96 years (2020: 5.73 years). The weighted average exercise price of options outstanding at the end of the year was HK\$0.29 (2020: HK\$0.41).

615,100,000 (2020: 357,300,000) share options were exercisable at the end of the year.

There was no exercise of share options during the years ended 31 March 2021 and 2020.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

32. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Share option scheme (Continued)

Fair value of share options and assumptions:

	16 December 2009	Offer of grant on 11 April 2014	10 March 2016	25 February 2021
Fair value at measurement date	HK\$0.43	HK\$0.63	HK\$0.14	HK\$0.06
Share price at the date of offer of grant	HK\$0.45	HK\$1.11	HK\$0.28	HK\$0.12
Exercise price	HK\$0.46	HK\$1.15	HK\$0.30	HK\$0.13
Expected volatility	125.98%	63.33%	96.26%	68.27%
Expected life	10 years	10 years	10 years	10 years
Expected dividend rate	0%	0%	0%	0%
Risk-free interest rate	2.387%	2.048%	1.367%	1.480%

An equity-settled share-based payment expense of approximately HK\$17,932,000 (2020: HK\$3,958,000) was recognised during the year.

Share award plan

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

32. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Share award plan (Continued)

Fair value of share award and assumptions:

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

The Company has used the market approach to assess the fair value of the above total of 165,000,000 award shares granted during the year ended 31 March 2020. For the year ended 31 March 2021, the Group recognised a total expense of HK\$4,648,000 (2020: HK\$3,581,000) in relation to such award shares.

33. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the "CONSOLIDATED STATEMENT OF CHANGES IN EQUITY" on page 66 of the annual report.

The nature and purposes of reserves are set out below:

(a) Share premium

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

33. RESERVES (Continued)

(b) Contributed surplus

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

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

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

(c) Share options reserve

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

(d) Share award reserve

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

(e) Foreign currency translation reserve

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

33. RESERVES (Continued)

(f) Capital reserve

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

(g) Treasury reserve

Information on the repurchase and cancellation of the Company's ordinary shares during the financial years are as follow:

	2021		2020	
	Number of shares	HK\$'000	Number of shares	HK\$'000
Treasury shares				
At 1 April	70,000	6	–	–
Repurchased during the year	–	–	253,740,000	27,435
Cancellation of repurchased shares	(70,000)	(6)	(253,670,000)	(27,429)
At 31 March	–	–	70,000	6

(h) Convertible notes equity reserve

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

33. RESERVES (Continued)

(i) Movement of reserves of the Company

	Share premium HK\$'000	Contributed surplus HK\$'000	Convertible notes equity reserve HK\$'000	Share options reserve HK\$'000	Share award reserve HK\$'000	Treasury reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2019	2,347,844	87,109	1,490,427	92,617	–	–	(1,163,939)	2,854,058
Loss for the year and total comprehensive loss	–	–	–	–	–	–	(357,261)	(357,261)
Placing of shares	67,000	–	–	–	–	–	–	67,000
Share issue expenses	(2,954)	–	–	–	–	–	–	(2,954)
Repurchase of shares	–	–	–	–	–	(27,435)	–	(27,435)
Cancellation of repurchased shares	(24,892)	–	–	–	–	27,429	–	2,537
Conversion of convertible notes	699,768	–	(710,494)	–	–	–	–	(10,726)
Share-based payments	–	–	–	3,958	3,581	–	–	7,539
Forfeited share options	–	–	–	(5,756)	–	–	5,756	–
Lapsed share options	–	–	–	(17,226)	–	–	17,226	–
At 31 March 2020	3,086,766	87,109	779,933	73,593	3,581	(6)	(1,498,218)	2,532,758
Loss for the year and total comprehensive loss	–	–	–	–	–	–	(591,295)	(591,295)
Subscription of shares	36,180	–	–	–	–	–	–	36,180
Cancellation of repurchased shares	(5)	–	–	–	–	6	–	1
Conversion of convertible notes	761,634	–	(773,308)	–	–	–	–	(11,674)
Share-based payments	–	–	–	17,932	4,648	–	–	22,580
Forfeited share options	–	–	–	(4,050)	–	–	4,050	–
At 31 March 2021	3,884,575	87,109	6,625	87,475	8,229	–	(2,085,463)	1,988,550

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

34. NON-CONTROLLING INTERESTS

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

Name of subsidiaries	Proportion of ownership interests held by non-controlling interests		Loss allocated to non-controlling interests		Other comprehensive (loss)/income		Accumulated non-controlling interests	
	2021	2020	2021	2020	2021	2020	2021	2020
			HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Dynamic Union International Limited	49%	49%	(14)	(107)	–	–	(10,098)	(10,084)
Tong Guan La Plata Company Limited	40%	40%	(490)	(771)	(1,145)	1,996	5,241	6,876
Chongqing Suitong New Energy Automotive Manufacturing Co., Ltd.	30%	30%	(5,669)	(9,672)	(1,568)	694	(23,431)	(16,194)
Others			(598)	(4,622)	(350)	74	(7,992)	(7,044)
			<u>(6,771)</u>	<u>(15,172)</u>	<u>(3,063)</u>	<u>2,764</u>	<u>(36,280)</u>	<u>(26,446)</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

34. NON-CONTROLLING INTERESTS (Continued)

	2021 HK\$'000	2020 HK\$'000
Dynamic Union International Limited		
Current assets	736	727
Non-current assets	–	3
Current liabilities	(21,344)	(21,309)
Equity attributable to owners of the Company	(10,510)	(10,495)
Non-controlling interests	(10,098)	(10,084)
Revenue	–	–
Loss for the year	(28)	(218)
Loss attributable to owners of the Company	(14)	(111)
Loss attributable to the non-controlling interests	(14)	(107)
Loss for the year	(28)	(218)
Other comprehensive income attributable to owners of the Company	–	–
Other comprehensive income attributable to the non-controlling interests	–	–
Other comprehensive income for the year	–	–
Total comprehensive loss attributable to owners of the Company	(14)	(111)
Total comprehensive loss attributable to the non-controlling interests	(14)	(107)
Total comprehensive loss for the year	(28)	(218)
Dividends paid to non-controlling interests	–	–
Net cash outflow from operating activities	(1)	(4)
Net cash flow from investing activities	–	–
Net cash flow from financing activities	–	–
Net cash outflow	(1)	(4)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

34. NON-CONTROLLING INTERESTS (Continued)

	2021 HK\$'000	2020 HK\$'000
Tong Guan La Plata Company Limited		
Current assets	75,835	73,347
Non-current assets	–	–
Current liabilities	(27,327)	(25,692)
Equity attributable to owners of the Company	43,267	40,779
Non-controlling interests	5,241	6,876
Revenue and other income	8	5
Loss for the year	(1,224)	(1,927)
Loss attributable to owners of the Company	(734)	(1,156)
Loss attributable to the non-controlling interests	(490)	(771)
Loss for the year	(1,224)	(1,927)
Other comprehensive (loss)/income attributable to owners of the Company	(1,805)	2,994
Other comprehensive (loss)/income attributable to the non-controlling interests	(1,145)	1,996
Other comprehensive (loss)/income for the year	(2,950)	4,990
Total comprehensive (loss)/income attributable to owners of the Company	(2,539)	1,838
Total comprehensive (loss)/income attributable to the non-controlling interests	(1,635)	1,225
Total comprehensive (loss)/income for the year	(4,174)	3,063
Dividends paid to non-controlling interests	–	–
Net cash outflow from operating activities	(1,379)	(1,264)
Net cash flow from investing activities	–	–
Net cash inflow from financing activities	1,133	2,848
Net cash (outflow)/inflow	(246)	1,584

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

34. NON-CONTROLLING INTERESTS (Continued)

	2021 HK\$'000	2020 HK\$'000
Chongqing Suitong New Energy Automotive Manufacturing Co., Ltd.		
Current assets	54,056	49,694
Non-current assets	187,169	176,178
Current liabilities	(246,909)	(212,261)
Non-current liabilities	(73,046)	(68,178)
Equity attributable to owners of the Company	(55,299)	(38,373)
Non-controlling interests	(23,431)	(16,194)
Revenue	19,024	2,305
Loss for the year	(18,910)	(32,551)
Loss attributable to owners of the Company	(13,241)	(22,879)
Loss attributable to the non-controlling interests	(5,669)	(9,672)
Loss for the year	(18,910)	(32,551)
Other comprehensive (loss)/income attributable to owners of the Company	(3,685)	1,646
Other comprehensive (loss)/income attributable to the non-controlling interests	(1,568)	694
Other comprehensive (loss)/income for the year	(5,253)	2,340
Total comprehensive loss attributable to owners of the Company	(16,926)	(21,233)
Total comprehensive loss attributable to the non-controlling interests	(7,237)	(8,978)
Total comprehensive loss for the year	(24,163)	(30,211)
Dividends paid to non-controlling interests	—	—
Net cash outflow from operating activities	(7,169)	(12,814)
Net cash outflow from investing activities	(940)	(1,510)
Net cash inflow from financing activities	6,948	15,456
Net cash (outflow)/inflow	(1,161)	1,132

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

35. STATEMENT OF FINANCIAL POSITION OF COMPANY AS AT 31 MARCH 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Non-current assets			
Interests in subsidiaries	18	<u>2,015,450</u>	<u>2,535,387</u>
Total non-current assets		<u>2,015,450</u>	<u>2,535,387</u>
Current assets			
Other receivables and prepayments		544	404
Financial assets at FVTPL		16,278	12,034
Cash and bank balances		<u>41,130</u>	<u>55,132</u>
Total current assets		<u>57,952</u>	<u>67,570</u>
Total assets		<u>2,073,402</u>	<u>2,602,957</u>
Current liabilities			
Accruals		<u>1,950</u>	<u>1,650</u>
Total current liabilities		<u>1,950</u>	<u>1,650</u>
Net current assets		<u>56,002</u>	<u>65,920</u>
NET ASSETS		<u>2,071,452</u>	<u>2,601,307</u>
Equity			
Share capital	31	82,902	68,549
Reserves	33	<u>1,988,550</u>	<u>2,532,758</u>
TOTAL EQUITY		<u>2,071,452</u>	<u>2,601,307</u>

On behalf of the Board

Cheung Ngan
Director

Chan Hoi Ying
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

36. CAPITAL COMMITMENTS

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

	2021 HK\$'000	2020 HK\$'000
Acquisition of property, plant and equipment	20,835	19,591
Capital expenditure in respect of the construction of the ores processing plant	3,685	3,664
Capital expenditure in respect of the mining operations	8,868	8,178
Capital expenditure in respect of the development of electric vehicles	21,542	15,904
	54,930	47,337

37. RELATED PARTY TRANSACTIONS

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

The Group had no significant transactions with related parties during the years ended 31 March 2021 and 2020.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

38. CAPITAL MANAGEMENT

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

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

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

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

	2021 HK\$'000	2020 HK\$'000
Lease liabilities	11,287	5,017
Equity attributable to owners of the Company	2,107,732	2,634,161
Gearing ratio	0.54%	0.19%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

39. FINANCIAL RISK MANAGEMENT

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

Credit risk

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

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

The Group applies provision matrix to measure the ECLs prescribed by HKFRS 9. As at 31 March 2021, the expected loss rates applied in the provision matrix are determined with reference to the debtors' characteristics, including historical actual loss on the trade receivables and information specific to the debtors as well as pertaining to the economic environment in which the debtors operate. The weighted-average expected loss rates ranging from 4% to 100% were applied to trade receivables and contract assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

39. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Trade receivables

		At 31 March 2021		
	ECL rate – weighted average	Gross carrying amount HK\$'000	Loss allowance HK\$'000	Net carrying amount HK\$'000
Collective assessment:				
Not yet past due	4%	436	(17)	419
Less than one month past due	61%	59	(36)	23
One to three months past due	70%	1,831	(1,281)	550
More than three months but less than one year past due	76%	3,335	(2,535)	800
More than one year past due	100%	5,075	(5,075)	–
		<u>10,736</u>	<u>(8,944)</u>	<u>1,792</u>
Individual assessment:				
Not yet past due	0%	4,599	–	4,599
More than one year past due	78%	5,162	(4,019)	1,143
		<u>9,761</u>	<u>(4,019)</u>	<u>5,742</u>
		<u>20,497</u>	<u>(12,963)</u>	<u>7,534</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

39. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Trade receivables (Continued)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

39. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Contract assets

	ECL rate – weighted average	At 31 March 2021		Net carrying amount HK\$'000
		Gross carrying amount HK\$'000	Loss allowance HK\$'000	
Not yet past due	4%	11,073	(443)	10,630

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

For other receivables as at 31 March 2021, the Group has assessed and concluded that the ECL for these receivables is insignificant based on the risk of default of those counterparties under 12-month ECL approach. Thus, no loss allowance was recognised as at 31 March 2021 (2020: HK\$nil).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

39. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

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

	Impairment loss allowance HK\$'000
At 1 April 2019	10,678
Reversal of impairment loss	(2,313)
Exchange realignment	(640)
At 31 March 2020 and 1 April 2020	7,725
Impairment loss recognised	4,434
Exchange realignment	804
At 31 March 2021	12,963

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

	Impairment loss allowance HK\$'000
At 1 April 2019	593
Reversal of Impairment loss	(150)
Exchange realignment	(35)
At 31 March 2020 and 1 April 2020	408
Exchange realignment	35
At 31 March 2021	443

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

39. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk

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

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

	Carrying amount HK\$'000	Contractual undiscounted cash outflow		
		Total HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year but less than 5 years HK\$'000
2021				
Accounts payable	8,637	8,637	8,637	–
Other payables and accruals	77,314	77,314	77,314	–
Lease liabilities	11,287	12,420	4,298	8,122
	97,238	98,371	90,249	8,122
2020				
Accounts payable	8,633	8,633	8,633	–
Other payables and accruals	61,562	61,562	61,562	–
Lease liabilities	5,017	5,180	5,046	134
	75,212	75,375	75,241	134

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

39. FINANCIAL RISK MANAGEMENT (Continued)

Interest rate risk

The Group is not exposed to significant interest rate risk as the Group has no variable rates borrowings as at 31 March 2021 and 2020. Interest rate risk arising from cash and bank balances are not significant.

Foreign currency risk

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

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

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

	Liabilities		Assets	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
RMB	–	–	22	10
USD	–	–	81	502

The Group regards the exposure to United States dollars is minimal as the exchange rate between United States dollars and Hong Kong dollars is pegged.

If the exchange rate of RMB against HK\$ had appreciated/depreciated by 5%, loss for the year would decrease/increase by HK\$559 (2020: HK\$429) respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

40. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 March 2021 and 2020 may be categorised as follows:

	2021 HK\$'000	2020 HK\$'000
Financial assets		
Financial assets at amortised cost (including cash and bank balances)	105,939	128,519
Financial assets at FVTPL – unlisted investments	16,278	12,034
	122,217	140,553
Financial liabilities		
Financial liabilities, at amortised cost	97,238	75,212

(a) Financial instruments not measured at fair value

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

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

(b) Financial instruments measured at fair value

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

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

	At 31 March 2021				At 31 March 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000
Financial assets at fair value								
– unlisted equity investments	–	–	16,278	16,278	–	–	12,034	12,034

There were no transfers between levels during the year.

Information about level 3 fair value measurements

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

The significant unobservable inputs

Adjustment factor in stock price index 92.80%

Increased/decreased stock price index by 5% would increase/decrease the fair value by HK\$877,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

41. NOTE SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities:

	Lease liabilities HK\$'000
At 1 April 2020	<u>5,017</u>
Changes from financing cash flows:	
Repayment of principal portion of lease liabilities	(5,808)
Interest paid on lease liabilities	<u>(537)</u>
Total changes from financing cash flow	<u>(6,345)</u>
Other changes:	
Increase in lease liabilities from entering into new leases during the year	11,646
Interest on lease liabilities	537
COVID-19-related rent concessions	(177)
Exchange realignment	<u>609</u>
Total other changes	<u>12,615</u>
At 31 March 2021	<u>11,287</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

41. NOTE SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS

(Continued)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

42. EVENTS AFTER THE REPORTING DATE AND EFFECT OF COVID-19

On 7 April 2021, 15,000,000 share options were granted to a grantee as further detailed in note 32 and the Company's announcement on 7 April 2021.

On 13 April 2021, 97,000,000 shares granted to certain grantees under the Company's Share Award Plan were cancelled and replaced by 97,000,000 new award shares. 48,500,000 new shares have been vested on the date of grant and the remaining 48,500,000 new shares will be vested on 26 October 2021. For further details, please refer to the Company's announcement on 13 April 2021.

On 30 April 2021, the Company entered into an investment agreement with independent third parties on its conditional agreement to subscribe for 2,698 shares of Quantron AG, the target company, representing approximately 4.98% of the enlarged share capital of the target company at a consideration of EUR2,027,929.91 (equivalent to approximately HK\$19,062,000). Quantron AG is principally engaged in e-mobility in inner-city and regional passenger and freight transport. The transaction is a disclosable transaction to the Company under the Listing Rules. For further details, please refer to the Company's announcement published on 30 April 2021.

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 June 2021.