



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)

China Dynamics



2018

Annual Report

CONTENTS

	Pages
CORPORATE INFORMATION	2
CHAIRMAN'S STATEMENT	3
REPORT OF THE DIRECTORS	14
CORPORATE GOVERNANCE REPORT	35
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT	52
INDEPENDENT AUDITOR'S REPORT	67
AUDITED FINANCIAL STATEMENTS	
CONSOLIDATED:	
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	75
STATEMENT OF FINANCIAL POSITION	77
STATEMENT OF CHANGES IN EQUITY	79
STATEMENT OF CASH FLOWS	80
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	83

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Cheung Ngan (*Chairman*)

Ms. Chan Hoi Ying

Non-Executive Director

Mr. Zhou Jin Kai

Independent Non-Executive Directors

Mr. Chan Francis Ping Kuen

Mr. Hu Guang

Dato' Tan Yee Boon

AUDIT COMMITTEE

Mr. Chan Francis Ping Kuen

Mr. Hu Guang

Dato' Tan Yee Boon

AUDITOR

BDO Limited

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111 Connaught Road Central

Hong Kong

LEGAL ADVISOR IN HONG KONG

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BRANCH REGISTRAR IN HONG KONG

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Hong Kong

STOCK CODE

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REGISTERED OFFICE

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Bermuda

PRINCIPAL REGISTRAR

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Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Wanchai, Hong Kong

AUTHORISED REPRESENTATIVE

Ms. Chan Hoi Ying

Ms. Lo Lai Man, CPA

COMPANY SECRETARY

Ms. Lo Lai Man, CPA

PRINCIPAL BANKER

Bank of Communications Co., Ltd

Hang Seng Bank Limited

WEBSITE

www.chinadynamics.com

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the "Board"), I am pleased to present the annual report of China Dynamics (Holdings) Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 March 2018.

RESULTS

During the year ended 31 March 2018, the Group recorded revenue of approximately HK\$59.6 million (2017: HK\$97.3 million) derived from the sales of motor vehicles and batteries. Gross profit decreased to approximately HK\$0.8 million (2017: HK\$2.7 million) with the gross profit ratio at 1.4% (2017: 2.8%) on the sales of motor vehicles and batteries. The decrease in revenue and gross profit on the sales of motor vehicles and batteries was the result of a decline in sales orders which affected the economies of scale. Details of the current development are set out in the section headed "Business Review" below.

As compared with the previous year, of which part of the revenue of HK\$28.8 million and gross profit of HK\$3.1 million was generated from sales of iron ores, the Group did not have any revenue generated by trading in iron ores during the year due to the continued fluctuations in the selling price of the global metals and minerals market.

The Group recorded a loss of approximately HK\$399.6 million for the year as compared to a loss of approximately HK\$142.7 million for last year. The increase in loss was mainly due to the decrease in revenue and gross profit as discussed above, and the increase in administrative and other expenses. The increase in administrative and other expenses to approximately HK\$170.5 million (2017: HK\$145.9 million) was mainly attributable to: (i) an increase in research and development expenses of approximately HK\$19.9 million (2017: HK\$15.4 million) on the research, enhancement and application of new models of motor vehicles; (ii) an increase in impairment loss on inventories of approximately HK\$13.2 million (2017: HK\$7.0 million) resulting from damaged or obsolete inventories; (iii) an impairment loss of accounts and other receivables of approximately HK\$19.2 million (2017: HK\$nil) and (iv) an increase in amortisation of intangible assets to approximately HK\$11.9 million (2017: HK\$3.7 million) during the year. There was an impairment loss from discontinued operations in Chile of approximately HK\$122.7 million (2017: HK\$nil) as detailed in the "Ores Processing and Trading" segment under the "Business Review" and also an impairment loss on the mining assets of approximately HK\$104.0 million (2017: HK\$nil) as detailed in the "Mining and Production of Mineral Products" segment under the "Business Review".

The loss attributable to the owners of the Company was approximately HK\$321.9 million (2017: HK\$118.4 million). Basic and diluted loss per share for the year was HK\$0.07 per share (2017: HK\$0.03 per share).

CHAIRMAN'S STATEMENT

DIVIDEND

The directors of the Company do not recommend the payment of any dividend for the year ended 31 March 2018.

BUSINESS REVIEW

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

Current development

Chongqing Suitong New Energy Automotive Manufacturing Co., Ltd. ("Suitong"), a subsidiary which is principally engaged in manufacturing of whole electric buses along with the entire electric power system and control system, manufacturing of other buses, marketing and selling the components of vehicles, continues to contribute revenue to the Group.

As discussed in the previous annual report, subsidy fraud investigation across the industry and various frequent policy changes have seriously affected the pace of our EV business since those models which had already qualified had to resubmit approval applications for undergoing further newly added criteria and new tests. With ongoing unexpected new policies and measures promulgated periodically, launching new models in time has become a real challenge. Nonetheless, the Group welcomes such governmental initiatives, as they can eliminate the bad practices in the industry and lead to a more healthy and regulated market. During the current year, Suitong had gained inclusion in the revised Catalogue of Recommended Models for New Energy Automobile Popularisation (the "Catalogue") (《新能源汽車推廣應用推薦車型目錄》) for the three models which it has prioritised, namely the 8.9m commuter bus, the 8.5m and 10.5m public transport buses.

Suitong has secured the sales contracts for its 8.5m public transport bus shortly after its successful listing in the Catalogue. The sales contracts cover the markets of Hunan, Guangxi and Guangdong. Nevertheless, the sales revenue decreased in the current year resulting from the decline in sales orders and the change of subsidy policies. While the sales volume is not large in scale, it signified a fast and good start of our EV business after the uncertain policy during the last financial period. Suitong has continued to upgrade other models and will dedicate its best efforts to launch more new products in the very near future.

CHAIRMAN'S STATEMENT

Strategy

In May 2016, the Company has entered into a non-legally binding investment agreement with Qijiang District of Chongqing to acquire a parcel of land of approximately 800 mu for industrial purposes in the Qijiang District, Chongqing. The investment has outlined a construction plan for a new production facility to manufacture new energy vehicles and buses with an annual production capacity of 5,000 units. The construction is to be divided into two phases, the first phase of which is expected to be completed in two years. The Group considers this investment in the production facility to be a milestone of introducing its self-developed new energy vehicles and buses into mass production. As at 31 March 2018, the Group has completed the acquisition of 502.77 mu parcel of land at the cost of approximately RMB51.2 million. The acquisition on the parcel of land for the first phase is completed and the construction of the new production facility is in progress and target to be completed at the end of 2018.

Along with the constant strengthening of China's economy from a global perspective, the new energy vehicle is an important strategic product within the "One Belt One Road" grand plan as well as "Made in China 2025" strategic plan. There is good reason to expect the new energy automobile sector to be boom in the future. The Group believes that in order to grasp this precious big opportunity, it can rely on two key competitive advantages: a closed loop self-developed electrical power drivetrain system and light vehicle body design (the "Own Powertrain System"), and a strategic plan for layout of the production capacity (the "Strategic Layout").

The Group has always emphasised the development of our Own Powertrain System as our unique competitiveness edge and has progressed in enhancing and optimising that system, and is vertically directing deeper research into areas such as new material batteries, optimising control hubs and power efficiency and intelligent control. The Group is of the view that this enhancement may complement future development of smart cities which is believed to be a major global trend.

The Strategic Layout is another important strategy of the Group. It enables the Group to place its production capacity in different strategic locations to maximise the area covered. The Group's first location is Chongqing where, as mentioned above, a second production facility with an annual production capacity of 5,000 units has started construction and development. Chongqing is a strategic location in the western China as well as a west side access point for the One Belt One Road initiative.

CHAIRMAN'S STATEMENT

Although the pace of market development is much slower than expected due to frequent policy shifts during the year, the Group still considers it a positive sign rather than negative as it will eliminate market participants with low product quality engaging in bad business practices. These measures will lead the market to become less reliant on governmental subsidies and to become more rational and better regulated. As such, market participants could compete on the basis of quality and value for money products. The Group strongly believes that with our technology and production capacity Strategic Layout as described above, the current industry new policies and measurements presents an enormous opportunity to catch up with current market leaders, and to take a bigger market share in the very near future. The Board is optimistic that the Group is well positioned to develop the eBus and electric vehicle market, to expand and capture opportunities as they arise.

The investment in Rimac Automobili d.o.o. (the "Rimac") has been diluted from 10% as at 31 March 2017 to 8.06% as at 31 March 2018 as resulting from a new capital investment from a new investor during the year under review. While Rimac has not yet made any positive contribution, nonetheless its sales orders are growing and its fair value is increasing. The Group believes that the investment provides an opportunity for technology exchange which can benefit development of our eBus business.

Mining and production of mineral products

The Group's wholly-owned subsidiary, Guangxi Weiri Mining Company Limited (the "Guangxi Weiri"), held a glauberite mine located in Guangxi Zhuang Autonomous Region, the People's Republic of China ("PRC") (the "Glauberite Mine"). The product of the Glauberite Mine is thenardite which is an important raw material used in chemical and light industrial manufacturing. The Glauberite Mine is one of the largest in terms of its confirmed resources within the PRC. It is also strategically located at Taowei county of Guangxi which is easily accessible by river transport to the industrial Pearl River Delta, as well as a short distance to the only land export gateway to China's largest thenardite exporting countries, in the ASEAN region. Along with the expanding economy of the PRC, the Group expects that there will be a corresponding increment of thenardite demand in the PRC as a result of ongoing urbanisation. At the same time, all old and small glauberite mine operators have been phased out over the past few years due to low quality of their products and low efficiency. This trend together with the efforts of the Industry Alliance recently set up by major participants promoting anti-dumping and fair competition, have caused the market to become more rational with the pricing of thenardite products rising gradually in recent years.

CHAIRMAN'S STATEMENT

Land acquisitions for the factory as well as for road access have been progressing at a much slower pace than expected. An accumulated expenditure of RMB18.4 million (31 March 2017: RMB16.6 million) was incurred for the construction of an access road to the factory site. No other significant exploration, development or production activity was conducted for the Glauberite Mine during the year ended 31 March 2018. The mineral resources have not changed since its acquisition on 28 February 2014. Details of the resources are stated in the "Mineral Resources and Ore Reserves" section below.

As discussed in previous annual reports, Guangxi Weiri completed the purchase of land use rights covering 63,118 square meters of land for RMB7.6 million. Another RMB8.4 million was paid for approximately 100,000 square meters of land for a factory site; however, relevant land use rights have not been issued as processing on land management by the local government is continuing. Procedure for approximately 41,500 square meters of land for road access have also been completed but no payment has been made to the government since the land use rights of the second parcel of land as stated above is still pending approval. Guangxi Weiri will work closely with the local government to resolve the land issue, and hopes to obtain access to the land even without receiving relevant land use rights. However, Guangxi Weiri will weigh the relevant risks involved before any construction work is carried out. Before proceeding with the project, the Group is also considering the feasibility of adjusting the project schedule so as to enable Guangxi Weiri to commence certain auxiliary construction work first.

The Group has closely monitored the Glauberite Mine development and periodically assesses its resources, financial viability, and general condition. The management has conducted regular financial analysis, taking into account its resources, technical parameters and market situation so as to assess the mining asset's overall situation. The Group has also engaged a qualified independent valuer to assess its fair value annually. The fair value is calculated under the Multi Period Excess Earnings Method, which is based on a financial budget covering a twenty-year period from 2021 to 2040 and then reduced by the discount rate. The Group has assessed the key assumptions used for the calculation of the discounted cash flows, including the prevailing market condition of the thenardite products, the exploitation volume of the resources and the discount rate adopted. Details of the key assumptions applied for the Glauberite Mine are set out in note 20 to the consolidated financial statements. In accordance with the report of the valuer, the fair value of the Glauberite Mine as at 31 March 2018 is RMB2,166.7 million. The carrying value of RMB2,250.0 million exceeded the fair value and hence the impairment loss on the mining assets of RMB83.3 million, equivalent to HK\$104.0 million (2017: HK\$nil), was provided in the current year. 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 2018, the Company, through its wholly-owned subsidiary in the PRC, held a Glauberite Mine in Guangxi. The following table sets out the mineral information of the mine as at 31 March 2018:

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

Note:

- (1) The effective date of the Mineral Resource is 31 May 2013. All tonnages are rounded to the nearest million tonnes to reflect the inherent level of confidence associated with the resources estimation. The Mineral Resource was estimated within constraining wireframe solids based on geological limits of the mineralised and internal waste units. Nominal cut off for defining the geological unit is 10% Na₂SO₄. The mineral resource estimate is in accordance with JORC Code with an effective date of 31 May 2013. Since no additional work has been done to add to the geological data set, nor has the resource been depleted through mining, the resources as at 31 March 2018 remain unchanged.

CHAIRMAN'S STATEMENT

(2) Competent person statement:

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

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

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

Competent Person's Consent Form from Mr. Danny Kentwell have been obtained by China Dynamics (Holdings) Limited on 8 June 2018.

Metals and minerals trading

With the continued excess production capacity in the PRC, downward pressure on the prices of metals remained high. The trading industry consequently remained weak, hence the Group had not concluded any trading contract on metal ores during the year to avoid any possible risk. The Group continues to identify and pursue other types of resources for the trading business and believes that it will be able to seize such opportunities as they arise.

CHAIRMAN'S STATEMENT

Ores processing and trading

As discussed in previous annual reports, the Group had already slowed down the progress on the development of its ores processing plant in Chile in 2009. In recent years, the water scarcity and prioritisation of water usage for agriculture and human consumption still continue. Mining companies in the region where our Chile's subsidiary, Minera Catania Verde S.A. ("Verde"), operates may be subject to legal actions filed by the Chile Regional Government and by the communities, for the impact caused by the use of water to the detriment of agriculture or human consumption. During the current year, the Group together with Verde's joint venture partners, Tong Guan Resources Holdings Ltd and Catania Copper (Chile) Limited, reviewed the current situation and considered to discontinue the operation of Verde from 16 December 2017. Verde has engaged an independent valuer to review the market value of the non-current assets and considered that the market value of the non-current assets is approximately HK\$36.1 million. An impairment loss on goodwill of HK\$38.2 million (2017: HK\$nil) and impairment loss of HK\$84.5 million (2017: HK\$nil) on remeasurement of non-current assets of discontinued operations at fair value less costs to sell were recognised in profit or loss. The impairment loss was resulted from the change in valuation basis from value-in-use to fair value less costs to sell. Details of the Assets Classified As Held For Sale are set out in note 29 to the consolidated financial statements.

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

CHAIRMAN'S STATEMENT

LIQUIDITY AND FINANCIAL RESOURCES

The Group has generally financed its operations by internal resources. However, due to the rapid expansion of the business mentioned above, the Group may seek external financial resources in the future in order to finance its operations. As at 31 March 2018, the net asset value of the Group amounted to approximately HK\$3,203.3 million (2017: HK\$3,266.9 million). As at 31 March 2018, the gearing ratio of the Group was 0.2% (2017: 0.4%) based on bank borrowings of HK\$6.2 million (2017: HK\$11.3 million) and the equity attributable to owners of the Company of HK\$3,176.5 million (2017: HK\$3,188.7 million).

As at 31 March 2018, the Company has (i) outstanding convertible notes in the principal amount of HK\$1,687.5 million (2017: HK\$2,130.0 million) which could be converted into 2,250,000,000 shares (2017: 2,840,000,000 shares) of the Company based on the conversion price of HK\$0.75 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; and (ii) outstanding share options entitling participants to subscribe for a total of 436,100,000 shares (2017: 535,200,000 shares) of the Company, for which 266,220,000 shares (2017: 242,620,000 shares) are vested.

The operating cash flows of the Group are mainly denominated in HK dollars, Renminbi, US dollars and Chilean pesos. Certain bank deposits, receivables and payables of the Group are denominated in Renminbi, US dollars and Chilean pesos. As at 31 March 2018, the Group had unpledged cash and bank balances of approximately HK\$92.9 million (2017: HK\$202.2 million), of which 46.9% (2017: 87.7%) was denominated in HK dollars, 51.3% (2017: 7.6%) was denominated in Renminbi and 1.1% (2017: 4.0%) was denominated in US dollars. The bank borrowings of HK\$6.2 million are denominated in Renminbi with the effective interest rates of 6.8% (2017: 7.1%) per annum.

During the current year, the exchange rate of the Renminbi has appreciated by approximately 9.8% against the HK dollars having a positive impact on the results of the Group on the translation of the Group's assets that are denominated in Renminbi. However, the bank borrowings were denominated in the functional currency of the relevant group entity and were therefore exposed only to minimal foreign exchange rate risk. 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. The Group will closely monitor the currency exposure and, when it considers it to be appropriate, will take the necessary actions to ensure that such exposure is properly hedged.

CHAIRMAN'S STATEMENT

PROSPECTS

The Group believes that new energy vehicles are definitely a focus of global interest and a major trend in improving air pollution and enhancing economic sustainability. With the Group's expected expansion of production capacity in Qijiang District, the Group is confident that the eBus and EVs business will grow at a fast pace contributing to revenue and bringing the Group's business to the next level. The Group is well positioned to develop the market and is also capable to initiate expansion and capture opportunities as they arise.

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

Although the excess production capacity in the PRC will inevitably affect the demand of metals and minerals, nevertheless, the global economy has continued a moderate recovery. The Group will closely monitor the situation and will look for any potential trading opportunity.

CHARGES ON THE GROUP'S ASSETS AND CONTINGENT LIABILITIES

As at 31 March 2018, the Group has pledged a parcel of land in Chongqing with an aggregate carrying amount of approximately HK\$17.8 million (2017: HK\$16.4 million) to secure bank borrowings of approximately HK\$6.2 million (2017: HK\$11.3 million).

During the year ended 31 March 2018, the Group also provided a guarantee to a financial institution in Chongqing for certain of its customers on the purchase of motor vehicles. In the event of the customers' default, the Group will be required to compensate the financial institution for the outstanding receivable from the customers. As at 31 March 2018, the Group's maximum exposure to the arrangement was RMB9.8 million (2017: RMB18.1 million). During the year ended 31 March 2018, the Group was requested to make payments amounting to RMB1.9 million (2017: nil) resulting from the customers' default in making payments to the financial institution. Subsequent to the year end and up to the date of this report, the Group received RMB0.3 million from the default customers and appropriate impairment on accounts receivable has been recognised in profit or loss. The Group maintains tight control over these outstanding receivables and periodically performs an impairment review on each individual customer.

CHAIRMAN'S STATEMENT

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2018, the Group employed 239 (2017: 290) full-time managerial and skilled staff principally in Hong Kong, the PRC and Chile.

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 and Chile, the Group provides staff welfare for its employees in accordance with prevailing labor legislation. In Hong Kong, the Group provides staff benefits including the mandatory provident fund scheme and medical scheme. In addition, share options are granted to eligible employees in accordance with the terms of the Company's share option scheme.

CONCLUSION

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

By order of the Board

Cheung Ngan

Chairman

Hong Kong

27 June 2018

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 2018.

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, and processing of raw ores which was discontinued in December 2017.

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 2018 are set out in the "CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME" on page 75 of this annual report.

The directors do not recommend the payment of any dividend for the year.

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 13 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 2018 and 2017:

	2018	2017
Revenue	HK\$59.6 million	HK\$126.1 million
Loss attributable to owners of the Company	HK\$(321.9 million)	HK\$(118.4 million)
Current ratio (current assets divided by current liabilities)	4.3 times	5.7 times
Gearing ratio (bank borrowings divided by the equity attributable to owners of the Company)	0.2%	0.4%
Net assets value per share (net assets divided by the total number of shares)	HK\$0.64	HK\$0.73

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 9.8% against Hong Kong dollars during the year under review. 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 assets and goodwill. 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 of 30% (2017: 28%) and 79% (2017: 63%) of the trade-related receivables 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 42 and 43 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 reducing the use of paper and water, 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 is contained in the "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT" on pages 52 to 66 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange" and "Listing Rules," respectively) 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			
	2018	2017	2016	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE	59,568	126,108	330,249	18,978	68,233
LOSS BEFORE INCOME TAX	(401,838)	(142,855)	(145,307)	(60,714)	(41,013)
Income tax credit/(expense)	2,241	172	203	(6)	–
LOSS FOR THE YEAR	(399,597)	(142,683)	(145,104)	(60,720)	(41,013)
ATTRIBUTABLE TO:					
Owners of the Company	(321,861)	(118,408)	(120,140)	(48,414)	(35,986)
Non-controlling interests	(77,736)	(24,275)	(24,964)	(12,306)	(5,027)
	(399,597)	(142,683)	(145,104)	(60,720)	(41,013)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

		As at 31 March			
	2018	2017	2016	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TOTAL ASSETS	3,352,073	3,356,972	3,466,101	3,814,378	3,353,674
TOTAL LIABILITIES	(148,780)	(90,036)	(79,939)	(138,093)	(141,313)
NON-CONTROLLING INTERESTS	(26,747)	(78,264)	(106,182)	(132,167)	(104,578)
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	3,176,546	3,188,672	3,279,980	3,544,118	3,107,783

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 AND ASSOCIATES

Particulars of the Company's principal subsidiaries and associates are set out in notes 18 and 22 to the consolidated financial statements, respectively.

SHARE CAPITAL

Details of movements in the Company's share capital during the year, together with the reasons thereof, are set out in note 35 to the consolidated financial statements.

DONATION

Charitable donations made by the Group during the year amounted to approximately HK\$1,000 (2017: HK\$60,000).

BANK LOAN

Particulars of bank loans of the Group as at 31 March 2018 are set out in note 32 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

RESERVES

Details of movements in the reserves of the Group during the year are presented in the "CONSOLIDATED STATEMENT OF CHANGES IN EQUITY" on page 79.

REPORT OF THE DIRECTORS

DISTRIBUTABLE RESERVES

At the end of the reporting year, the Company had no accumulated 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 2018 (2017: HK\$87,109,000) is distributable to shareholders in certain circumstances, prescribed by Section 54 thereof as mentioned in note 37(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	43.6%
– Five largest customers combined	69.7%
Purchases	
– The largest supplier	33.1%
– Five largest suppliers combined	54.5%

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

REPORT OF THE DIRECTORS

DIRECTORS

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

Executive directors

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

Non-executive directors

Mr. Zhao Hong Feng (resigned on 5 December 2017)
Mr. Zhou Jin Kai

Independent non-executive directors

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

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

PERMITTED INDEMNITY PROVISION

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

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

REPORT OF THE DIRECTORS

EMOLUMENT POLICY

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

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

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

DIRECTORS' SERVICE CONTRACTS

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

MANAGEMENT CONTRACTS

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

SHARE OPTION SCHEME

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

During the year ended 31 March 2018, no options were granted and no ordinary shares were issued in relation to the share options exercised by participants under the Share Option Scheme of the Company. Details of the Share Option Scheme are set out in note 36 to the consolidated financial statements.

REPORT OF THE DIRECTORS

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Movements of the outstanding share options to the directors as at 31 March 2018 were as follows:

Name of Director	Date of grant	Exercise price (HK\$)	Number of share options		
			At 1 April 2017	Lapsed/ forfeited during the year	At 31 March 2018
Mr. Cheung Ngan	16 December 2009	0.46	1,200,000	–	1,200,000
	10 March 2016	0.30	3,700,000	–	3,700,000
Ms. Chan Hoi Ying	10 March 2016	0.30	3,700,000	–	3,700,000
Mr. Zhao Hong Feng (resigned on 5 December 2017)	11 April 2014	1.15	10,000,000	(10,000,000)	–
	10 March 2016	0.30	10,000,000	(10,000,000)	–
Mr. Zhou Jin Kai	10 March 2016	0.30	3,700,000	–	3,700,000
Mr. Chan Francis Ping Kuen	16 December 2009	0.46	1,200,000	–	1,200,000
	10 March 2016	0.30	3,700,000	–	3,700,000
Mr. Hu Guang	16 December 2009	0.46	1,200,000	–	1,200,000
	10 March 2016	0.30	3,700,000	–	3,700,000

No share options were exercised by the directors during the year ended 31 March 2018.

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

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS

Details of the connected transactions undertaken by the Group during the years ended 31 March 2018 and 2017 are set out in note 41(a) to the consolidated financial statements.

CONTINUING CONNECTED TRANSACTIONS

On 16 October 2007, Minera Catania Verde S.A. ("Verde"), a subsidiary of the Company, entered into a master agreement (the "Master Agreement") with CAH Reserve S.A. ("CAH"), a company in which the Chairman and the substantial shareholder of the Company, Mr. Cheung Ngan, and the previous Deputy Chairman of the Company, Mr. Chan Chung Chun, Arnold (deceased on 8 May 2015), jointly and indirectly own 44% effective interests. The transactions contemplated under the Master Agreement constitute continuing connected transactions under Chapter 14A of the Listing Rules. Details of the Master Agreement are set out in note 41(a) to the consolidated financial statements.

The independent non-executive directors of the Company noted that no transaction was entered into under the Master Agreement during the year.

The auditors of the Company have confirmed that nothing has come to their attention that causes them to believe that there was any transaction entered into under the Master Agreement during the year.

On 31 March 2018, a written notice (the "Termination Notice") was sent from Verde to CAH to terminate the Master Agreement and the Master Agreement shall be terminated after six months from the date of the Termination Notice, i.e., 30 September 2018. Upon termination, CAH shall not assume or perform, and shall not be responsible for supplying the copper ores extracted from CAH's mining concessions in Chile to Verde.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2018, 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 for Securities Transactions by Directors of Listed Issuers 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	1,175,524,959 (Note 1)	–	23.34%
	Interest of controlled corporation	1,000 (Note 2)	–	20%
Ms. Chan Hoi Ying	Beneficial owner	3,700,000 (Note 3)	–	0.07%
Mr. Zhou Jin Kai	Beneficial owner	996,980,000 (Note 4)	–	19.80%
Mr. Chan Francis Ping Kuen	Beneficial owner	4,900,000 (Note 3)	–	0.11%
Mr. Hu Guang	Beneficial owner	4,900,000 (Note 3)	–	0.11%

REPORT OF THE DIRECTORS

Notes:

- 1) The 1,175,524,959 shares include:
 - a. the number of shares of 397,120,000 held by Mr. Cheung Ngan;
 - b. the underlying shares of 4,900,000 from the share options granted, details of which are set out in the section headed "Directors' Rights to Acquire Shares" above; and
 - c. the number of shares of 100,918,559 and underlying shares of 672,586,400 from conversion of convertible notes with a principal amount of HK\$504,439,800 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) Options to acquire ordinary shares of the Company, and further details of these operations are set out in the section headed "Directors' Rights to Acquire Shares" above.
- 4) The 996,980,000 shares include:
 - a. the underlying shares of 3,700,000 from the share options granted, details of which are set out in the section headed "Directors' Rights to Acquire Shares" above; and
 - b. the number of shares of 339,280,000 and underlying shares of 654,000,000 from conversion of convertible notes with a principal amount of HK\$490,500,000.

Save as disclosed above, as at 31 March 2018, 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 for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the sections above with heading "Connected Transactions" and "Continuing Connected Transactions" set out on page 24 of this report, no director, whether directly or indirectly, had a material beneficial interest in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

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

As at 31 March 2018, 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	1,175,524,959 (Note 1)	–	23.34%
Faith Profit Holding Limited	Beneficial owner	773,504,959 (Note 1)	–	15.36%
Entrust Limited	Beneficial owner	1,382,727,510 (Note 2)	–	27.46%
Mr. Chan Tok Yu	Interest of controlled corporation	1,382,727,510 (Note 2)	–	27.46%
Ms. Siu Kwan	Interest of controlled corporation	1,382,727,510 (Note 2)	–	27.46%

REPORT OF THE DIRECTORS

Name of substantial shareholder	Capacity or nature of interest	Number of shares or underlying shares		Approximate percentage of shareholding in the Company
		Long position	Short position	
Mr. Zhou Jin Kai	Beneficial owner	996,980,000 (Note 3)	–	19.80%
Yicko Finance Limited	Person having a security interest in shares	640,000,000 (Note 3)	–	12.71%
Yale International Holdings Limited	Interest of controlled corporation	640,000,000 (Note 3)	–	12.71%
Mr. Chong Chin	Interest of controlled corporation	640,000,000 (Note 3)	–	12.71%
Ms. Yao Sze Ling	Interest of controlled corporation	640,000,000 (Note 3)	–	12.71%
	Beneficial owner	116,170,000	–	2.31%
HK Guoxin Investment Group Limited	Beneficial owner	740,000,000 (Note 4)	–	14.69%
Mr. Li Feng Mao	Interest of controlled corporation	740,000,000 (Note 4)	–	14.69%
北京汽車城投資管理有限公司	Beneficial owner & interest of controlled corporation	203,860,000 (Note 5)	–	4.59%
北京匯濟投資中心	Interest of controlled corporation	203,860,000 (Note 5)	–	4.59%
北京市順義區政府	Interest of controlled corporation	203,860,000 (Note 5)	–	4.59%

REPORT OF THE DIRECTORS

Note:

- 1) The 1,175,524,959 shares include:
 - a. the number of shares of 397,120,000 held by Mr. Cheung Ngan;
 - b. the underlying shares of 4,900,000 from the share options granted to Mr. Cheung Ngan; and
 - c. the number of shares of 100,918,559 and the underlying shares of 672,586,400 from conversion of convertible notes with principal amount of HK\$504,439,800 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) The 1,382,727,510 shares include:
 - a. the number of shares of 469,313,910 and underlying shares of 913,413,600 from conversion of convertible notes with a principal amount of HK\$685,060,200 held by Entrust Limited; and
 - b. Entrust Limited is controlled as to 34% by Mr. Chan Tok Yu, 25% by Ms. Chan Hoi Ying (Executive Director of the Company), 25% by Mr. Chan Hin Yeung and 16% by Ms. Siu Kwan. Mr. Chan Tok Yu is aged under 18 and his interest is held by Ms. Siu Kwan as a trustee. Accordingly, Mr. Chan Tok Yu and Ms. Siu Kwan are deemed to be interested in the shares in which Entrust Limited is interested by virtue of the SFO.
- 3) The 996,980,000 shares include:
 - a. the underlying shares of 3,700,000 from the share options granted; and
 - b. the number of shares of 339,280,000 and underlying shares of 654,000,000 from conversion of convertible notes with principal amount of HK\$490,500,000.

The 640,000,000 shares related to the same block of shares and underlying shares (the “Shares”) for Mr. Zhou Jin Kai. The Shares beneficially owned by Mr. Zhou Jin Kai were charged to Yicko Finance Limited. On 11 July 2017 and 20 February 2018, the Company received notices pursuant to section 324 of Part XV of the SFO from Yicko Finance Limited, Yale International Holdings Limited, Mr. Chong Chin, Ms. Yao Sze Ling and Mr. Zhou Jin Kai. According to these notices, Yicko Finance Limited has come to have securities interest in the Shares. Yale International Holdings Limited held 99.99% interest in Yicko Finance Limited, and Mr. Chong Chin and Ms. Yao Sze Ling respectively held 50% interest in Yale International Holdings Limited. Accordingly, Yale International Holdings Limited, Mr. Chong Chin and Ms. Yao Sze Ling are deemed to be interested in the shares in which Yicko Finance Limited is interested by virtue of the SFO.
- 4) The number of shares of 740,000,000 held by HK Guoxin Investment Group Limited, which was wholly owned by Mr. Li Feng Mao. Accordingly, Mr. Li Feng Mao is deemed to be interested in the shares in which HK Guoxin Investment Group Limited is interested by virtue of the SFO.

REPORT OF THE DIRECTORS

5) The 203,860,000 shares include:

- a. the number of shares of 75,970,000 held by 北京汽車城投資管理有限公司; and
- b. the number of shares of 127,890,000 held by 首航國際(香港)投資有限公司. 首航國際(香港)投資有限公司 was 100% indirectly owned by 北京汽車城投資管理有限公司.

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN CONTRACTS

Details of the contract of significance between the Group and the substantial shareholders are set out in note 41 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	61	Chairman, Executive Director	20	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.
Ms. Chan Hoi Ying	31	Executive Director	2	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 RSM Hong Kong for several years.

REPORT OF THE DIRECTORS

Name	Age	Position held	Number of years of service	Business experience
Mr. Zhou Jin Kai	65	Non-Executive Director	4	Mr. Zhou is an experienced investor who has substantial experience in the PRC markets. Mr. Zhou has demonstrated his strong business acumen, by sharing his keen insights on the prospects of the PRC market as well as introducing to the Company investment opportunities.
Mr. Chan Francis Ping Kuen	59	Independent Non-Executive Director	13	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 Institute of Chartered Accountants in Australia and also a member of the Hong Kong Institute of Certified Public Accountants. Mr. Chan has over 20 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. Hu Guang	51	Independent Non-Executive Director	13	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	43	Independent Non-Executive Director	2	Appointed as an independent non-executive director of the Company on 17 June 2016. Dato' Tan holds a Bachelor of Laws degree from the University of Glamorgan, United Kingdom. He holds a Certificate of Legal Practice from the Legal Qualifying Board of Malaysia. He is currently practicing as an advocate and solicitor of the High Court of Malaya and is also a member of the Bar Council of Malaysia. He was the founder and now a partner of Messrs. David Lai & Tan, a firm of advocates and solicitors in Malaysia. Dato' Tan possesses over 19 years of extensive experience in the field of legal and corporate practice.

Dato' Tan is currently an independent non-executive director of Protasco Berhad and Central Industrial Corporation Berhad, the shares of which are listed on the Main Market of Bursa Malaysia. He is also an independent non-executive director of Binasat Communications Berhad, the shares of which are listed on the ACE Market of Bursa Malaysia.

REPORT OF THE DIRECTORS

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

During the report period, the changes in directors' information are set out below:

- The term of appointment of Dato' Tan Yee Boon, the independent non-executive director of the Company, has been renewed for a further two years from 17 June 2018 to 16 June 2020 at a director's fee of HK\$100,000 per annum;
- Dato' Tan Yee Boon, the independent non-executive director of the Company, has been appointed as an independent non-executive director of Binasat Communications Berhad (a Company listed on ACE Market of Bursa Malaysia) and has retired as a non-executive director of Worldgate Global Logistics Ltd (a company listed on GEM of the Stock Exchange) during the reporting period; and
- The term of appointment of Ms Chan Hoi Ying, the executive director of the Company, has been renewed for a further two years from 10 May 2018 to 9 May 2020 at annual salary entitlements of HK\$1,170,000.

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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

REPORT OF THE DIRECTORS

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 year.

EVENTS AFTER THE REPORTING PERIOD

There is no significant event affecting the Group that had occurred since 31 March 2018 and up to the date of this annual report.

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

27 June 2018

CORPORATE GOVERNANCE REPORT

The Company is committed to achieving and maintaining high standards of corporate governance. The Board of Directors of the Company (the “Board”) devote 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 2018 except for the Code Provisions A.2.1 and A.6.7.

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

Code Provision A.6.7 stipulates that independent non-executive directors and non-executive directors should attend general meetings. Due to other business engagements, two non-executive directors and one independent non-executive director could not attend the annual general meeting of the Company held on 28 August 2017.

CODE OF CONDUCT ON DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“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, that they have complied with the required standards set out in the Model Code during the year ended 31 March 2018.

CORPORATE GOVERNANCE REPORT

THE BOARD

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

Composition of the Board

The Board is currently comprised of two executive directors, one non-executive director and three independent non-executive directors. The directors who served the Board during the year ended 31 March 2018 and up to the date of this annual report are as follows:

Executive directors

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

Non-executive directors

Mr. Zhao Hong Feng (resigned on 5 December 2017)
Mr. Zhou Jin Kai

Independent non-executive directors

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

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

The Company had arranged appropriate insurance cover for all directors.

CORPORATE GOVERNANCE REPORT

Independent non-executive directors

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

Term of appointment of non-executive directors

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

Directors' continuous training and development

The directors acknowledge the importance of keeping abreast of the business activities and development of the Company, updating their professional development, and refreshing their knowledge and skills. The Company encourages the directors to participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant. As such, all directors received updates and reading materials or attended seminars on worldwide financial market, Hong Kong fiscal policy and 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 2018 to the Company.

Chairman and Chief Executive Officer

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

CORPORATE GOVERNANCE REPORT

Appointment and re-election of directors

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

All non-executive directors and independent non-executive directors of the Company were appointed for a specific term, but subject to the relevant provisions of the Bye-Laws of the Company, or any other applicable laws whereby the directors shall vacate or retire from their office. All the directors 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 diversity policy

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.

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.

CORPORATE GOVERNANCE REPORT

The attendance of the directors at the Board meetings and general meetings during the year ended 31 March 2018 is as follows:

Name of Directors	Attendance/ Number of Board meetings	Attendance/ Number of general meetings
Executive directors		
Mr. Cheung Ngan (<i>Chairman</i>)	6/6	1/1
Ms. Chan Hoi Ying	6/6	1/1
Non-executive directors		
Mr. Zhao Hong Feng (resigned on 5 December 2017)	3/5	0/1
Mr. Zhou Jin Kai	5/6	0/1
Independent non-executive directors		
Mr. Chan Francis Ping Kuen	6/6	1/1
Mr. Hu Guang	6/6	0/1
Dato' Tan Yee Boon	6/6	1/1

BOARD COMMITTEE

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

CORPORATE GOVERNANCE REPORT

Remuneration Committee

The Remuneration Committee is currently composed of two independent non-executive directors and one executive director, being Dato' Tan Yee Boon, Mr. Chan Francis Ping Kuen and Mr. Cheung Ngan respectively. The Remuneration Committee plays an advisory role to the Board and has every right to access to professional advice relating to remuneration proposal if considered necessary. The final authority to approve any remuneration package is retained by the Board. The full terms of reference setting out the authority of the Remuneration Committee are available on the websites of the Company and The Stock Exchange of Hong Kong Limited (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 2018 is as follows:

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

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

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

CORPORATE GOVERNANCE REPORT

The summary of work of the Remuneration Committee during the year ended 31 March 2018 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; and
- iii) made recommendations to the Board as to the remuneration packages of directors and senior management.

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

Audit Committee

The Audit Committee is currently composed of three independent non-executive directors, Mr. Chan Francis Ping Kuen, Dato' Tan Yee Boon and Mr. Hu Guang. The Audit Committee is responsible for providing an independent review of the effectiveness of the financial reporting process, internal control and risk management system of the Group, and overseeing the audit process. The Audit Committee also communicates among directors, the external auditors, the internal auditors 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 auditors or the internal auditors. The attendance of the members of the Audit Committee during the year ended 31 March 2018 is as follows:

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

CORPORATE GOVERNANCE REPORT

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

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

The summary of work of the Audit Committee during the year ended 31 March 2018 includes:

- i) reviewed the interim report for the six months ended 30 September 2017 and the related results announcements;
- ii) reviewed the annual financial statements for the year ended 31 March 2017 and the related results announcements;
- iii) reviewed the Group's internal control system and discussed the relevant issues including financial, operational and compliance controls and risk management functions;
- iv) reviewed the policies and practices on the Company's corporate governance, including respective policies and practices and disclosures in the Corporate Governance Report;
- v) reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions;
- vi) meeting with the internal auditor to discuss and confirm the audit plan, the risk management and internal control system of the Group and make recommendations in relation thereto;

CORPORATE GOVERNANCE REPORT

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

Nomination Committee

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

The 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 2018 is as follows:

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

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 2018 includes:

- i) reviewed the structure, size and diversity of the Board to ensure that it has a balance of expertise, skills and diversity of perspective appropriate to the business of the Company;
- ii) reviewed the retirement of directors by rotation and the re-appointment of the retiring directors at the 2017 AGM;
- iii) reviewed the re-appointment of directors during the year; and
- iv) assessed the independence of the independent non-executive directors.

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS AND CORPORATE GOVERNANCE FUNCTIONS

The directors acknowledge their responsibility for preparation of financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group, as well as their responsibility for performing the corporate governance functions. The directors ensure that the financial statements for the year ended 31 March 2018 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.

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 67 to 74 of this report. For the year ended 31 March 2018, the remuneration paid/payable to BDO Limited was as follow:

Services rendered	Fee paid/payable HK\$'000
Audit services	1,430
Agreed-upon procedures on interim report	60
	<u>1,490</u>

CORPORATE GOVERNANCE REPORT

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. The Company Secretary had undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

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. Such systems and internal controls 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.

The framework of the control is as follows:

- | | |
|-----------|--|
| The Board | <ul style="list-style-type: none">• 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. |
|-----------|--|

CORPORATE GOVERNANCE REPORT

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

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

CORPORATE GOVERNANCE REPORT

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 years ended 31 March 2018 and 2017. The internal audit function monitors compliance with policies and standards and the effectiveness of internal control structures of the Group.

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 natural resources 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 performance is contained in the "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT" on pages 52 to 66 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 2018, the Annual General Meeting (the "2017 AGM") was held on 28 August 2017. The attendance of each director at the general meeting is set out under the section headed "board meetings and attendance" of this report.

The Chairman, the executive directors, the Chairman and/or other members of the Audit Committee, Remuneration Committee and Nomination Committee, as well as external auditor had attended the 2017 AGM of the Company to answer any questions raised. Due to other business engagements, two non-executive directors and one independent non-executive director could not attend the 2017 AGM.

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

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

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

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

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

Shareholders' enquiries

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

Procedure for making proposals at general meeting

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

- (i) to be clearly and concisely set out the proposal for discussion;
- (ii) to be in accordance with the 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, 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 Bye-Laws during the year and they are available on the websites of the Company and the Stock Exchange.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SCOPE AND REPORTING PERIOD

This report is prepared by the Group, highlighting its Environmental, Social and Governance (the “ESG”) performance, with disclosure reference made to the ESG Reporting Guide as set out in Appendix 27 of the Main Board Listing Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

This ESG report focus on two subject areas, namely, Environmental and Social. The data and content reported in this ESG report covers the Group’s general administrative and operational office in Hong Kong (the “Hong Kong Office”) and its principal business, automotive manufacturing plants (one in operation, one under construction), in Chongqing, the PRC (the “PRC manufacturing plants”) from 1 April 2017 to 31 March 2018, unless otherwise stated. These two business operations represent the core operations and account for nearly 100% of income sources of the Group during the reporting period.

For the Group’s information of corporate governance practice, please refer to the “CORPORATE GOVERNANCE REPORT” on pages 35 to 51 of this annual report.

Total floor area coverage for the Group was 100,855 m².

STAKEHOLDER ENGAGEMENT AND MATERIALITY

The Group communicates regularly with and gathers feedback from stakeholders through various channels, including general meetings, company announcements, direct communications and corporate website etc., to understand their different expectations, to build and maintain good relationship, as well as identifying most significant environmental and social aspects of the Group’s operations. The Group identified major stakeholders and communicated with them proactively to understand the issues they concerned about.

Stakeholders	Means of communications	Concerned issues
Shareholders/investors	<ul style="list-style-type: none">– Shareholders’ general meeting– Announcement– Press release– Investor meeting– Company website– Email or postal correspondences, telephone enquiries or fax	<ul style="list-style-type: none">– Stock price performances– Operating results– Information disclosure and transparency– Corporate governance structure

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholders	Means of communications	Concerned issues
Employees	<ul style="list-style-type: none"> – training programmes – regular employees' performance review – Email or telephone – Inspection of complaints mailbox 	<ul style="list-style-type: none"> – Job satisfaction – Salary level, benefit and welfare policy – Work environment – Work-life balance
Customers	<ul style="list-style-type: none"> – Exhibition – Customer meeting – Product training – Product maintenance 	<ul style="list-style-type: none"> – Product safety – Price – Compliance with laws and regulations – Product specification requirements – After sale services
Suppliers	<ul style="list-style-type: none"> – Exhibition – Supplier meeting – Factory site-visit – Pre-testing orders – After order service 	<ul style="list-style-type: none"> – Profitability – Compliance with laws and regulations – Supply chain management – Credibility – Length of cooperation
Government and regulators	<ul style="list-style-type: none"> – Government meeting – Inviting visit 	<ul style="list-style-type: none"> – Compliance with laws and regulations – Investment in community

After identifying the issues concerned, the Group decide the direction of this ESG Report and discuss the topics which are of great concern by the stakeholders. We care about the impact on the environment and society and work towards to build a positive relations with our stakeholders. Continuous communications with the stakeholders are in place to improve our overall ESG performance.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL

The Group promotes the awareness on environmentally friendly policies and natural resources conservation and conveys mutual benefits to the society and the Group. The PRC manufacturing plants in Chongqing are required to strictly comply with all relevant local environmental laws and regulations in order to protect the natural resources in the region. Production-generated wastewater, waste gas and noise fully complied with pollution discharge permit as per the environmental protection regulations of Chongqing and of the PRC. Hazardous waste and non-hazardous waste were handled and regulated under national laws and regulations.

The Group did not note any cases of material non-compliance with laws and regulations relating to air and greenhouse gas emissions, discharge into water and land, and the generation of hazardous and non-hazardous waste for the year ended 31 March 2018.

A1. Emissions

A1.1 Air Emissions

During the year ended 31 March 2018, air emissions were mainly from fuel consumption by the Group's owned vehicles and there was no involvement in direct emissions related to gaseous fuel consumption.

Vehicle Operations

Petrol and diesel were used for the Group's passenger private cars for local business commuting and other mobile machineries inside the PRC manufacturing plants during the year ended 31 March 2018. A total of 0.69 kg of sulphur oxides (SO_x), 40.12 kg of nitrogen oxides (NO_x) and 2.95 kg of particular matter (PM) were emitted.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A1.2 Greenhouse Gas (GHG) Emissions

Scope of Greenhouse Gas Emissions	Emission Sources	Emission in tCO ₂ e	Percentage of Total Emission
Scope 1			
Direct Emission	Combustion of Fuel for Mobile Combustion Source – Petrol and Diesel	122.46	19%
	Tree Planting	(1.59)	
Scope 2			
Energy Indirect Emission	Purchased Electricity	479.20	75%
Scope 3			
Other Indirect Emission	Paper Waste Disposal	3.36	6%
	Electricity used for Processing Fresh Waster	4.41	
	Electricity used for Processing Sewage	0.20	
	Business Air Travel	32.42	
Total		640.46	100%

Notes:

- tCO₂e represents tonnes of carbon dioxide equivalent greenhouse gases (mainly carbon dioxide, methane and nitrous oxide).
- Emission factors were made reference to Appendix 27 of the Listing Rules and their referred documentation as set out by the Stock Exchange, unless stated otherwise.
- Combined margin emission factor (average) of 0.65 t-CO₂/MWh was used for purchased electricity in the PRC.

There were total 640.46 tCO₂e emitted from the Group's operations during the year ended 31 March 2018, with an intensity of 5.00 tCO₂e per employee.

Business Air Travel

The Group keeps tracks of employees' business travelling and their relative carbon emission throughout the year. A total of 32.42 tCO₂e was emitted from business air travel.

Tree Planting

The Group continued to plant more trees at the PRC manufacturing plants zone for a greener environment with improved air quality. During the reporting period, 69 trees were planted, contributing to an emission removal of 1.59 tCO₂e.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A1.3 Hazardous Waste

Hazardous waste from the Group's operation includes waste oil, waste activated charcoal, oil-contaminated cotton and gloves and waste containers. During the year ended 31 March 2018, 0.925 tonnes of hazardous waste was generated and handled by the environmental engineering company, with an intensity of 0.007 tonnes hazardous waste per employee.

A1.4 Non-hazardous Waste

Non-hazardous waste was mainly waste paper and commercial waste from offices and plants. A total of 2.39 tonnes of paper was consumed and disposed of at landfills during the year ended 31 March 2018 (under the assumption that all paper, whether is stored or purchased within the organization boundary, will eventually be disposed of at landfills unless collected and recycled). A total of 8 tonnes waste plastic and waste metal were also generated from the PRC manufacturing plants, they were recycled for downstream application.

During the year ended 31 March 2018, a total of 10.39 tonnes of non-hazardous waste were generated, with an intensity of 0.08 tonnes non-hazardous waste per employee.

A1.5 Measures to Mitigate Emissions

The Group will gradually replace company owned vehicles to electric ones. As part of the Group's environmental policy, employees are encouraged to reduce business air travel. The Group has installed telephone conference facilities in the office setting, and employees are encouraged to make use of teleconferencing for those destinations frequently visited to reduce carbon footprint on business air travel.

A1.6 Wastes Handling and Reduction Initiatives

For hazardous waste, the Group has engaged a licensed environmental engineering company, which has a Chongqing Municipal Solid Waste Transfer Permit issued by Chongqing Environmental Protection Bureau, for transferring, storing and handling of hazardous waste from the production processes. Contract with the environmental engineering company details each party's responsibility and proper procedures on hazardous waste management. The environmental engineering company is required to provide proper storage and treatment in accordance with The Environmental Protection Law of the PRC.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

For non-hazardous waste, licensed recycling companies were engaged to collect waste metals, waste aluminium, waste paper, cardboard and wooden boxes. 0.18 tonnes of waste paper were collected for recycling purposes, resulted in an emission removal of 0.84 tCO_{2e}. Other types of non-hazardous waste were sent to approved and qualified treatment facilities for further handling, complying with related laws and regulations. For the Hong Kong Office, waste reduction policy has been adopted to encourage employees to recycle waste paper, collect and reuse single-sided paper, use less plastic rubbish bags, bring their own cups to work, reuse and recycle containers and utensils, etc.

A2. Use of Resources

A2.1 Energy Consumption

The Group's business operations resulted in a total energy consumption of 1,131,754 kWh, with intensity of 8.84 MWh per employee from the use of electricity, diesel and petrol.

Energy Consumption Sources	Consumption (in kWh)
Electricity	712,481
Petrol	290,504
Diesel	128,769
Total	1,131,754

Electricity

Electricity consumption by the Group was 712,481 kWh, with energy intensity of 5.8 MWh per employee for Hong Kong office and 4.7 MWh per employee for PRC manufacturing plants.

Petrol and Diesel

A total of 32,782 litres of petrol and 12,879 litres of diesel were used for passenger private cars and other mobile machineries for local business commuting during the year ended 31 March 2018.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A2.2 Water Consumption

Fresh water consumption by the Group's manufacturing plants was 10,972 m³ with water intensity of 85.7 m³ per employee. To ensure water sources were fit for purpose and steady supply for production, water at PRC manufacturing plants was mainly supplied by nearby water supply companies. Hong Kong Office's water supply and discharge was managed by building's management office and the usage have been included in the management fees. It is noteworthy that Hong Kong Office's water consumption was insignificant.

Sewage generated from production and domestic activities at the PRC manufacturing plants is treated at on-site wastewater treatment facilities, with a capacity of 45 m³. Water quality of the discharge meets the national Integrated Wastewater Discharge Standard Table 4 Level 1 Standard (GB8978-1996), which is within 60 mg/L for chemical oxygen demand (COD), 20 mg/L for suspended solids (SS), 18 mg/L for 5-day biochemical oxygen demand (BOD₅) and 5 mg/L for Ammonia-Nitrogen (NH₃-N). Sludge is then collected by licensed collector for further treatment.

A2.3 Energy Use Efficiency Initiatives

Office lighting policy and office equipment policy are adopted to remind employees to switch off lights, computers, monitors, printers and fax machines after use, during lunch hour, and before leaving work, for energy saving. The Group also supports the purchase of energy-efficient products, such as LED lighting in office. Thermometer has also been installed to encourage employees to be more aware of the suitable and comfortable temperature for necessary air conditioning adjustment.

A2.4 Water Use Efficiency Initiatives

The Group encourages water saving by posting green messages in pantries and washrooms as reminders for using water efficiently. Various water saving measures also adopted, include the installation of flow controllers in water taps and regular maintenance of water supply network in order to reduce the leakage rate.

A2.5 Packaging Material

The finished products of the Group are mainly vehicles, for which the delivery does not involve material use of packaging materials. Hence, no such data is reported.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A3. The Environment and Natural Resources

By implementation of green practices, we have given careful consideration to minimizing any significant impact on the environment and natural resources. Heavy photochemical smog and haze in the PRC have been an ongoing issue in recent years. One of the factors that contributes to this continuing deterioration is the increasing transportation which results in higher level of emission. Electrification of cars is inevitably a global trend towards a feasible solution in improving air deterioration. Thus, the Group commits to acting responsibly as an environmentally friendly company in manufacturing pure electric vehicles, influencing the market on adoption of electric vehicles, minimizing our impacts on the environment, and allowing our future generation to live in a better and healthy world.

Our Hong Kong Office has been accredited with ISO 14001, ISO 9001 and ISO 50001, complying with environmental laws and regulations as well as continuously putting efforts in reducing consumption and pollution and to minimizing our impact on the natural resources.

B. SOCIAL

1. Employment and Labour Practices

B1. Employment

The Group recognises employees are the greatest asset and commits to providing fair and open employment opportunities.

The operation of the Hong Kong office and the PRC manufacturing plants had a total number of 128 employees as of 31 March 2018 (2017: 146), in which 98% were in full time position.

Major decrease in the total workforce came from a decrease in the production workforce in Chongqing due to better human resources management during the financial year.

Workforce by Employment Type (%)

Senior management	9
Middle management	16
Frontline and other staff	75
	<hr/>
	100

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Workforce by Age Group (%)

18-25	8
26-35	26
36-45	41
46-55	17
56 or above	8
	<hr/>
	100

Workforce by Gender (%)

Male	64
Female	36
	<hr/>
	100

Workforce by Geographical Region (%)

Mainland China	80
Hong Kong	20
	<hr/>
	100

Equal Opportunity

The employee handbook details the Group's commitment to equal opportunities. Employees are not discriminated during the processes of recruitment, employment, training, promotion and benefits. The Group will make decision based on individual employee's working capability, qualification and on-the-job experience, and not on the basis of disability, gender, family status, ethnic, marital status, pregnancy or any other discrimination prohibited by applicable law.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employee Welfare

The Group strives to maintain the work-life balance of its employees by establishing fair and reasonable working hours and leave policy to ensure employees have sufficient time for rest and leisure, as well as regularly review and upgrade their medical coverage.

Employees are entitled to have statutory holidays, paid annual leave and other paid leave (marriage, compassionate, maternity, paternity, sick), medical allowance, transportation allowance, year-end bonus and Mandatory Provident Fund. Standard working hours of regular working days and seasonal productions have also been stated in the employment contract, compensation in terms of leave or pay will be given, according to the relevant national laws and regulations, if overtime working is needed for production.

Other benefits including share options and gifts during traditional festivals. For the employees in the PRC manufacturing plants, canteen, accommodation and areas for leisure activities (such as sports) are also provided at workplace. Activities were also organized for female workers for the celebration of International Women's Day.

The Group did not note any cases of material non-compliance with laws and regulations regarding the Group's employment and labour practices during the year ended 31 March 2018.

Appraisal

The Group carries out assessment annually to review employees' job required knowledge, working attitude, sense of responsibility, efficiency, time management, effective use of resources, and cooperation. The information is used as reference for salary adjustment and promotion. Clear appraisal process has been written in the employee handbook.

Dismissal/Termination

Employment contract has listed out detailed conditions and procedures regarding contract expiration and immediate termination with financial compensation are required by either party.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B2. Employee Health and Safety

Health and safety is part of the Group's fundamental value on being socially sustainable. The Group strives to provide a safe, hygienic and productive working environment for all employees. It has a health and safety policy, through the implementation focusing on trainings, designated supervision, regular provision of general and occupational health checks. First aider training is provided for employees. Fire drill training is conducted once a year to raise employees' awareness and to refresh their knowledge on emergency procedures to be used in case of fire incidents. The Group also provides personal protective equipment to the employees working in the PRC manufacturing plants, such as masks for filtering dust and odour. Air purifiers and indoor plants were also placed in corridors and common areas throughout the office and PRC manufacturing plants for a healthier working environment for employees.

The Group did not note any cases of material non-compliance in relation to health and safety laws and regulations during the year ended 31 March 2018. The Group recorded 2 injury cases with 29 lost days due to work injuries. The case underwent a detailed evaluation with corresponding preventive measures to avoid repeat occurrence.

B3. Development and Training

With core business focusing on innovation and advanced environmental technology, the Group motivates employees to attend seminar, training and conference externally organized by well-known professional institutions, training centres and management schools to equip themselves with the most updated industrial standards, laws and regulation, technology trend and market, as well as essential knowledge and skills related to their job requirement. The training materials cover areas in finance, environmental, health and safety, compliance and national standards, risk management, tax, auditing, accounting, management system, new energy and technology.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group sees training as a valuable tool to maintain the competency, professional level, integrity of its employees and their sense of belongings.

2017/18

Percentage of Employees Trained by Employee Category

– Senior Management	17%
– Middle Management	30%
– Frontline and Other Employees	9%

Percentage of Employees Trained by Gender

– Male	10%
– Female	43%

Average Training Hours Completed per Employee by Employee Category

– Senior Management	1.4 hours
– Middle Management	3.8 hours
– Other Employees	3.5 hours

Average Training Hours Completed per Employee by Gender

– Male	1.6 hours
– Female	6.5 hours

B4. Labour Standards

The Group strictly complies with the respective labour laws and regulations in its operating countries, including the Employment Ordinance of Chapter 57 of the Laws of Hong Kong and the Labour Law and Labour Contract Law of the PRC. The Group strictly prohibits the hiring of child labour and opposes to any form of forced labour. The Group formally goes through background check on every new employment, which includes obtaining the identity card, certificate and previous job reference letter to ensure that they meet the minimum age standard, i.e. 18 years or above and no forced labour in the Group's business. If violation was found, the management will review the recruitment procedure, identify and rectify the issues by revising the procedure, providing further training to the concerned parties when necessary and taking disciplinary actions. The Group did not note any cases of material non-compliance with laws and regulations regarding labour standards during the year ended 31 March 2018.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2. Operating Practices

B5. Supply Chain Management

During the year ended 31 March 2018, there were no major changes in policies on managing environmental and social risks of the supply chain. The Group has engaged with approximately 460 suppliers from Mainland China. To ensure the Group has a standard procurement standard and guideline to follow, and to promote sustainable and environmentally friendly procurement function, the Group has set up a procurement control procedure, so that all purchased goods meet the requirements.

The procurement control procedure applies to all raw materials, components, production spare parts, tools, equipment and office supplies. The procedure also lists out major responsibility of procurement department, production and material control department, quality assurance department, engineering department and warehouse storage department. Standard work flow, related documents and forms, responsible parties and areas of attentions in each stage, from request of purchase to payment upon receipt or product returns, have been stated in the procedure. The Group also communicates with suppliers on their environmental and social responsibilities, including the provision of healthy and safe working environment, prohibition of child and forced labour and fair working environment without discrimination.

Office purchasing policy is also adopted particularly for office environments, aiming at raising awareness of green purchasing and recycling habits among employees. The Group purchases paper from suppliers who can provide Programme for the Endorsement of Forest Certification (PEFC) or Forest Stewardship Council (FSC) certified paper.

B6. Product Responsibility

During the year ended 31 March 2018, the Group did not note any cases of material non-compliance with laws and regulations regarding health and safety, advertising, labelling and privacy matters relating to products and services provided.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Quality Assurance

Every sold vehicle is provided with a user manual. During the year ended 31 March 2018, there was no safety issues caused by quality problems. The Group has a standard after-sale service management procedure, in which customer service department, online enquiry services and a dedicated national customer service hotline are available to handle any product or service related complaint after products being sold. During the year ended 31 March 2018, there was no complaint nor product recalls. Warranty is also provided for shelf life less than a year or within 150,000 km.

Customer Data Protection

The Group is committed to protecting customers' personal information. All directors and employees of the Group shall strictly abide by the Personal Data (Privacy) Ordinance in Hong Kong and the General Principles of the Civil Law of the PRC and other relevant laws, regulations and rules (applicable to employees in the PRC). Unauthorised access or abuse of confidential information could result in disciplinary action, including termination.

Data Confidentiality

The Group has set out clear management approach in employment contract on handling confidential information. Employees are prohibited to disclose any information related to the Group, the Group's partnering companies, customer works, business operation, product, technology, financial matters, human resources, research and development, and market information, without authorization. Also, the employment contract of the Group have mentioned the confidentiality clause and signed by every employee. This is to protect all materials, experiences and information of the Group in areas including but not limited to business plan, meeting contents, document content, financial data, marketing strategy, customer information, and human resources documents.

Intellectual Property

The Group has obtained various patents accredited in China. Directors and employees of the Group are not allowed to sell or use any company assets, property, data, any trade information, and resources for non-business purposes without authorization.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B7. Anti-corruption

The Group strives to maintain honesty, integrity and fairness on its business operations. The Group has set up strict policy on receipt of money, gift, loan, commission, payment, remuneration, any sort of securities or property, employment, contract, service or favours, etc. The Group understands employees may potentially face these situations when dealing with customers, suppliers or contractors during business operation, guidelines and procedures have been provided in the Group's policy and employee handbook for employees seeking advice and proper actions to be taken.

The Group has whistleblowing policy to encourage employee to report on serious matters of the Group's internal operation in good faith and without malice through various channels including the opinion box situated at the canteen of the PRC manufacturing plants. The policy applies to all employees in the Group and covers but not limited to violation of laws, regulations and the Group's policies, damage and harm to the environment, public interest and personal health and safety, discriminatory or disciplinary actions, bribery, extortion, fraud, money laundering and other related crimes. Any reporting suspicious issues will be followed up and investigated by independent personnel.

There were no concluded legal cases regarding corrupt practices brought against the Group or its employees and the Group did not note any cases of non-compliance with laws and regulations regarding bribery, extortion, fraud and money laundering during the year ended 31 March 2018.

B8. Community Investment

The Group cares about the community's well-being and social services. It not only pays effort in environmental protection, but also contributes its resources to social responsibility. During the year ended 31 March 2018, the Group has focused investment on environmental issues, labour demand, well-being and culture. Donation was made to the Hong Kong Anti-Cancer Society, a non-profit making organization with an aim to educate the public on prevention and early detection of cancer and to provide holistic support to cancer sufferers and their families. The Group also provided financial aid for students from underprivileged families in Mainland China.

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 75 to 180, which comprise the consolidated statement of financial position as at 31 March 2018, 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 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional 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 2018, the Group had mining assets with carrying value of approximately HK\$2,812 million. The mining asset is subject to annual impairment review.

The directors have concluded that there was impairment loss of HK\$104,048,000 in respect of the mining assets as at 31 March 2018. This conclusion was based on the recoverable amount of the mining assets, 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 pre-tax 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 non-current 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 note 20 to the consolidated financial statements and the accounting policies notes 4(i) and 4(j).

Our response:

- We have engaged a valuation expert to assist us in reviewing the recoverable amount calculation prepared by management's expert, in particular the underlying assumptions and methodology adopted.
- We have analysed and challenged 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.
- We have checked the appropriateness and reasonableness of key inputs of the recoverable amount valuation model.
- We evaluated the competence, capability and objectivity of the management's expert and auditor's expert.

INDEPENDENT AUDITOR'S REPORT

Impairment assessment of assets attributable to the Cash Generating Unit ("CGU") of the ores processing and trading businesses in Chile

In December 2017, management of the Group decided to discontinue the ores processing and trading businesses which were carried out by Minera Catania Verde S.A. ("Verde") in Chile, as such businesses in Chile would not be commercially viable after the reassessment of the latest situation and the Group plans to focus its resources on development of its electric vehicle businesses. The Group initiated an active programme to dispose of the non-current assets of Verde and the disposal was expected to be completed by December 2018. Non-current assets held by Verde, including land and buildings, plant and machinery, construction in progress and water use rights were classified as non-current assets held for sale in the consolidated statement of financial position as at 31 March 2018 and Verde was classified as discontinued operations in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2018.

The directors have measured the above non-current assets at the lower of carrying values and fair value less cost to sell. An independent professional valuer was engaged by the Group as management's expert to assess the fair value less cost to sell of the non-current assets held for sale. An impairment loss of HK\$122,709,000 including those relating to goodwill allocated to the CGU was charged to profit or loss based on the valuation assessment.

We focused on this area because of the magnitude of the impairment loss and the significance of management judgments involved in the impairment assessment of these non-current assets.

Refer to note 29 to the consolidated financial statements and the accounting policies notes 4(b) and 4(j).

INDEPENDENT AUDITOR'S REPORT

Our response:

- We inspected the relevant board minutes regarding management decision's to discontinue the operations of Verde.
- We have engaged a valuation expert to assist us in reviewing the recoverable amount calculation prepared by management's expert, in particular the underlying assumptions and methodology adopted.
- We have analysed and challenged the reasonableness of significant judgments and estimates built in the fair value less costs to sell assessment in management's impairment tests based on our knowledge of the business and industry.
- We have checked the appropriateness and reasonableness of key inputs of the recoverable amount valuation model.
- We evaluated the competence, capability and objectivity of the management's expert and auditor's expert.
- We considered the overall adequacy and disclosures of the discontinued operations of Verde in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

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.

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.

INDEPENDENT AUDITOR'S REPORT

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 HKSA's 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.

As part of an audit in accordance with HKSA's, 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.

INDEPENDENT AUDITOR'S REPORT

- 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.

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.

INDEPENDENT AUDITOR'S REPORT

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

BDO Limited

Certified Public Accountants

Li Pak Ki

Practising Certificate Number: P01330

Hong Kong, 27 June 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Notes	2018 HK\$'000	2017 HK\$'000 (re-presented)
Continuing operations			
Revenue	7	59,568	126,108
Cost of sales		(58,732)	(120,301)
Gross profit		836	5,807
Other income	7	4,718	5,553
Selling and distribution expenses		(2,234)	(2,397)
Administrative and other expenses		(170,488)	(145,973)
Impairment loss on mining assets		(104,048)	–
Change in fair value of financial assets at fair value through profit or loss		(255)	(1,663)
Finance costs	8	(690)	(867)
Loss before income tax	11(a)	(272,161)	(139,540)
Income tax credit	12(b)	2,241	172
Loss for the year from continuing operations		(269,920)	(139,368)
Discontinued operations			
Loss for the year from discontinued operations	11(b)	(129,677)	(3,315)
Loss for the year		(399,597)	(142,683)
Other comprehensive income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		319,492	(184,459)
Total comprehensive income for the year		(80,105)	(327,142)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Notes	2018 HK\$'000	2017 HK\$'000 (re-presented)
Loss attributable to:			
Owners of the Company			
Loss for the year from continuing operations		(244,055)	(116,419)
Loss for the year from discontinued operations		(77,806)	(1,989)
		<u>(321,861)</u>	<u>(118,408)</u>
Non-controlling interests			
Loss for the year from continuing operations		(25,865)	(22,949)
Loss for the year from discontinued operations		(51,871)	(1,326)
		<u>(77,736)</u>	<u>(24,275)</u>
		<u>(399,597)</u>	<u>(142,683)</u>
Total comprehensive income attributable to:			
– Owners of the Company		(8,380)	(299,224)
– Non-controlling interests		(71,725)	(27,918)
		<u>(80,105)</u>	<u>(327,142)</u>
Loss per share from continuing and discontinued operations	14		
– Basic and diluted (HK\$)		<u>(0.07)</u>	<u>(0.03)</u>
Loss per share from continuing operations	14		
– Basic and diluted (HK\$)		<u>(0.05)</u>	<u>(0.03)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	Notes	2018 HK\$'000	2017 HK\$'000
Non-current assets			
Property, plant and equipment	15	75,846	82,454
Construction in progress	16	49,938	90,239
Prepaid lease payments for land	17	88,332	49,237
Goodwill	19	–	34,245
Mining assets	20	2,707,654	2,537,127
Other intangible assets	21	52,929	70,158
Interests in associates	22	–	–
Interest in joint venture	23	–	4,380
Available-for-sale investments	24	69,802	69,802
Other receivables, deposits and prepayments	27	20,273	17,480
Value-added-tax recoverable		–	9,200
Total non-current assets		3,064,774	2,964,322
Current assets			
Inventories	25	48,805	45,694
Accounts receivable	26	48,220	33,055
Other receivables, deposits and prepayments	27	72,247	109,233
Financial assets at fair value through profit or loss	28	1,353	1,608
Prepaid lease payments for land	17	1,691	886
Cash and bank balances		92,933	202,174
		265,249	392,650
Assets classified as held for sale	29	22,050	–
Total current assets		287,299	392,650
Total assets		3,352,073	3,356,972
Current liabilities			
Accounts payable	30	29,100	20,446
Other payables and accruals	31	26,478	26,096
Receipts in advance		4,259	11,429
Bank borrowings	32	6,248	11,276
Total current liabilities		66,085	69,247

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	Notes	2018 HK\$'000	2017 HK\$'000
Net current assets		221,214	323,403
Total assets less current liabilities		3,285,988	3,287,725
Non-current liabilities			
Deferred tax liabilities	33	14,421	15,151
Other payables	31	68,274	5,638
Total non-current liabilities		82,695	20,789
Total liabilities		148,780	90,036
NET ASSETS		3,203,293	3,266,936
Equity			
Share capital	35	50,360	44,460
Reserves		3,126,186	3,144,212
Equity attributable to owners of the Company		3,176,546	3,188,672
Non-controlling interests	38	26,747	78,264
TOTAL EQUITY		3,203,293	3,266,936

On behalf of the Board

Cheung Ngan
Director

Chan Hoi Ying
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	Attributable to owners of the Company								Non-controlling interests HK\$'000 (Note 38)	Total equity HK\$'000
	Share capital HK\$'000 (Note 35)	Share premium HK\$'000 (Note 37(a))	Contributed surplus HK\$'000 (Note 37(b))	Convertible notes equity reserve HK\$'000 (Note 37(f))	Share options reserve HK\$'000 (Note 37(c))	Foreign currency translation reserve HK\$'000 (Note 37(d))	Capital reserve HK\$'000 (Note 37(e))	Accumulated losses HK\$'000	Total HK\$'000	
At 1 April 2016	37,060	1,765,438	20,566	1,881,249	96,809	(167,596)	687	(354,233)	3,279,980	3,386,162
Loss for the year	-	-	-	-	-	-	-	(118,408)	(118,408)	(142,683)
Other comprehensive income	-	-	-	-	-	(180,816)	-	-	(180,816)	(184,459)
Total comprehensive income	-	-	-	-	-	(180,816)	-	(118,408)	(299,224)	(327,142)
Placing of shares	7,400	173,900	-	-	-	-	-	-	181,300	181,300
Share issue expenses	-	(5,453)	-	-	-	-	-	-	(5,453)	(5,453)
Share-based payments	-	-	-	-	32,069	-	-	-	32,069	32,069
Forfeited share options	-	-	-	-	(8,590)	-	-	8,590	-	-
At 31 March 2017 and 1 April 2017	44,460	1,933,885	20,566	1,881,249	120,288	(348,412)	687	(464,051)	3,188,672	3,266,936
Loss for the year	-	-	-	-	-	-	-	(321,861)	(321,861)	(399,597)
Other comprehensive income	-	-	-	-	-	313,481	-	-	313,481	319,492
Total comprehensive income	-	-	-	-	-	313,481	-	(321,861)	(8,380)	(80,105)
Acquisition of additional equity interest in subsidiaries	-	-	-	-	-	-	-	(20,208)	(20,208)	-
Conversion of convertible notes	5,900	384,922	-	(390,822)	-	-	-	-	-	-
Share-based payments	-	-	-	-	16,462	-	-	-	16,462	16,462
Forfeited share options	-	-	-	-	(51,707)	-	-	51,707	-	-
At 31 March 2018	50,360	2,318,807	20,566	1,490,427	85,043	(34,931)	687	(754,413)	3,176,546	3,203,293

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	Notes	2018 HK\$'000	2017 HK\$'000
OPERATING ACTIVITIES			
Loss before income tax from continuing operations		(272,161)	(139,540)
Loss before income tax from discontinued operations		(129,677)	(3,315)
		(401,838)	(142,855)
Adjustments for:			
Interest income	7	(1,314)	(653)
Finance costs	8	690	867
Depreciation of property, plant and equipment		11,102	11,022
Amortisation of prepaid lease payments for land	11(a)	1,417	461
Amortisation of other intangible assets	11(a)	11,949	3,718
Share-based payments	36	16,462	32,069
Change in fair value of financial assets			
at fair value through profit or loss		255	1,663
Gain on disposal of property, plant and equipment		(126)	–
Impairment of accounts receivable	11(a)	2,813	–
Impairment of inventories	11(a)	13,214	7,010
Impairment of interest in joint venture	23	5,358	4,381
Impairment of goodwill	11(b)	38,162	–
Impairment loss on assets held for sale	11(b)	84,547	–
Impairment of mining assets	11(a)	104,048	–
Impairment of other intangible assets	11(a)	–	5,000
Impairment of other receivables	11(a)	16,405	–
Exchange gain, net		(178)	(2,795)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

Notes	2018 HK\$'000	2017 HK\$'000
Operating cash flows before movements in working capital	(97,034)	(80,112)
Increase in accounts receivable	(15,440)	(5,749)
Decrease/(increase) in other receivables, deposits and prepayments	23,631	(8,840)
Increase in value-added-tax recoverable	(2,262)	(415)
(Increase)/decrease in inventories	(12,817)	7,155
Decrease in financial assets at fair value through profit or loss	–	70
Increase in accounts payable	7,083	1,180
Increase in other payables and accruals	61,544	9,906
(Decrease)/increase in receipts in advance	(8,048)	4,067
NET CASH USED IN OPERATING ACTIVITIES	(43,343)	(72,738)
Investing activities		
Acquisition of property, plant and equipment	(4,110)	(10,338)
Addition to construction in progress	(25,114)	(12,834)
Addition to prepaid lease payments for land	(34,022)	(25,829)
Deposits paid for acquisition of property, plant and equipment	(874)	(1,996)
Acquisition of intangible assets	–	(892)
Advance to a joint venture	(978)	(2,140)
Proceeds from disposal of property, plant and equipment	219	–
Dividend received from an associate	–	438
Interest received	1,259	653
NET CASH USED IN INVESTING ACTIVITIES	(63,620)	(52,938)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	Notes	2018 HK\$'000	2017 HK\$'000
FINANCING ACTIVITIES			
Interest paid		(690)	(867)
Proceeds from bank borrowings		5,910	11,542
Repayment of bank borrowings		(11,276)	(12,024)
Proceeds from placing of shares		–	181,300
Payment of issue expenses for placing of shares		–	(5,453)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES		(6,056)	174,498
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(113,019)	48,822
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		202,174	152,535
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		3,778	817
CASH AND CASH EQUIVALENTS AT END OF YEAR		92,933	202,174
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		92,933	202,174

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

1. CORPORATION 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 37th Floor, China Online Centre, 333 Lockhart Road, Wanchai, Hong Kong.

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

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

(a) Adoption of new/revised HKFRSs – effective 1 April 2017

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 12, Disclosure of Interests in Other Entities

Amendments to HKAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The adoption of the amendments has led to the additional disclosure which presented in note 46.

Amendments to HKAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured at fair value.

The adoption of the amendments has no impact on these financial statements as the clarified treatment is consistent with the manner in which the Group has previously recognised deferred tax assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

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

(a) Adoption of new/revised HKFRSs – effective 1 April 2017 (Continued)

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKFRS 12, Disclosure of Interests in Other Entities

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 12, Disclosure of Interests in Other Entities, to clarify that the disclosure requirements of HKFRS 12, other than the requirements to disclose summarised financial information, also apply to an entity's interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5, Non-Current Assets Held for Sale and Discontinued Operations.

The adoption of the amendments to HKFRS 12 has no impact on these financial statements as the latter treatment is consistent with the manner in which the Group has previously dealt with disclosures relating to its interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5.

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

The following new/revised HKFRSs, potentially relevant to the Group's 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 the date they become effective.

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards ¹
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures ¹
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions ¹
HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15) ¹
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration ¹
HKFRS 16	Leases ²
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

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

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

¹ *Effective for annual periods beginning on or after 1 January 2018*

² *Effective for annual periods beginning on or after 1 January 2019*

³ *The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.*

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, removing transition provision exemptions relating to accounting periods that had already passed and were therefore no longer applicable.

The Group expects to adopt the amendments on 1 April 2018 and does not expect its adoption will have significant impact on the Group’s financial position and performance.

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKAS 28, Investments in Associates and Joint Ventures

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 28, Investments in Associates and Joint Ventures, clarifying that a venture capital organisation’s permissible election to measure its associates or joint ventures at fair value is made separately for each associate or joint venture.

The Group expects to adopt the amendments on 1 April 2018 and does not expect its adoption will have significant impact on the Group’s financial position and performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

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

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

Amendments to HKFRS 2 – Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The Group expects to adopt the amendments on 1 April 2018 and does not expect its adoption will have significant impact on the Group’s financial position and performance.

HKFRS 9 – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income (“FVTOCI”) if the objective of the entity’s business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss (“FVTPL”).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

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

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

HKFRS 9 – Financial Instruments (Continued)

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model either on twelve-month basis or lifetime basis, as opposed to an incurred credit loss model under HKAS 39 Financial Instruments: Recognition and Measurement. The Group expects to apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of trade receivables.

Based on the Group’s financial instruments and risk management policies as at 31 March 2018, the directors of the Company assess that the application of HKFRS 9 in the future will have an impact on the measurement of the Group’s available-for-sale investments. The Group’s available-for-sale investments, which are currently stated at cost less impairment, will be measured at FVTPL. For the Group’s financial assets carried at amortised cost, based on the historical experience of the Group, the default rate of the outstanding balances with customers is low. However, the accumulated amount of the impairment loss to be recognised would still be increased resulting from the expected credit losses provision. Such further impairment recognised under expected credit loss model would increase the opening accumulated losses at 1 April 2018.

HKFRS 15 – Revenue from Contracts with customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

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

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

HKFRS 15 – Revenue from Contracts with customers (Continued)

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The directors of the Company assess that the application of HKFRS 15 in the future will not have a material impact on the pattern and amount of revenue recognition but there will be more comprehensive disclosure related to revenue in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

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

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

HK(IFRIC)-Int 22 – Foreign Currency Transactions and Advance Consideration

HK(IFRIC)-Int 22 addresses foreign currency transactions or parts of transactions where:

- (i) There is consideration that is denominated or priced in a foreign currency;
- (ii) The entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- (iii) The prepayment asset or deferred income liability is non-monetary.

The Interpretations Committee came to the following conclusion:

- (i) The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability;
- (ii) If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

The Group expects to adopt the amendment on 1 April 2018 and does not expect its adoption will have significant impact on the Group’s financial position and performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

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

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

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 Leases and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Under HKAS 17, the Group has already recognised the prepaid lease payments for leasehold land where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

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

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

HKFRS 16 – Leases (Continued)

As at 31 March 2018, the Group has non-cancellable operating lease commitments of HK\$18,691,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of these leases unless they qualify for short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

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

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

The Group expects to adopt the amendment on 1 April 2019 and does not expect its adoption will have significant impact on the Group’s financial position and performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

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

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

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

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors’ interests in the joint venture or associate.

The Group expects to adopt the amendments when they become effective and does not expect their adoption will have significant impact on the Group’s financial position and performance.

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

4. PRINCIPAL ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

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

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

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

31 March 2018

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

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

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

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

Subsequent to acquisition, the carrying amount of non-controlling interest 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. Total comprehensive income is attributed to such non-controlling interests even if this results in the non-controlling interest having a deficit balance.

(b) Goodwill

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(b) Goodwill (Continued)

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(c) Subsidiaries

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

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

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

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.

(d) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(d) **Associates** (Continued)

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

In the Company's statement of financial position, interests in associates are carried at cost less impairment losses, if any. The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year.

(e) **Joint arrangements**

The Group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(e) Joint arrangements (Continued)

The Group classifies its interests in joint arrangements as either:

- Joint ventures: where the Group has rights to only the net assets of the joint arrangement; or
- Joint operations: where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

- The structure of the joint arrangement;
- The legal form of joint arrangements structured through a separate vehicle;
- The contractual terms of the joint arrangement agreement; and
- Any other facts and circumstances (including any other contractual arrangements).

The Group accounts for its interests in joint ventures in the same manner as investments in associates (i.e. using the equity method – see note 4(d)).

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

The Group accounts for its interests in joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(e) Joint arrangements (Continued)

The Company's interests in joint ventures are stated at cost less impairment losses, if any. Results of joint ventures are accounted for by the Company on the basis of dividends received and receivable.

(f) 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

Freehold land situated in Chile is not amortised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

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

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

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.

(g) **Payments for leasehold land held for own use under operating leases**

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

(h) **Intangible assets (other than goodwill)**

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

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

Technical know-how

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

Water use rights

Water use rights with indefinite useful lives are measured initially at purchase cost and are tested for impairment annually either individually or at the cash generating unit level. The Group's water use rights have indefinite useful lives and are not amortised.

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(i) Mining assets

Mining assets are stated at cost less accumulated amortisation and any impairment losses (note 4(j)). 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.

(j) Impairment of tangible and intangible assets excluding goodwill

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(j) **Impairment of tangible and intangible assets excluding goodwill** (Continued)

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

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

(k) **Financial instruments**

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(i) **Financial assets**

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace concerned.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

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

Financial assets at fair value through profit or loss

These assets include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary assets. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

(i) Financial assets (Continued)

Impairment of financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; or
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loans and receivables

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which have been determined had no impairment loss been recognised in prior years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

(i) Financial assets (Continued)

Impairment of financial assets (Continued)

For available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

Any impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

(i) Financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(ii) Financial liabilities and equity instrument issued by the Group

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

(ii) **Financial liabilities and equity instrument issued by the Group** (Continued)

Effective interest method

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

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

(iii) **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

31 March 2018

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

(iv) *Financial guarantee contracts*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

(l) 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.

(m) Leasing

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

The Group as lessor

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(n) 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.

(o) 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.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(p) **Non-current assets held for sale and discontinued operation** (Continued)

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

(q) **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.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(q) **Income tax** (Continued)

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

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

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

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

(r) **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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(r) Foreign currencies (Continued)

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(s) 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 People's Republic of China ("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.

(t) Equity-settled share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the share options reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(t) **Equity-settled share-based payments** (Continued)

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods or services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

(u) **Capitalisation of borrowing costs**

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

(v) **Related parties**

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(v) Related parties (Continued)

(b) (Continued)

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(w) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts. Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (i) revenue from sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (ii) interest income is recognised as it accrues using the effective interest method;
- (iii) rental income from operating leases is recognised in equal instalments over the accounting periods covered by the lease term; and
- (iv) service fee income is recognised to the extent of services rendered.

(x) Government grant

Government grants are recognised in the 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

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 various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

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

Estimation of useful lives of property, plant and equipment

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

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

Impairment of assets

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

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating units to which goodwill has been allocated. The determination of the recoverable amount which is the higher of fair value less costs to sell and value-in-use requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

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

31 March 2018

6. SEGMENT REPORTING

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

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

Continuing operations:

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

Discontinued operations:

- Ores processing and trading.

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

31 March 2018

6. SEGMENT REPORTING (Continued)

(a) Reportable segments

	Continuing operations						Discontinued operations					
	Development of electric vehicles		Mining		Metal and minerals trading		Total		Ores processing and trading		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	59,568	97,339	-	-	-	28,769	59,568	126,108	-	-	59,568	126,108
Reportable segment loss	(110,216)	(99,604)	(115,572)	(10,941)	(19,482)	(4,419)	(245,270)	(114,964)	(129,677)	(3,315)	(374,947)	(118,279)
Interest income	1,059	452	1	1	-	21	1,060	474	-	-	1,060	474
Unallocated interest income											254	179
Total interest income											1,314	653
Depreciation	(8,756)	(9,236)	(480)	(753)	-	-	(9,236)	(9,989)	(362)	(236)	(9,598)	(10,225)
Unallocated depreciation expenses											(1,504)	(797)
Total depreciation											(11,102)	(11,022)
Amortisation	(13,366)	(4,179)	-	-	-	-	(13,366)	(4,179)	-	-	(13,366)	(4,179)
Impairment loss on goodwill	-	-	-	-	-	-	-	-	(38,162)	-	(38,162)	-
Impairment loss on other receivables	(727)	-	-	-	(15,678)	-	(16,405)	-	-	-	(16,405)	-
Impairment loss on assets held for sale	-	-	-	-	-	-	-	-	(84,547)	-	(84,547)	-
Impairment loss on other non-current assets	-	(5,000)	(104,048)	-	-	-	(104,048)	(5,000)	-	-	(104,048)	(5,000)
Impairment loss on inventories	(13,214)	(7,010)	-	-	-	-	(13,214)	(7,010)	-	-	(13,214)	(7,010)
Reportable segment assets	411,396	358,093	2,757,852	2,580,333	17,353	41,936	3,186,601	2,980,362	30,109	138,786	3,216,710	3,119,148
Additions to non-current assets	59,913	38,926	2,627	10,410	-	-	62,540	49,336	777	354	63,317	49,690
Unallocated assets											802	203
Total additions to non-current assets											64,119	49,893
Reportable segment liabilities	(141,616)	(79,857)	(2,827)	(2,011)	(25)	(3,674)	(144,468)	(85,542)	(2,210)	(2,703)	(146,678)	(88,245)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

6. SEGMENT REPORTING (Continued)

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

	2018 HK\$'000	2017 HK\$'000 (re-presented)
Revenue		
Reportable segment revenue and consolidated revenue	59,568	126,108
Loss before income tax and discontinued operations		
Reportable segment loss	(374,947)	(118,279)
Segment loss from discontinued operations	129,677	3,315
Unallocated other income	705	231
Change in fair value of financial assets at fair value through profit or loss	(255)	(1,663)
Unallocated share-based payments	(7,136)	(13,433)
Unallocated impairment of interest in joint venture	(5,358)	(4,381)
Unallocated other corporate expenses	(14,157)	(4,463)
Finance costs	(690)	(867)
Consolidated loss before income tax from continuing operations	(272,161)	(139,540)
Assets		
Reportable segment assets	3,216,710	3,119,148
Unallocated corporate assets*	135,363	237,824
Consolidated total assets	3,352,073	3,356,972
Liabilities		
Reportable segment liabilities	146,678	88,245
Unallocated corporate liabilities	2,102	1,791
Consolidated total liabilities	148,780	90,036

* Unallocated corporate assets as at 31 March 2018 mainly represent cash and bank balances held by the Company of approximately HK\$55,906,000 (2017: HK\$151,620,000) and available-for-sale investments of HK\$69,802,000 (2017: HK\$69,802,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

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	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
PRC, including Hong Kong	59,568	97,339	2,994,971	2,764,602
Chile	–	–	22,050	129,918
Singapore	–	28,769	–	–
	<u>59,568</u>	<u>126,108</u>	<u>3,017,021</u>	<u>2,894,520</u>

(d) Information about major customers

During the year, revenue from 2 customers of the Group's development of electric vehicles segment amounted to HK\$14,142,000 and HK\$11,819,000, which represented 24% and 20% respectively of the Group's revenue. In last year, revenue from one customer of the Group's development of electric vehicles segment amounted to HK\$22,779,000 which represented 18% of the Group's revenue.

During the year ended 31 March 2017, all sales amounts generated from the metal and minerals trading segment were contributed by one customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

7. REVENUE AND OTHER INCOME

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

	2018 HK\$'000	2017 HK\$'000 (re-presented)
Revenue		
Continuing operations		
Sale of motor vehicles	59,027	96,113
Sale of metals and minerals	–	28,769
Sale of batteries	541	1,226
	<u>59,568</u>	<u>126,108</u>
Other income		
Continuing operations		
Gain on disposal of property, plant and equipment	114	–
Exchange gain, net	–	2,765
Sundry income	3,290	2,135
Interest income	1,314	653
	<u>4,718</u>	<u>5,553</u>
Discontinued operations		
Rental income	3,352	3,855
Income from trading ore in Chile	1,335	3,465
Exchange gain, net	222	30
Gain on disposal of property, plant and equipment	12	–
	<u>4,921</u>	<u>7,350</u>

8. FINANCE COSTS

	2018 HK\$'000	2017 HK\$'000
Continuing operations		
Bank borrowings interest	690	831
Bank charges and trust receipt loans interest	–	36
	<u>690</u>	<u>867</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

9. DIRECTORS' REMUNERATION

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

For the year ended 31 March 2018

	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	-	2,496	90	18	2,604
Ms. Chan Hoi Ying	-	1,170	90	18	1,278
Sub-total	-	3,666	180	36	3,882
Non-executive directors:					
Mr. Zhao Hong Feng (Resigned on 5 December 2017)	-	-	639	-	639
Mr. Zhou Jin Kai	-	-	90	-	90
Sub-total	-	-	729	-	729
Independent non-executive directors:					
Mr. Chan Francis Ping Kuen	100	-	90	-	190
Mr. Hu Guang	100	-	90	-	190
Dato' Tan Yee Boon	100	-	-	-	100
Sub-total	300	-	180	-	480
Total	300	3,666	1,089	36	5,091

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

9. DIRECTORS' REMUNERATION (Continued)

For the year ended 31 March 2017

	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	–	1,258	172	18	1,448
Mr. Lai Kwok Wai (Resigned on 12 May 2016)	–	58	98	2	158
Ms. Chan Hoi Ying (Appointed on 12 May 2016)	–	1,050	29	18	1,097
Sub-total	–	2,366	299	38	2,703
Non-executive directors:					
Mr. Zhao Hong Feng	–	–	1,691	–	1,691
Mr. Zhou Jin Kai	–	–	172	–	172
Sub-total	–	–	1,863	–	1,863
Independent non-executive directors:					
Mr. Chan Francis Ping Kuen	100	–	172	–	272
Mr. Hu Guang	100	–	172	–	272
Mr. Chan Chak Paul (Resigned on 17 June 2016)	25	–	37	–	62
Dato' Tan Yee Boon (Appointed on 17 June 2016)	79	–	–	–	79
Sub-total	304	–	381	–	685
Total	304	2,366	2,543	38	5,251

During the year ended 31 March 2018, no share options (2017: nil) were granted to the directors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

9. DIRECTORS' REMUNERATION (Continued)

Except for Mr. Zhao Hong Feng and Mr. Zhou Jin Kai, who unconditionally waived their entitlement to director's fee in respect of each of the years ended 31 March 2018 and 2017, there were no arrangements under which a director waived or agreed to waive any remuneration for the years ended 31 March 2018 and 2017. 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 2018 and 2017.

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

10. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included one (2017: three) director, details of whose remuneration are set out in note 9. The details of the remuneration of the remaining four (2017: two) non-director highest paid individuals are as follows:

	2018 HK\$'000	2017 HK\$'000
Basic salaries, allowances and benefits in kind	3,172	1,874
Share-based payments	3,541	778
Pension contributions	72	36
	<u>6,785</u>	<u>2,688</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

10. FIVE HIGHEST PAID INDIVIDUALS (Continued)

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

	2018 Number of Employees	2017 Number of employees
HK\$1,000,001 to HK\$1,500,000	–	2
HK\$1,500,001 to HK\$2,000,000	3	–
HK\$2,000,001 to HK\$2,500,000	1	–
	<u>4</u>	<u>2</u>

During the year ended 31 March 2018, no share options (2017: 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 36. The fair value of such options, which has been recognised in profit or loss and included in the above disclosure of five highest paid individuals, was determined as at the date of grant of options.

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

	2018 Number of directors	2017 Number of directors
HK\$Nil to HK\$1,000,000	–	1
HK\$1,000,001 to HK\$1,500,000	–	2
HK\$2,500,001 to HK\$3,000,000	1	–
	<u>1</u>	<u>3</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

11. LOSS BEFORE INCOME TAX

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

	2018 HK\$'000	2017 HK\$'000 (re-presented)
Continuing operations		
Auditor's remuneration	1,490	1,435
Amortisation of prepaid lease payments for land	1,417	461
Amortisation of other intangible assets	11,949	3,718
Cost of inventories recognised as expenses	58,732	120,301
Depreciation of property, plant and equipment	10,740	10,786
Exchange loss/(gain), net	44	(2,765)
Impairment of inventories	13,214	7,010
Impairment of accounts receivable	2,813	–
Impairment of interest in joint venture	5,358	4,381
Impairment of mining assets	104,048	–
Impairment of other intangible assets*	–	5,000
Impairment of other receivables	16,405	–
Operating lease rentals on leasehold land and buildings	10,261	9,684
Research and development cost	19,956	15,426
Directors' remuneration	5,091	5,251
Employee costs (excluding directors' remuneration)		
– Salaries and allowances	28,864	27,578
– Share-based payments (note 36)	14,715	28,460
– Other benefits	1,604	1,733
– Pension contributions	2,128	1,844
	47,311	59,615

* included in other expenses

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

11. LOSS BEFORE INCOME TAX (Continued)

(b) Discontinued operations

In December 2017, management of the Group passed a resolution to discontinue the Group's ore processing and trading segment which was carried out by the Company's subsidiary, Minera Catania Verde S.A. ("Verde") in Chile as they consider that such businesses would not be commercially viable after the reassessment of the latest situation and the Group plans to focus its resources on development of its electric vehicle businesses. The Group initiated an active programme to locate buyers for the non-current assets held by Verde and the disposal was expected to be completed by December 2018. The associated assets were consequently classified as held for sale in the consolidated statement of financial position.

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

	2018 HK\$'000	2017 HK\$'000
Revenue	–	–
Other income	4,921	7,350
Administrative expenses	(11,889)	(10,665)
Loss before tax	(6,968)	(3,315)
Impairment loss on goodwill	(38,162)	–
Impairment loss on remeasurement at fair value less costs to sell	(84,547)	–
Loss for the year from discontinued operations	(129,677)	(3,315)
Net cash outflow from operating activities	(4,715)	(5,292)
Net cash outflow from investing activities	(766)	(354)
Net cash inflow from financing activities	6,161	2,106
Net cash inflow/(outflow) from discontinued operations	680	(3,540)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

11. LOSS BEFORE INCOME TAX (Continued)

(b) Discontinued operations (Continued)

The carrying amounts of the non-current assets of Verde at the end of reporting period are disclosed in note 29.

For the purpose of presenting discontinued operations, the comparative consolidated statement of profit and loss and other comprehensive income and the related notes have been re-presented as if the operations discontinued during the year had been discontinued at the beginning of the comparative period.

12. INCOME TAX

- (a) 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 2018, subject to the agreement by the Hong Kong Inland Revenue Department, the Group had unused tax losses of HK\$104,230,000 (2017: HK\$93,304,000) available for offsetting against future profits. In addition, the Group had unused tax losses related to subsidiaries operating in Mainland China of HK\$182,663,000 (2017: HK\$116,792,000). 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

31 March 2018

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:

	2018 HK\$'000	2017 HK\$'000 (re-presented)
Loss before income tax from continuing operations	(272,161)	(139,540)
Loss before income tax from discontinued operations	(129,677)	(3,315)
Loss before income tax	(401,838)	(142,855)
Tax credit at the applicable rates	(73,312)	(28,071)
Tax effect of non-taxable revenue	(71)	(160)
Tax effect of non-deductible expenses	50,844	17,278
Tax effect of tax losses and temporary differences not recognised	20,298	10,781
Income tax credit for the year	(2,241)	(172)
Income tax credit is attributable to:		
Loss from continuing operations	(2,241)	(172)
Loss from discontinued operations	—	—
	(2,241)	(172)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

13. DIVIDEND

No dividend has been proposed or paid by the Company in respect of the years ended 31 March 2018 and 2017.

14. LOSS PER SHARE

For continuing and discontinued operations

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

	2018 HK\$'000	2017 HK\$'000
Loss for the year attributable to owners of the Company	(321,861)	(118,408)

	2018 Number	2017 Number
Weighted average number of ordinary shares in issue	4,681,690,636	3,922,978,307

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

For continuing operations

Basic and diluted loss per share for continuing operations is HK\$0.05 per share (2017: HK\$0.03 per share) based on the loss for the year from continuing operations of HK\$244,055,000 (2017: HK\$116,419,000) 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 and the share options are anti-dilutive.

For discontinued operations

Basic and diluted loss per share for discontinued operations is HK\$0.02 per share (2017: HK\$0.001 per share) based on the loss for the year from discontinued operations of HK\$77,806,000 (2017: HK\$1,989,000) 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 and the share options are anti-dilutive.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold land HK\$'000	Freehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures, equipment and motor vehicles HK\$'000	Total HK\$'000
Cost:						
At 1 April 2016	4,770	1,558	14,637	106,561	15,375	142,901
Additions	–	–	756	8,370	1,212	10,338
Disposal	–	–	–	–	(1,045)	(1,045)
Written off	–	–	(1,487)	–	(136)	(1,623)
Exchange realignment	131	42	(607)	(3,620)	(342)	(4,396)
At 31 March 2017	4,901	1,600	13,299	111,311	15,064	146,175
Additions	–	–	–	1,369	2,741	4,110
Disposal	–	–	–	–	(303)	(303)
Reclassified as assets held for sale (note 29)	(5,433)	(1,773)	–	(38,589)	(4,057)	(49,852)
Exchange realignment	532	173	941	11,696	1,184	14,526
At 31 March 2018	–	–	14,240	85,787	14,629	114,656
Accumulated depreciation:						
At 1 April 2016	–	701	4,976	39,711	9,733	55,121
Charge for the year	–	80	2,649	6,363	1,930	11,022
Disposal	–	–	–	–	(1,045)	(1,045)
Written off	–	–	(1,487)	–	(136)	(1,623)
Exchange realignment	–	20	(129)	422	(67)	246
At 31 March 2017	–	801	6,009	46,496	10,415	63,721
Charge for the year	–	84	1,819	7,199	2,000	11,102
Disposal	–	–	–	–	(210)	(210)
Reclassified as assets held for sale (note 29)	–	(976)	–	(38,049)	(3,312)	(42,337)
Exchange realignment	–	91	413	5,276	754	6,534
At 31 March 2018	–	–	8,241	20,922	9,647	38,810
Carrying amount:						
At 31 March 2018	–	–	5,999	64,865	4,982	75,846
At 31 March 2017	4,901	799	7,290	64,815	4,649	82,454

The Group owns 2 plots of freehold land in Chile. Following the Group's decision to cease ore processing and trading business in Chile, the related non-current assets are reclassified as held for sale as detailed in note 29.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

16. CONSTRUCTION IN PROGRESS

	Ores processing plant in Chile HK\$'000	Mining assets in the PRC HK\$'000	Manufacturing plant in the PRC HK\$'000	Total HK\$'000
At 1 April 2016	67,344	9,094	34	76,472
Additions	–	10,410	2,424	12,834
Exchange realignment	1,795	(804)	(58)	933
At 31 March 2017 and 1 April 2017	69,139	18,700	2,400	90,239
Additions	–	2,152	22,962	25,114
Reclassified as assets held for sale (note 29)	(76,484)	–	–	(76,484)
Exchange realignment	7,345	2,146	1,578	11,069
At 31 March 2018	–	22,998	26,940	49,938

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 vehicle in Chongqing.

The directors reviewed the carrying values of construction in progress of the mining assets and manufacturing plant and assessed them for impairment. Based on the results of the assessment, the directors are of the opinion that there was no impairment on construction in progress as at 31 March 2018 (2017: HK\$nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

17. PREPAID LEASE PAYMENTS FOR LAND

	2018 HK\$'000	2017 HK\$'000
Carrying amount:		
At 1 April	50,123	27,017
Addition	34,022	25,829
Amortisation	(1,417)	(461)
Exchange realignment	7,295	(2,262)
At 31 March	90,023	50,123

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

	2018 HK\$'000	2017 HK\$'000
Analysed for reporting purposes as:		
Non-current	88,332	49,237
Current	1,691	886
	90,023	50,123

The Group has pledged prepaid lease payments for land with aggregate carrying amount as at 31 March 2018 of approximately HK\$17,795,000 (2017: HK\$16,425,000) to secure banking borrowings granted to the Group as set out in note 32.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

18. INTERESTS IN SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 March 2018 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
			2018	2017	
Directly held by the Company					
China Elegance Holdings Limited	British Virgin Islands	1,000 shares of US\$1 each	100%	100%	Investment holding
Indirectly held by the Company					
Apex Winner Limited	Hong Kong	HK\$1	100%	100%	Provision of management services
CE Investment Limited	Samoa	1 share of US\$1 each	100%	100%	Investment holding
China Dynamics New Energy Technology Company Limited	Hong Kong	HK\$10,000	100%	100%	Investment holding
China Elegance Resources Limited	British Virgin Islands	1 share of US\$1 each	100%	100%	Investment holding
China Green Dynamics Company Limited	Hong Kong	HK\$10,000	100%	100%	Motor vehicle trading
China Green Dynamics (Holdings) Limited	Hong Kong	HK\$100	100%	100%	Investment holding
Dynamic Union International Limited	British Virgin Islands	1,000 shares of US\$1 each	51%	51%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

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
			2018	2017	
Green Dynamic Electric Vehicle Limited	Hong Kong	HK\$1	51%	51%	Development in energy saving and environmental protection products
Hong Kong Cable Services Company Limited	Hong Kong/PRC	HK\$100,000	100%	100%	Trading of computer hardware and software, provision of computer maintenance services and software development
Loyal Dragon Development Limited	Hong Kong	HK\$1	60%	60%	Provision of office accommodations to group companies
Minera Catania Verde S.A.	Chile	100,000,000 shares of US\$0.001 each	60%	60%	Processing and trading of copper ores
Pacific Pipe Coating Company Limited	Hong Kong	HK\$2	100%	100%	Trading of metals and minerals
Sinocop New Energy Technology (International) Company Limited	British Virgin Islands	100 shares of US\$1 each	100%	75%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

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
			2018	2017	
Sinocop New Energy Technology Company Limited	Hong Kong	HK\$100	100%	75%	Development of new energy technology and product
South China Mining Investments Limited	British Virgin Islands	100 shares of US\$1 each	100%	100%	Investment holding
Tong Guan La Plata Company Limited	British Virgin Islands	5,000 shares of US\$10,000 each	60%	60%	Investment holding
Wise Goal Enterprises Limited	Hong Kong	HK\$1	100%	100%	Investment holding
天津中銅新能源科技有限責任公司 Tianjin Sinocop New Energy Technology Company Limited*	PRC	RMB30,000,000	100%	75%	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*	PRC	RMB12,465,714	100%	100%	Investment holding and motor vehicles trading

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

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
			2018	2017	
重慶德通新能源汽車製造有限公司 Chongqing Suitong New Energy Automotive Manufacturing Co., LTD*	PRC	RMB40,000,000	70%	70%	Motor vehicles manufacturing and trading
重慶德通汽車工業發展有限公司	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*	PRC	RMB105,645,287	100%	100%	Mining and sale of mineral resources
北京中銅首航環保動力科技有限公司 Sinocap Capital Transportation Company Limited*	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	PRC	RMB9,549,962	100%	100%	Battery manufacturing and trading

* The English names of the subsidiaries are for identification only.

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

31 March 2018

19. GOODWILL

	2018 HK\$'000	2017 HK\$'000
At 1 April	34,245	33,518
Reclassified as assets held for sale (note 29)	(38,162)	–
Exchange realignment	3,917	727
At 31 March	–	34,245

The goodwill is tested for impairment at least annually.

Impairment testing of goodwill

As at 31 March 2018

In December 2017, management of the Group decided to discontinue the operations of Verde. Following the management's decision to discontinue the ore processing and trading businesses, the non-current assets associated with Verde was reclassified as held for sale and details are set out in note 29.

As at 31 March 2017

As at 31 March 2017, goodwill is allocated to the CGU of ore processing and trading businesses. The directors determined the recoverable amount of the CGU as at 31 March 2017 from its value-in-use based on a valuation of Verde's ores processing and trading business performed by an independent firm of professional valuers (the "Valuers") using the income approach.

The directors combined the carrying values of the assets under the CGU of the ores processing and trading businesses of Verde and assessed them for impairment at the CGU level. The assets under the CGU primarily comprise construction in progress, goodwill, land and buildings, water use rights and plant and machinery. The combined carrying value was approximately HK\$142 million as at 31 March 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

19. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

As at 31 March 2017 (Continued)

The income approach is based on the projection of future cash flows of the ores processing and trading businesses prepared from the financial budgets approved by senior management covering a fifteen-year period from 2022 to 2036 to reflect the length of time management is committed to exploit the economic benefits of the ores processing and trading businesses and the expected useful lives of the processing plant and machinery the Group has invested and will continue to invest. The projected future cash flows are discounted to its present value by the weighted-average-cost-of-capital determined from market data.

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

	2017
Gross profit margin	32.92%
Discount rate	19.89%
Income growth rate within the projected period	3.27%
Costs growth rate within the projected period	3.23%

Management determined the budgeted gross profit margin based on relevant data pertaining to the ores processing industry in Chile. The growth rates represent the expected inflation rate based on the geometric average consumer price index of advanced economies, emerging market and developing economies projection in the period from 2013 to 2022 for income and geometric average consumer price index in Chile in the period from 2013 to 2022 for costs. Management believed the Group can attain maximum production capacity based on planned resources within one year of commercial production and sustain such capacity throughout the remaining projected period. The discount rate used reflects the specific risks associated with the ores processing and trading businesses of Verde, including scarcity of water supply in Chile.

The recoverable amount of goodwill allocated to the CGU 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 present value by the weighted-average-cost-of-capital determined from market data.

As the value-in-use of the CGU of the ores processing and trading businesses exceeded the combined carrying value of the assets under this CGU, the directors are of the opinion that there was no impairment on construction in progress, goodwill, water use rights, land and buildings and plant and machinery as at 31 March 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

20. MINING ASSETS

Cost and net carrying value:

	2018 HK\$'000	2017 HK\$'000
At 1 April	2,537,127	2,705,211
Impairment loss	(104,048)	–
Exchange realignment	274,575	(168,084)
At 31 March	2,707,654	2,537,127

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 currently in the process of acquisition of land for the 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 value-in-use based on a valuation of the mining assets performed by 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 twenty-year period from 2021 to 2040 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. The projected future cash flows are discounted to its present value by the appropriate discount rate determined from market data.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

20. MINING ASSETS (Continued)

Impairment testing of mining assets (Continued)

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

	2018	2017
Thenardite price per ton	RMB844	RMB812
Required rate of return for working capital	3.26%	3.26%
Required rate of return for fixed assets	9%	9%
Required rate of return for assembled workforce	18.05%	17.78%
Discount rate	18.05%	17.78%
Income growth rate within the projected period	3.12%	2.28%
Costs growth rate within the projected period	1.48%	1.39%

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-metals minerals mining from 2007 to 2018 and the costs growth rate represents the China Producer Price Index from 2000 to 2018. 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 value-in-use 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.

As the carrying value of the mining assets exceeded its recoverable amount by HK\$104,048,000, an impairment loss was recognised in the profit or loss (2017: HK\$nil). The impairment loss was mainly resulted from the increase in discount rate. As at 31 March 2018, there was an increase in general market risk and risk specific to the mining assets in Guangxi. As these data are key inputs in the calculation of discount rate, the increase in these key inputs lead to a higher discount rate in the value-in-use calculation. As the economic useful life of the mining assets is long, a slight increase in discount rate will lead to a significant decrease in the recoverable amount of the mining assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

21. OTHER INTANGIBLE ASSETS

	Technical know-how HK\$'000	Industrial proprietary rights HK\$'000	Water use rights HK\$'000	Other HK\$'000	Total HK\$'000
At 1 April 2016	49,318	21,635	10,646	11	81,610
Addition	–	892	–	–	892
Amortisation	(1,212)	(2,506)	–	–	(3,718)
Impairment loss	(5,000)	–	–	–	(5,000)
Exchange realignment	(2,610)	(1,306)	290	–	(3,626)
At 31 March 2017	40,496	18,715	10,936	11	70,158
Amortisation	(9,359)	(2,590)	–	–	(11,949)
Reclassified as assets held for sale (note 29)	–	–	(12,121)	(12)	(12,133)
Exchange realignment	3,791	1,876	1,185	1	6,853
At 31 March 2018	34,928	18,001	–	–	52,929

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

Technical know-how on the use of aluminum 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 Company Limited during the year ended 31 March 2015 and has an estimated useful life of 5 years, over which the asset is amortised.

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

Both the technical know-how on the use of aluminum 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

31 March 2018

21. OTHER INTANGIBLE ASSETS (Continued)

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

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

	2018	2017
Discount rate	19.75%	21.84%
Gross profit margin	9% – 16%	7% – 16%
Required rate of return for working capital	7.1%	7.1%
Required rate of return for fixed assets	12%	12%
Required rate of return for assembled workforce	14%	14%

The value-in-use of the CGU of electric bus was estimated using unobserved 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 present value by the weighted-average-cost-of-capital determined from market data.

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, prepaid land lease, construction in progress and intangible assets, the directors are of the opinion that there was no impairment on the assessed non-current assets as at 31 March 2018 (2017: \$nil).

Water use rights

The water use rights were acquired to secure an economic supply of underground water for the ores processing and trading businesses of Verde and represent the perpetual rights for the use of local underground water supply in Chile. Following the management's decision to discontinue the ore processing and trading businesses, the non-current assets associated with Verde was reclassified as held for sale and details are set out in note 29.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

22. INTERESTS IN ASSOCIATES

	2018 HK\$'000	2017 HK\$'000
Share of net assets	–	–

Particulars of the Group's associates as at 31 March 2018 are as follows:

Name of associates	Place of incorporation, operation and principal activity	Percentage of equity attributable to the Group 2018	2017
China Anshan Corporation Sdn. Bhd. [#]	Investment holding in Malaysia	49%	49%
Terengganu Anshan Iron & Steel Sdn. Bhd. [#]	Dormant in Malaysia	24%	24%

[#] As at 31 March 2018, these associates had deficiency in net assets in excess of the Group's costs of investments and were not equity accounted for. The Group had accounted for the losses of these associates to the extent of the investment costs. There is no unrecognised share of net loss of these associates for the year (2017: nil) and unrecognised share of losses cumulatively was HK\$463,000 (2017: HK\$463,000).

The summarised financial information of the Group's associates that are not individually material is as follows:

	2018 HK\$'000	2017 HK\$'000
Group's share of profit for the year	–	–
Group's share of other comprehensive income	–	–
Group's share of total comprehensive income	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

23. INTEREST IN JOINT VENTURE

	2018 HK\$'000	2017 HK\$'000
Unlisted shares, at cost	–	–
Share of net assets	–	–
Amount due from joint venture	–	4,380
At end of year	–	4,380

The below table reconciled the impairment loss of joint venture for the year:

	2018 HK\$'000	2017 HK\$'000
At 1 April	(4,381)	–
Impairment loss recognised	(5,358)	(4,381)
At 31 March	(9,739)	(4,381)

The Group and the Company recognised impairment loss based on the accounting policy stated in note 4(k)(i).

Particulars of the Group's joint venture as at 31 March 2018 are as follows:

Name of joint venture	Business structure	Place of incorporation and operations	Percentage of equity attributable to the Group		Principal activities
			2018	2017	
Sinocop Environtech Energy Resources Limited ("Sinocop Environtech")	Corporate	British Virgin Islands/ Hong Kong	51%	51%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

23. INTEREST IN JOINT VENTURE (Continued)

The contractual arrangement provides the Group with only the rights to the net assets of the joint arrangement, with the rights to the assets and obligation for the liabilities of the joint arrangement resting primarily with Sinocop Environtech. Under HKFRS 11, this joint arrangement is classified as a joint venture and has been included in the consolidated financial statements using the equity method.

As at 31 March 2018, the joint venture had deficiency in net assets in excess of the Group's cost of investments and was not equity accounted for. The Group had accounted for the losses of this joint venture to the extent of the investment cost. The Group's unrecognised share of net losses of this joint venture for the year ended 31 March 2018 was HK\$443,000 (2017: HK\$587,000) and unrecognised share of losses cumulatively was HK\$2,655,000 (2017: HK\$2,212,000).

The summarised financial information of the Group's joint venture that is not individually material is as follows:

	2018 HK\$'000	2017 HK\$'000
Group's share of loss for the year	–	–
Group's share of other comprehensive income	–	–
Group's share of total comprehensive income	–	–

On 19 December 2017, the members of the joint venture passed a written resolution to wind up the joint venture voluntarily.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

24. AVAILABLE-FOR-SALE INVESTMENTS

	2018 HK\$'000	2017 HK\$'000
Unlisted equity investments outside Hong Kong, at cost	69,802	69,802

The Group acquired 10% equity interest in two Croatia companies, Rimac Automobili d.o.o. and Greyp Bikes d.o.o. during the year ended 31 March 2015. These companies are principally engaged in research, designing, developing, manufacturing, marketing and selling of vehicles, powertrains and battery technology systems for using in vehicles, bikes, and other motor vehicles. As the fair value of these companies cannot be reliably measured, the investments are carried at cost less any identified impairment losses.

During the year ended 31 March 2018, a new investor invested in Rimac Automobili d.o.o. and Greyp Bikes d.o.o.. Accordingly, the Group's equity interest in two Croatia companies was diluted from 10% to 8.06%.

25. INVENTORIES

	2018 HK\$'000	2017 HK\$'000
Raw materials	11,348	12,602
Work in progress	32,854	29,317
Finished goods	4,603	3,775
	48,805	45,694

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

26. ACCOUNTS RECEIVABLE

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

	2018 HK\$'000	2017 HK\$'000
0 – 30 days	15,496	6,917
31 – 90 days	1,096	–
91 – 180 days	12,997	5,730
181 – 365 days	1,397	11,792
More than 1 year	17,234	8,616
	48,220	33,055

The credit period granted by the Group to customers ranged from 30 days to 3 years and some of the customers are required to settle by equal monthly instalments.

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

	2018 HK\$'000	2017 HK\$'000
Not past due	31,721	29,768
Less than 1 month past due	632	720
More than 1 month but less than 3 months past due	1,899	1,339
More than 3 months but less than 12 months past due	2,831	1,228
Over 12 months past due	11,137	–
	48,220	33,055

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

26. ACCOUNTS RECEIVABLE (Continued)

Based on past experience, management believes that no impairment is necessary in respect of above balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancement over these balances.

Certain portion of the above accounts receivable are government subsidies of electric vehicles.

The below table reconciled the impairment loss of accounts receivable for the year:

	2018 HK\$'000	2017 HK\$'000
At 1 April	–	–
Impairment loss recognised	<u>2,813</u>	<u>–</u>
At 31 March	<u>2,813</u>	<u>–</u>

27. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2018 HK\$'000	2017 HK\$'000
Other receivables	35,730	24,169
Deposits	9,354	28,446
Prepayments	<u>47,436</u>	<u>74,098</u>
	<u>92,520</u>	<u>126,713</u>
Less: Non-current portion	<u>(20,273)</u>	<u>(17,480)</u>
	<u>72,247</u>	<u>109,233</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 HK\$'000	2017 HK\$'000
Equity securities held for trading and listed in Hong Kong	1,353	1,608

The fair values of the equity securities are determined based on Level 1 of fair value hierarchy: the quoted market prices in active market. During the year, a loss on change in fair value of approximately HK\$255,000 (2017: HK\$1,663,000) was recognised in profit or loss.

29. ASSETS CLASSIFIED AS HELD FOR SALE

In December 2017, management of the Group decided to discontinue operations of Verde after considering the ore processing and trading segment's commercial viability. As of the end of reporting period, the Group initiated an active programme to dispose of the non-current assets held by Verde, and it is expected that the associated assets will be disposed within 2018. The following major classes of non-current assets relating to Verde have been classified as held for sale in the consolidated statement of financial position.

	Carrying value HK\$'000	Impairment loss charged to profit or loss HK\$'000	Lower of carrying values and fair value less costs to sell HK\$'000
Property, plant and equipment (note 15)	7,515	–	7,515
Construction in progress (note 16)	76,484	73,486	2,998
Goodwill (note 19)	38,162	38,162	–
Intangible assets (note 21)	12,133	596	11,537
Value-added-tax recoverable	10,465	10,465	–
	144,759	122,709	22,050

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

29. ASSETS CLASSIFIED AS HELD FOR SALE (Continued)

Due to the discontinuance of the operations of Verde, the value-in-use of the CGU is HK\$nil. The recoverable amount of the CGU is therefore based on fair value less costs to sell instead of value-in-use in 2017. As management considers that it is not commercially viable to dispose of Verde, and individual assets of Verde will be disposed instead. After the disposal of the assets and the settlement of the outstanding liabilities of Verde, the Group will commence the voluntary liquidation of Verde and its related companies accordingly.

In accordance with HKFRS 5, the assets were written down to their fair value less costs to sell of HK\$22,050,000. This is a non-recurring fair value measurement.

An impairment loss on goodwill of HK\$38,162,000 and impairment loss of HK\$84,547,000 on remeasurement of non-current assets of discontinued operations at fair value less costs to sell were recognised in profit or loss. The impairment loss resulted from the change in valuation basis from value-in-use to fair value less costs to sell.

The operation of Verde constitutes a discontinued operation as it represents a major geographical area of operation.

The fair value less costs to sell of the non-current assets was estimated based on a valuation report prepared by an independent professional valuer using the direct comparison approach with reference to transaction prices for recent sales of similar assets which is classified within level 3 of the fair value hierarchy.

30. ACCOUNTS PAYABLE

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

	2018 HK\$'000	2017 HK\$'000
0 – 30 days	65	5,128
31 – 90 days	974	1,350
91 – 180 days	12,855	10,039
181 – 365 days	7,454	60
More than 1 year	7,752	3,869
	29,100	20,446

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

31. OTHER PAYABLES AND ACCRUALS

	2018 HK\$'000	2017 HK\$'000
Other payables and accruals	94,752	31,734
Less: Current portion	26,478	26,096
	68,274	5,638

The balance represented the government grant in relation to the construction of manufacturing plant in the PRC.

32. BANK BORROWINGS

	2018 HK\$'000	2017 HK\$'000
Secured bank loans repayable within one year	6,248	11,276

The average effective interest rates of the bank borrowings ranged from 6.8% to 7.4% per annum.

The bank borrowings of the Group are secured by prepaid lease payments for land as set out in note 17 and personal guarantee provided by a non-controlling equity owner of the Company's non-wholly owned subsidiary, Chongqing Suitong New Energy Automotive Manufacturing Co., LTD.

The Group's bank borrowings were denominated in functional currency of the relevant group entity and is therefore exposed to minimal foreign exchange rate risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

33. DEFERRED TAX LIABILITIES

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

	Intangible assets HK\$'000	Revaluation of land and building HK\$'000	Total HK\$'000
At 1 April 2016	10,501	5,833	16,334
Credited to profit or loss	–	(172)	(172)
Exchange alignment	(652)	(359)	(1,011)
At 31 March 2017 and 1 April 2017	9,849	5,302	15,151
Credited to profit or loss	(2,065)	(176)	(2,241)
Exchange alignment	948	563	1,511
At 31 March 2018	8,732	5,689	14,421

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

34. CONVERTIBLE NOTES

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

The Company has the option to issue conversion shares at the conversion price on the maturity date or to redeem the outstanding principal amount of the Convertible Notes. The Convertible Notes are an equity instrument as the Company has no obligation to settle in cash. The fair value of the Convertible Notes as at 28 February 2014 which is determined as the fair value of the net assets of the group companies acquired less the fair value of the consideration shares amounted to HK\$2,570,158,000 is credited to the "convertible notes equity reserve" on the issuance of the Convertible Notes. During the year, Convertible Notes in principal amount of HK\$442,500,000 (2017: nil) were converted into 590,000,000 (2017: nil) ordinary shares of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

35. SHARE CAPITAL

	2018		2017	
	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	4,446,046,800	44,460	3,706,046,800	37,060
Conversion of Convertible Notes (note i)	590,000,000	5,900	–	–
Placing of shares (note ii)	<u>–</u>	<u>–</u>	<u>740,000,000</u>	<u>7,400</u>
At 31 March	<u>5,036,046,800</u>	<u>50,360</u>	<u>4,446,046,800</u>	<u>44,460</u>

Note:

- (i) During the year ended 31 March 2018, the Company's Convertible Notes in principal amount of HK\$442,500,000 were converted into 590,000,000 ordinary shares of the Company at the conversion price of HK\$0.75 per share, of which HK\$5,900,000 was credited to share capital and the remaining balance of HK\$384,922,000 was credited to share premium account.
- (ii) On 15 December 2016, 740,000,000 ordinary shares of the Company were issued at a subscription price of HK\$0.245 each to independent third parties at an aggregate consideration of HK\$181,300,000 of which HK\$7,400,000 was credited to share capital and the remaining balance of HK\$168,447,000 (net of share issue expenses of HK\$5,453,000) was credited to share premium account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

36. SHARE-BASED PAYMENT TRANSACTIONS

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

36. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

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

There was no share option (2017: nil) granted under the New Scheme during the year.

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

Date of offer of grant	At 01/04/2016	Lapsed/ forfeited during the year	At 31/03/2017	Lapsed/ forfeited during the year	At 31/03/2018	Exercise price	Closing price at date of offer of grant	Exercise period	Vesting period
Under the Old Scheme									
11/07/2007	33,000,000	(500,000)	32,500,000	(32,500,000)	–	HK\$0.86	HK\$0.86	11/07/2007 to 10/07/2017	N/A
18/09/2007	5,000,000	–	5,000,000	(5,000,000)	–	HK\$2.95	HK\$2.90	01/04/2008 to 17/09/2017	01/04/2008 to 31/03/2013
16/12/2009	52,400,000	(12,000,000)	40,400,000	–	40,400,000	HK\$0.46	HK\$0.45	16/12/2009 to 15/12/2019	N/A
Under the New Scheme									
11/04/2014	100,000,000	(9,000,000)	91,000,000	(33,000,000)	58,000,000	HK\$1.15	HK\$1.11	12/04/2016 to 10/04/2024	12/04/2016 to 12/04/2020
10/03/2016	370,000,000	(3,700,000)	366,300,000	(28,600,000)	337,700,000	HK\$0.30	HK\$0.28	10/03/2016 to 09/03/2026	10/03/2016 to 11/03/2020
	<u>560,400,000</u>	<u>(25,200,000)</u>	<u>535,200,000</u>	<u>(99,100,000)</u>	<u>436,100,000</u>				

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

36. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The weighted average remaining contractual life of options outstanding at the end of the year was 7.16 years (2017: 7.58 years). The weighted average exercise price of options outstanding at the end of the year was HK\$0.43 (2017: HK\$0.52).

Of the total number of options outstanding at the end of the year, 266,220,000 (2017: 242,620,000) were exercisable at the end of the year.

There was no exercise of share options during the years ended 31 March 2018 and 2017.

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

Fair value of share options and assumptions:

	11 July 2007	18 September 2007	Offer of grant on 16 December 2009	11 April 2014	10 March 2016
Fair value at measurement date	HK\$0.65	HK\$2.63	HK\$0.43	HK\$0.63	HK\$0.14
Share price at the date of offer of grant	HK\$0.86	HK\$2.90	HK\$0.45	HK\$1.11	HK\$0.28
Exercise price	HK\$0.86	HK\$2.95	HK\$0.46	HK\$1.15	HK\$0.3
Expected volatility	160.11%	163.08%	125.98%	63.33%	96.26%
Expected life	2 years	2.53 to 6.53 years	10 years	10 years	10 years
Expected dividend rate	0%	0%	0%	0%	0%
Risk-free interest rate	4.757%	4.272%	2.387%	2.048%	1.367%

An equity-settled share-based payment expense of approximately HK\$16,462,000 (2017: HK\$32,069,000) was recognised during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

37. 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 79 of the annual report.

The nature and purposes of reserves are set out below:

(a) Share premium

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

(b) Contributed surplus

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

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

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

(c) Share options reserve

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

(d) 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(r).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

37. RESERVES (Continued)

(e) 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.

(f) 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(k)(iii).

(g) 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	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2016	1,765,438	87,109	1,881,249	96,809	(481,908)	3,348,697
Loss for the year and total comprehensive income	-	-	-	-	(342,074)	(342,074)
Placing of shares	173,900	-	-	-	-	173,900
Share issue expenses	(5,453)	-	-	-	-	(5,453)
Share-based payments	-	-	-	32,069	-	32,069
Forfeited share options	-	-	-	(8,590)	8,590	-
At 31 March 2017 and 1 April 2017	1,933,885	87,109	1,881,249	120,288	(815,392)	3,207,139
Loss for the year and total comprehensive income	-	-	-	-	(64,768)	(64,768)
Conversion of convertible notes	384,922	-	(390,822)	-	-	(5,900)
Share-based payments	-	-	-	16,462	-	16,462
Forfeited share options	-	-	-	(51,707)	51,707	-
At 31 March 2018	2,318,807	87,109	1,490,427	85,043	(828,453)	3,152,933

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

38. NON-CONTROLLING INTERESTS

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

Name of subsidiaries	Proportion of ownership interests held by non-controlling interests		Loss allocated to non-controlling interests		Other comprehensive income		Accumulated non-controlling interests	
	2018	2017	2018	2017	2018	2017	2018	2017
			HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Dynamic Union International Limited	49%	49%	(6,332)	(4,095)	–	–	(9,696)	(3,364)
Tong Guan La Plata Company Limited	40%	40%	(51,871)	(1,326)	4,307	1,059	31,354	78,918
Sinocop New Energy Technology (International) Company Limited	0%*	25%	(6,706)	(11,240)	407	(893)	(459)	(14,368)
Chongqing Suitong New Energy Automotive Manufacturing Co., LTD	30%	30%	(11,749)	(2,973)	1,074	(3,700)	5,499	16,174
Others			(1,078)	(4,641)	223	(109)	49	904
			(77,736)	(24,275)	6,011	(3,643)	26,747	78,264

* On 1 December 2017, the Group acquired the remaining 25% equity interests in Sinocop New Energy Technology (International) Company Limited from its non-controlling equity holders and it became a wholly owned subsidiary of the Group. Hebei Sinocop Lithium Battery Company Limited, a 70% indirectly owned subsidiary of Sinocop New Energy Technology (International) Company Limited, became a 70% owned subsidiary (2017: 52.5%) of the Group accordingly.

Summarised financial information in respect of the Group'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

31 March 2018

38. NON-CONTROLLING INTERESTS (Continued)

	2018 HK\$'000	2017 HK\$'000
Dynamic Union International Limited		
Current assets	3,761	17,658
Non-current assets	135	254
Current liabilities	(19,777)	(21,538)
Equity attributable to owners of the Company	(6,185)	(262)
Non-controlling interests	(9,696)	(3,364)
Revenue	–	–
Loss for the year	(12,921)	(8,356)
Loss attributable to owners of the Company	(6,589)	(4,261)
Loss attributable to the non-controlling interests	(6,332)	(4,095)
Loss for the year	(12,921)	(8,356)
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 income attributable to owners of the Company	(6,589)	(4,261)
Total comprehensive income attributable to the non-controlling interests	(6,332)	(4,095)
Total comprehensive income for the year	(12,921)	(8,356)
Dividends paid to non-controlling interests	–	–
Net cash inflow/(outflow) from operating activities	1,364	(1,548)
Net cash flow from investing activities	–	–
Net cash (outflow)/inflow from financing activities	(1,250)	1,516
Net cash inflow/(outflow)	114	(32)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

38. NON-CONTROLLING INTERESTS (Continued)

	2018 HK\$'000	2017 HK\$'000
Tong Guan La Plata Company Limited		
Current assets	134,016	112,830
Non-current assets	4	128,542
Current liabilities	(14,099)	(8,486)
Equity attributable to owners of the Company	88,567	153,968
Non-controlling interests	31,354	78,918
Revenue and other income	4,921	7,350
Loss for the year	(129,677)	(3,315)
Loss attributable to owners of the Company	(77,806)	(1,989)
Loss attributable to the non-controlling interests	(51,871)	(1,326)
Loss for the year	(129,677)	(3,315)
Other comprehensive income attributable to owners of the Company	(10,984)	(20,455)
Other comprehensive income attributable to the non-controlling interests	4,307	1,059
Other comprehensive income for the year	(6,677)	(19,396)
Total comprehensive income attributable to owners of the Company	(88,790)	(22,444)
Total comprehensive income attributable to the non-controlling interests	(47,564)	(267)
Total comprehensive income for the year	(136,354)	(22,711)
Dividends paid to non-controlling interests	—	—
Net cash outflow from operating activities	(4,715)	(5,292)
Net cash outflow from investing activities	(766)	(354)
Net cash inflow from financing activities	6,161	2,106
Net cash inflow/(outflow)	680	(3,540)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

38. NON-CONTROLLING INTERESTS (Continued)

	2018 HK\$'000	2017 HK\$'000
Sinocop New Energy Technology (International) Company Limited		
Current assets	31,560	36,897
Non-current assets	19,830	20,513
Current liabilities	(102,727)	(93,111)
Equity attributable to owners of the Company	(50,878)	(21,333)
Non-controlling interests	(459)	(14,368)
Revenue	541	1,226
Loss for the year	(24,098)	(36,240)
Loss attributable to owners of the Company	(17,392)	(25,000)
Loss attributable to the non-controlling interests	(6,706)	(11,240)
Loss for the year	(24,098)	(36,240)
Other comprehensive income attributable to owners of the Company	922	(4,517)
Other comprehensive income attributable to the non-controlling interests	407	(893)
Other comprehensive income for the year	1,329	(5,410)
Total comprehensive income attributable to owners of the Company	(16,470)	(29,517)
Total comprehensive income attributable to the non-controlling interests	(6,299)	(12,133)
Total comprehensive income for the year	(22,769)	(41,650)
Dividends paid to non-controlling interests	–	–
Net cash outflow from operating activities	(9,248)	(10,325)
Net cash inflow/(outflow) from investing activities	1	(1,022)
Net cash inflow from financing activities	7,849	6,776
Net cash outflow	(1,398)	(4,571)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

38. NON-CONTROLLING INTERESTS (Continued)

	2018 HK\$'000	2017 HK\$'000
Chongqing Suitong New Energy Automotive Manufacturing Co., LTD		
Current assets	83,362	81,095
Non-current assets	191,507	130,549
Current liabilities	(174,200)	(136,713)
Non-current liabilities	(82,695)	(20,789)
Equity attributable to owners of the Company	12,475	37,968
Non-controlling interests	5,499	16,174
Revenue	59,027	96,113
Loss for the year	(39,746)	(13,237)
Loss attributable to owners of the Company	(27,997)	(10,264)
Loss attributable to the non-controlling interests	(11,749)	(2,973)
Loss for the year	(39,746)	(13,237)
Other comprehensive income attributable to owners of the Company	2,505	(4,537)
Other comprehensive income attributable to the non-controlling interests	1,074	(3,700)
Other comprehensive income for the year	3,579	(8,237)
Total comprehensive income attributable to owners of the Company	(25,492)	(14,801)
Total comprehensive income attributable to the non-controlling interests	(10,675)	(6,673)
Total comprehensive income for the year	(36,167)	(21,474)
Dividends paid to non-controlling interests	–	–
Net cash inflow/(outflow) from operating activities	25,152	(14,652)
Net cash outflow from investing activities	(58,031)	(32,527)
Net cash inflow from financing activities	32,323	46,266
Net cash outflow	(556)	(913)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

39. COMPANY LEVEL STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

	Notes	2018 HK\$'000	2017 HK\$'000
Non-current assets			
Property, plant and equipment		–	–
Interests in subsidiaries	18	3,079,026	3,026,862
Interest in joint venture		–	4,380
Available-for-sale investments		69,802	69,802
Total non-current assets		3,148,828	3,101,044
Current assets			
Other receivables and prepayments		393	609
Cash and bank balances		55,906	151,620
Total current assets		56,299	152,229
Total assets		3,205,127	3,253,273
Current liabilities			
Accruals		1,834	1,674
Total current liabilities		1,834	1,674
Net current assets		54,465	150,555
NET ASSETS		3,203,293	3,251,599
Equity			
Share capital	35	50,360	44,460
Reserves	37	3,152,933	3,207,139
TOTAL EQUITY		3,203,293	3,251,599

On behalf of the Board

Cheung Ngan
Director

Chan Hoi Ying
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

40. COMMITMENTS

(a) 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:

	2018 HK\$'000	2017 HK\$'000
Acquisition of property, plant and equipment	4,437	6,363
Capital expenditure in respect of the construction of the ores processing plant	3,697	3,697
Capital expenditure in respect of the mining operations	9,186	10,023
Capital expenditure in respect of the development of electric vehicles	68,377	–
	85,697	20,083

(b) Operating lease commitments

As lessee

At the end of the reporting period, the Group was committed to make the following future minimum lease payments in respect of land and buildings under non-cancellable operating leases which fall due as follows:

	2018 HK\$'000	2017 HK\$'000
Within one year	9,417	4,899
After one year but within five years	9,274	1,680
	18,691	6,579

The Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of one to three years. None of the leases includes contingent rentals.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

40. COMMITMENTS (Continued)

(b) Operating lease commitments (Continued)

As lessor

The Group leases its water use rights under operating lease during the year ended 31 March 2018. Rental income earned during the year ended 31 March 2018 was HK\$3,352,000 (2017: HK\$3,855,000). There are no direct operating expenses arising on the water use rights in the year (2017: nil).

At the end of the reporting period, the Group did not have total future minimum lease receivable under non-cancellable operating leases.

As at 31 March 2018, the Group had received CLP100,977,000 (equivalent to approximately HK\$1,312,000) (2017: CLP163,827,000, equivalent to approximately HK\$1,921,000) rental income from tenant in advance and included in receipts in advance in the consolidated financial statements.

41. RELATED PARTY TRANSACTIONS

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

Save as disclosed elsewhere in these financial statements, the Group had the following major transactions with related parties during the years ended 31 March 2018 and 2017:

- (a) On 16 October 2007, Verde entered into a master agreement (the "Master Agreement") with CAH Reserve S.A. ("CAH"), a related company in which Mr. Cheung Ngan and Mr. Chan Chung Chun, Arnold (deceased) jointly and indirectly own 44% effective interest. Pursuant to the Master Agreement, Verde agrees to purchase and CAH agrees to exclusively supply and sell the copper ores extracted from CAH's mining concessions in Chile to Verde, free from all liens, charges and encumbrances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

41. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

The Master Agreement will subsist until terminated by Verde (at the discretion of Verde) by giving CAH not less than 6 months' written notice of termination any time after the 3rd anniversary of the Master Agreement. Upon discontinuance of operations of Verde, Verde has served on 31 March 2018 a written notice to CAH to terminate the Master Agreement with effect from 30 September 2018.

There were no purchases from CAH during the years ended 31 March 2018 and 2017.

This related party transaction also constitutes continuing connected transactions in respect of which the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

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

42. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

42. CAPITAL MANAGEMENT (Continued)

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

The capital structure of the Group consists of debts, which includes the borrowings disclosed in note 32, cash and cash equivalents and equity attributable to owners of the Company, comprising share capital, reserves and retained earnings as disclosed in notes 35 and 37 respectively. The Group's risk management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

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

	2018 HK\$'000	2017 HK\$'000
Bank borrowing	6,248	11,276
Equity attributable to owners of the Company	3,176,546	3,188,672
Gearing ratio	0.2%	0.4%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

43. FINANCIAL RISK MANAGEMENT

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

Credit risk

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At 31 March 2018, the Group has no significant concentrations of credit risk. It has policies in place to ensure that sales are made to customers with an appropriate credit history.

In order to minimise credit risk, senior management of the Group is directly responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, senior management reviews the recoverable amount of each individual trade and other debts regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, management considers that the Group's credit risk is significantly reduced.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

43. 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.

	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000
2018			
Accounts payable	(29,100)	(29,100)	(29,100)
Other payables and accruals	(26,478)	(26,478)	(26,478)
Bank borrowings	(6,248)	(6,319)	(6,319)
	<u>(61,826)</u>	<u>(61,897)</u>	<u>(61,897)</u>
Financial guarantee issued:			
• Maximum amount guaranteed (note 45)	–	(12,284)	(12,284)
2017			
Accounts payable	(20,446)	(20,446)	(20,446)
Other payables and accruals	(26,096)	(26,096)	(26,096)
Bank borrowings	(11,276)	(12,054)	(12,054)
	<u>(57,818)</u>	<u>(58,596)</u>	<u>(58,596)</u>
Financial guarantee issued:			
• Maximum amount guaranteed (note 45)	–	(20,414)	(20,414)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

43. FINANCIAL RISK MANAGEMENT (Continued)

Interest rate risk

The Group's interest rate risk arises primarily from borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

The Group's cash flow interest rate risk mainly arises from short term bank borrowings issued at variable rates for financing its purchase in the ordinary course of business. The interest rates and terms of repayment of the Group's borrowings are disclosed in note 32. The Group has not used any financial instruments to hedge potential fluctuations in interest rates.

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	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
RMB	–	–	33,271	226
USD	–	715	16,723	47,559

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

43. FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency risk (Continued)

If the exchange rate of RMB against HK\$ had appreciated/depreciated by 5%, loss for the year would decrease/increase by HK\$1,389,000 (2017: HK\$9,000) respectively.

As at 31 March 2018 and 2017, a subsidiary whose functional currency is Chilean Peso had other receivables, cash and bank balances and accruals denominated in United States dollars. The Group believes that its exposure to any possible foreign exchange rate changes on translation of these balances in Chilean Peso is minimal as the total amount of these balances was not significant as at the end of the reporting period.

Equity price risk

The Group is exposed to equity price changes arising from equity instruments classified as financial asset at fair value through profit or loss.

The Group's listed investments are listed on the Stock Exchange. Decision to buy and sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the industry indicator, as well as the Group's liquidity needs.

The sensitivity analysis on equity price risk includes the Group's financial instruments, which fair value or future cash flows will fluctuate because of change in their corresponding or underlying asset's equity price. If the prices of the respective equity instruments had been 5% higher/lower, loss for the year would decrease/increase by HK\$56,000 (2017: HK\$67,000) respectively.

Fair value risk

All financial instruments measured at fair value are carried at amounts not materially different from their fair values as at 31 March 2018 and 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

44. 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 2018 and 2017 may be categorised as follows:

	2018 HK\$'000	2017 HK\$'000
Financial assets		
Loans and receivables (including cash and bank balances)	170,559	292,224
Fair value through profit or loss – listed investment held for trading	1,353	1,608
Available-for-sale investments, at cost	69,802	69,802
	<u>241,714</u>	<u>363,634</u>
Financial liabilities		
Financial liabilities, at amortised cost	61,826	57,611

(a) Financial instruments not measured at fair value

Financial instruments not measured at fair value include items classified as loans and receivables, available-for-sale investments and financial liabilities.

The directors of the Company considered that the carrying amounts of the financial assets and financial liabilities recorded at amortised costs in the consolidated financial statements approximate to their corresponding fair value.

Available-for-sale investments were measured at cost net of impairment recognised. The balance cannot be reliably measured at fair value as the equity instruments do not have a quoted market price in an active market for an identical instrument and there was no sufficient comparables, in terms of size and technology, in the same industry which can be used in fair value measurement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

44. 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 2018 and 2017, the Group's financial asset at fair value through profit or loss are measured at fair value and classified as Level 1. There were no transfers between levels during the year.

45. FINANCIAL GUARANTEE CONTRACTS/CONTINGENT LIABILITIES

During the year ended 31 March 2018, the Group provided a guarantee to a financial institution in Chongqing for certain of its customers on the purchase of motor vehicles. In the event of customers' default, the Group will be required to compensate the financial institution for the outstanding receivables from the customers. In the opinion of the directors of the Company, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition.

As at 31 March 2018, the Group's maximum exposure to the arrangement was HK\$12,284,000 (2017: HK\$20,414,000). During the year ended 31 March 2018, there were default from customers amounted to approximately HK\$2.5 million which required the Group to make payments. Part of the amount net of subsequent recovery from default customers and expected recovery from default customers has been included in the write-off of trade receivables. Management considers the probability of further default is low and in case of default, the expected cash outflows of the Group is insignificant. Therefore, no provision has been made in the consolidated financial statements for these guarantees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

46. NOTE SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities:

	Bank borrowings HK\$'000
At 1 April 2017	11,276
Changes from financing cash flows:	
Proceeds from bank borrowings	5,910
Repayment of bank borrowings	(11,276)
Interest paid	(690)
	<u>(6,056)</u>
Other changes:	
Interest expense	690
Exchange adjustments	338
	<u>1,028</u>
At 31 March 2018	<u>6,248</u>

47. COMPARATIVE FIGURES

The comparative consolidated statement of profit or loss and other comprehensive income has been re-presented as if the operations discontinued during the current year had been discontinued at the beginning of the comparative period (note 11).

48. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 June 2018.