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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020

The board of directors (the "Board") of China Dynamics (Holdings) Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	**2020** **HK$'000**	2019 *HK$'000*
Continuing operations			
Revenue	*5*	**5,086**	3,003
Cost of sales		**(4,406)**	(2,754)
Gross profit		**680**	249
Other income	*5*	**2,032**	5,230
Selling and distribution expenses		**(221)**	(620)
Administrative expenses		**(108,769)**	(134,699)
Impairment of mining assets		**(27,605)**	–
Reversal/(impairment) of trade receivables, net		**2,313**	(5,223)
Impairment of construction in progress		**(10,529)**	–
Impairment of other receivables and prepayments, net		**(8)**	(15,678)
Impairment of property, plant and equipment		**(12,889)**	–
Impairment of intangible asset		**(10,000)**	–
Change in fair value of financial assets at fair value through profit or loss ("FVTPL")		**1,376**	(10,750)
Finance costs	*6*	**(483)**	(69)
Loss before income tax	*7*	**(164,103)**	(161,560)
Income tax credit	*8*	**2,081**	2,220

	Notes	**2020** *HK$'000*	2019 *HK$'000*
Loss for the year from continuing operations		**(162,022)**	(159,340)
Discontinued operations			
Loss for the year from discontinued operations		**–**	(17,809)
Loss for the year		**(162,022)**	(177,149)
Other comprehensive income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(181,099)**	(194,091)
Total comprehensive income for the year		**(343,121)**	(371,240)
Loss attributable to:			
Owners of the Company			
Loss for the year from continuing operations		**(146,850)**	(145,939)
Loss for the year from discontinued operations		**–**	(10,686)
Loss for the year attributable to owners of the Company		**(146,850)**	(156,625)
Non-controlling interests			
Loss for the year from continuing operations		**(15,172)**	(13,401)
Loss for the year from discontinued operations		**–**	(7,123)
Loss for the year attributable to non-controlling interests		**(15,172)**	(20,524)
		(162,022)	(177,149)
Total comprehensive income attributable to:			
– Owners of the Company		**(330,713)**	(351,749)
– Non-controlling interests		**(12,408)**	(19,491)
		(343,121)	(371,240)
Loss per share from continuing and discontinued operations			
– Basic and diluted *(HK$)*		**(0.02)**	(0.03)
Loss per share from continuing operations			
– Basic and diluted *(HK$)*	*10*	**(0.02)**	(0.03)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment		**48,381**	62,574
Construction in progress		**68,493**	85,579
Prepaid lease payments for land		**–**	81,153
Right-of-use assets		**80,615**	–
Mining assets	*11*	**2,342,532**	2,534,111
Other intangible assets		**16,733**	38,799
Other receivables, deposits and prepayments		**15,740**	19,388
Total non-current assets		**2,572,494**	2,821,604
Current assets			
Inventories		**24,555**	38,100
Trade receivables	*12*	**7,614**	11,477
Contract assets		**9,803**	14,246
Other receivables, deposits and prepayments		**57,216**	44,761
Financial assets at FVTPL		**12,034**	110,000
Prepaid lease payments for land		**–**	1,542
Cash and bank balances		**71,673**	21,695
		182,895	241,821
Assets classified as held for sale		**–**	11,775
Total current assets		**182,895**	253,596
Total assets		**2,755,389**	3,075,200

	Notes	**2020** **HK$'000**	2019 HK$'000
Current liabilities			
Accounts payable	*13*	**8,633**	16,664
Other payables and accruals		**61,562**	62,491
Contract liabilities		**4,284**	970
Lease liabilities		**4,884**	–
Total current liabilities		**79,363**	80,125
Net current assets		**103,532**	173,471
Total assets less current liabilities		**2,676,026**	2,995,075
Non-current liabilities			
Deferred tax liabilities		**8,514**	11,280
Other payables		**59,664**	63,809
Lease liabilities		**133**	–
Total non-current liabilities		**68,311**	75,089
Total liabilities		**147,674**	155,214
NET ASSETS		**2,607,715**	2,919,986
Equity			
Share capital	*14*	**68,549**	53,660
Reserves		**2,565,612**	2,860,364
Equity attributable to owners of the Company		**2,634,161**	2,914,024
Non-controlling interests		**(26,446)**	5,962
TOTAL EQUITY		**2,607,715**	2,919,986

1. CORPORATE INFORMATION

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

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

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

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

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

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

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

HKFRS 16 – Leases

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("HKAS 17"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease ("HK(IFRIC)-Int 4"), HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to sections (ii) to (iv) of this note.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect (if any) of initially applying HKFRS 16 as an adjustment to the opening balance of accumulated losses at the date of initial application. The comparative information presented in 31 March 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following table summarised the impact of transition to HKFRS 16 on consolidated statement of financial position as at 31 March 2019 to that as at 1 April 2019 (increase/(decrease)):

	31 March 2019	**Impact**	**1 April 2019**
	HK$'000	*HK$'000*	*HK$'000*
Consolidated statement of financial position			
Right-of-use assets	–	93,456	93,456
Prepaid lease payments for land (non-current)	81,153	(81,153)	–
Prepaid lease payments for land (current)	1,542	(1,542)	–
Lease liabilities (non-current)	–	3,156	3,156
Lease liabilities (current)	–	7,605	7,605

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 as at 31 March 2019 could be reconciled to the lease liabilities recognised in the consolidated statement of financial position as at 1 April 2019:

	HK$'000
Reconciliation of operating lease commitments to lease liabilities	
Operating lease commitments as at 31 March 2019	13,595
Less:	
Low-value leases recognised on a straight-line basis as expense	(76)
Short term leases for which lease terms end within 31 March 2020	(812)
Future interest expenses	(447)
Adjustments as a result of different treatment of extension	(1,499)
Total lease liabilities as at 1 April 2019	10,761

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the consolidated statement of financial position as at 1 April 2019 was 5.54%.

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset; and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

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

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the consolidated statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of whether they are operating leases or finance leases) are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise: (i) leases which are short-term leases; and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on a straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use asset

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

Refundable rental deposits

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

Lease liability

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

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

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

(iv) Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect (if any) of initially applying HKFRS 16 as an adjustment to the opening balance of accumulated losses at the date of initial application (1 April 2019). The comparative information presented in 31 March 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at 1 April 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 April 2019.

The Group has elected to recognise all the right-of-use assets at 1 April 2019 for leases previously classified as operating leases under HKAS 17 as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. For all these right-of-use assets, the Group has applied HKAS 36 Impairment of Assets at 1 April 2019 to assess if there was any impairment as at that date.

The Group has also applied the following practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 April 2019) and accounted for those leases as short-term leases; and (iii) excluded the initial direct costs from the measurement of the right-of-use assets at 1 April 2019.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4; and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int 4.

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

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

Amendments to HKFRS 3	Definition of a business[1]
Amendments to HKAS 1 and HKAS 8	Definition of material[1]
Amendments to HKFRS 16	Covid-19-Related Rent Concessions[2]

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

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

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

Amendments to HKFRS 3 – Definition of a business

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

Amendments to HKAS 1 and HKAS 8 – Definition of material

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

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

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

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

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

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

- Any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

- There is no substantive change to the terms and conditions of the lease.

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

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

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(c) Functional and presentation currency

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

4. 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.

(a) Reportable segments

	Continuing operations								Discontinued operations			
	Development of electric vehicles		Mining		Metals and minerals trading		Total		Ores processing and trading		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	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	**5,086**	3,003	**–**	–	**–**	–	**5,086**	3,003	**–**	–	**5,086**	3,003
Reportable segment (loss)/profit	**(90,016)**	(99,618)	**(46,295)**	(9,588)	**1,228**	(19,325)	**(135,083)**	(128,531)	**–**	(17,809)	**(135,083)**	(146,340)
Interest income	**76**	177	**–**	1	**4**	–	**80**	178	**–**	1	**80**	179
Unallocated interest income											**60**	184
Total interest income											**140**	363
Depreciation	**(13,135)**	(7,970)	**(537)**	(279)	**–**	–	**(13,672)**	(8,249)	**–**	(3)	**(13,672)**	(8,252)
Unallocated depreciation expenses											**(6,247)**	(1,570)
Total depreciation											**(19,919)**	(9,822)
Amortisation	**(10,014)**	(12,311)	**–**	–	**–**	–	**(10,014)**	(12,311)	**–**	–	**(10,014)**	(12,311)
Impairment of assets held for sale	**–**	–	**–**	–	**–**	–	**–**	–	**–**	(10,275)	**–**	(10,275)
Reversal/(impairment) of other receivables and prepayments, net	**284**	–	**–**	–	**–**	(15,678)	**284**	(15,678)	**–**	–	**284**	(15,678)
Unallocated											**(292)**	–
Total impairment of other receivables and prepayments, net											**(8)**	(15,678)
Impairment of inventories	**(4,894)**	(30,976)	**–**	–	**–**	–	**(4,894)**	(30,976)	**–**	–	**(4,894)**	(30,976)
Impairment of property, plant and equipment	**(12,899)**	–	**–**	–	**–**	–	**(12,899)**	–	**–**	–	**(12,899)**	–
Impairment of intangible assets	**(10,000)**	–	**–**	–	**–**	–	**(10,000)**	–	**–**	–	**(10,000)**	–
Impairment of construction in progress	**–**	–	**(10,529)**	–	**–**	–	**(10,529)**	–	**–**	–	**(10,529)**	–
Reportable segment assets	**290,054**	355,533	**2,377,387**	2,580,870	**11,942**	281	**2,679,383**	2,936,684	**–**	12,862	**2,679,383**	2,949,546
Additions to non-current assets	**11,043**	39,971	**382**	73	**–**	–	**11,425**	40,044	**–**	–	**11,425**	40,044
Unallocated assets											**15**	22
Total additions to non-current assets											**11,440**	40,066
Reportable segment liabilities	**(139,678)**	(150,832)	**(3,225)**	(2,225)	**(79)**	(325)	**(142,982)**	(153,382)	**–**	(197)	**(142,982)**	(153,579)

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

	2020	2019
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue and consolidated revenue	**5,086**	3,003
Loss before income tax and discontinued operations		
Reportable segment loss	**(135,083)**	(146,340)
Segment loss from discontinued operations	**–**	17,809
Unallocated other income	**110**	110
Change in fair value of financial assets at FVTPL	**1,376**	(10,750)
Unallocated share-based payments	**(1,415)**	(3,831)
Unallocated share-award payments	**(3,581)**	–
Unallocated impairment of interest in joint venture	**–**	(277)
Unallocated other corporate expenses	**(25,027)**	(18,212)
Finance costs	**(483)**	(69)
Consolidated loss before income tax from continuing operations	**(164,103)**	(161,560)
Assets		
Reportable segment assets	**2,679,383**	2,949,546
Unallocated corporate assets*	**76,006**	125,654
Consolidated total assets	**2,755,389**	3,075,200
Liabilities		
Reportable segment liabilities	**142,982**	153,579
Unallocated corporate liabilities	**4,692**	1,635
Consolidated total liabilities	**147,674**	155,214

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

(c) Geographic information

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

	Revenue from external customers		**Specified non-current assets**	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
PRC, including Hong Kong	**2,656**	3,003	**2,571,338**	2,821,604
Oversea	**2,430**	–	**1,156**	11,775

(d) Information about major customers

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

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

5. REVENUE AND OTHER INCOME

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

	2020	2019
	HK$'000	*HK$'000*
Revenue		
Continuing operations		
Sale of motor vehicles	**5,032**	1,505
Sale of batteries	**54**	1,498
	5,086	3,003

Disaggregation of timing of revenue recognition:

	2020	2019
	HK$'000	*HK$'000*
Sale of motor vehicles		
– At a point in time	**5,032**	1,505
Sale of batteries		
– At a point in time	**54**	1,498
	5,086	3,003

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

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

6. FINANCE COSTS

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

7. LOSS BEFORE INCOME TAX

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

	2020	2019
	HK$'000	*HK$'000*
Continuing operations		
Auditor's remuneration	**1,560**	1,560
Amortisation of prepaid lease payments for land	**–**	1,561
Amortisation of other intangible assets	**10,014**	10,750
Cost of inventories recognised as expenses	**4,406**	2,754
Depreciation of property, plant and equipment	**9,932**	9,819
Depreciation of right-of-use assets *(note)*	**9,987**	–
Exchange loss, net	**899**	1,888
Impairment of inventories	**4,894**	30,976
(Reversal)/impairment of trade receivables, net	**(2,313)**	5,223
(Reversal)/impairment of contract assets	**(150)**	13
Impairment of interest in joint venture	**–**	277
Impairment of mining assets	**27,605**	–
Impairment of other receivables and prepayments, net	**8**	15,678
Impairment of intangible assets	**10,000**	–
Impairment of construction in progress	**10,529**	–
Operating lease rentals on leasehold land and buildings	**–**	11,859
Short-term and low-value lease expense	**2,459**	–
Research and development cost	**1,183**	2,711
Directors' remuneration	**4,972**	5,017
Employee costs (excluding directors' remuneration)		
– Salaries and allowances	**25,664**	23,854
– Share-based payments *(note 15)*	**3,798**	8,663
– Share-award payments	**3,581**	–
– Other benefits	**1,655**	1,186
– Pension contributions	**1,251**	1,940
	35,949	35,643

Note:

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

(b) Discontinued operations

In December 2017, management of the Group passed a resolution to discontinue the Group's ore processing and trading segment which was carried out by the Company's subsidiary, 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 associated assets were consequently classified as held for sale in the consolidated statements of financial position as at 31 March 2019 and 2018, and the disposal was completed during the year ended 31 March 2020.

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

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

8. INCOME TAX

The amount of income tax credit in the consolidated statement of comprehensive income represents:

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

9. DIVIDEND

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

10. LOSS PER SHARE

From continuing and discontinued operations

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

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

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

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

From continuing operations

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

From discontinued operations

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

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

11. MINING ASSETS

Cost and net carrying value:

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

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

Impairment testing of mining assets

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

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

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

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

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

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

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

12. TRADE RECEIVABLES

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

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

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

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

13. ACCOUNTS PAYABLE

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

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

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

14. SHARE CAPITAL

	2020		2019	
	Number of shares	***HK$'000***	*Number of shares*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.01 each	**50,000,000,000**	**500,000**	50,000,000,000	500,000
Issued and fully paid:				
At 1 April	**5,366,046,800**	**53,660**	5,036,046,800	50,360
Placing of shares *(note (i))*	**670,000,000**	**6,700**	330,000,000	3,300
Cancellation of repurchased shares *(note (ii))*	**(253,670,000)**	**(2,537)**	–	–
Conversion of convertible note *(note (iii))*	**1,072,586,400**	**10,726**	–	–
At 31 March	**6,854,963,200**	**68,549**	5,366,046,800	53,660

Note:

(i) During the year ended 31 March 2020, 670,000,000 ordinary shares (2019: 330,000,000 ordinary shares) of the Company were issued at a subscription price of HK$0.11 each (2019: HK$0.10) to independent third parties at an aggregate consideration of HK$73,700,000 (2019: HK$33,000,000) of which HK$6,700,000 (2019: HK$3,300,000) was credited to share capital and the remaining balance (net of share issue expenses) of HK$64,046,000 (2019: HK$29,037,000) was credited to share premium account.

(ii) During the year ended 31 March 2020, the Company cancelled 253,670,000 shares of the Company repurchased from the open market at an aggregate consideration of HK$27,429,000.

(iii) During the year ended 31 March 2020, the Company's Convertible Notes in principal amount of HK$804,439,800 were converted into 1,072,586,400 ordinary shares of the Company at the conversion price of HK$0.75 per share, of which HK$10,726,000 was credited to share capital and the remaining balance of HK$699,768,000 was credited to share premium account.

15. SHARE-BASED PAYMENT TRANSACTIONS

Share option scheme

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

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

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

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

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

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

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

Date of offer of grant	At 01/04/2018	Lapsed/ forfeited during the year	At 31/03/2019	Lapsed/ forfeited during the year	At 31/03/2020	Exercise price	Closing price at date of offer of grant	Exercise period	Vesting period
Under the Old Scheme									
16/12/2009	40,400,000	–	40,400,000	(40,400,000)	–	HK$0.46	HK$0.45	16/12/2009 to 15/12/2019	N/A
Under the New Scheme									
11/04/2014	58,000,000	(1,000,000)	57,000,000	(8,000,000)	49,000,000	HK$1.15	HK$1.11	12/04/2016 to 10/04/2024	12/04/2016 to 12/04/2020
10/03/2016	337,700,000	(12,100,000)	325,600,000	(7,500,000)	318,100,000	HK$0.30	HK$0.28	10/03/2016 to 09/03/2026	10/03/2016 to 11/03/2020
	436,100,000	(13,100,000)	423,000,000	(55,900,000)	367,100,000				

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

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

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

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

Fair value of share options and assumptions:

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

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

Share award plan

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

Fair value of share award and assumptions:

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

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

16. CAPITAL COMMITMENTS

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

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

17. 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 this announcement, the Group had no significant transactions with related parties during the years ended 31 March 2020 and 2019.

Members of key management during the year comprised only of the directors whose remuneration is set out in note 7(a).

RESULTS

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

The Group recorded a loss of approximately HK$162.0 million for the year as compared to a loss of approximately HK$177.1 million for last year. The narrowed loss was mainly due to the decrease in administrative expenses to approximately HK$108.8 million (2019: HK$134.7 million) and the increase in fair value of approximately HK$1.4 million (2019: decrease of approximately HK$10.7 million) of financial assets at FVTPL. There was an impairment loss of property, plant and equipment and other intangible assets of approximately HK$22.9 million (2019: HK$nil) in respect of the development of electric vehicles in the People's Republic of China (the "PRC"). There was also an impairment loss on the mining assets of approximately HK$27.6 million (2019: HK$nil) and on the construction in progress of the mining assets of approximately HK$10.5 million (2019: HK$nil) as detailed in the "Mining and Production of Mineral Products" segment under the "Business Review".

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

DIVIDEND

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

BUSINESS REVIEW

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

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

Given the ongoing new policies and measures promulgated periodically as well as the relevant government subsidy issues in the PRC, the EVs market in the PRC has become highly competitive. However, as mentioned in the last annual report, the subsidy program will be a lot less significant in this financial period and will be more favourable to Suitong in obtaining reasonable orders. As such, Suitong has been able to obtain sales order from Wulong County for its 8.5 meter buses. Production for the orders has been delayed due to the COVID-19 pandemic, but it has been resumed since early May 2020 and is expected to be delivered within this year. Although the EVs market in the PRC remains highly competitive, the Group always believes that the market potential is huge and that Suitong will be able to reap a rewarding return from the PRC in the years to come.

As discussed in the last annual report, Suitong will respond to the current market situation in the PRC, and will diversify its business into overseas markets rather than relying solely on the PRC market. In September 2019, the Group obtained orders and was expected to deliver two smart electric buses to the Hong Kong Productivity Council within year 2020 for trial run by the Airport Authority Hong Kong and the Hong Kong Anti-Cancer Society.

Also, the Group had obtained several sale orders from South East Asia and South America for different EVs products. The Group is highly confident that sizable bulk orders will be concluded after those first orders of products are delivered. In addition, the Group had also obtained a trial order of its logistic vehicles and buses to Europe and is expected to deliver soon. Again, the Group is highly confident that more orders from Europe will be obtained after the trial period of this first lot of orders.

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

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

The main building blocks of the new plant in Qijiang District of Chongqing have been completed. Installation of production equipment will be conducted on a demand basis in order to allocate more working capital for the new EVs orders likely to come in shortly. The Group is still utilising the existing production plant and will continue to install production facilities when necessary.

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

Mining and production of mineral products

The Group's wholly-owned subsidiary, Guangxi Weiri Mining Company Limited (the "Guangxi Weiri"), owns a glauberite mine located in Guangxi Zhuang Autonomous Region, the PRC (the "Glauberite Mine"). The product of the Glauberite Mine is thenardite which is a type of important raw materials used in chemical and light industrial manufacturing. As mentioned in previous annual report, the land acquisitions for the factory as well as for road access have been progressing at a much slower pace than expected. An accumulated expenditure of approximately RMB18.5 million was incurred for the construction of an access road to the factory site. No other significant exploration, development or production activity was conducted for the Glauberite Mine during the year ended 31 March 2020. The mineral resources have not changed since its acquisition on 28 February 2014. Details of the resources are stated in the "Mineral Resources and Ore Reserves" section below.

Guangxi Weiri has completed the purchase of land use rights covering 63,118 square meters of land for RMB7.6 million. Another RMB8.4 million was paid for approximately 100,000 square meters of land for a factory site, but relevant land use rights have not been issued as processing of land management by the local government is continuing. Procedures for approximately 41,500 square meters of land for road access have also been completed but no payment has been made to the government since the land use rights of the second parcel of land as stated above is still pending approval. Guangxi Weiri is working closely with the local government to resolve the land issue, and hopes to obtain access to the land even without receiving relevant land use rights. The Group has regularly communicated and recently contacted the local government in April 2020 in respect of the progress of issuance of land use rights. Considering the pending issue on the land use rights which remains unresolved for a period of time, an impairment loss of HK$10.5 million on the construction in progress on the mining assets in the PRC was provided during the current year.

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

The Group has closely monitored the Glauberite Mine development and periodically assesses its resources, financial viability, and general condition. The management has conducted regular financial analysis, taking into account its resources, technical parameters and market situation so as to assess the overall situation of the mining assets. The Group has also engaged a qualified independent valuer to assess its fair value annually. The fair value is calculated under the Multi Period Excess Earnings Method, which is based on a financial budget covering a nineteen-year period from 2022 to 2041 and then reduced by the discount rate. The Group has assessed the key assumptions used for the calculation of the discounted cash flows, including the prevailing market condition of the thenardite products, the exploitation volume of the resources and the discount rate adopted. Details of the key assumptions applied for the Glauberite Mine are set out in note 11. The carrying value of RMB2,166.7 million exceeded the fair value of RMB2,142.0 million and hence the impairment loss on the mining assets of RMB24.7 million, equivalent to HK$27.6 million (2019: HK$nil), was provided in the current year. Accordingly, the mining assets as at 31 March 2020 are stated at its fair value of RMB2,142.0 million, equivalent to HK$2,343.0 million, and no further impairment is required. Given the Glauberite Mine's distinct advantage in terms of its immense resources, strategic location and market potential, the Group remains highly confident that it is a unique and valuable asset.

Mineral resources and ore reserves

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

Wireframe	**Classification**	**Tonnes** *('000)*	**Na_2SO_4** *(%)*	**Na_2SO_4 Metal tonnage** *('000)*
North Orebody 1	Indicated	473,000	18.12	86,000
	Inferred	–	–	–
North Orebody 2	Indicated	–	–	–
	Inferred	37,000	18.92	7,000
Central Orebody 1	Indicated	581,000	16.77	98,000
	Inferred	49,000	16.76	8,000
Central Orebody 2	Indicated	43,000	14.99	6,000
	Inferred	–	–	–
East Orebody 1	Indicated	151,000	19.10	29,000
	Inferred	12,000	19.63	2,000
Sub Total	**Indicated**	**1,248,000**	**17.50**	**219,000**
	Inferred	**98,000**	**17.91**	**17,000**
Total	**Indicated + Inferred**	**1,346,000**	**17.53**	**236,000**

Note:

(1) The effective date of the Mineral Resource is 31 May 2013. All tonnages are rounded to the nearest million tonnes to reflect the inherent level of confidence associated with the resources estimation. The Mineral Resource was estimated within constraining wireframe solids based on geological limits of the mineralised and internal waste units. Nominal cut off for defining the geological unit is 10% Na_2SO_4. The mineral resource estimate is in accordance with JORC Code with an effective date of 31 May 2013. Since no additional work has been done to add to the geological data set, nor has the resource been depleted through mining, the resources as at 31 March 2020 remain unchanged.

(2) Competent person statement:

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

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

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

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

Metals and minerals trading

The metals and minerals 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.

Ores processing and trading

As discussed in previous annual reports, the Group together with its joint venture partners, considered discontinuing the operation of Verde since 16 December 2017. Hence the major classes of non-current assets of Verde are classified as held for sale, and separated from other assets in the consolidated statement of financial position. The disposal of the non-current assets was completed during the current year.

DISPOSAL OF ENTIRE EQUITY INTEREST IN RIMAC

During the current year, the Company entered respectively into a share purchase agreement and a supplemental agreement with a purchaser, pursuant to which the Company conditionally agreed to sell its entire 7.19% equity interest in Rimac Automobili d.o.o. (the "Rimac"), at an aggregate consideration of EUR11.25 million (equivalent to approximately HK$99.0 million) by cash (the "Disposal"). Rimac is a company incorporated in the Republic of Croatia with limited liability and is principally engaged in the development, manufacturing, and sale of electric sports cars, drivetrains and battery technology systems for use in vehicles, bicycles and other motor vehicles.

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

LIQUIDITY AND FINANCIAL RESOURCES

The directors have considered various ways of raising funds and consider that the placings of shares represent an attractive opportunity to raise capital for the Company while broadening the shareholder base and capital base of the Company. During the year ended 31 March 2020, the Group has earned support to raise funds by placing new shares. These additional funds serve as significant financial support for enhancing liquidity and future development.

As at 31 March 2020, the net asset value of the Group amounted to approximately HK$2,607.7 million (2019: HK$2,920.0 million). The gearing ratio of the Group was nil given no bank borrowings as at 31 March 2020 (2019: nil) and the equity attributable to owners of the Company of approximately HK$2,634.2 million (2019: HK$2,914.0 million).

The Group's other payables and accruals amounted to HK$121,226,000 as at 31 March 2020, decreased by 4% as compared to HK$126,300,000 at 31 March 2019. The decrease over the years was mainly attributable to the depreciation of exchange rate of Renminbi to Hong Kong Dollar. The other payables and accruals mainly represented (i) the government grant in relation to the acquisition of land use right of approximately HK$59.7 million (2019: HK$63.8 million), which will be recognised as a reduction of construction cost in property, plant and equipment after the completion of the construction of the manufacturing plant in Chongqing and the fulfilment of the conditions of the government grant; and (ii) the construction cost incurred for the manufacturing plant in Chongqing of approximately HK$40.8 million (2019: HK$38.9 million), of which the construction of main building blocks was completed during the current year.

As at 31 March 2020, the Company has (i) outstanding convertible notes in the principal amount of HK$883.1 million (2019: HK$1,687.5 million) which could be converted into 1,177,413,600 shares (2019: 2,250,000,000 shares) of the Company based on the conversion price of HK$0.75 per share subject to the conversion restriction set out in the terms of the convertible notes in relation to the compliance with the relevant requirements of the Hong Kong Code on Takeovers and Mergers and the Listing Rules; (ii) outstanding share options entitling participants to subscribe for a total of 367,100,000 shares (2019: 423,000,000 shares) of the Company, for which 357,300,000 shares (2019: 335,080,000 shares) are vested; and (iii) outstanding share award entitling participants to obtain for a total of 165,000,000 shares (2019: nil) of the Company, for which is under a vesting conditions and is still not vested at 31 March 2020.

The operating cash flows of the Group are mainly denominated in HK dollars, Renminbi and US dollars. Certain bank deposits, receivables and payables of the Group are denominated in Renminbi, US dollars and Euro. As at 31 March 2020, the Group had unpledged cash and bank balances of approximately HK$71.7 million (2019: HK$21.7 million), of which 56.6% (2019: 60.6%) was denominated in HK dollars, 25.2% (2019: nil) was denominated in Euro, 16.8% (2019: 37.7%) was denominated in Renminbi and 0.7% (2019: 1.1%) was denominated in US dollars.

During the current year, the exchange rate of the Renminbi has depreciated by approximately 6.9% against the HK dollars. This had a negative impact on the results of the Group on the translation of the Group's assets that are denominated in Renminbi. The Group has not entered any foreign currency exchange forward contracts for hedging purposes for Renminbi during the year. Foreign exchange exposure in respect of US dollars is considered to be minimal as the exchange rate between HK dollars and US dollars is pegged. Foreign exchange exposure in respect of Euro is also considered to be minimal as it is derived from the Disposal and is not an ordinary business of the Group. The Group will closely monitor the currency exposure and, when it considers to be an opportune time, will take the necessary actions to ensure that such exposure is properly hedged.

USE OF PROCEEDS

On 8 January 2019, the Company, through a placing agent, issued 330,000,000 new shares to not less than six independent third parties at a price of HK$0.10 per share under the general mandate granted to the directors of the Company. The net proceeds from the placing after deducting all relevant expenses was approximately HK$32.3 million. The net proceeds have been utilised in full as intended use, as outlined below:

	Actual use of proceeds up to the date of this announcement *HK$'000* *(approximately)*	**Remaining proceeds** *HK$'000* *(approximately)*
General working capital for the settlement of administrative expenses	31,500	–
Development of electric vehicle business in the PRC	800	–
	32,300	–

On 6 May 2019, the Company, through a placing agent, issued 670,000,000 new shares to not less than six independent third parties at a price of HK$0.11 per share under the general mandate granted to the directors of the Company. The net proceeds from the placing after deducting all relevant expenses was approximately HK$70.6 million. The net proceeds have been utilised in full as intended use, as outlined below:

	Actual use of proceeds up to the date of this announcement *HK$'000 (approximately)*	**Remaining proceeds** *HK$'000 (approximately)*
General working capital for the settlement of administrative expenses	41,300	–
Development of electric vehicle business in the PRC	29,300	–
	70,600	–

PROSPECTS

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

The Group believes that the new energy sectors are definitely a focus of global interest and a major trend in improving air pollution and enhancing economic sustainability. With the Group's diversification of business into overseas export markets, it is confident that the eBus and EVs business will grow at a fast pace contributing to overall revenue and elevating the Group's business to the next level. The Group is well positioned and confident in developing business in this market, and is also capable of expanding and capturing opportunities as they arise.

The product of the Glauberite Mine is thenardite, which is a type of important raw materials used in the chemical and light industrial manufacturing industries. The Group expects that there will be increasing thenardite demand from the PRC market as a result of ongoing urbanisation and in ASEAN due to its economic growth. Furthermore, industry consolidation and the efforts of the Industry Alliance will facilitate a greater market rationalisation. The Group therefore believes that the Glauberite Mine is a valuable asset and will continue to regularly assess its resources, financial viability and general condition.

SHARE REPURCHASE

Consistent with the management's commitment in enhancing the net asset value of the Company and protecting its long-term interest, a share repurchase exercise was implemented. During the current year and up to the date of this announcement, 253,740,000 ordinary shares were acquired at an aggregate consideration of approximately HK$27.4 million. These repurchased shares represented approximately 3.57% of the total number of issued shares of the Company, which have subsequently been cancelled. As the Board considers that the value of the Company's shares is consistently undervalued, it believes that the action taken will go towards addressing this trend. The Board also believes that given the current financial resources of the Company, the share repurchase will not materially affect the Company's financial position.

CHARGES ON THE GROUP'S ASSETS AND CONTINGENT LIABILITIES

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

Save as disclosed herein, there was no other charge on the Group's assets and the Group did not have any significant contingent liabilities as at 31 March 2020.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2020, the Group employed 140 (2019: 154) full-time managerial and skilled staff principally in Hong Kong and the PRC.

The Group remunerates and provides benefits for its employees based on current industry practices. Discretionary bonuses and other individual performance bonuses are awarded to staff based on the financial performance of the Group and performance of individual staff. In the PRC, the Group provides staff welfare for its employees in accordance with prevailing labor legislation. In Hong Kong, the Group provides staff benefits including the mandatory provident fund scheme and medical scheme. In addition, share options are granted to eligible employees in accordance with the terms of the Company's share option scheme (the "Share Option Scheme"). No share options were granted during the reporting period.

On 8 May 2019, the Board adopted a Share Award Plan, under which any eligible participants, including but not limited to any directors and employees of the Group, are eligible for participating in the Share Award Plan. The Share Award Plan will remain in force for 10 years from the adoption date. Pursuant to the Share Award Plan, shares will be subscribed or acquired by the independent trustee from the market, at the cost of the Company and be held on trust for the selected participants ("Selected Participants") until they vest. Vested shares will be transferred at no cost to the Selected Participants. The maximum number of shares to be awarded under the Share Award Plan shall not exceed 10% of the total number of issued shares as at 8 May 2019, representing 688,604,680 shares. During the current year, 165,000,000 award shares were granted to the eligible participants under the Share Award Plan.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

Particulars of the repurchases make as follows:

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

All Shares repurchased were cancelled up to the date of this announcement. The repurchase were made for the purpose of enhancing the net asset value per Share.

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

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules. The Company has applied the principles in the Code and complied with the code provisions set out in the Code for the year ended 31 March 2020 except for 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 director should attend general meetings. Due to other business engagements, one independent non-executive director and one non-executive director could not attend the annual general meeting of the Company held on 26 August 2019.

CODE OF CONDUCT ON DIRECTORS' SECURITIES TRANSACTIONS

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

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

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

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

- Mr. Chan Francis Ping Kuen, the independent non-executive director of the Company, has been appointed as an executive director of Carrianna Group Holdings Company Limited (a company listed on Main Board of the Stock Exchange) during the reporting period;

- The term of appointment of Dato' Tan Yee Boon, the independent non-executive director of the Company, has been renewed for a further two years from 17 June 2020 to 16 June 2022 at a director's fee of HK$100,000 per annum; and

- The term of appointment of Ms. Chan Hoi Ying, the executive director of the Company, has been renewed for a further two years from 10 May 2020 to 9 May 2022 at annual salary entitlements of HK$1,170,000 and housing allowance is provided on actual basis.

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

AUDIT COMMITTEE

The Company has an Audit Committee which was established in accordance with the requirements of the Code and comprised of three independent non-executive directors, Mr. Chan Francis Ping Kuen, Mr. Hu Guang and Dato' Tan Yee Boon. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group, and discussed auditing, internal control and financial reporting matters including the review of the annual results for the year.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2020 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

PUBLICATION

The Company's 2020 annual report which sets out all the information required to be disclosed under Appendix 16 of the Listing Rules, will be published on the website of the Company and the Stock Exchange in due course.

On behalf of the Board
China Dynamics (Holdings) Limited
Cheung Ngan
Chairman

Hong Kong, 26 June 2020

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Cheung Ngan and Ms. Chan Hoi Ying, one non-executive Director, namely Mr. Zhou Jin Kai, and three independent non-executive Directors, namely Mr. Chan Francis Ping Kuen, Mr. Hu Guang and Dato' Tan Yee Boon.