EVERCHINA INT'L HOLDINGS COMPANY LIMITED
潤中國際控股有限公司

Stock Code: 202

ANNUAL REPORT 2019

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Jiang Zhaobai *(Chairman)*
Mr. Lam Cheung Shing, Richard
Mr. Chen Yi, Ethan
Mr. Shen Angang

Independent Non-executive Directors

Mr. Ho Yiu Yue, Louis
Mr. Ko Ming Tung, Edward
Professor Shan Zhemin

BOARD COMMITTEES

Audit Committee

Mr. Ho Yiu Yue, Louis *(Committee Chairman)*
Mr. Ko Ming Tung, Edward
Professor Shan Zhemin

Remuneration Committee

Mr. Ho Yiu Yue, Louis *(Committee Chairman)*
Mr. Ko Ming Tung, Edward
Mr. Lam Cheung Shing, Richard

Nomination Committee

Mr. Ko Ming Tung, Edward *(Committee Chairman)*
Mr. Ho Yiu Yue, Louis
Mr. Lam Cheung Shing, Richard

COMPANY SECRETARY

Mr. Lau Chi Lok, Freeman

LISTING INFORMATION

Stock Code: 202
Board Lot: 5,000 shares

REGISTERED OFFICE

Suites 601–603, 6/F.
Everbright Centre
108 Gloucester Road
Wanchai, Hong Kong

WEBSITE

www.everchina202.com.hk

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31/F., Gloucester Tower
The Landmark
11 Pedder Street, Central
Hong Kong

SOLICITORS

K&L Gates
Patrick Mak & Tse

SHARE REGISTRAR

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
China Construction Bank (Asia) Corporation Limited
Bank of China (Hong Kong) Limited

INVESTOR RELATIONS CONSULTANT

PR ASIA Consultants Ltd
5/F., Euro Trade Centre
13–14 Connaught Road Central
Hong Kong

On behalf of the board (the "Board") of directors (the "Directors") of EverChina Int'l Holdings Company Limited (the "Company") and its subsidiaries (collectively, the "Group"), I am pleased to present to you the annual results of the Group for the year ended 31 March 2019.

RESULTS OF OPERATIONS

For the year ended 31 March 2019, the Group's revenue, excluding the net loss on disposal of the financial assets at fair value through profit or loss of approximately HK$60,725,000, amounted to approximately HK$138,789,000 (2018: HK$89,912,000), representing an increase by 54.4% compared with last year. The increase in revenue was attributable to the new stream of revenue generated from Pengxin Agricultural Group during the year. The results of operations however did not meet expectations. The Group recorded a loss of approximately HK$604,960,000 for the year ended 31 March 2019 (2018: HK$775,873,000). The decrease in loss was mainly attributable to the net effect of:

(i) a decrease in unrealised fair value loss on financial assets measured at fair value through profit or loss by approximately 21.7% to HK$320,912,000 (2018: HK$409,850,000);

(ii) a decrease in provision of impairment loss on receivables and prepayments by approximately 41.5% to HK$43,238,000 (2018: HK$73,853,000);

(iii) in absence of overdue fine charged by the Tianjin Tax Bureau (2018: HK$66,555,000);

(iv) recognised an impairment loss in respect of mining rights of approximately HK$93,216,000 (2018: Nil);

(v) a decrease in loss arising on change in fair value of the Group's investment properties by approximately 90.2% to approximately HK$3,529,000 (2018: HK$36,072,000);

(vi) an increase in finance cost by approximately 9.3% to HK$86,594,000 (2018: HK$79,226,000) as a result of increase in interest rate; and

(vii) recognised a tax credit of approximately HK$23,810,000 as a result of receipt of a tax refund of approximately HK$25,498,000 for the year (2018: tax expenses of approximately HK$97,237,000).

Loss for the year attributable to shareholders of the Company amounted to approximately HK$600,252,000 (2018: HK$775,807,000). The basic and diluted loss per share amounted to HK8.993 cents (2018: HK12.763 cents).

MANAGEMENT STATEMENT

BUSINESS REVIEW

Property Investment Operation

The Group's property investment operation mainly comprise two investment properties located in the centre of Beijing and Shanghai respectively. At 31 March 2019, the Group's investment property was valued at an aggregate value of approximately HK$1,282,094,000 (31 March 2018: HK$1,347,788,000). Based on the independent valuation performed, loss on changes in fair value of investment properties of approximately HK$3,529,000 was recorded for the year (2018: HK$36,072,000).

During the year, the Group recorded rental income of approximately HK$53,249,000 from property investment operation, a decrease by approximately 5.3% when compared with the last year, with the overall occupancy rate for the property investment portfolio remaining high at approximately 95% as of 31 March 2019. The segment profit amounted to approximately HK$35,623,000 (2018: HK$1,706,000). The increase in profit was mainly attributable to the decrease in the loss arising on change in fair value of the Group's investment properties for the year.

The acquisition of 14 retail units located at Level 1-3 of Above the Bund Square, Shanghai, the PRC (the "Shanghai Property") was completed in August 2016. The Group and Wo Hua Commercial Management (Shanghai) Company Limited ("Wo Hua"), a company which is indirectly owned as to 99% by Mr. Jiang Zhaobai ("Mr. Jiang") and as to 1% by Mr. Jiang Lei, the brother of Mr. Jiang, entered into the leasing agreement ("Leasing Agreement") for a term of three years till 11 August 2019, pursuant to which (i) Wo Hua provides leasing agency services to the Group with annual agency services fee not exceed RMB1,800,000 per annum; (ii) Wo Hua guarantees the annual rental income of the Shanghai Property received by the Group generated from the Shanghai Property minus any fee or tax relating to the Shanghai property to Wo Hua for each year during the term shall not less than the 3.5% of the RMB616,000,000, represented the consideration of acquiring the Shanghai Property paid by the Group i.e. RMB21,560,000. In the event that the annual rental income is less than RMB21,560,000, Wo Hua shall compensate the shortfall on dollar-for-dollar basis. During the year, the Group received guarantee rental income of approximately RMB15,446,000 from Wo Hua after deduction of management fee of approximately RMB3,092,000 payable to Shanghai Chun Chuan Property Service Company Limited ("Shanghai Chun Chuan") for the period from 11 August 2016 to 10 August 2018 and did not pay any agency services fee to Wo Hua. Both of the Leasing Agreement and the management fee agreement with Shanghai Chun Chuan are exempted continuing connected transaction under Chapter 14A of the Listing Rules. For details, please refer to the Company's circular dated 19 February 2016.

Looking forward, the Group will closely monitor the property market condition and capture any opportunities arising from this segment in a prudent manner.

Hotel Operation

At 31 March 2019, the sole hotel property held by the Group, is the Express by Holiday Inn Wujiaochang Shanghai located in Yangpu District, Shanghai, the PRC, which is a 20-storey hotel with total gross floor area of approximately 15,900 sq. m., and 296 guest rooms. At 31 March 2019, the average occupancy rate was around 80% for the year.

During the year, this segment recorded revenue of approximately HK$35,242,000 (2018: approximately HK$39,072,000). Decrease in revenue was mainly due to the slightly decrease in the average room rate and the depreciation of RMB against HKD incurred during the year. This segment contributed steady income and cash flow to the Group. Earning before depreciation decreased from last year at approximately HK$14,926,000 to approximately HK$12,003,000 this year. The segment loss amounted to approximately HK$1,441,000 this year as opposed to segment profit of HK$1,447,000 last year.

It expects that this segment will continue providing the Group with solid revenue stream as well as capital gain potentials.

Agricultural operation

During the year, the Group successfully acquired 100% interest in Pengxin Agricultural Holdings Company Limited ("Pengxin Agricultural") and its subsidiaries (collectively referred to as "Pengxin Agricultural Group"). Pengxin Agricultural through a wholly owned subsidiary, Empresa Agropecuaria Novagro S.A. ("Novagro S.A.") engaged in agricultural farming, being the cultivation and sale of soybean, corn and rice via operation of the farmland with approximately 12,400 hectares in the Plurinational State of Bolivia ("Bolivia"). The acquisition of Pengxin Agricultural Group marked significant milestones in the Group's endeavors in establishing agricultural business in Bolivia. Together with the Group's cattle raising business, the Group totally owns approximately 17,500 hectares of farmland in Bolivia. The Group believes it has already laid a strong foundation for the business growth and prosperity in future years.

During the year, the Group recorded revenue of approximately HK$48,168,000 from agricultural operation (2018: HK$471,000). The segment profit amounted to approximately HK$15,125,000 (2018: loss of approximately HK$2,404,000). The increase in both revenue and turnaround to profit for the year was mainly primarily due to Pengxin Agricultural Group contributed revenue of approximately HK$47,594,000 (2018: Nil) during the year.

It expects that the acquisition of Pengxin Agricultural Group will not only facilitate the Group's expansion into the agricultural industry, but also diversify the Group's current operations and minimise the investment risks in relation to its existing businesses. Agricultural operation will become one of the major core businesses of the Group and will provide steady revenue and cash flow to the Group.

Financing and Securities Investment Operation

As at 31 March 2019, total loan receivables under financing operation amounted to approximately HK$52,475,000 (31 March 2018: HK$91,084,000) and total securities investment, which was booked under financial assets at fair value through profit or loss amounted to approximately HK$911,924,000 (31 March 2018: HK$1,393,232,000), representing 35.3% (31 March 2018: 44.3%) of the Group's net assets of HK$2,584,656,000 (31 March 2018: HK$3,147,461,000). As at 31 March 2019, the Group mainly held 227,312,500 shares of Heilongjiang Interchina Water Treatment Company Limited ("Heilongjiang Interchina", whose shares are listed on Shanghai Stock Exchange, stock code: 600187), representing 13.74% of Heilongjiang Interchina's total issued shares.

In view of the downward trend of the share price of the KuangChi Science Limited ("KuangChi") (stock code: 439), the Group fully disposed 54,981,000 shares of KuangChi on the open market of the Stock Exchange for an aggregate consideration of approximately HK$38,790,000 and recognised a loss of approximately HK$60,725,000 for the year. In addition, due to the stock price of Heilongjiang Interchina decreased by RMB1.20 per share from RMB4.61 per share at 31 March 2018 to RMB3.41 per share at 31 March 2019, the total securities investment/financial assets at fair value through profit or loss decreased by approximately HK$481,308,000 or 34.5% as compared with last year.

The cost of investment in Heilongjiang Interchina was approximately HK$279,763,000 at 31 March 2019. Heilongjiang Interchina and its subsidiaries are principally engaged in the provision of sewage water treatment, water supply and the provision of environmental technology services. The Group recorded an unrealised loss of investment at fair value through profit or loss of HK$320,912,000 at 31 March 2019 for the investment in Heilongjiang Interchina for the year. As disclosed in the annual report of Heilongjiang Interchina for the year ended 31 December 2018, Heilongjiang Interchina recorded revenue of approximately RMB467,977,000 (equivalent to approximately HK$550,561,000), profit for the year of approximately RMB10,398,000 (equivalent to approximately HK$12,234,000) and net assets of approximately RMB3,348,451,000 (equivalent to approximately HK$3,939,355,000). Heilongjiang Interchina operates seventeen sewage and water supply projects with aggregate daily processing capacity of approximately 1,500,000 tonnes. During the reporting period, under the background of environmental protection policies and industry development trends, Heilongjiang Interchina focused on environmental protection areas such as water supply and sewage and was proactively deploying the development of energy conservation and environmental protection project.

During the year, this segment recorded interest income of approximately HK$2,130,000 (2018: HK$4,552,000) from financing operation and the loss on disposal of securities investment/financial assets at fair value through profit or loss approximately HK$60,725,000 (2018: HK$10,397,000) from securities investment operation. The segment loss amounted to approximately HK$407,847,000 for the year (2018: HK$482,352,000). The loss was mainly due to (i) the loss of HK$320,912,000 arising on change in fair value of the financial assets at fair value through profit or loss recognised for the year; (ii) the loss of approximately HK$60,725,000 on disposal of the shares of KuangChi as aforementioned; and (iii) the impairment loss on loan receivables of approximately HK$25,949,000.

The Group will remain watchful on market developments and will continue to be prudent in managing its investment portfolio for minimising the investment risk.

Other Operations

The Group holds a mining licenses to conduct the activities of construction, production, sales transportation and processing/refinery of manganese ore in areas totaling approximately 2,000 hectare in and around the sub-district of Amfoang Selatan, sub-district of Takari and sub-district of Fatuleu, Kupang City Nusantara Timor Tenggara, Indonesia for a period of twenty years ("Mining Right") through a non-wholly owned subsidiary of the Company, P.T. Satwa Lestari Permai ("SLP"). At 31 March 2019, it had an estimate resource of approximately 18,800,000 tonnes. Production has not been commenced since the Group acquired the Mining Right in 2011. Therefore, this segment did not contribute any revenue to the Group for the year (2018: Nil).

Being affected by policy prohibiting raw ore export promulgated by the Indonesia government, the project had been no production. According to the relevant regulations of Indonesia, SLP need to construct a smelter complex, in order to apply for an export license for sale of processed mineral ore to overseas. Having considered the business risks involved in this segment, the Group had decided not to make further capital investment in the construction of smelter complex. Therefore, export license could not be obtained by SLP. The Group is of the view that export of mineral ore to the PRC as initial planning is no longer feasible. SLP has no alternative to shift the market from export to local sales in Indonesia in case it starts production. The profitability of this segment will become a very difficult situation resulting from local market price currently is lower than export market price. The Company has undertaken a review on the carrying value of the Mining Right with reference to independent valuation report prepared by Roma Appraisal Limited, and impairment loss on the Mining Right of HK$93,216,000 was recognised for the year (2018: Nil). The carrying value of the Mining Right at 31 March 2019 amounted to approximately HK$178,664,000 (31 March 2018: HK$271,880,000). The segment loss amounted to HK$95,314,000, (2018: HK$1,951,000). The increase in loss was mainly driven by the impairment loss on the Mining Right.

It is estimated that commercial production is not able to be commenced in short term. Nevertheless, the Group will closely monitor the market conditions as well as consider other option such as realisation of the investment should the opportunities arise.

OUTLOOK

Looking forward, the external economic environment is expected to be in an unstable condition. In view of this, the Group will remain dedicated to constantly review, reinforce and, in appropriate circumstances, restructure its existing business segments in order to maintain its competitiveness. Meanwhile, we will pay more attention to economic change and take every chance to identify any suitable investment opportunity including other new business operation in the market for the Group.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

At 31 March 2019, the equity reached approximately HK$2,584,656,000 (31 March 2018: approximately HK$3,147,461,000). At 31 March 2019, the Group's cash on hand and deposits in bank was approximately HK$79,975,000 (31 March 2018: approximately HK$179,712,000), mainly denominated in Renminbi ("RMB") and Hong Kong dollars. At 31 March 2019, the Group's net current assets were approximately HK$274,705,000 (31 March 2018: approximately HK$774,654,000). The current ratio of the Group as at 31 March 2019 was 1.3 (31 March 2018: 1.6). The gearing ratio (total outstanding borrowings over total assets) of the Group as of 31 March 2019 was 24.2% (31 March 2018: 24.8%).

The Group had no particular seasonal pattern of borrowing. At 31 March 2019, the Group's total borrowings of approximately HK$893,906,000 of which approximately HK$888,158,000 (31 March 2018: approximately HK$1,119,651,000) were repayable within one year and approximately HK$5,748,000 (31 March 2018: Nil) were repayable within two to five years. As at 31 March 2019, the Group's borrowings were denominated in RMB, HKD and USD, amounting to approximately RMB740,000,000 (31 March 2018: approximately RMB819,000,000), approximately HK$16,525,000 (31 March 2018: approximately HK$108,540,000) and approximately US$871,000 (31 March 2018: Nil) respectively.

At 31 March 2019, the Company had 7,294,369,363 shares in issue (2018: 6,078,669,363 shares). On 4 October 2018, the Company had allotted and issued 1,215,700,000 ordinary shares at HK$0.143 per share to six placees for a total consideration, before expenses, of approximately HK$173,845,000 (the "Placing"). Details of the Placing were set out in the Company's announcement dated 4 October 2018. The net proceeds derived from the Placing amounted to approximately HK$169,100,000 would be used as to (i) approximately 93% to repay the other borrowings and other payables of the Group; and (ii) the remaining of approximately 7% as general working capital of the Group. As at 31 March 2019, the proceeds of approximately HK$159,220,000 or 94% had been used for repayment of other borrowing and other payables of the Group and the remaining of approximately HK$9,977,000 or 6% had been used for payment of operating expenditures of the Group such as staff costs, rentals and professional fees.

Pledged of Assets

At 31 March 2019, the Group's investment properties with carrying amounts of approximately HK$655,294,000 (31 March 2018: approximately HK$650,257,000) and hotel property with carrying amounts of approximately HK$485,235,000 (31 March 2018: approximately HK$523,403,000) were pledged as security for its liabilities. In addition, 227,000,000 shares of Heilongjiang Interchina Water Treatment Company Limited held by the Group with carrying amounts of approximately HK$910,671,000 (31 March 2018: approximately HK$1,123,960,000) were also pledged to lender(s) to secure loan facilities granted to the Group.

Material Acquisition and Disposal

On 31 October 2018, the Group completed the acquisition of the entire equity interest in Pengxin Agricultural Group. Pengxin Agricultural Group is principally engaged in agricultural farming, being the cultivation and sale of soybean, corn and rice in Bolivia. The consideration for the acquisition was US$46,000,000 (equivalent to approximately HK$358,800,000). The consideration shall be adjusted subject to Pengxin Agricultural Group could obtain proper legal title and ownership of 2,657.75 hectares of the farmland on or before the third anniversary of the completion date (or such other date as may be agreed by the Company in writing). The estimate adjustment is approximately US$10,730,000 (equivalent to approximately HK$83,694,000). The transaction constitutes major and connected transaction for the Company under the Listing Rules. The transaction was approved by the shareholders of the Company at the general meeting held on 26 July 2018. Details of the transaction was set out in the Company's circular dated 28 June 2018.

Save for the above-mentioned, there was no material acquisition or disposal of subsidiaries or associates during the year.

Foreign Exchange Exposure

The majority of the Group's income and expenses are settled in Renminbi and Hong Kong dollars. During the period, the Group did not encounter any significant difficulties or come under any impact on its operations or liquidity due to fluctuations in currency exchange rates. The Group does not currently engage in hedging activities against foreign exchange exposure, as it believes that the cost associated with such hedging arrangements would exceed the benefits. However, the management will continue to monitor the relevant circumstances and will take such a measure if it is deemed prudent.

Contingent Liability

As at 31 March 2019, the Group had no material contingent liabilities (31 March 2018: Nil).

Capital Commitment

As at 31 March 2019, the Group had no material capital commitment (31 March 2018: Nil).

Human Resources

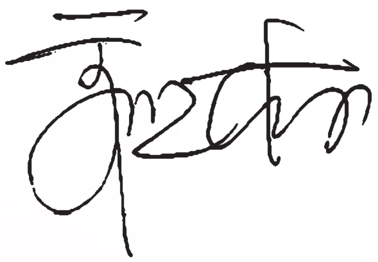
As at 31 March 2019, the Group employed approximately 160 employees (31 March 2018: 120). The Group maintains a policy of paying competitive remuneration packages and employees are also rewarded on performance related basis including salary and bonus. The Group maintained a share option scheme in place for the purpose of providing incentives and rewards to eligible directors and employees of the Group who contribute to the success of the Group's operations. The Group had not granted any share options to its eligible directors and employees during the year ended 31 March 2019.

MANAGEMENT STATEMENT

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my gratitude to all shareholders, customers, employees and partners for their continuous support and encouragement.

On behalf of the Board



Jiang Zhaobai
Chairman

Hong Kong, 27 June 2019

DIRECTORS

Mr. JIANG Zhaobai, Executive Director and Chairman

Mr. JIANG Zhaobai, aged 56, has been appointed as an executive Director of the Company and Chairman of the Board in September 2012. He has over 27 years experience in real estate development and investment in the PRC and extensive experience in international investment including minerals, dairy and agricultural industries and property investment etc. He is also the chairman of the board of Shanghai Pengxin Group Co., Ltd. ("Pengxin Group"). Mr. Jiang is the founder of Pengxin Group and Shanghai Pengxin Real Estate Development Co., Ltd. ("Pengxin Real Estate"). He was the chairman of Pengxin Group during the period from April 1997 to May 2000 and the chairman of Pengxin Real Estate during the period from January 1995 to March 1997. Mr. Jiang was appointed as vice presidents of China Enterprise Directors Association from July 2010 to July 2015 and is currently a rotating chairman of New Shanghai Businessman Federation (上海新滬商聯合會). He graduated in Nanjing Institute of Architecture and Civil Engineering and was admitted to an Executive Master of Business Administration degree at China Europe International Business School in June 2005.

Mr. LAM Cheung Shing, Richard, Executive Director, Deputy Chairman and Chief Executive Officer

Mr. LAM Cheung Shing, Richard, aged 61, is the deputy chairman and chief executive officer of the Company since June 2009. In August 2001, Mr. Lam was appointed as an executive Director and deputy chief executive officer of the Company and was designated as the chairman of the Company during the period from May 2009 to June 2009. Mr. Lam is a fellow member of both Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants. Mr. Lam was admitted to the Master Degree of Business Administration in the Chinese University of Hong Kong in 2006. Mr. Lam spent over ten years in PricewaterhouseCoopers, an international accounting firm and promoted to a senior audit manager, and is equipped with extensive experience in accountancy, taxation and corporate finance. Prior to joining the Group, Mr. Lam held senior positions in a number of listed companies in Hong Kong, including Sun Hung Kai & Co., Limited, Kingsway SW Asset Management Limited and U-Cyber Technology Holdings Limited.

Other than the directorship in the Company, currently, Mr. Lam is also an independent non-executive director of Lajin Entertainment Network Group Limited, the issued shares of which are listed on the GEM Board of the Stock Exchange. Besides, Mr. Lam was appointed as an independent non-executive director of Eagle Legend Asia Limited during the period from May 2013 to December 2014 and an executive director of Kai Yuan Holdings Limited during the period from December 2001 to July 2008 and re-designated as a non-executive director during the period from July 2008 to November 2008, all of which are companies whose shares are listed on the Main Board of the Stock Exchange. Mr. Lam was appointed as an executive director of China Pipe Group Limited, the issued shares of which are listed on the Stock Exchange, during the period from June 2007 to February 2009.

Mr. CHEN Yi, Ethan, Executive Director

Mr. CHEN Yi, Ethan, aged 36, joined the Company as an independent non-executive Director of the Company in February 2012 and re-designated to an executive Director of the Company since October 2014. He holds a bachelor's degree in Applied Science on Professional Electric Engineering from University of British Columbia, Vancouver, Canada and Mr. Chen has profound knowledge in financial instruments and rich experience in the international capital market. Prior to this re-designation, Mr. Chen had been worked as the assistant vice president in investment of Wellbo Holdings Limited, an engineering analyst of Kobex Minerals Inc. and International Barytex Resources Ltd in Canada, and an analyst and assistant vice president of Rongying Investments Limited respectively.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. SHEN Angang, Executive Director

Mr. SHEN Angang, aged 63, has been appointed as an executive Director of the Company in February 2012. He has been the president and chairman of the board of directors of Shanghai AnShung Group Ltd. since 1995. He has rich experience in areas ranging from finance, investment, real estate and mining resources. Mr. Shen served as the cadre of the Science Committee of Shanghai. He also held the position as the general manager of Shanghai Industry and Trade Department of Shanghai Ocean Helicopter Professional Co., Ltd., and as the general manager of Shanghai Securities Department of Guizhou International Trust & Investment Corporation.

Mr. HO Yiu Yue, Louis, Independent Non-executive Director and the Chairman of the Audit Committee and the Remuneration Committee

Mr. HO Yiu Yue, Louis, aged 71 was appointed as an independent non-executive Director in April 2009. He is also the Chairman of the Audit Committee and the Remuneration Committee of the Company and a member of the Nomination Committee. He obtained a master degree of business administration in finance & operations research from Concordia University in Canada and is an associate member of both Hong Kong Institute of Certified Public Accountants and Australia Society of Certificate Practising Accountants. Mr. Ho had over 30 years working experience with international accounting professional firms and had been admitted as partner in Ernst & Young, PricewaterhouseCoopers and Arthur Andersen, focusing on technology risk, system and process assurance and risk consulting practices. During that period, Mr. Ho provided services and advices to numerous blue chip corporations in both Hong Kong and the PRC. Mr. Ho was an independent non-executive director of China Pipe Group Limited, whose shares are listed on the Main Board of the Stock Exchange.

Mr. KO Ming Tung, Edward, Independent Non-executive Director and the Chairman of the Nomination Committee

Mr. KO Ming Tung, Edward, aged 58, was appointed as an Independent Non-executive Director of the Company in April 2009. Mr. Ko obtained an external Bachelor of Laws Degree from the University of London in the United Kingdom in August 1986 and is a member of The Law Society of Hong Kong. Mr. Ko is the principal of Messrs. Edward Ko & Company and has been practising as a solicitor in Hong Kong for more than 27 years.

Other than the directorship in the Company, currently, Mr. Ko is also an independent non-executive director of Sinofert Holdings Limited, Wai Chun Group Holdings Limited, Chia Tai Enterprises International Limited and Sterling Group Holdings Limited, all of which are companies whose shares are listed on the Main Board of the Stock Exchange, and is an independent non-executive director of Zioncom Holdings Limited, whose shares are listed on the GEM Board of the Stock Exchange in Hong Kong. Mr. Ko was an independent non-executive director of Chinese Energy Holdings Limited, whose shares are listed on the GEM Board of the Stock Exchange.

Professor SHAN Zhemin, Independent Non-executive Director

Professor SHAN Zhemin, aged 47, was appointed as an independent non-executive Director in October 2014. She is also a member of the Audit Committee. She is a doctoral degree holder in Management from Shanghai University of Finance and Economics, a certified public accountant in China and a financial analyst in America. She is currently an associate professor, Director of the Institute of Finance (金融研究所) of Shanghai National Accounting Institute. She also acts as EMBA visiting professor of a number of reputable institutions including PBC School of Finance of Tsinghua University and Shanghai Advanced Institute of Finance (SAIF). Professor Shan possesses rich experience in the fields of accounting, financial management, corporate finance, investment and financing. She previously served as researcher of Department of Accountancy of City University of Hong Kong, associate professor of School of Accountancy of Shanghai University of Finance and Economics, senior investment manager of Securities Investment Head Office and internal audit expert of Investment Banking Head Office of Shenyin & Wanguo Securities Co., Ltd.

Other than the directorship in the Company, currently, Professor Shan is an independent director of each of Shanghai Metersbonwe Fashion and Accessories Co., Ltd (listed on Shenzhen Stock Exchange, stock code: 002269), Guangzheng Group Company Ltd (listed on Shenzhen Stock Exchange, stock code: 002524), Shanghai Lansheng Corporation (listed on Shanghai Stock Exchange, stock code: 600826) and ORG Packaging Co., Ltd. (listed on Shenzhen Stock Exchange, stock code: 002701). She is also an independent director of Shanghai Baosteel Gases Limited, a wholly-owned subsidiary of Baoshan Iron & Steel Co., Limited (listed on Shanghai Stock Exchange, stock code: 600019).

CORPORATE GOVERNANCE REPORT

The board (the "Board") of directors (the "Directors") is pleased to report to the shareholders of the Company (the "Shareholders") on the corporate governance of the Company for the year ended 31 March 2019.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to the maintenance of good standard of corporate governance and has adopted the Corporate Governance Code (the "CG Code") as contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") as its own code of corporate governance practices. The Board and the management believe that a good corporate governance practices is essential to enhance transparency and accountability to the shareholders of the Company (the "Shareholders").

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Throughout the year under review, the Company had complied, to the extent applicable and permissible, with the code provisions as set out in the CG Code except for the deviations as stated below:

(i) The code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term. Currently, all Directors (including independent non-executive Directors) was not appointed for a specific term but all Directors are subject to retirement by rotation and re-election at the annual general meeting ("AGM") in accordance with the Articles of Association ("Articles"). Moreover, according to the Articles, all Directors newly appointed to fill a casual vacancy are subject to election at the next following general meeting following their appointments. Code provision D.1.4 of the CG Code stipulates that issuers should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. All Directors, except independent non-executive Directors, have formal letters of appointment. The independent non-executive Directors have followed the guidelines set out in "A Guide on Directors' Duties" issued by the Companies Registry and "Guidelines for Directors" and "Guide for Independent Non-Executive Directors" published by the Hong Kong Institute of Directors in performing their duties and responsibilities as Directors. The independent non-executive Directors clearly understand role and responsibilities of independent non-executive Directors. The Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those prescribed by code provisions A.4.1 and D.1.4 of the CG Code and therefore does not intend to take any steps in this regard at the moment.

(ii) The code provision E.2.1 of the CG Code stipulates that the chairman of the board should attend the AGM to answer questions at the AGM. Mr. Jiang Zhaobai, the chairman of the Board did not attend the 2018 AGM due to other business engagements. Mr. Lam Cheung Shing, Richard, being the executive Director of the Company, attended the AGM on 30 August 2018 and was delegated to make himself available to answer questions if raised at the meeting.

(iii) The code provision A.6.4 of the CG Code stipulates the board should establish written guidelines no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") for relevant employees in respect of their dealings in the issuer's securities. The Company has not adopted written guidelines for relevant employees' dealings in the Company's securities. However, the Model Code has been extended to and has become equally applicable to dealings in the securities of the Company by relevant employees who are likely in possession of unpublished price-sensitive information in relation to the Company. The Board is of the view that appropriate arrangements have been taken for relevant employees in respect of dealings in the Company's securities.

Notwithstanding the aforesaid deviations, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors and relevant employees of the Company. Having made specific enquiry to all Directors, the Company confirms that all Directors have complied with the Model Code throughout the year ended 31 March 2019.

THE BOARD

The Company is headed by an effective Board which oversees the Company and its subsidiaries' (the "Group") businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company.

Board composition

The Board currently comprises seven Directors, consisting of four executive Directors and three independent non-executive Directors, as follows:

Executive Directors

Mr. Jiang Zhaobai *(Chairman of the Board)*
Mr. Lam Cheung Shing, Richard *(Chief Executive Officer ("CEO") and member of Remuneration Committee and Nomination Committee)*
Mr. Chen Yi, Ethan
Mr. Shen Angang

Independent Non-executive Directors

Mr. Ho Yiu Yue, Louis *(Chairman of Audit Committee and Remuneration Committee and member of Nomination Committee)*
Mr. Ko Ming Tung, Edward *(Chairman of Nomination Committee and member of Audit Committee and Renuneration Committee)*
Professor Shan Zhemin *(Member of Audit Committee)*

To the best knowledge of the Company, there is no financial, business, family or other material/relevant relationship amongst the Directors. Details of the backgrounds and qualifications of the Directors are set out in pages 11 to 13 under the section headed "Biographies of Directors and Senior Management".

The Board includes a balanced composition of executive Directors and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

Board meetings

During the year under review, six Board meetings, an AGM and a general meeting ("GM") were held. The attendance of each Director at the Board meetings, the AGM and the GM is set out as follows:

Name of Directors	Attendance/Number of Board Meetings	AGM	GM
Executive Directors			
Mr. Jiang Zhaobai *(Chairman)*	5/6	0/1	0/1
Mr. Lam Cheung Shing, Richard *(CEO)*	6/6	1/1	1/1
Mr. Chen Yi, Ethan	6/6	1/1	1/1
Mr. Shen Angang	5/6	0/1	0/1
Independent Non-executive Directors			
Mr. Ho Yiu Yue, Louis	6/6	1/1	1/1
Mr. Ko Ming Tung, Edward	6/6	1/1	1/1
Professor Shan Zhemin	5/6	0/1	0/1

During the year, the Board has dealt with matters covering mainly the Group's overall strategy, annual and interim results, internal control and risk management, corporate governance and matters of placing of new shares under general mandate.

At least 14 days' notice of regular Board meetings (or reasonable notice for all other meetings) is normally given to all Directors who are given an opportunity to include matters for discussion in the agenda. The Company Secretary assists in preparing the agenda for meetings and ensures that all applicable rules and regulations are complied with. The agenda and the accompanying Board papers are normally sent to all Directors at least 3 days before the intended date of a Board meeting. All minutes are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any Director.

Responsibilities of the Board

The Board is responsible for leading and controlling the Company, overseeing as well as the supervision of its business, approval of strategic plans and monitoring the Company's performance. The Board delegates the day-to-day operations to the management, while reserving certain key matters for its approval. The Board is also responsible for evaluating and determining the nature and significance of identified risks and determine how these risks can be properly alleviated so as to achieve the Group's strategic objectives; and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems. In addition, the Board, with the assistance from Audit Committee, Remuneration Committee and Nomination Committee, oversees particular aspects of the Group's affairs. All Committees have specific functions and authority to examine issues and report to the Board with recommendations. The final decisions are rested with the Board, unless otherwise provided in terms of reference of the relevant Committees.

Each Director keeps abreast of his responsibility as the Director and of the conduct, business activities and development of the Company. The Directors are also kept informed on a timely basis of their responsibilities and obligations under the Listing Rules, as well as other relevant statutory or regulatory requirements. The Company also encourages its Directors to participate in other continuous professional development programmes for Directors. In addition, the Company has arranged appropriate Directors and Officers Liability Insurance coverage on Directors' and officers' liabilities in respect of legal actions against Directors and senior management arising out of corporate activities.

Corporate Governance Functions

The Board is also responsible for performing corporate governance functions as set out in the code provision D.3.1 of the CG Code. During the year ended 31 March 2019, the Board has reviewed the compliance with the CG Code and disclosure in Corporate Governance Report.

Chairman and Chief Executive Officer

The positions of Chairman and CEO are held by Mr. Jiang Zhaobai and Mr. Lam Cheung Shing, Richard respectively. Their roles and duties are segregated, with clear division of responsibilities. Mr. Jiang Zhaobai, being the Chairman of the Board is to provide leadership and management of the Board while Mr. Lam Cheung Shing, Richard, the CEO of the Company is responsible for the implementation of strategies and objectives set by the Board and answerable to the Board for the operations of the Group.

Independence of independent non-executive Directors

In compliance with Rule 3.10(1), 3.10(2) and 3.10A of the Listing Rules, the Company has appointed three independent non-executive Directors. The Board considers that all independent non-executive Directors are persons of high caliber, with academic and professional qualifications in the fields of legislation and accounting and finance to carry out their duties so as to protect the interests of the Shareholders. One of the independent non-executive Directors, Mr. Ho Yiu Yue, Louis ("Mr. Ho") has over 30 years of experience in accounting and risk consulting. He is a member of both Hong Kong Institute of Certified Public Accountants and CPA Australia.

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company still considers such Directors are independent.

The Board has noticed that each of Mr. Ho and Mr. Ko Ming Tung, Edward, ("Mr. Ko") has served as an independent non-executive Directors for more than nine years that their further appointment should be subject to separate resolutions to be approved by Shareholders. In this regard, the re-appointment of each of Mr. Ho and Mr. Ko as independent non-executive Director of the Company were approved by Shareholders in separate resolution at the AGM of the Company held on 30 August 2018. In assessing the independence of Mr. Ho and Mr. Ko, the Board took into account the fact that Mr. Ho and Mr. Ko have not engaged in any executive management of the Group; and have demonstrated their ability to provide independent view to the Company's matters during their terms of office with the Company. The Board believes that Mr. Ho and Mr. Ko are independent with the Company and have complied with the independence requirements of Rule 3.13 of the Listing Rules.

Continuous Professional Development

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Directors are continuously updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. Continuing briefing and professional development for Directors will be arranged at the expenses of the Company where necessary. For the year ended 31 March 2019, the Company has received confirmation from all Directors in respect of their training records, in detail as follows:

Name of Directors	Type of Trainings
Mr. Jiang Zhaobai	A, B
Mr. Lam Cheung Shing, Richard	A, B
Mr. Chen Yi, Ethan	A, B
Mr. Shen Angang	B
Mr. Ho Yiu Yue, Louis	A, B
Mr. Ko Ming Tung, Edward	A, B
Professor Shan Zhemin	A, B, C

Note:

(A) Attending seminar(s)/programme(s)/conference(s)

(B) Reading materials relevant to the business or directors' duties

(C) Giving talks

BOARD COMMITTEES

The Board has three committees namely, the Audit Committee, the Remuneration Committee and the Nomination Committee. Each of the committees has been established with written terms of reference that state its powers, duties and functions, which are available on the website of the Company and the Stock Exchange.

Remuneration Committee

The Remuneration Committee comprises two independent non-executive Directors, namely Mr. Ho Yiu Yue, Louis (chairman of the Remuneration Committee) and Mr. Ko Ming Tung, Edward and one executive director namely, Mr. Lam Cheung Shing, Richard. The terms of reference of the Remuneration Committee have been determined with reference to the CG Code. Under the terms of reference of the Remuneration Committee, the responsibilities of the Remuneration Committee include, inter alia, assisting the Company in the administration of a formal and transparent procedure for developing remuneration policies, making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, and ensuring that no Director or any of his associates is involved in deciding his own remuneration. The terms of reference of the Remuneration Committee are available on the Company's website.

During the year ended 31 March 2019, the Remuneration Committee held one meeting with full attendance of its members. At the meeting, the Remuneration Committee has reviewed and made recommendation to the Board on the remuneration package of individual executive Director. The attendance records of the members of the Remuneration Committee are as follows:

Name of Directors	Attendance/ Number of Meetings
Mr. Ho Yiu Yue, Louis *(Chairman)*	1/1
Mr. Lam Cheung Shing, Richard	1/1
Mr. Ko Ming Tung, Edward	1/1

The Directors' remunerations are subject to Shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to Directors' duties, responsibilities and performance and the results of the Group. Details of the remuneration of Directors, who are also the senior management during the year ended 31 March 2019 are set out below:

Annual Remuneration	Number of Persons
Below HKD1,000,000	1
HKD1,000,000 to HKD2,000,000	0
HKD2,000,001 to HKD3,000,000	1
Over HKD3,000,001	2

Nomination Committee

The Nomination Committee comprises two independent non-executive Directors, namely Mr. Ko Ming Tung, Edward (chairman of the Nomination Committee) and Mr. Ho Yiu Yue, Louis and one executive Director namely, Mr. Lam Cheung Shing, Richard. The terms of reference of the Nomination Committee have been determined with reference to the CG Code. Under its terms of reference, the Nomination Committee is responsible for reviewing the Board composition and identifying and nominating candidates of new directors for appointment to the Board. In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Director Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the year ended 31 March 2019, the Nomination Committee held one meeting with full attendance of its members. At the meeting, the Nomination Committee has reviewed the structure, size and diversity of the Board and discussed the re-election of retiring Directors at the AGM. The attendance records of the members of the Nomination Committee are as follows:

Name of Directors	Attendance/ Number of Meetings
Mr. Ko Ming Tung, Edward *(Chairman)*	1/1
Mr. Lam Cheung Shing, Richard	1/1
Mr. Ho Yiu Yue, Louis	1/1

Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a Director Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;

- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;

- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;

- Requirements of independent non-executive Directors on the Board and independence of the proposed independent non-executive Directors in accordance with the Listing Rules; and

- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at GMs. During the year ended 31 March 2019, there was no change in the composition of the Board.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

Board Diversity Policy

The Board adopted the Board Diversity Policy in August 2013 and aimed to set out the approach to achieve diversity on the Board. All Board appointment will be based on merit and selection of candidates will be based on a range of diversity factors including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, required expertise, skills, knowledge and length of service. The current Board consists of a diverse mix of Board members appropriate to the requirement of the business of the Company.

Audit Committee

The Audit Committee comprises three independent non-executive Directors, namely Mr. Ho Yiu Yue, Louis (chairman of the Audit Committee), Mr. Ko Ming Tung, Edward and Professor Shan Zhemin. Under its terms of reference, the Audit Committee is required, among other things, to oversee the relationship with the independent auditor, to review the Group's interim and annual consolidated financial statements, to monitor compliance with statutory and listing requirements, to ensure adequacy of resources, qualifications, experience and training programs and budget of the financial staff, and to engage independent legal or other advisers if necessary to perform investigations. The terms of reference of the Audit Committee are available on the Company's website.

During the year ended 31 March 2019, the Audit Committee held two meetings with full attendance of its members, at which the members of Audit Committee principally reviewed and discussed with the independence of external auditors of the Company about the Group's annual results and audited consolidated financial statements for the year ended 31 March 2018, the interim results for the six months ended 30 September 2018 and discussed with the management about the effectiveness of the risk management and assessment, financial controls system and internal control system, respectively. The attendance records of the members of the Audit Committee are as follows:

Name of Directors	Attendance/ Number of Meetings
Mr. Ho Yiu Yue, Louis *(Chairman)*	2/2
Mr. Ko Ming Tung, Edward	2/2
Professor Shan Zhemin	2/2

ACCOUNTABILITY AND AUDIT

Preparation of Financial Statements

The Board acknowledged responsibility for reviewing the accounts of the Company prepared by the executive board for the year ended 31 March 2019 and ensuring the accounts are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgment and estimates made are fair and reasonable; and that the accounts are prepared on a going concern basis.

A statement by the auditors about their reporting responsibilities is contained in the Independent Auditors' Report on pages 46 to 53 of this annual report.

Auditors' Remuneration

The remuneration paid to HLB Hodgson Impey Cheng Limited ("HLB"), the external auditors of the Company, in respect of audit services and non-audit services for the year ended 31 March 2019 amounted to HK$2,000,000 (2018: HK$1,800,000) and HK$1,200,000 (2018: HK$200,000) respectively. An analysis of the remuneration paid payable to the HLB, in respect of audit services and non-audit services for the year ended 31 March 2019 is set out below:

Service Categories	Fee Paid/ Payable
Audit Services	HK$2,000,000
Non-audit Services	
— assisting in reviewing the disclosure of interim financial report	HK$200,000
— professional services rendered in connection with the circular dated 28 June 2018	HK$1,000,000
	HK$3,200,000

Risk Management and Internal Control

The Board is responsible for maintaining an adequate system of risk management and internal control of the Group and constantly reviewing its effectiveness while the Audit Committee is assisting the Board in fulfilling its supervision responsibility through annual review and evaluation. The system of risk management and internal control is designed to facilitate effective and efficient operations, to safeguard assets and to ensure the quality of internal and external reporting and compliance with applicable laws and regulations. It is also designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group has established a clear risk management framework with defined levels of responsibility and reporting lines to identify, evaluate and manage significant risks. Operating units of the Group identify potential risks during their day-to-day operations and initiate actions to mitigate. In addition, management of the operating units perform risk assessment, significant findings and associated action plans are reported to the Company for monitoring and to ensure appropriate controls and mitigation actions are in place.

The Group does not have an internal audit function due to the size of the Group and for cost effectiveness consideration. Nonetheless, the Company has engaged an external consultant to perform internal audit function. External consultant conducts independent review on the adequacy and effectiveness of the Group's risk management and internal control systems and submits internal audit report to the Audit Committee with findings and recommendations. The Audit Committee, will by taking into consideration the control issues identified by the external auditor in the course of statutory audit, formulate their opinion and report to the Board at the regular meetings. The Group conducts its affairs with regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission of Hong Kong in June 2012.

During the year, the Board has engaged Infinity Concept Ripple Limited ("Infinity") to perform internal audit reviews to assess on the effectiveness of the Group's risk management and internal control systems. The assessments cover all material controls, including financial, operational and compliance controls of the Company and its major subsidiaries on a rotation basis. The internal audit report prepared by Infinity has been approved by the Audit Committee. The Board together with the senior management have reviewed, considered and discussed the material findings in relation to the internal control system and recommendations thereto, and have concluded that the overall internal control system of the Group has effectively exercised and no material control failure or significant areas of concern which might affect Shareholders' interest were identified during the reviews.

COMPANY SECRETARY

The Company Secretary is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. The Company Secretary reports to the CEO and is responsible for advising the Board on governance matters. During the year ended 31 March 2019, Mr. Lau Chi Lok, Freeman is the Company Secretary of the Company, he has taken no less than 15 hours of relevant professional training.

COMMUNICATION WITH SHAREHOLDERS

The Company uses GM, annual report, interim report, announcement, circular and its website as communication tools to keep the Shareholders informed of the matters of significance and latest development of the Group. Shareholders are provided with contact details of the Company to enable them to make enquiries with respect to the Company's affairs. Shareholders can also send their enquiries to the Company through these channels or contact Tricor Tengis Limited, the share registrar of the Company, in case of enquiries about shareholdings. AGM is one of the channels on which the Directors meet with the Shareholders whose views can be addressed to the Board directly. At the AGM, separate resolution will be proposed by the chairman in respect of each substantially separate issue, and voting on each resolution will be conducted by poll. The chairman of the AGM ensures that an explanation is provided of the detailed procedures for conducting voting by poll and answers any questions from the Shareholders. The notice of AGM is distributed to the Shareholders at least 20 clear business days prior to the AGM. The accompanying circular sets out the details of each proposed resolution and other relevant information as required under the Listing Rules. Voting results are posted on the websites of the Stock Exchange and the Company respectively on the day of the AGM. Executive Directors, members of the Audit Committee and the Remuneration Committee and Nomination Committee, and the external auditors will be available to attend the AGM to answer questions from the Shareholders and to gain and develop a balanced understanding of the views of from the Shareholders. The code provision E.1.4 stipulates that the board should establish a shareholders' communication policy and review it on a regular basis to ensure its effectiveness. In order to enhance the Company's corporate governance standard and enable the Company to better comply with the code provision in the CG Code, the Company adopted a Shareholders' Communication Policy in June 2019.

SHAREHOLDERS' RIGHTS

Convening general meeting and putting forward proposal at general meetings

Pursuant to article 62 of the Articles and Section 566 of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) ("CO"), shareholder(s) of the Company holding at least 5% of the total voting rights of the Company may request the Board of Directors of the Company to convene a general meeting by way of depositing a written request at the registered office of the Company. The objects of the meeting must be stated in the related requisition which must be authenticated by the person or persons making it. In accordance with Section 567 of the CO, the Directors must call a meeting within 21 days after the date on which they become subject to the requirement under Section 566 of the CO and such meeting must be held on a date not more than 28 days after the date of the notice convening the meeting.

Besides, Section 615 of the CO provides that shareholder(s) of the Company holding at least 2.5% of the total voting rights or at least 50 shareholders who have a right to vote on the resolution at the annual general meeting may request the Company to give notice of a resolution that may properly be moved and is intended to be moved at that meeting by way of depositing a written notice authenticated by the person or persons making it at the registered office of the Company or in electronic form not less than six weeks before the annual general meeting. The notice shall contain a description of the proposed resolution desired to be put forward at the annual general meeting, the reasons for such proposal and any material interest of the proposing shareholder(s) in such proposal.

Procedures by which enquiries may be put to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the Company Secretary by mail at Suites 601-603, 6/F., Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong. The Company Secretary is responsible for forwarding communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions and inquiries, to the CEO of the Company.

DIVIDEND POLICY

The Company has adopted a Dividend Policy on payment of dividends. The Company does not have any pre-determined dividend payout ratio. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the Shareholders' approval.

INVESTORS RELATIONS

The Company's website (www.everchina202.com.hk) provides comprehensive and accessible news and information of the Company to the Shareholders, other stakeholders and investors. The Company will update the website information from time to time to inform the Shareholders and investors of the latest development of the Company.

Constitutional Document

During the year ended 31 March 2019, no change was made to the constitutional documents of the Company. An up to date version of the Company's Articles is also available on the website of the Company and the Stock Exchange.

SCOPE AND REPORTING PERIOD

This is the third Environmental, Social and Governance ("ESG") report by the Group, highlighting its ESG performance, with disclosure reference made to the ESG Reporting Guide as described in Appendix 27 to the Listing Rules and Guidance set out by The Stock Exchange of Hong Kong Limited.

The principal activities of the Group are the hotel operation of Holiday Inn Wujiaochang Shanghai ("the Hotel"), a 20-storey hotel located in Yangpu District, Shanghai, the People's Republic of China ("PRC") and property investment operation in the office located in Beijing, the PRC. The abovesaid operations contributed to the Group's major operation during the reporting period, thus are included in the reporting scope. This ESG report covers the Group's overall environmental and social performances of the business operations in the Hotel in Shanghai and the office in Beijing of the PRC, from 1 April 2018 to 31 March 2019, unless otherwise stated. Other operations that have no significant environmental and social impacts generated were excluded from the reporting scope.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

In order to identify the most significant aspects for the Group to report on for this ESG report, key stakeholders including investors, shareholders and employees have been involved in regular engagement sessions through various communication channels such as meetings, liaison groups, telephone conference, email and phone call to discuss and to review areas of attention which will help the business meets its potential growth and be prepared for future challenges.

In this year, the Group has specifically engaged the board members, shareholders, senior management, frontline staff and suppliers to gain further insights on ESG material aspects and challenges in the reporting period. Through meetings and surveys, the Group and its stakeholders identified the following top five material aspects:

- Environmental Protection and measures;
- Occupational Safety and Health;
- Customer privacy;
- Customer service; and
- Products of services quality.

The Group understand that the whole society expects a more stringent quality on public company's sustainability performance. As the Hotel is operated by InterContinental Hotels Group ("IHG"), IHG has made unremitting efforts to improve its sustainability standard. A lot of related policy has implemented on the Hotel's materiality concern.

STAKEHOLDERS' FEEDBACK

The Group welcomes stakeholders' feedback on our ESG approach and performance. Please give your suggestions or share your views with us via email at general@everchina202.com.hk.

THE GROUP'S SUSTAINABILITY MISSION AND VISION

The Group commits to providing the highest quality of services to customers by minimising the environmental impacts. In the future, sustainability will be given more consideration when we make investment decisions. We endeavour to work hand-in-hand with all stakeholders to strive for a continual improvement in sustainability.

Climate change directly affects our living standards and hinders social development. We operate our business with responsible business practices without compromising future development opportunities. We are committed to developing our business with minimum adverse impact on the environment, taking social and environmental impact as central issues to create shared sustainable values with our stakeholders and community. We uphold a high standard of corporate governance and believe that we can altogether contribute to building our sustainable future.

A. ENVIRONMENTAL

The hotel operation and property investment operations of the Group involved in the consumption of refrigerant, natural gas, electricity, paper, fresh water, business air travels and the generation of commercial waste (including food waste), paper waste and wastewater. There was no other non-compliance with laws and regulations relating to air and greenhouse gas ("GHG") emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that have a significant impact on the Group during the reporting period.

Total floor area for the report was approximately 16,117.14 sq. m of which 15,997 sq. m occupied was by the Hotel and 120.14 sq. m was occupied by the Beijing office.

A1. Emissions

A1.1. Air Emissions

Emissions from the hotel operation (including cooking fume) comply with all applicable statutory standards concerning air pollutant emissions including the Emission Standard of Cooking Fume (GB18483-2001) of the PRC. Cooking fume emission control equipment such as mechanical exhaust ventilation and grease filters are in place to ensure that emissions meet required standards. No vehicle, including guest and staff vehicle, is operated by the Group during the reporting period.

A1.2. Greenhouse Gas Emissions

Scope of GHG Emissions	Emission Sources	Emission (in tonnes of carbon dioxide equivalent "tCO_2e")	Total Emission (Percentage)
Scope 1 Direct Emission			
Combustion of fuel for stationary source	Natural gas	369.44	30.5%
Refrigerants		19.44	
Scope 2 Energy Indirect Emission			
Purchased electricity		866.22	67.96%
Scope 3 Other Indirect Emission			
Paper disposal at landfills		1.15	1.54%
Electricity used for freshwater processing		10.45	
Electricity used for sewage processing		5.64	
Business air travel		2.4	
Total		**1,275.07**	**100%**

Notes:

— Emission factors were made reference to Appendix 27 to the Main Board Listing Rules and their referred documentation as set out by Hong Kong Exchanges and Clearing Limited, unless stated otherwise.

— Emission factors for combustion of natural gas for stationary source was made reference to GHG Emissions from Stationary Combustion (Chinese), provided by the Greenhouse Gas Protocol.

— Combined margin emission factors (average) of 0.76 $kgCO_2e/kWh$ and 0.70 $kgCO_2e/kWh$ were used for purchased electricity in Beijing and Shanghai of Mainland China respectively.

There were 1,275.07 tCO_2e (mainly carbon dioxide, methane and nitrous oxide) emitted from the Group's operation in the reporting period. The annual emission intensity was 0.079 tCO_2e/m^2.

A1.3. Hazardous Waste

During the reporting period, the Group generated no major hazardous waste in its operation.

A1.4. Non-hazardous Waste

Non-hazardous waste generated from the Group's operation were mainly commercial waste such as food waste and paper waste. A total of 4,341.4 kg of commercial waste was generated in the reporting period. The generation intensity was 0.27 kg/m^2. Commercial waste is regularly collected by licensed collectors to ensure a high level of hygiene in its Hotel and offices.

A1.5. Measures to Mitigate Emissions

The Group endeavours to identify sources of high energy consumption, material consumption and environmental pollution in its hotel and implement measures for improvement, ensuring compliance with the local regulations. The Group has implemented the IHG Green Engage System and was awarded the level one Green Engage Certificate, efficiency of lightning has been improved during the reporting period.

A1.6. Waste Reduction and Initiatives

In respect of waste management, the Group strongly encourages waste segregation and recycling. It established guidelines for procedural recycling, provided ample waste recycling facilities in the Hotel public area and collected food waste separately for recycling. The Group encourages paper-saving practices and purchases remanufactured cartridges for cartridges refill.

Reducing Paper Waste

A total of 898.2 kg of paper has been used for daily office operations such as documents printing and deliverables packaging. The Group practices paper saving initiatives, such as encouraging employees to use duplex printing for internal documents and adopt environmentally friendly photocopy habit. During the reporting period, a total of 524.4 kg of paper had been recycled, contributing to a reduction of 2.52 tCO_2e emission.

Reducing Food Waste

Provision of breakfast contributes to a major part of the Hotel's F&B service. To avoid food waste at source, the Hotel estimates serving size of breakfast in accordance with daily guest rooms' occupancy before purchasing food ingredients for breakfast. The Hotel exercises efficient distribution of meals to guests and employees in order to control unnecessary food waste. In addition, by linking the F&B Department's performance ratings with the Hotel cost on food, staff is motivated to control and reduce food waste.

The Hotel has appointed "Hai Jie Environmental Company", the dedicate food waste collector in Shanghai downtown to collect our hotel food waste daily.

Reducing other use of materials

The Hotel understands that non-degradable wastes problem has become a major impact on our natural environment. We have introduced some other waste reduction policies. Reusable dining plates and utensils are introduced in the staff canteen to reduce waste. Reusable printing cartridges are used in the office.

A2. Use of Resources

Apart from the Group's effort in resources conservation, it encourages its guests to conserve natural resources and invites guests to consider reusing clean bed linen through its environmental reminder cards. Traditionally, bed linens were changed every day. Since the implementation of the environmental program, bed linens are now changed every three days unless guests have placed the environmental reminder cards on beds to request linen change.

A2.1. Energy Consumption

Energy Consumption Sources	Direct Consumption (the Group)	Consumption (in kWh) (the Group)	Consumption Intensity (in kWh/m²) (Hotel Operation)	Consumption Intensity (in kWh/m²) (Office Operation)
Natural gas	169,154 m^3	1,671,595	104.49	N/A
Electricity	1,237,457 kWh	1,237,457	77	54.27

Natural gas was consumed for cooking, in boilers for water heating and heat generation during winter. The total energy consumed by the Group was 2,909,052 kWh during the reporting period. The consumption intensity was 180.49 kWh/m^2.

A2.2. Water Consumption

The Group consumed freshwater supplied by the municipal freshwater supplier. Water consumption of the Group during the reporting period was 25,973 m^3, with a water consumption intensity of 1.61 m^3/m^2. Only water consumption of the Group's hotel operation is included in the data above as water consumption of its office operation is managed by the Building Management Office and respective data is not available, but it is noteworthy that water consumption of its office operation is insignificant. There was no issue in sourcing water that is fit for purpose.

Wastewater Discharge

The Hotel's catering operation complies with all relevant statutory requirements regarding wastewater and waste cooking oil discharge from restaurants. Grease traps are in place and wastewater containing cooking oil must pass through grease traps before discharge.

A2.3. Energy Use Efficiency Initiatives

The Group tracks monthly energy consumption data in order to understand how resources are used in the Hotel, identify savings and set reduction goals. It understands that electricity consumption contributes to significant environmental impact in its hotel operation. Apart from setting air conditioners in constant temperature mode, the Group constantly explores opportunities to change to LED lights and LED-backlit TVs in guest rooms.

A2.4. Water Use Efficiency Initiatives

The Group tracks monthly water consumption data in order to understand how resources are used in the Hotel, identify savings and set reduction goals. It also compiles a list of plumbing fixture flow rates from guest rooms and heart of house to compare flow rates and evaluate the system. This avoids high flow rates of water fixtures (such as guestrooms showers) while maintaining a quality guest experience. In addition, the Group ensures flow rates meet the International Plumbing Code (IPC) standards, which helps creating substantial water savings with consistent guest experience provided. Urinal flushing sensors and water-saving shower heads were also installed to avoid water wastage.

A2.5. Packaging Materials

During the reporting period, the Group has not involved in the consumption of any packaging materials.

A3. The Environment and Natural Resources

A3.1. Significant Impacts of Activities on the Environment

Environmental concern is the top concern from the stakeholder engagement process. The Group works wholeheartedly to mitigate the environmental impact on the operation. The Group is aware that its business operation consumes natural resources and poses certain impact on the environment. Therefore, the Group's hotel operation complies with Level 1 certification of the InterContinental Hotels Group ("IHG") Green Engage system which is a standard combining environmental responsibility with business sense for all IHG managed hotels. The system guides responsible operation by staying on top of the impact and resources the operation has on the environment. It tracks energy, waste, water and carbon and provides green solutions to help hotels reduce their environmental impact and save money.

IHG Green Engage System

As a standard for all IHG hotels across the world, the system sets 10 actions to be completed to achieve Level 1 Certification:

- Assemble a Green Team to ensure momentum and engagement across the hotel with green initiatives
- Develop preventative maintenance routine to ensure faults and poor system performance are spotted before causing bigger problems or wastage
- Develop a plan for communication and implementation of practices in office areas to ensure simple changes in behaviour can create instant savings on energy and waste cost
- Control lighting such as utilizing natural daylight and turning unnecessary lightings
- Control lighting in guest corridors to take advantage of natural light
- Implement and ensure best practices in housekeeping and laundry through trainings and supervision
- Track energy data to understand energy consumption and determine annual reduction goals
- Stop using incandescent lamps or bulbs and use compact fluorescent lamps or LED lights in guest rooms
- Track monthly water consumption to understand water consumption and determine annual reduction goals
- Ensure water fixtures do not exceed the International Plumbing Code 2006 maximum flow rate recommendations.

B. SOCIAL

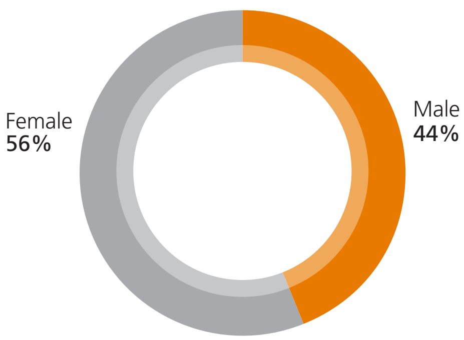
1. Employment and Labour Practices

B1. Employment

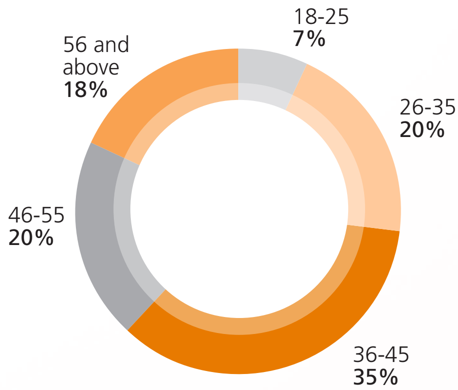
Total Employees and Turnover

The Group had a total of 77 employees as of 31 March 2019; all employees were from difference provinces in Mainland China. 69 (90%) of them were full time employees and 8 (10%) of them were part time employees.

TOTAL WORKFORCE BY GENDER



TOTAL WORKFORCE BY AGE GROUP



A total number of 0 employees left the Group in 2018/19, contributing to an overall turnover rate of 0%.

Employee Benefits and Welfare

The Group places great value in employees, providing employees with competitive compensation and benefits to attract and retain talents. It has a systematic benefit matrix for employees in different positions, with more generous benefits offered to higher positions. Employees are entitled to statutory paid leave, Housing Provident Fund and basic social insurance (including pension insurance, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance). The Group provides free duty meals in canteens in its hotel operation and lunch allowances in its office operation. The work hours are not more than 8 hours per day and 40 hours per week. The Group has the right to extend work hours upon agreement with employees and the Labour Union if necessary. Overtime work is normally within an hour per day, and not more than three hours upon special occasions. Overtime compensation will be provided according to the statutory requirements. The Group abides by all applicable employment and labour related laws of Hong Kong and the PRC and did not note any cases of material non-compliance with laws and regulations in relation to employment during the reporting period.

Promotion and Dismissal

Employees are offered with promotion opportunities mainly based on their capabilities, personalities and performances as reflected through annual performance appraisals. During the appraisal process, managers and team members set their objectives, which are then self-evaluated and reviewed by eligible supervisors. For termination of contract, either party may terminate the contract by one month advance written notice or salary in lieu of notice.

There was no non-compliance with laws and regulations in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods and other benefits and welfare that have a significant impact on the Group during the reporting period.

Equal Opportunity

The Group provides equal opportunities for employees in respect of recruitment, training and development, job advancement, and compensation and benefits. Employees are not discriminated against or deprived of such opportunities on the basis of gender, ethnic, background, religion, colour, age, marital status, family status, retirement, disability, pregnancy or any other discrimination prohibited by applicable laws.

Human Rights

The hotel operation of the Group abides by the IHG's policy on human rights which:

- Supports protection of human rights, particularly those of the employees, business partners and communities the Hotel operates;
- Respects employees' right to voluntary freedom of association, under the law;
- Provides a safe and healthy working environment;
- Does not support forced and compulsory labour or the exploitation of children;
- Supports elimination of employment discrimination and promotion diversity in the workplace;
- Provides our employees with remuneration and tools for growing their careers, and takes their wellbeing into consideration;
- Promotes fair competition and does not support corruption;
- Conducts business with honesty and integrity in compliance with applicable laws; and
- Develops and implements company procedures and processes to ensure the Hotel complies with the policy.

Employee Relations

All employees are welcome to use various communication channels for horizontal or vertical communication (such as email, social media platform, staff welfare meeting and employer-employee meeting). The Group also organises annual dinner, festival-related celebrations and birthday celebrations regularly to nourish a greater sense of belonging and to provide enhanced communication channels between senior management and general staff. During the reporting period, the Group organised a trip to Huzhou, Zhejiang, in which more than 20 employees joined the trip and received positive feedback.

B2. Employee Health and Safety

Occupational Health and Safety

Occupational Health and Safety is the other main concern of the stakeholder engagement process. The Group's policy on occupational health and safety ensures that frontline employees work in a healthy and safe environment. The Group provides necessary personal protective equipment to employees including:

- Provision of slip resistant work shoes to kitchen staff;
- Provision of hand cream and protective gloves to housekeeping staff to avoid dry skin due to frequent contact with cleaning agent; and
- Provision of insulating and safety shoes to electricians and engineering staff.

Apart from supplying adequate first aid supplies in the first aid kits, basic first aid training courses are also provided to employees to ensure employees acquire basic first aid knowledge and skills. There was no non-compliance with relevant laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards that have a significant impact on the Group during the reporting period.

Occupational Health and Safety Data in 2018/19

Work related fatality	0
Work injury cases >3 days	2
Work injury cases ≤3 days	0
Lost days due to work injury	179 days

B3. Development and Training

Various training programs are provided to staff in its hotel operation to ensure delivery of high-quality service to customers and to enhance personal development of staff. Training topics include but is not limited to induction, first aid, customer service, fire safety, emergency management and leadership.

With the Group's emphasis on food safety, there must be at least one food safety trainer who plans for or directly conducts training on food safety. Apart from compulsory food safety training, new employees must be trained on food safety knowledge and practices based on the IHG's Food Safety Management System ("FSMS") and local regulations. Staff of key departments (such as kitchen and F&B, etc.) must attend refresher training at least twice a year while other departments once a year.

The Group keeps traceable training details and participants' attendance records which are signed by departmental head.

Training and Development Data in 2018/19

Total number of employees trained	56
Total training hours	1,020
Percentage of employees trained by Gender	
— Male	87%
— Female	73%
Percentage of employees trained by employment category	
— Senior management	67%
— Middle management	100%
— Frontline and other employees	77%
Average training hours completed per employee by gender	
— Male	16
— Female	20
Average training hours completed per employee by employee category	
— Senior management	8
— Middle management	12
— Frontline and other employees	20

B4. Labour Standards

Pursuant to the Labour Law of the PRC, there was no child nor forced labour in the Group's operation in the reporting period. The human resources department ensures accuracy of the candidates' provided information by checking their identity cards and relevant certificates. There was no material non-compliance with laws and regulations regarding prevention of child and forced labour that have a significant impact on the Group was recorded during reporting period.

2. Operating Practices

B5. Supply Chain Management

The Group established a procurement policy for its hotel operation, which controls over all purchases made by the Hotel. All purchases must be made through purchasing department which require approval from the user department head, the director (for finance and business support) and the general manager. The Hotel's suppliers must fulfil pre-qualifications including but not limited to consistency of supply, ability to meet delivery schedule, conformance to quality requirements, administration and technical competence of personnel, reasonableness in pricing compared to market prices and good references. Standard procedures are established for setting up new suppliers and emergency purchasing.

The Group has developed a rating and scoring system to select its supply. All the potential suppliers are subject to a gruelling selection process, including passing of more than 20 pre-set criteria and requirements. When purchasing food and food-related products (including equipment), the purchasing manager performs screening for new suppliers, supplier evaluation and selection under technical guidance of related experienced chefs and hygienists. Supplier list is frequently updated to ensure names of suppliers, licenses and certificates are in place and valid. When purchasing office equipment, the Group gives higher priority to energy efficient equipment and installations

Outsourcing Management

Outsourced services of the Hotel include restaurant, laundry, public area cleaning, stewarding, equipment maintenance, pest control and room garbage management etc. All outsourcing service providers must have relevant qualifications granted by the authority. When dealing with services related to food safety, the Hotel and all outsourced restaurants establish contracts with terms regarding food safety responsibilities. Initial food safety trainings are also organised to employees of outsourced restaurants to ensure that they meet the required standards.

B6. Product Responsibility

The Group is aware of its responsibilities associated with the products and services it provides. Various policies and guidelines have been formulated for assuring quality of its products and services. No material non-compliance with laws and regulations regarding product and service-related health and safety, advertising, labelling and privacy matters that have a significant impact on the Group was noted in the reporting period.

Food Safety Management

The Group's hotel operation follows guidelines on food safety laid down in the IHG FSMS Manual. The Manual covers procedures on procurement of food and food-related products, food preparation and handling, cleaning and pest management, inspections, investigations, complaints and recall, related regulation compliance and outsource management etc.

The Group selects reliable and reputable suppliers of food and food-related products which comply with the food hygiene and safety standards established by regulatory authorities. General requirements for preparing and handling food are stated in the Manual to ensure prevention of foodborne diseases and contamination. Inspections are conducted by the FSMS committee at least once a month, with cross checking by members that do not belong to the department being inspected. Corresponding corrective actions are taken after inspections with records kept. Microbial test is undertaken semi-annually by an independent and accredited laboratory on samples including food, ice, hands of ready-to-eat ("RTE") food handlers, utensils/knife/cutting board for ready-to-wash ("RTW") food and the tableware that are ready to use. If the test result shows unqualified, investigation and corrective actions shall be taken and filed, until retest results meet the standards. Drill of foodborne illness ("FBI") response (including report, investigation, traceability and recall) is carried out once or twice in a year to improve staff's emergency response.

Customer Services

The Hotel aims to provide the most outstanding service to its guests. The IHG provides guidelines on personal grooming and provision of quality service to employees. Employee performances are also constantly monitored and reviewed. When receiving general complaints from customers or guests, complaint cases will be recorded in the Hotel's computer system with details of complaints and follow-up actions and status recorded. All FBI, foreign materials or food-related complaints must also be recorded and reported to the Hotel's management and the food safety committee.

Information Security

The Group is committed to protecting guest or employee data with technical measures and procedures in place. The Hotel's information is classified into three categories, namely public, confidential and restricted. Confidential information should be labelled before released outside of IHG and only then with a non-disclosure agreement in place; printed copies must be destroyed when finished with, usually by shredding. Access to the restricted information is limited only to related personnel. Restricted information should be stored only on central servers; printed copies must be destroyed when finished with and electronic copies securely disposed of.

To protect systems from malware, anti-virus software is used and updated frequently. Firewalls are used to block unnecessary and unexpected network traffic entering the hotel network. Employees are also reminded to use email cautiously and to avoid the spread of malware.

The Group conducts information privacy training and information security training regularly to ensure the staff have full knowledge of this area.

Product Assurance and Recall

To further ensure food safety, the Group has developed a stringent product assurance procedure. All the food related complaints are handled with ultra-care. As detail recording form has developed with handling procedures, staff need to report all the complaints regarding foreign material in food and allegation of food borne illness. Detail handling process and procedure must be followed and the report must be filed to the management for long term record and for further evaluation and improvement.

Advertising and Labelling

The Group has conducted training on advertising law with respect to the Advertising Law of the People's Republic of China to the management team.

The Advertising Law prohibits false or misleading content. Advertisements featuring a commodity or service that does not exist or one that contains incorrect information in relation to function, origin, usage, quality, ingredients or price are all deemed misleading by the Adveretising Law. The Advertising Law also prohibits superlatives such as "national", "highest" and "best".

Online advertising is also regulated by the Advertising Law. Internet advertisements must not interfere with the users' normal use of the internet. In relation to "pop-up" advertisements, a user must be given clear instructions how to close a pop-up advertisement. Electronically sent advertisements such as emails must include the sender's true identity and the contact details of the sender. Further, children younger than the age of 10 cannot serve as an endorser of a product or service.

B7. Anti-corruption

Upholding the highest level of integrity, the Group signs anti-corruption agreement with suppliers in its hotel operation, which prohibits any corruption, bribery, extortion, money laundering and misconduct in any operation processes including procurement, subcontract, leasing, marketing, planning and promotions. Suppliers shall also report to their direct supervisors or the management if any infringement to the agreement was noticed. No retaliation against persons reporting infringement is allowed. To ensure that terms in the agreement are effectively implemented, the Group also possesses a policy for receival of gifts/entertainment and whistle-blowing hotlines.

Apart from internal anti-corruption management, officials from government and regulatory agency conduct unannounced visit (namely dawn raids) to investigate potential violation of administrative or criminal laws in the aspects of anti-monopoly (eg. price-fixing), commercial bribery, false advertising, consumer rights protection and criminal offence (eg. Bribery, serious food safety accident, serious pollution accident). Guidelines for dawn raids reporting had been established to ensure staff's cooperation with officials.

The Group complies with all applicable laws on prohibiting corruption and bribery in Hong Kong and the PRC. There was no concluded legal case regarding corrupt practices brought against the Group or its employees during the reporting period.

B8. Community Investment

The Group is dedicated to helping the underprivileged and uniting different communities through various means. It sells charity products in which Holiday Inn Express Brand will donate RMB10 to the IHG Foundation for each charity product sold. The IHG Foundation aims to create employment opportunities to the local community, provide assistance to the underprivileged and contribute to environmental sustainability. The Group also donates 50% of the income from the Hotel's coin-operated washing machines to Project Hope, which provides educational opportunities for the less fortunate children in China's rural area. During the reporting period, the Group has organised a charity donation activity to China Soong Ching Ling Foundation on 18th Dec 2018. The Group has also organised a visit to Yang Pu Elderly Nursing home on 21st Sept 2018 to provide voluntary services to the elderly.

REPORT OF DIRECTORS

The Directors of the Company present their report and the audited financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the activities of the principal subsidiaries is set out in note 42 to the consolidated financial statements.

BUSINESS REVIEW

A business review of the Group during the year and a discussion on the Group's future business development is shown in the "Management Statement" on pages 4 to 7 of this annual report. The Management Statement also forms part of this report of the directors.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2019 are set out in the consolidated statement of profit or loss on page 54 of the annual report.

The directors of the Company did not recommend the payment of a dividend for the year ended 31 March 2019 (2018: Nil).

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 147 of the annual report.

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in note 31 to the consolidated financial statements.

RESERVES

Movements in reserves of the Group and the Company during the year are set out in consolidated statement of changes in equity on page 57 and note 33 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2019, the Company did not have any distributable reserves.

INVESTMENT PROPERTIES

Details of movements in investment properties of the Group during the year are set out in note 16 to the consolidated financial statements.

Particulars of the major properties of the Group held for investment purposes at 31 March 2019 are set out on page 148 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements respectively.

BANK AND OTHER BORROWINGS

Particulars of bank and other borrowings of the Group as at 31 March 2019 are set out in note 29 to the consolidated financial statements.

DIRECTORS

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

Executive directors:

Mr. Jiang Zhaobai *(Chairman)*
Mr. Lam Cheung Shing, Richard *(Chief Executive Officer)*
Mr. Chen Yi, Ethan
Mr. Shen Angang

Independent non-executive directors:

Mr. Ho Yiu Yue, Louis
Mr. Ko Ming Tung, Edward
Professor Shan Zhemin

In accordance with the Company's articles of association, the Directors of the Company (including the Independent Non-Executive Directors) shall be subject to retirement by rotation at each annual general meeting. Mr. Jiang Zhaobai, Mr. Chen Yi, Ethan and Mr. Shen Angang shall retire by rotation at the forthcoming annual general meeting. All of them, being eligible, have offered themselves for re-election at the forthcoming annual general meeting.

DIRECTORS OF SUBSIDIARIES

A list of the names of the directors of the Group's principal subsidiaries during the year and up to the date of this report can be found in the Company's website at www.everchina202.com.hk under "Company Info".

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision (as defined in Section 469 of the Companies Ordinance) for the benefit of the Directors of the Company is currently in force and was in force throughout the year. The Company has arranged insurance cover in respect of legal action against its Directors. The insurance coverage is reviewed at least annually for ensuring that the Directors and officers are adequately protected against potential liabilities.

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

As at 31 March 2019, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in shares and underlying shares

Name of Directors	Capacity	Number of Shares held	Approximate percentage shareholding
Jiang Zhaobai	Interest in controlled corporation	1,742,300,000	23.89%
Shen Angang	Beneficial owner	392,995,000	5.39%
Lam Cheung Shing, Richard	Beneficial owner	7,700,000	0.11%

Save as disclosed above, as at 31 March 2019, none of the Directors and chief executives of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

DIRECTORS' SERVICE CONTRACTS

None of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. During the year and up to the date of this report, the Company has not granted any share options under the Share Option Scheme. Particulars of the Share Option Scheme are set out in note 32 to the consolidated financial statements.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2019, the interests or short positions of the persons (other than a Director or chief executive of the Company) in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO were as follows:

Long positions in shares and underlying shares

Name of Substantial Shareholders	Capacity	Number of Shares held	Approximate percentage shareholding
Jiang Zhaobai	Interest in controlled corporation (Note)	1,742,300,000	23.89%
Rich Monitor Limited	Beneficial owner	1,033,300,000	14.17%
Pengxin Holdings Company Limited	Beneficial owner	709,000,000	9.72%
Shen Angang	Beneficial owner	392,995,000	5.39%

Note: The entire issued share capital of Rich Monitor Limited and Pengxin Holdings Company Limited is held by Jiang Zhaobai. Therefore, Jiang Zhaobai is deemed to be interested in 1,742,300,000 shares of the Company under the SFO.

Save as disclosed above, as at 31 March 2019, the Company has not been notified by any other person or corporation having interests or short positions in the shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company.

CONNECTED TRANSACTIONS

As disclosed in the announcement of the Company dated 24 December 2015 and the circular of the Company dated 19 February 2016, the Group should enter into a leasing agent and operating services agreement with Wo Hua and a property service agreement with Shanghai Chun Chuan upon the completion of the acquisition of the Shanghai Property.

The acquisition of the Shanghai Property was completed in August 2016. Pursuant to the leasing agent and operating services agreement (the "Leasing Agreement") entered into between Shanghai Xinhong Investment Company Limited (上海欣竑投資有限公司) ("Shanghai Xinhong"), an indirect wholly-owned subsidiary of the Company and Wo Hua, (i) Wo Hua provides leasing agency services of the Shanghai Property to Shanghai Xinhong for a term of three years till 11 August 2019 with annual agency services fee not exceed RMB1,800,000 per annum; and (ii) Wo Hua guaranteed that the rental income of the Shanghai Property for each year during the term of three years commencing till 11 August 2019 shall not less than 3.5% of the Consideration, which is equivalent to RMB21,560,000 (the "Rental Guarantee"). For any shortfall, the Wo Hua shall pay Shanghai Xinhong the shortfall on a dollar-for-dollar basis. According to the guarantee agreement (the "Guarantee Agreement") entered into between Shanghai Xinhong and Shanghai Lai Yin Si Zhiye Company Limited (上海萊因思置業有限公司), being the Vendor to the Shanghai Property, the Vendor guaranteed that if Wo Hua fails to pay the shortfall, the Vendor shall pay Shanghai Xinhong the shortfall on a dollar-for-dollar basis. Besides, pursuant to the property service agreement (the "Service Agreement") entered into between Shanghai Xinhong and Shanghai Chun Chuan in relation to providing management services to the Shanghai Property for a term of three years till 31 August 2019, the total services fee paid and/or payable to Shanghai Chun Chuan shall not exceed RMB1,600,000 per annum. Since Mr. Jiang and his brother Mr. Jiang Lei are the beneficial owner of Wo Hua and Shanghai Chun Chuan, the Leasing Agreement and the Service Agreement constituted continuing connected transactions for the Company under the Listing Rules. As the applicable percentage ratios are less than 5% and the total fees payables is less than RMB3,000,000 under each of the Leasing Agreement and the Service Agreement, both of the Leasing Agreement and the Service Agreement are exempted continuing connected transaction under Chapter 14A of the Listing Rules.

The following financial performance of the Shanghai Property is disclosed pursuant to Rule 14A.63 of the Listing Rules:

During the year ended 31 March 2019, the actual rental income received by Shanghai Xinhong was approximately RMB3,022,000 (equivalent to approximately HK$3,555,000). As the actual rental income did not meet the guarantee income of RMB21,560,000 (equivalent to approximately HK$25,365,000), Wo Hua should compensate the shortfall of approximately RMB18,538,000 (equivalent to approximately HK$21,809,000) to Shanghai Xinhong. Due to Wo Hua had paid the management fee of approximately RMB3,092,000 (equivalent to approximately HK$3,638,000) on behalf of Shanghai Xinhong, Wo Hua is authorised by Shanghai Xinhong to deduct the management fee of approximately RMB3,092,000 (equivalent to approximately HK$3,638,000) directly from the shortfall. On 18 December 2018, Shanghai Xinhong received from Wo Hua approximately RMB15,446,000 (equivalent to approximately HK$18,165,000) after deduction of the aforesaid management fee.

Pursuant to Rule 14A.63 of the Listing Rules, the independent non-executive directors of the Company are of the view that Wo Hua has fully performed its obligations under the Rental Guarantee for the year ended 31 March 2019.

Details of connected transaction is set out in note 38 to the consolidated financial statements.

RELATED PARTY TRANSACTIONS

Details of related party transactions are set out in note 38 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of turnover attributable to the Group's five largest customers to the total turnover during the year was 42%. The percentage of turnover attributable to the Group's largest customer to the total turnover during the year was 34%.

Due to the nature of the activities of the Group, there is no major supplier contributed significantly in the Group's purchases for the year.

None of the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) had an interest in any of the Group's five largest customers and suppliers.

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

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year ended 31 March 2019.

RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes of the Group are set out in note 37 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of its directors, the directors confirmed that the Company has maintained a sufficient public float as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the year.

CHARITABLE DONATION

The Company made charitable donation of HK$50,000 during the year.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 14 to 24.

KEY RISKS FACTORS AND UNCERTAINTIES

The Group's businesses, operating results, financial position and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to our Group's businesses. The Group's risk management and internal control systems are in place to ensure principal risks as well as significant emerging risks are identified, monitored and managed on a continuous basis. The principal risks and uncertainties set out below may have material impacts on the Group's businesses, operating results, financial position or business prospects, but they are by no means exhaustive or comprehensive.

Regulatory and Compliance Risk

As a listed company with diversify business in different countries, the Group is exposed to and subject to extensive government policies and regulations of mainland China, Hong Kong, Indonesia and Bolivia. These include the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "Listing Rules"), Hong Kong Companies Ordinance as well as legal, tax, environmental and any other statutory requirements for our various kinds of businesses in different jurisdictions. The Group is committed to complying with the relevant policies, regulations and guidelines applicable to its operations by experienced and professional staff as well as by consultancy with external experts.

Market and Investment Risk

The Group's operations including property investment operation, hotel operation, agricultural operation and natural resources operation are susceptible to different factors such as government policies and regulations, economic growth, social environment, customer demands, etc. The Group is kept abreast with the changes in business environment and timely assesses the impacts on the operations in order to formulate the best strategy for persisted growth. Besides. the Group sticks firmly to its prudent investment approach and expands its operating scale in an organised manner. The Group would perform comprehensive due diligence review on new business opportunities and selected cautiously the appropriate projects for investment.

Financial Risk

The Group is exposed to interest rate, credit, liquidity, currency and other price risks which arise in the normal course of the Group's businesses. The analysis of these risks is illustrated in the note 40 to the consolidated financial statements in detail.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to environmental protection and the efficient use of resources. The Group encouraged the employees to develop good habits, conserve resources and energy to build a green and comfortable office environment. The Group has adopted various environmental policies which include minimising consumption of electricity and paper, waste reduction and promoting the use of electronic communication and storage. They are regularly reviewed and results are closely monitored. Information on the environmental policies and performance of the Group is set out in the "Environmental, Social and Governance Report" on pages 25 to 37 of this Annual Report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in Hong Kong and the PRC. Our establishment and operations accordingly shall comply with all the applicable laws and regulations in the jurisdictions where we have operations. Meanwhile, the Company is a company listed in Hong Kong. The Group also has to comply with the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange of Hong Kong").

As far as the Board and management are aware, the Group has complied in material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year, save for disclosed in the Corporate Governance Report on pages 14 to 24, there was no material breach of or noncompliance with the applicable laws and regulations by the Group.

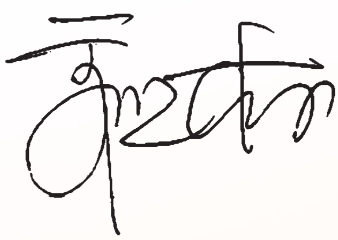
RELATIONSHIPS WITH KEY STAKEHOLDERS

Human resources are regarded as the most important and valuable assets of the Group. Competitive remuneration packages are provided to attract and motivate employees. In addition, to conform to the market standard, the Group regularly reviews the remuneration package of employees and makes necessary adjustments. Moreover, the Group understands the importance of maintaining good relationship with business partners is vital to achieve its long-term goals. Thus, management of the Group have kept good communication, promptly exchanged ideas and shared business update with them as and when appropriate. During the year, there was no material and significant dispute between the Group and its business partners.

AUDITORS

The consolidated financial statements for the year ended 31 March 2019 were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming annual general meeting. A resolution for the re-appointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company for the subsequent year will be proposed at the forthcoming annual general meeting.

On behalf of the Board



Jiang Zhaobai
Chairman

Hong Kong, 27 June 2019

INDEPENDENT AUDITORS' REPORT

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF EVERCHINA INT'L HOLDINGS COMPANY LIMITED

(incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of EverChina International Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 54 to 146, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 2019, 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 Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditors' 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.

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.

KEY AUDIT MATTERS *(Continued)*

Key audit matters	How our audit addressed the key audit matters
Impairment assessment of mining rights	
Refer to note 18 and the accounting policies in note 4 to the consolidated financial statements.	
As at 31 March 2019, the Group had mining rights of approximately HK$178,664,000. The delay of production schedule, change of development plan and volatile of manganese mine price were considered impairment indicators of the mining rights. Management of the Group engaged an independent professional qualified valuer to perform an impairment test on the mining rights by using an excess earnings method under the income approach as at 31 March 2019. Based on the outcome of the impairment test, the Group recognised an impairment loss of approximately HK$93,216,000 during the year ended 31 March 2019. This conclusion was based on the adoption of valuation technique that required significant management judgement.	Our procedures in relation to management's impairment assessment of mining rights included: • evaluating the independent valuer's competence, capabilities and objectivity; • assessing the valuation methodology used by management and the independent valuer; • reviewing and challenging the reasonableness of key assumptions and critical judgement areas which underpin the fair value estimation; • engaging an auditors' expert to assist us to assess the appropriateness of the valuation methodology and the reasonableness of the inputs, assumptions and estimations used by management and the independent valuer which underpin the fair value estimation; and • checking the accuracy and the relevance of the input data used. We found that the management conclusion to be consistent with the available information.

KEY AUDIT MATTERS *(Continued)*

Key audit matters *(Continued)*	How our audit addressed the key audit matters *(Continued)*
Impairment assessment on goodwill *Refer to note 19 and the accounting policies in note 4 to the consolidated financial statements.* As at 31 March 2019, the Group had goodwill of approximately HK$91,454,000 For the purpose of assessing impairment, goodwill was allocated to cash generating units ("CGUs"), comprised of hotel operation of approximately HK$45,738,000, property investment operation of approximately HK$18,069,000 and agricultural operation of approximately HK$27,647,000. The recoverable amount of each CGU was determined by management based on value-in-use calculations using cash flow projections. In carrying out the impairment assessment, significant management judgement was used to appropriately identify of CGUs and to determine the key assumptions, including operating margins, terminal growth rates and discount rates, underlying the value-in-use calculations. Independent external valuation were obtained in order to support management's estimates. Management has concluded that there is no impairment in respect of the goodwill.	Our procedures in relation to management's impairment assessment of goodwill allocated to each of the Group's key business included: • Evaluating of the independent valuer's competence, capabilities and objectivity; • Assessing management's identification of CGUs based on the Group's accounting policies and our understanding of the Group's hotel business, property investment business and agriculture business; • Assessing the value-in-use calculations methodology adopted by management and the reasonableness of key assumptions (including operating margins, terminal growth rates and discount rates) based on our knowledge of the business and industry and using our valuation expects; and • Checking, on a sample basis, the accuracy and relevance of the input data used. We found the key assumptions used by management for impairment assessment were supported by the available evidence.

KEY AUDIT MATTERS *(Continued)*

Key audit matters *(Continued)*	How our audit addressed the key audit matters *(Continued)*
Valuation on the investment properties *Refer to note 16 and the accounting policies in note 4 to the consolidated financial statements.* As at 31 March 2019, management has estimated the fair value of the Group's investment properties of approximately HK$1,282,094,000 with a net loss on fair value changes of approximately HK$3,529,000 was recognised in the consolidated statements of profit or loss for the year ended 31 March 2019. Independent external valuations in respect of all of the portfolio of the Group's investment properties were performed in order to support the management's estimation. The valuations are dependent on certain key assumptions that require significant management judgement including reversionary yield and rental income from future reversion leases in light of current market condition.	Our procedures in relation to management's valuation of the Group's investment properties included: • Evaluating of the independent valuer's competence, capabilities and objectivity; • Assessing the methodologies used and the appropriateness of the key assumptions and parameters based on our knowledge of the property industry and using our auditors' valuation expert; and • Checking on a sample basis, the accuracy and relevance of the input data used. We found the key assumptions used by management for valuation of investment properties were supported by the available evidence.

KEY AUDIT MATTERS *(Continued)*

Key audit matters *(Continued)*	How our audit addressed the key audit matters *(Continued)*
Impairment assessment on the trade and other receivables and loan receivables *Refer to notes 23 and 24 and the accounting policies in note 4 to the consolidated financial statements.* As at 31 March 2019, the Group had (i) trade and other receivables with net carrying amount of approximately HK$176,522,000 and (ii) loan receivables with net carrying amount of approximately HK$52,475,000. During the year ended 31 March 2019, impairment loss of trade and other receivables of approximately HK$17,289,000 and impairment loss of loan receivables of approximately HK$25,949,000 have been charged to the consolidated statement of profit and loss. As set out in note 5 to the consolidated financial statements, the measurement of expected credit losses ("ECL") requires estimation of the amount and timing of future cash flows and the assessment of significant increase in credit risk. The estimations and assumptions applied in the ECL model include (i) the selection of inputs which the entity used in the ECL model including loss given default and possibility of default; and (ii) the selection of forward looking information. We focused on this area due to the allowance for expected credit losses assessment under the ECL model involved the use of significant management judgements and estimates.	Our procedures in relation to management's impairment assessment on the Group's trade and other receivables and loan receivables included: • Obtaining an understanding of the Group's credit loss policy and methodology for impairment assessment in relation to the application of ECL model under HKFRS 9 including the formulation of the model and inputs used in the ECL model. • Evaluating management's impairment assessment included testing, on a sample basis, the underlying data used by management to assess the collectability of the trade and other receivables and loan receivables; • Assessing, validating and discussing with management of the Group and evaluating their assessment on the recoverability of the outstanding debts and the adequacy of allowance made based on the trade and other receivables and loan receivables aging analysis, collection subsequent to the end of the reporting period, past collection history and trend analysis and knowledge of the business; and • Checking, on a sample basis, the accuracy and relevance of information included in the impairment assessment of trade and other receivables and loan receivables. We found the management judgement and estimates used to assess the recoverability of trade and other receivables and loan receivables and determine the impairment provision to be supportable by available information.

OTHER INFORMATION IN THE ANNUAL REPORT

The Directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon ("Other Information").

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.

RESPONSIBILITIES OF THE DIRECTORS OF THE COMPANY AND THE AUDIT COMMITTEE 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 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 Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITORS' 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 auditors' report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance 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 HKSAs 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.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' 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.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

From the matters communicated with the Audit Committee, 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 auditors' 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.

The engagement director on the audit resulting in this independent auditors' report is Kwok Tsz Chun.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Kwok Tsz Chun
Practising Certificate Number: P06901
Hong Kong, 27 June 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	7	**78,064**	89,912
Cost of sales		**(39,819)**	(3,497)
Other income and gain, net	8	**9,871**	16,520
Staff costs	9	**(35,416)**	(36,151)
Depreciation	17	**(15,722)**	(15,106)
Administrative costs		**(80,541)**	(66,699)
Other operating expenses		**(93,216)**	(66,555)
Impairment loss recognised in respect of trade and other receivables and loan receivables, net		**(43,238)**	(73,853)
Loss arising on change in fair value of investment properties	16	**(3,529)**	(36,072)
Gain/(loss) arising on change in fair value less costs to sell on biological assets	21	**2,282**	(91)
Loss arising on change in fair value of financial assets at fair value through profit or loss	14	**(320,912)**	(409,850)
Loss from operations	10	**(542,176)**	(601,442)
Finance costs	11	**(86,594)**	(79,226)
Gain on disposal of a subsidiary	35	**–**	2,032
Loss before taxation		**(628,770)**	(678,636)
Tax credit/(expense)	12	**23,810**	(97,237)
Loss for the year		**(604,960)**	(775,873)
Attributable to:			
Owners of the Company		**(600,252)**	(775,807)
Non-controlling interests		**(4,708)**	(66)
		(604,960)	(775,873)
Loss per share attributable to the owners of the Company	13		
— Basic and diluted		**HK8.993 cents**	HK12.763 cents

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Loss for the year		**(604,960)**	(775,873)
Other comprehensive (loss)/income			
Items that maybe reclassified subsequently to profit or loss			
Exchange differences on translation of overseas subsidiaries		**(114,308)**	270,409
Release of exchange reserve upon disposal of subsidiaries	35(a)	**–**	9,176
Release of exchange reserve upon deregistration of subsidiaries		**–**	351
Total comprehensive loss for the year		**(719,268)**	(495,937)
Total comprehensive loss attributable to:			
Owners of the Company		**(714,560)**	(495,871)
Non-controlling interests		**(4,708)**	(66)
		(719,268)	(495,937)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Investment properties	16	**1,282,094**	1,347,788
Property, plant and equipment	17	**890,326**	569,177
Mining rights	18	**178,664**	271,880
Goodwill	19	**91,454**	91,454
Deposit paid for acquisition of subsidiaries	22	**–**	195,000
		2,442,538	2,475,299
Current assets			
Inventories	20	**7,664**	7
Biological assets	21	**17,951**	2,837
Trade and other receivables and prepayments	23	**176,522**	378,544
Loan receivables	24	**52,475**	91,084
Financial assets at fair value through profit or loss	25	**911,924**	1,393,232
Cash and cash equivalents	26	**79,975**	179,712
		1,246,511	2,045,416
Total assets		**3,689,049**	4,520,715
Capital and reserves			
Share capital	31	**2,664,298**	2,490,454
Reserves		**(117,621)**	614,320
Equity attributable to owners of the Company		**2,546,677**	3,104,774
Non-controlling interests		**37,979**	42,687
Total equity		**2,584,656**	3,147,461
Non-current liabilities			
Bank borrowings	29	**5,748**	–
Deferred tax liabilities	30	**126,839**	102,492
		132,587	102,492
Current liabilities			
Trade and other payables and deposits received	27	**76,919**	148,848
Contract liabilities	28	**443**	–
Tax payable		**6,286**	2,263
Bank and other borrowings	29	**888,158**	1,119,651
		971,806	1,270,762
Total liabilities		**1,104,393**	1,373,254
Total equity and liabilities		**3,689,049**	4,520,715
Net current assets		**274,705**	774,654
Total assets less current liabilities		**2,717,243**	3,249,953

Approved by the Board of Directors on 27 June 2019 and signed on its behalf by:

Jiang Zhaobai
Director

Lam Cheung Shing, Richard
Director

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Equity attributable to owners of the Company								
	Share capital HK$'000	Special reserve HK$'000	Contributed surplus HK$'000	Exchange reserve HK$'000	Statutory surplus reserve HK$'000	Retained earnings/ (accumulated losses) HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2017	2,490,454	571,996	1,342,477	(66,578)	871	(738,575)	3,600,645	42,753	3,643,398
Loss for the year	–	–	–	–	–	(775,807)	(775,807)	(66)	(775,873)
Release of exchange reserve upon disposal of subsidiaries	–	–	–	9,176	–	–	9,176	–	9,176
Release of exchange reserve upon deregistration of subsidiaries	–	–	–	351	–	–	351	–	351
Exchange differences on translation of overseas subsidiaries	–	–	–	270,409	–	–	270,409	–	270,409
Total comprehensive (loss)/ income for the year	–	–	–	279,936	–	(775,807)	(495,871)	(66)	(495,937)
At 31 March 2018	2,490,454	571,996	1,342,477	213,358	871	(1,514,382)	3,104,774	42,687	3,147,461
Impact on initial application of HKFRS 9 (note 3)	–	–	–	–	–	(17,381)	(17,381)	–	(17,381)
At 1 April 2018, as restated	2,490,454	571,996	1,342,477	213,358	871	(1,531,763)	3,087,393	42,687	3,130,080
Loss for the year	–	–	–	–	–	(600,252)	(600,252)	(4,708)	(604,960)
Exchange differences on translation of overseas subsidiaries	–	–	–	(114,308)	–	–	(114,308)	–	(114,308)
Total comprehensive loss for the year	–	–	–	(114,308)	–	(600,252)	(714,560)	(4,708)	(719,268)
Placement of new shares	173,844	–	–	–	–	–	173,844	–	173,844
At 31 March 2019	**2,664,298**	**571,996**	**1,342,477**	**99,050**	**871**	**(2,132,015)**	**2,546,677**	**37,979**	**2,584,656**

Special reserve

The special reserve represented the difference between the nominal value of shares of Burlingame International Company Limited ("Burlingame") and the nominal value of shares issued for the swap of the shares of Burlingame pursuant to the scheme of arrangement as set out in the document issued by the Company and Burlingame dated 27 July 2000.

Contributed surplus

Pursuant to a special resolution by the shareholders of the Company at a special general meeting held on 18 September 2009 and upon all conditions precedents to the capital reorganisation have been fulfilled on 9 April 2010, (i) the nominal value of each share was reduced from HK$0.10 to HK$0.01 by cancelling the Company's paid up capital to the extent of HK$0.09 on each share, (ii) part of the credit arising from capital reduction was utilised to set off accumulated losses of the Company and (iii) the remaining credit balance in the contributed surplus of the Company will be utilised in accordance with the articles of association of the Company and all applicable laws.

Exchange reserve

Exchange reserve represents exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Hong Kong dollars) are recognised directly in the consolidated statement of profit or loss and other comprehensive income and accumulated in the exchange reserve. Such exchange differences accumulated in the exchange reserve are reclassified to the consolidated statement of profit or loss on the disposal of the foreign operations.

Statutory surplus reserve

Statutory surplus reserve represents the appropriation of 10% of profit after taxation, calculated in accordance with the accounting standards and regulations applicable to subsidiaries of the Company established in the People's Republic of China ("PRC"). When the balance of such reserve reaches 50% of the Group's registered capital, any further appropriation is optional.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
OPERATING ACTIVITIES			
Loss before taxation		**(628,770)**	(678,636)
Adjustments for:			
Depreciation of property, plant and equipment	17	**15,722**	15,106
Impairment loss recognised in respect of mining rights	18	**93,216**	–
Loss arising from change in fair value of of investment properties	16	**3,529**	36,072
(Gain)/loss arising from change in fair value less costs to sell of biological assets	21	**(2,282)**	91
Impairment loss recognised in respect of trade and other receivables	23	**17,289**	73,853
Impairment loss recognised in respect of loan receivables	24	**25,949**	–
Loss on written off of property, plant and equipment	17	**–**	2,700
Loss arising from change in fair value of financial assets at fair value through profit or loss	25	**320,912**	409,850
Loss on disposal of financial assets at fair value through profit or loss		**60,725**	–
Interest income		**(1,695)**	(6,038)
Interest expenses	11	**86,594**	79,226
Operating cash flows before movements in working capital		**(8,811)**	(67,776)
Decrease/(increase) in inventories		**2,593**	(2)
Decrease in loan receivables		**22,701**	6,244
Decrease in trade and other receivables and prepayments		**167,691**	38,005
Increase in contract liabilities		**443**	–
(Decrease)/increase in trade and other payables and deposits received		**(71,929)**	67,621
Cash generated from operating activities		**112,688**	44,092
Profits tax paid		**(8,637)**	(109,366)
Tax refund		**25,498**	–
Interest received		**1,695**	6,038
Net cash generated from/(used in) operating activities		**131,244**	(59,236)
INVESTING ACTIVITIES			
Deposit paid for acquisition of subsidiaries	22	**–**	(195,000)
Purchase of property, plant and equipment	17	**(6,048)**	(3,075)
Proceeds from sale of biological assets	21	**8,694**	749
Purchase of biological assets	21	**(3,007)**	(925)
Decrease of biological assets	21	**129**	131
Net cash outflow arising from acquisition of subsidiaries	34	**(163,340)**	–
Proceeds from disposal of financial assets at fair value through profit or loss		**38,790**	5,632
Net cash used in investing activities		**(124,782)**	(192,488)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
FINANCING ACTIVITIES			
Proceeds from issue of shares		**173,844**	–
Interest paid		**(69,906)**	(78,931)
New bank and other borrowings raised		**1,250,912**	481,963
Repayment of bank and other borrowings		**(1,451,346)**	(455,476)
Net cash used in financing activities		**(96,496)**	(52,444)
Net decrease in cash and cash equivalents		**(90,034)**	(304,168)
Cash and cash equivalents at beginning of the year		**179,712**	492,651
Effect of change in foreign exchange rate		**(9,703)**	(8,771)
Cash and cash equivalents at end of the year		**79,975**	179,712
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	26	**79,975**	179,712

The accompanying note form an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Suites 601-603, 6/F., Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries are principally engaged in (i) property investment operation, (ii) hotel operation, (iii) financing and securities investment operation and (iv) agricultural operation. Details of the principal activities of its subsidiaries are set out in note 42.

The consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Ints") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the applicable disclosure provisions of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The preparation of the consolidated financial statements in conformity with HKFRSs requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant are set out in note 5.

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

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

2. BASIS OF PREPARATION *(Continued)*

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

— Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

— Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

— Level 3 inputs are unobservable inputs for the asset or liability.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, the following new and amendments to standards and interpretations (collectively referred to as the "new and amendments to HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning from 1 April 2018. A summary of the new and amendments to HKFRSs applied by the Group is set out as follows:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKAS 28 (Amendments)	As part of Annual Improvements to HKFRSs 2014 – 2016 Cycle
HKAS 40 (Amendments)	Transfers of Investment Property

Except for HKFRS 9 and HKFRS 15, the application of the above new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or disclosures set out in these consolidated financial statements.

The above new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Impact on opening consolidated statement of financial position

The following table show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained in more detail by standard below.

Consolidated statement of financial position (extract)	At 31 March 2018 (originally stated) HK$'000	HKFRS 9 HK$'000	HKFRS 15 HK$'000	At 1 April 2018 (as restated) HK$'000
Current assets				
Trade and other receivables	378,544	(4,721)	–	373,823
Loan receivables	91,084	(12,660)	–	78,424
Current liabilities				
Trade and other payables and deposits received	148,848	–	(519)	148,329
Contract liabilities	–	–	519	519
Equity				
Reserves	614,320	(17,381)	–	596,939

HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening accumulated losses (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 and HKAS 11 and the related interpretations.

The Group recognises revenue from the following major sources:

- Hotel operations
- Agricultural operations
- Property rental income (not within the scope of HKFRS 15)
- Investment in securities (not within the scope of HKFRS 15)
- Financing (not within the scope of HKFRS 15)

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKFRS 15 Revenue from Contracts with Customers *(Continued)*

Revenue from leasing of properties continues to be accounted for in accordance with HKAS 17 "Leases" and revenue from investment in securities and financing is accounted for in accordance with HKFRS 9 "Financial Instrument", whereas revenue from other sources is accounted for under HKFRS 15.

Information about the Group's accounting policies and performance obligations resulting from application of HKFRS 15 are disclosed in notes 4 and 7 respectively.

Summary of effects arising from initial application of HKFRS 15

The application of HKFRS 15 has no material impact on the Group's accumulated losses at 1 April 2018. The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2018	Reclassification	Carrying amounts with application of HKFRS15 at 1 April 2018
	HK$'000	HK$'000	HK$'000
Current liabilities			
Trade and other payables and deposits received	148,848	(519)	148,329
Contract liabilities	–	519	519

Note: Before the adoption of HKFRS 15, the Group recognised consideration received from customers in advance as trade and other payables and deposits received. This balance was reclassified to contract liabilities upon application of HKFRS 15.

The application of HKFRS 15 has no material impact on the amounts recognised in the Group's consolidated statement of profit or loss for the current year. The following table summaries the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position at 31 March 2019 and its consolidated statement of cash flows for the year ended 31 March 2019 for each of the lines items affected. Line items that were not affected by the changes have not been included.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKFRS 15 Revenue from Contracts with Customers *(Continued)*

Summary of effects arising from initial application of HKFRS 15 *(Continued)*

Impact on the consolidated statement of financial position

	Carrying amounts without application of HKFRS 15 2019 HK$'000	Reclassification HK$'000	As reported 2019 HK$'000
Current liabilities			
Trade and other payables and deposits received	77,362	(443)	76,919
Contract liabilities	–	443	443

Note: Consideration received from customers in advance in relation to hotel room revenue of approximately RMB377,000 (equivalent to approximately HK$443,000) was previously included in trade and other payables and deposits received. Upon the application of HKFRS 15, this deferred revenue was reclassified to contract liabilities.

Impact on the consolidated statement of cash flows

	Carrying amounts without application of HKFRS 15 2019 HK$'000	Adjustments HK$'000	As reported 2019 HK$'000
Operating activities			
Decrease in trade and other payables and deposits received	71,486	443	71,929
Increase in contract liabilities	–	(443)	(443)

For the purposes of reporting cash flows from operating activities under indirect method for the year ended 31 March 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 April 2018 as disclosed above.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKFRS 9 Financial Instruments and the related amendments

In the current year, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment under ECL model retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The Group has recognised the transition arrangements against the applicable opening balances in equity at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening accumulated losses and other components of equity, without restating the comparative information.

Classification and measured of financial assets and financial liabilities

All financial assets and financial liabilities continue to be measured on the same basis as those were previously measured under HKAS 39.

Summary of effect arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018.

	Note	Trade and other receivables HK$'000	Loan receivables HK$'000	Accumulated losses HK$'000
Closing balance at 31 March 2018				
— HKAS 39		378,544	91,084	(1,514,382)
Effect arising from initial application of HKFRS 9:				
Remeasurement				
Impairment under ECL model	(a)	(4,721)	(12,660)	(17,381)
Opening balance at 1 April 2018, as restated		373,823	78,424	(1,531,763)

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Classification and measured of financial assets and financial liabilities *(Continued)*

Summary of effect arising from initial application of HKFRS 9 *(Continued)*

Note:

(a) Impairment under ECL model

The Group has applied HKFRS 9 simplified approach to measure expected credit loss using a lifetime expected credit loss for trade receivables. To measure the expected credit loss, trade receivables have been grouped using a provision matrix based on past due status.

Loss allowance for other financial assets at amortised cost, mainly comprising loan receivables, deposits and other receivables and bank balances, are measured on 12-month expected credit loss basis and there had been no significant increase in credit risk since initial recognition.

At 1 April 2018, additional credit loss allowance of approximately HK$17,381,000 have been recognised in accumulated losses. The additional loss allowance is charged against the loan receivables and other receivables.

Set out below is the table reconciles the provision for impairment determined in accordance with HKFRS 9 as at 1 April 2018.

	Loan receivables *HK$'000*	Trade and other receivables *HK$'000*
Closing balance at 31 March 2018 under HKAS 39	–	73,855
Additional ECL recognised at 1 April 2018	12,660	4,721
Opening balance at 1 April 2018, as restated	12,660	78,576

New and amendments to HKFRS in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs and an interpretation that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after 1 January 2021.
4 Effective for business combination and assets acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
5 Effective for annual periods beginning on or after 1 January 2020.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17 the Group has already recognised prepaid lease payments for leasehold lands 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.

In contrast to leasee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

At 31 March 2019, the Group has non-cancellable operating lease commitments of approximately HK$8,294,000 in respect of rented premises. 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 all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained earnings without restating comparative information.

Except disclosed above, the Directors of the Company do not anticipate that the application of other new and amendments to HKFRSs will have a material impact on the Group's financial performance and financial positions.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

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

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

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

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

Profit or loss and each item of other comprehensive income are attributed to owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Interests in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the interests in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

Business combinations

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

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

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

Non-controlling interests that are presenting ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units that is expected to benefit from the synergies of the combination.

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

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

Non-current assets (or disposal groups) held-for-sale and discontinued operations

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset or disposal group and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Non-current assets (or disposal groups) held-for-sale and discontinued operations *(Continued)*

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment is classified as held for sale. Any retained portion of an investment in an associate that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate.

After the disposal takes place, the Group accounts for any retained interest in the in accordance with HKAS 39 unless the retained interest continues to be an associate, in which case the Group uses the equity method.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the statement of profit or loss, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

Revenue recognition (upon application of HKFRS 15 in accordance with transitions in note 3)

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

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

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

— the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition (upon application of HKFRS 15 in accordance with transitions in note 3) *(Continued)*

— the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

— the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

The Group has elected to apply the practical expedient available under HKFRS 15 such that the transaction price allocated to unsatisfied contracts is not disclosed when the remaining performance obligation to be satisfied under contracts that had an original expected duration of one year or less.

A contract cost represents the incremental costs of obtaining a contract with a customer if the Group expects to recover these costs.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations (hotel room revenue and other ancillary services), the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition (upon application of HKFRS 15 in accordance with transitions in note 3) *(Continued)*

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation *(Continued)*

Output method (Continued)

The Group recognises revenue under the following accounting policies:

(a) Sale of goods

Revenue from the sales of cattles and agricultural produce is recognised on the transfer of risks and rewards of ownership, which generally considers with the time when the goods are delivered and title has passed.

(b) Hotel income

Hotel room revenue are recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation, as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

Income from food and beverage sales of hotel operation is recognised at a point in time when the food and beverage are served.

Revenue recognition (prior to 1 April 2018)

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business net of discounts and sales related taxes and includes the following items:

(a) Rental income

Rental income, including rentals invoiced in advance, from properties under operating leases is recognised on a straight-line basis over the term of the relevant lease.

(b) Sale of goods

Revenue from the sales of goods is recognised on the transfer of risks and rewards of ownership, which generally considers with the time when the goods are delivered and title has passed.

(c) Finance income

Finance income is recognised as it accrues using effective interest method.

(d) Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

(e) Hotel income

Revenue from room rental, food and beverage sales and other ancillary services in the hotel recognised when the relevant services have been rendered.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment, other than properties under development and construction in progress, are stated at cost less accumulated depreciation and impairment losses.

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

Properties under development are stated at cost, less any impairment loss. Cost includes land cost, construction cost, interest, finance charges and other direct costs attributable to the development of the properties. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Except for mining structures, depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method at the following principal annual rates. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Buildings — Hotel property	Over the shorter of the estimated useful lives of 50 years and the terms of the leases
Leasehold improvements	Over the terms of the leases
Furniture and fixtures	15%
Equipment, motor vehicle and others	20%

Freehold land is stated at cost less accumulated impairment losses, if any.

Mining structures (including the main and auxiliary mine shafts) are depreciated on a unit-of production basis over the economically recoverable reserves of the mine concerned.

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

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Biological assets

Biological assets are stated at fair value less costs to sell, with any resultant gain or loss recognised in the consolidated statement of profit or loss and other comprehensive income. Costs to sell are incremental costs directly attributable to the disposal of an asset excluding financial cost, income tax and costs necessary to get the assets to market.

The fair value of livestock is determined based on the current market price of livestock of similar age, breed and genetic merit. The feeding costs and other related costs including the depreciation charge, utilities cost and consumables incurred for the raising of heifers and calves are capitalised.

The agricultural produce is initially measured at fair value less costs to sell at the time of harvest. The fair value of agricultural produce is determined based on market prices in the local market. The fair value less costs to sell at the time of harvest represents the cost of agricultural produce for further processing.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on the estimated selling prices less any estimated costs expected to be incurred to disposal.

Mining rights

Mining rights are stated at cost less accumulated amortisation and any impairment losses. The mining rights are amortised over the estimated useful lives of the mines in accordance with the production plan of the entities concerned and the proven and probable reserves of the mines using the unit of production method.

Exploration and evaluation expenditure

Exploration and evaluation assets include topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and expenditure incurred to secure further mineralisation in existing manganese mine and to expand the capacity of a mine. Expenditure incurred prior to acquiring legal rights to explore an area is written off as incurred. Exploration and evaluation assets acquired in a business combination are initially recognised at fair value. They are subsequently stated at cost less accumulated impairment. When it can be reasonably ascertained that a mining property is capable of commercial production, exploration and evaluation costs are transferred to tangible or intangible assets according to the nature of the exploration and evaluation assets. If any project is abandoned during the evaluation stage, the total expenditure thereon will be written off.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of tangible and intangible assets other than goodwill *(Continued)*

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least 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 a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When 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, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 3)

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

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

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

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

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business
Combinations applies.

A financial asset is classified as held for trading if:

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

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 3) (Continued)

(i) Amortised cost and interest income

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

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the FVTOCI revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits/will continue to be held in the FVTOCI revaluation reserve. Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the other revenue line item in profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL. Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the other revenue line item.

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 3)

The Group recognises a loss allowance for expected credit losses ("ECL") on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, other receivables and short-term loan receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m-ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 3) (Continued)

Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables without significant financing component. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

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

(i) Significant increase in credit risk

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 3) (Continued)

(i) Significant increase in credit risk *(Continued)*

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

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

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

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

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

(iv) Write-off policy

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 3) (Continued)

(v) Measurement and recognition of ECL

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

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

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- nature of financial instruments (i.e. the Group's trade and other receivables and short-term loan receivables are each assessed as a separate group. Loans to related parties are assessed for ECL on an individual basis);
- past-due status;
- nature, size and industry of debtors; and
- external credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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

Except for debt instruments that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and bill receivables, other receivables and short-term loan receivables where the corresponding adjustment is recognised through a loss allowance account. For debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the other FVTOCI reserve without reducing the carrying amount of these receivables.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 April 2018)

Financial assets are classified into the following specified categories: financial assets at FVTPL, held-to-maturity investments, available-for-sale financial assets ("AFS financial assets") and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a settlement 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.

(i) Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) held for trading or (ii) it is designated as at FVTPL or (iii) contingent consideration that may be received by an acquirer as part of a business combination.

A financial asset is classified as held for trading if:

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

A financial asset other than a financial asset held for trading (or contingent consideration that may be received by an acquirer as part of a business combination) may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the other revenue line item.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 April 2018) (Continued)

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale ("AFS") or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Equity securities held by the Group that are classified as AFS financial assets are measured at fair value at the end of each reporting period except for unquoted equity investments whose fair value cannot be reliably measured. Changes in the carrying amount of AFS debt instruments relating to interest income calculated using the effective interest method, are recognised in profit or loss. Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of FVTOCI revaluation reserve.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and bills receivables, other receivables and short-term loan 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 where the recognition of interest would be immaterial.

Impairment of financial assets (before application of HKFRS 9 on 1 April 2018)

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (before application of HKFRS 9 on 1 April 2018) (Continued)

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation or disappearance of an active market for that financial asset because of financial difficulties.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of one year, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, other receivables and short-term loan receivables, where the carrying amount is reduced through the use of an allowance account.

Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivables, other receivables and short-term loan receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period. For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of FVTOCI revaluation reserve.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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 when 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.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss. On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the FVTOCI revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

On derecognition of an AFS financial asset, the cumulative gain or loss previously accumulated in the AFS reserve is reclassified to profit or loss.

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Financial liabilities at amortised cost

Financial liabilities including trade and other payables and deposit received and bank and other borrowings subsequently measured at amortised cost, using the effective interest method.

Other financial liabilities

Other financial liabilities (including trade and other payables and deposit received, bank and other borrowings) are subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assets. Capitalisation of such borrowing cost ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

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 (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at FVTPL.

Offsetting financial instrument

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

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

Current tax

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

Deferred tax

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset 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.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Current and deferred tax for the year

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

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the consolidated statement of profit or loss.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the consolidated statement of financial position.

Provision

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Rehabilitation provision

The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Rehabilitation provision *(Continued)*

The obligation generally arises when the asset is installed or the ground/environment is disturbed at the production location. When the liability is initially recognised, the present value of the estimated cost is capitalised by increasing the carrying amount of the related mining assets to the extent that it was incurred prior to the production of related manganese. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in finance costs. Additional disturbances or changes in rehabilitation costs will be recognised as additions or charges to the corresponding assets and rehabilitation liability when they occur.

For closed sites, changes to estimated costs are recognised immediately in the consolidated statement of profit or loss.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency (foreign currencies) are recognised in the respective functional currency at the rates of exchange prevailing at 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 that date. 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 on monetary items are recognised in profit or loss in the period in which they arise except for:

— exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

— exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and

— exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

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

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

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised 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 on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

The Group as lessee *(Continued)*

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.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Retirement benefits costs

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme in Hong Kong (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group entity in the PRC participates in defined contribution retirement benefit plans (including Housing Provident Fund) organised by relevant government authorities for its employees in the PRC and contribute to these plans based on certain percentage of the salaries of the employees on a monthly basis, up to a maximum fixed monetary amount, as stipulated by the relevant government authorities. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans.

The Group has no further obligation for post-employment benefits beyond the contributions made. The Group's contributions to these plans are charged to the consolidated statement of profit or loss as incurred.

Share-based compensation

The fair value of the employee services received in exchange for the grant of the share options and restricted share awards is recognised as an expense in the consolidated statement of profit or loss.

The total amount to be expensed over the vesting period is determined with reference to the fair value of the share options and restricted share awards granted. At the end of each reporting period, the Company revises its estimates of the number of share options that are expected to become exercisable and the number of restricted share awards that become vested. It recognises the impact of the revision of original estimates, if any, in the consolidated statement of profit or loss, and a corresponding adjustment to equity in the consolidated statement of financial position will be made over the remaining vesting periods.

The proceeds received, net of any directly attributable transaction costs, are credited to share capital and share premium accounts where the share options are exercised and when the restricted are exercised and when the restricted share award are vested.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a holding company of the Group.

(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.

(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 employees of either the reporting entity or an entity related to the reporting entity. If the Company is itself such a plan, the sponsoring employers are also related to the Company.

(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 the key management personnel of the entity (or of a holding company of the entity).

(viii) the entity, or any member of a group of which it is apart, provides key management personnel services to the Group or to the parent of the Group.

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Close family members 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.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the most senior executive management that makes strategic decisions.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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.

Estimated impairment of goodwill

The Group performs annual tests on whether there has been impairment of intangible assets in accordance with the accounting policy stated in note 4. The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimates and assumptions made by management on the future operation of the business, pre-tax discount rates, and other assumptions underlying the value-in-use calculations.

Fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgment, the Group considers information from a variety of sources including:

(a) current prices in an active market for properties of different nature, condition or location (or subject to different leases or other contracts), with adjustments to reflect those differences;

(b) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

If information on current or recent prices of investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

The principal assumptions underlying management's estimate of fair value are those relating to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield, and actual transactions of the Group and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

Useful lives of property, plant and equipment

In accordance with HKAS 16, the Group's management estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid.

In considering the impairment losses that may be required for the Group's property, plant and equipment, the Group has to exercise judgments in determining whether an asset is impaired or the event previously causing the asset impaired no longer exists, particularly in assessing: (i) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (ii) whether the carrying value of the asset can be supported by the net present value of the future cash flows which are estimated based upon the continuing use of the asset or disposal; (iii) the appropriate key assumptions to be applied in preparing cash flow projections are discounted using an appropriate rate. Changing the assumptions applied by management to determine the level of impairment, including the discount rates and the growth rate assumptions in the cash flow projections, could material affect the net present value result in the impairment test.

Impairment assessment of trade and other receivables and loan receivables

The Group applies the simplified approach for ECL prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade and other receivables and loan receivables. The Group establishes, through charges against the consolidated statement of profit or loss, impairment allowances in respect of estimated loss on loan receivables and other receivables. The measurement of impairment losses under HKFRS 9 requires management's estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk.

In determining impairment allowances, management applied the ECL model with a number of estimations and assumptions including:

- The selection of inputs which the entity used in the ECL model including loss given default and possibility of default;

- The selection of forward-looking information.

The management regularly review the estimation and assumptions used in the ECL calculation to reduce any differences between loss estimates and actual loss experience. The impairment allowance is sensitive to changes in estimates.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

Current tax and deferred tax

The Group is subject to income taxes in Hong Kong, Mainland China and overseas. The Group carefully evaluates tax implications of transactions in accordance with the prevailing tax regulations and makes tax provision accordingly. However, judgment is required in determining the Group's provision for income taxes as there are many transactions and calculations of which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the income tax and deferred tax provision in the periods in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers that it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and deferred tax in the periods in which such estimates have been changed.

Fair value of other financial assets and liabilities

The fair value of loan and receivables, financial assets and financial liabilities are accounted for or disclosed in the consolidated financial statements, the calculation of fair values requires the Group to estimate the future cash flows expected to arise from those assets and liabilities and suitable discount rates. Variations in the estimated future cash flows and the discount rates used may result in adjustments to the carrying amounts of these assets and liabilities and the amounts disclosed in the consolidated financial statements.

Production start date

The Group assesses the stage of mine under construction to determine when a mine moves into the production stage. The criteria used to assess the start date are determined based on the unique nature of each mine construction project, such as the complexity of a plant and its location. The Group considers various relevant criteria to assess when the mine is substantially complete, ready for its intended use and is reclassified from "Properties under development to "Mining structures". Some of the criteria will include, but are not limited, to the following:

— the level of capital expenditure compared to the construction cost estimates

— completion of a reasonable period of testing of the mining plant and equipment

— ability to produce manganese in saleable form (within specifications)

— ability to sustain ongoing production of manganese

When a mine construction project moves into the production stage, the capitalisation of certain mine construction costs ceases and costs are either regarded as inventory or expensed, except for costs that qualify for capitalisation relating to mining asset additions or improvements, underground mine development or mineable reserve development. It is also at this point that depreciation/amortisation commences.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

Mine rehabilitation provision

The Group assesses its mine rehabilitation provision annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates, and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at the end of the reporting period represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognised in the statement of financial position by either increasing or decreasing the rehabilitation liability and rehabilitation asset if the initial estimate was originally recognised as part of an asset measured in accordance with HKAS 16 Property, Plant and Equipment. Any reduction in the rehabilitation liability and therefore any deduction from the rehabilitation asset may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to the profit or loss. As at 31 March 2019, no such provision is recognised as the production of the mine has not yet commenced (31 March 2018: nil).

Manganese reserve and resource estimates

Manganese reserves are estimates of the amount of manganese that can economically and legally extracted from the Group's mining properties. The Group estimates its manganese reserves and mineral resources based on reserve reports compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the manganese body, and this requires complex geological judgments to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of commodity prices, future capital requirements, and production costs along with geological assumptions and judgments made in estimating the size and grade of the manganese body. Changes in the reserve or resource estimates may impact upon the carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, goodwill, provision for rehabilitation, recognition of deferred tax assets, and depreciation and amortisation charges.

Units-of-production depreciation for mine specific assets

Estimated recoverable reserves are used in determining the depreciation and/or amortisation of mine specific assets. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining life of mine production. Each item's life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the mine property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. As the management considered that it is not commercially viable to commence the commercial production of the mine. Therefore, no such depreciation/amortisation has been made for the year ended 31 March 2019.

Withholding tax arising from the distribution of dividends

The Group's determination as to whether to accrue for withholding taxes arising from the distributions of dividends from certain subsidiaries according to the relevant tax jurisdictions is subject to judgement on the timing of the payment of the dividends or on whether certain companies of the Group is determined to be a Chinese resident enterprise by the PRC governing tax authorities in the future.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

Fair value of cattle

The Group's cattle are valued at fair value less costs to sell. The fair value of cattle is determined based on the market-determined prices as at the end of the reporting period adjusted with reference to the species, age, growing condition, costs incurred to reflect differences in characteristics and/or stages of growth of the cattle when market-determined prices are unavailable; or the cost when appropriate. Any change in the estimates may affect the fair value of the cattle significantly. The independent qualified professional valuer and management review the assumptions and estimates periodically to identify any significant change in the fair value of cattle. Details of assumptions used are disclosed in note 21.

Fair value of agricultural produce

The Group's agricultural produce are valued at fair value less costs to sell. The fair value of agricultural produce is determined based on either the market-determined prices as at the end of the reporting period adjusted with reference to the species, age, growing condition and costs incurred in characteristics and/or stages of growth of the agricultural produce; or the present value of expected net cash flows from the agricultural produce discounted at a current market-determined rate, when market-determined prices are unavailable; or the cost when appropriate. Any change in the estimates may affect the fair value of the agricultural produce significantly. The independent qualified professional valuer and management review the assumptions and estimates periodically to identify any significant change in the fair value of agricultural produce. Details of assumptions used are disclosed in note 21.

6. SEGMENT INFORMATION

For management purpose, the Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other operating segments. Particulars of the Group's reportable operating segments are summarised as follows:

Property investment operation	—	Leasing of rental property in PRC and Hong Kong
Hotel operation	—	Hotel operation in the PRC
Financing and securities investment operation	—	Provision of financing service and securities investment operation in Hong Kong
Agricultural operation	—	Agricultural farming, cattle raising and sales of cattle, soybean, corn and rice in the Plurinational State of Bolivia ("Bolivia")

Certain operating segments that do not meet the quantitative thresholds are therefore aggregate in "Other operations". Information regarding the above segments is reported below.

6. SEGMENT INFORMATION *(Continued)*

(a) Segment revenue and result

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

For the year ended 31 March 2019

	Segment revenue		Segment result	
	2019	2018	**2019**	**2018**
	HK$'000	HK$'000	**HK$'000**	**HK$'000**
Property investment operation	**53,249**	56,214	**35,623**	1,706
Hotel operation	**35,242**	39,072	**(1,441)**	1,447
Financing and securities investment operation	**(58,595)**	(5,845)	**(407,847)**	(482,352)
Agricultural operation	**48,168**	471	**15,125**	(2,404)
Other operations	**–**	–	**(95,314)**	(1,951)
Total	**78,064**	89,912	**(453,854)**	(483,554)
Interest income and other revenue			**9,871**	16,480
Unallocated expenses			**(98,193)**	(134,368)
Loss from operations			**(542,176)**	(601,442)
Finance costs			**(86,594)**	(79,226)
Gain on disposal of a subsidiary			**–**	2,032
Loss before taxation			**(628,770)**	(678,636)
Tax credit/(expenses)			**23,810**	(97,237)
Loss for the year			**(604,960)**	(775,873)

Revenue reported above represents revenue generated from external customers. There were no intersegment sales in the year (2018: Nil).

Segment result represents the result generated from each segment without allocation of central administration costs including directors' salaries, finance costs and income tax expenses. This is the measure reported to the chief operating decision maker for the purpose of resources allocation and assessment of segment performance.

6. SEGMENT INFORMATION *(Continued)*

(b) Segment assets and liabilities

	2019 HK$'000	2018 HK$'000
Segment assets		
Property investment operation	**1,340,729**	1,468,964
Hotel operation	**541,956**	581,004
Financing and securities investment operation	**964,412**	1,484,346
Agricultural operation	**451,192**	48,284
Other operations	**179,679**	272,733
Total segment assets	**3,477,968**	3,855,331
Unallocated assets	**211,081**	665,384
Consolidated total assets	**3,689,049**	4,520,715

	2019 HK$'000	2018 HK$'000
Segment liabilities		
Property investment operation	**67,593**	12,596
Hotel operation	**47,545**	11,859
Financing and securities investment operation	**180**	254
Agricultural operation	**61,078**	18,925
Other operations	**5,871**	5,778
Total segment liabilities	**182,267**	49,412
Unallocated bank and other borrowings	**887,113**	1,119,651
Unallocated liabilities	**28,727**	201,928
Tax payable	**6,286**	2,263
Consolidated total liabilities	**1,104,393**	1,373,254

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

All assets related to property investment operation, hotel operation, financing and securities investment operation, agricultural operation and other operations are allocated to reportable segments other than certain property, plant and equipment, other receivables, prepayments and deposits and cash and cash equivalents that are not attributable to individual segments.

All liabilities related to property investment operation, hotel operation, financing and securities investment operation, agricultural operation and other operations are allocated to reportable segments other than certain other payables, deferred tax liabilities and bank and other borrowings that are not attributable to individual segments.

6. SEGMENT INFORMATION *(Continued)*

(c) Other segment information

For the year ended 31 March 2019

	Property investment operation HK$'000	Hotel operation HK$'000	Financing and securities investment operation HK$'000	Agricultural operation HK$'000	Other operations HK$'000	Consolidated total HK$'000
Other segment information						
Depreciation	133	13,426	–	1,880	–	15,439
Unallocated amounts						283
						15,722
Capital expenditure (Note)	15	40	–	5,975	18	6,048
Unallocated amounts						–
						6,048
Fair value change in investment properties	3,529	–	–	–	–	3,529
Fair value change in financial assets at fair value through profit or loss	–	–	320,912	–	–	320,912

Note: Capital expenditure includes addition to property, plant and equipment, excluding biological assets, acquired from acquisition of subsidiaries.

6. SEGMENT INFORMATION *(Continued)*

(c) Other segment information *(Continued)*

For the year ended 31 March 2018

	Property investment operation HK$'000	Hotel operation HK$'000	Financing and securities investment operation HK$'000	Agricultural operation HK$'000	Other operations HK$'000	Consolidated total HK$'000
Other segment information						
Depreciation	121	13,479	–	935	–	14,535
Unallocated amounts						571
						15,106
Capital expenditure	15	595	–	796	–	1,406
Unallocated amounts						1,669
						3,075
Written off of property, plant and equipment	–	57	–	273	–	330
Unallocated amounts						2,370
						2,700
Fair value change in investment properties	36,072	–	–	–	–	36,072
Fair value change in financial assets at fair value through profit or loss	–	–	409,850	–	–	409,850

(d) Geographical information

The following table sets out information about the geographical location of the Group's revenue from external customers and the Group's investment properties, property, plant and equipment, mining rights, goodwill and other non-current assets (collectively referred to as "Specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or goods were delivered. The geographical location of the specified non-current assets is based on the physical location of the asset or the location of the operation to which they are allocated.

	Revenue from external customers		Specified non-current assets	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Hong Kong	**(58,595)**	(5,845)	**55,754**	30,898
The PRC	**88,491**	95,286	**1,805,808**	1,935,353
Indonesia	**–**	–	**179,134**	272,331
Bolivia	**48,168**	471	**401,842**	41,717
	78,064	89,912	**2,442,538**	2,280,299

6. SEGMENT INFORMATION *(Continued)*

(e) Information from major customers

The percentage of turnover attributable to the Group's five largest customers to the total turnover during the year was 42% (2018: 32%). The percentage of turnover attributable to the largest customer to the total turnover during the year was 34% (2018: 9%).

7. REVENUE

Revenue is analysed as follow:

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Revenue from contracts with customers		
Hotel income	**35,242**	39,072
Agricultural operation	**48,168**	471
	83,410	39,543
Timing of revenue recognition		
A point in time	**51,093**	3,881
Overtime	**32,317**	35,662
	83,410	39,543
Revenue from other sources		
Property rental income	**53,249**	56,214
Loss from sales of financial assets at fair value through profit or loss, net	**(60,725)**	(10,397)
Interest income from loan receivables	**2,130**	4,552
	(5,346)	50,369
	78,064	89,912

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 such that it does not disclose the (i) aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied or partially unsatisfied as of the end of the reporting period, and (ii) information about when the Group expects to recognise as revenue, as the Group's contracts with customers generally have an original expected duration of one year or less.

7. REVENUE *(Continued)*

Revenue is analysed as follow: *(Continued)*

Revenue from sale of financial assets at fair value through profit or loss is recorded on a net basis, details of which are as follows:

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
Proceeds from sale of financial assets at fair value through profit or loss	**38,790**	5,632
Carrying amounts of financial assets at fair value through profit or loss sold plus transaction costs	**(99,515)**	(16,029)
	(60,725)	(10,397)

8. OTHER INCOME AND GAIN, NET

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
Bank interest income	**1,695**	6,038
Other loan interest income	**6,767**	2,741
Net foreign exchange (loss)/gain	**(2,939)**	2,809
Investment income	**944**	1,658
Sundry income	**3,404**	3,274
	9,871	16,520

9. STAFF COSTS

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
Salaries and allowances (including directors' emoluments)	**33,687**	33,089
Retirement benefit scheme contributions	**1,729**	3,062
	35,416	36,151

9. STAFF COSTS *(Continued)*

(a) Directors' emoluments and chief executive remuneration

The emoluments paid or payable to each director were as follows:

Name of Directors	Directors' fees		Salaries and benefits-in-kind		Retirement benefit scheme contributions		Share option granted		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Executive directors										
Jiang Zhaobai	**240**	180	**3,600**	3,600	**18**	18	**–**	–	**3,858**	3,798
Lam Cheung Shing, Richard	**240**	180	**4,653**	4,102	**480**	480	**–**	–	**5,373**	4,762
Chen Yi, Ethan	**240**	180	**1,751**	1,501	**18**	18	**–**	–	**2,009**	1,699
Shen Angang	**240**	180	**–**	–	**–**	–	**–**	–	**240**	180
	960	720	**10,004**	9,203	**516**	516	**–**	–	**11,480**	10,439
Independent non-executive directors										
Ho Yiu Yue, Louis	**240**	180	**–**	–	**–**	–	**–**	–	**240**	180
Ko Ming Tung, Edward	**240**	180	**–**	–	**–**	–	**–**	–	**240**	180
Shan Zhemin	**240**	180	**–**	–	**–**	–	**–**	–	**240**	180
	720	540	**–**	–	**–**	–	**–**	–	**720**	540
	1,680	1,260	**10,004**	9,203	**516**	516	**–**	–	**12,200**	10,979

Mr. Lam Cheung Shing, Richard is also the chief executive officer of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive officer.

During the year, no emoluments were paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has agreed to waived any emoluments during the year.

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, three (2018: three) were Directors of the Company whose emoluments are included in the disclosures in note (a) above. The emoluments of the remaining two (2018: two) individuals, who are not individuals of senior management of the Company, are detailed as follows:

	2019	2018
	HK$'000	HK$'000
Salaries and allowances	**4,109**	5,682
Retirement benefit scheme contributions	**73**	32
	4,182	5,714

10. LOSS FROM OPERATIONS

Loss from operations has been arrived at after charging/(crediting):

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
Depreciation (note 17)	**15,722**	15,106
Auditors' remuneration	**2,121**	1,980
Cost of inventories for hotel operation provided	**6,939**	1,712
Written off of property, plant and equipment	**–**	2,700
Impairment loss recognised in respect of trade, other receivables and loan receivables, net	**43,238**	73,853
Impairment loss recognised in respect of mining rights (note 18)	**93,216**	–
Operating lease rentals in respect of premises	**3,146**	8,873
Net foreign exchange loss/(gain) (note 8)	**2,939**	(2,809)
Fair value change in investment properties (note 16)	**3,529**	36,072
Gross rental income from investment properties (note 7)	**(53,249)**	(56,214)
Less: direct operating expenses from investment properties that generated rental income during the year	**1,892**	3,987
	(51,357)	(52,227)

11. FINANCE COSTS

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
Interests on:		
— Bank borrowings	**365**	80
— Other borrowings	**86,229**	79,146
	86,594	79,226

12. TAX CREDIT/(EXPENSE)

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
Current tax:		
Hong Kong Profits Tax	**–**	–
The PRC Enterprise Income Tax credit/(expenses)	**23,529**	(1,045)
Bolivia Corporate Tax	**(3,972)**	–
Under-provision in prior years	**–**	(109,297)
	19,557	(110,342)
Deferred tax (note 30)	**4,253**	13,105
	23,810	(97,237)

Hong Kong Profits Tax

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The Directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

At 31 March 2019, the Group had unused estimated tax losses of approximately HK$262,312,000 (2018: HK$207,922,000) available for offset against future profits. No deferred tax asset has been recognised due to unpredictability of future profit streams.

No provision for taxation in Hong Kong has been made as the Group has no assessable profit for Hong Kong Profits Tax.

The PRC Enterprise Income Tax

All the Company's subsidiaries established in the PRC are either subject to the PRC Enterprise Income Tax at 25% of the assessable income of each company or preferential enterprise income tax rate of the assessable income of each company during the years ended 31 March 2019 and 2018, as determined in accordance with the relevant PRC income tax rules and regulations.

12. TAX CREDIT/(EXPENSE) *(Continued)*

The PRC Enterprise Income Tax *(Continued)*

During the year ended 31 March 2018, Interchina (Tianjin) Water Treatment Company Limited ("Interchina Tianjin"), a wholly-owned subsidiary of the Company, was placed under tax examination by the Tianjin Tax Bureau for the PRC Enterprise Income Tax paid for the period from 1 January 2013 to 31 December 2015 (the "Relevant Periods") and found that the Group underpaid the PRC Enterprise Income Tax when disposal of certain investment securities during the Relevant Periods. The Group has recognised a provision of the PRC Enterprise Income Tax of approximately RMB88,530,000 (equivalent to approximately HK$109,296,000) in taxation and a provision of overdue fine of approximately RMB53,910,000 (equivalent to approximately HK$66,555,000) in other operating expenses according to the relevant tax law and regulations in the PRC for the year ended 31 March 2018.

During the year ended 31 March 2019, the overdue fine had been settled. The Group had received a tax refund of approximately RMB22,183,000 (equivalent to approximately HK$25,498,000) for tax paid in prior years.

The Indonesia Corporate Tax

The corporate tax rate applicable to the subsidiary which is operating in the Indonesia is 25% (2018: 25%) during the year. No Indonesia Corporate Tax was recognised as the subsidiary in the Indonesia has no estimated assessable profits for the both years.

The Bolivia Corporate Tax

The corporate tax rate applicable to the subsidiaries which are operating in Bolivia is 25% (2018: 25%) during the year.

Reconciliation between tax expenses and accounting profit at applicable tax rates:

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
Loss before taxation	**(628,770)**	(678,636)
Tax calculated at the domestic rates applicable in the country concerned	**(145,912)**	(157,651)
Tax effect of expenses not deductible for tax purpose	**123,213**	143,696
Tax effect of income not taxable for tax purpose	**(7,063)**	(3,187)
Tax effect of tax losses not recognised	**11,367**	20,374
Tax effect of utilisation of tax losses previously not recognised	**(1,162)**	(2,187)
Under provision in prior years	**–**	109,297
Tax effect of unrecognised temporary difference	**(4,253)**	(13,105)
Tax charge for the year	**(23,810)**	97,237

13. LOSS PER SHARE

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

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	**600,252**	775,807

	Year ended 31 March	
	2019	2018
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**6,674,861,966**	6,078,669,363

The diluted loss per share is the same as the basic loss per share as the Company has no dilutive potential shares outstanding for the year ended 31 March 2019 and 2018.

14. NET LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
Net unrealised loss on financial assets at FVTPL	**(320,912)**	(409,850)

15. DIVIDENDS

The Directors of the Company did not recommend the payment of any dividend for the year ended 31 March 2019 (2018: Nil).

16. INVESTMENT PROPERTIES

	2019 HK$'000	2018 HK$'000
Fair value		
At beginning of the year	**1,347,788**	1,261,679
Fair value change	**(3,529)**	(36,072)
Exchange alignment	**(62,165)**	122,181
At end of the year	**1,282,094**	1,347,788
Unrealised loss on change in fair value of investment properties	**(3,529)**	(36,072)

Notes:

(a) The Group's investment properties held under operating leases to earn rentals or for capital appreciation are measured using the fair value model and are classified and accounted for as investment properties.

(b) The fair value of the Group's investment properties at 31 March 2019 and 2018 have been arrived at on the basis of a valuation carried out on that date by Messrs. DTZ Cushman & Wakefield Limited and Messrs. Savills Valuation and Professional Services Limited, independent professional valuers who are not connected with the Group and have recent experience in the valuation of similar properties in relevant locations. Both of them are members of the Hong Kong Institute of Surveyors. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in similar locations and conditions.

(c) The fair value was determined based on the direct comparison approach and/or income approach. Direct comparison approach involves the analysis of recent market sales evidence of similar properties to compare with the premises under valuation. It assumes each of these properties is capable of being sold in its existing status with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant market. Income approach relying on the market rentals of all lettable units of the properties are assessed by reference to the rentals achieved in the lettable units as well as other lettings of similar properties in the neighborhood. The capitalisation rate adopted is made by reference to the yield rates observed by the valuer for similar properties in the locality and adjusted based on the valuer's knowledge of the factors specific to the respective properties. There were no changes to the valuation techniques during the year.

(d) The Group's investment properties at their fair values are analysed as follows:

	2019 HK$'000	2018 HK$'000
Investment properties in Hong Kong, held on:		
Long-term leases	**26,800**	26,800
Investment properties outside Hong Kong, held on:		
Medium-term leases	**1,255,294**	1,320,988
	1,282,094	1,347,788

(e) Investment properties with the carrying amount of approximately HK$655,294,000 (2018: HK$650,257,000) have been pledged to secure facilities granted to the Group.

(f) The Group's investment properties, amounting to approximately HK$1,255,294,000 (2018: HK$1,154,035,000) are rented out under operating leases.

16. INVESTMENT PROPERTIES *(Continued)*

Notes: *(Continued)*

(g) Fair value measurements

At the end of each reporting period, the management of the Group will (i) verify all major inputs to the independent valuation report; (ii) assess property valuations movements when compared to the prior year valuation report; and (iii) hold discussion with the independent valuer.

Changes in fair values are analysed at the end of each reporting period by the management of the Group.

The table below analyses recurring fair value measurements for investment properties located in Hong Kong and outside Hong Kong. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used.

	Level 1 HK$'000	**Level 2** HK$'000	**Level 3** HK$'000	**Total** HK$'000
At 31 March 2019				
Hong Kong	**–**	**26,800**	**–**	**26,800**
Outside Hong Kong	**–**	**–**	**1,255,294**	**1,255,294**
	–	**26,800**	**1,255,294**	**1,282,094**
At 31 March 2018				
Hong Kong	–	26,800	–	26,800
Outside Hong Kong	–	–	1,320,988	1,320,988
	–	26,800	1,320,988	1,347,788

There were no transfers among Level 1, Level 2 and Level 3 during the year. The Group's policy is to recognise transfers into/out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

The movements of the balance of investment properties measured at fair value based on Level 3 are as follows:

	2019 **HK$'000**	2018 HK$'000
At beginning of the year	**1,320,988**	1,237,079
Fair value change	**(3,529)**	(38,272)
Exchange alignment	**(62,165)**	122,181
At end of the year	**1,255,294**	1,320,988

Information about fair value measurements based on Level 3 fair value hierarchy:

Description	**2019 Fair value HK$'000**	2018 Fair value HK$'000	**Valuation techniques**	**Range of significant unobservable inputs** **Daily rental rate**	**Capitalisation rate**
Commercial premises outside Hong Kong	1,255,294	1,320,988	Combination of direct comparison approach and income approach	RMB7.2 to RMB9.9 (2018: RMB6.8 to RMB9.7) per square meter	5.75% to 6.25% (2018: 5.8% to 6.3%)

The fair value measurements are positively correlated to the daily rental rate and negatively correlated to the capitalisation rate.

In estimating the fair value of the properties, their current use equates to the highest and best use of the properties.

17. PROPERTY, PLANT AND EQUIPMENT

	Freehold land HK$'000	Construction in progress HK$'000	Properties under development HK$'000	Hotel property HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Equipment, motor vehicle and others HK$'000	Total HK$'000
Cost								
At 1 April 2017	39,980	–	127	518,202	5,420	16,455	8,815	588,999
Additions	–	–	–	–	–	2,255	820	3,075
Written off	(273)	–	–	–	–	(7,478)	(2,077)	(9,828)
Exchange alignment	–	–	–	51,180	–	905	298	52,383
At 31 March 2018 and 1 April 2018	39,707	–	127	569,382	5,420	12,137	7,856	634,629
Additions	–	5,103	–	–	–	40	905	6,048
Transfer	–	127	(127)	–	–	–	–	–
Acquisition of subsidiaries (note 34)	328,380	–	–	–	–	–	27,600	355,980
Exchange alignment	–	–	–	(26,794)	(35)	(477)	(147)	(27,453)
At 31 March 2019	368,087	5,230	–	542,588	5,385	11,700	36,214	969,204
Accumulated depreciation and impairment								
At 1 April 2017	–	–	–	28,970	5,420	13,468	5,088	52,946
Charge for the year	–	–	–	13,479	–	460	1,167	15,106
Elimination upon written off	–	–	–	–	–	(5,112)	(2,016)	(7,128)
Exchange alignment	–	–	–	3,530	–	765	233	4,528
At 31 March 2018 and 1 April 2018	–	–	–	45,979	5,420	9,581	4,472	65,452
Charge for the year	–	–	–	13,482	–	299	1,941	15,722
Exchange alignment	–	–	–	(2,108)	(35)	(36)	(117)	(2,296)
At 31 March 2019	–	–	–	57,353	5,385	9,844	6,296	78,878
Carry amount								
At 31 March 2019	**368,087**	**5,230**	**–**	**485,235**	**–**	**1,856**	**29,918**	**890,326**
At 31 March 2018	39,707	–	127	523,403	–	2,556	3,384	569,177

Notes:

(a) Hotel property with the carrying amount of approximately HK$485,235,000 (2018: HK$523,403,000) have been pledged to secure other borrowings granted to the Group.

(b) During the year ended 31 March 2019 and 2018, hotel property of the Group is held under medium-term leases in the PRC.

18. MINING RIGHTS

	HK$'000
Cost	
At 1 April 2017, 31 March 2018, 1 April 2018 and 31 March 2019	1,227,344
Accumulated amortisation and impairment	
At 1 April 2017, 31 March 2018 and 1 April 2018	955,464
Impairment	93,216
At 31 March 2019	1,048,680
Carrying amount	
At 31 March 2019	**178,664**
At 31 March 2018	271,880

The mining rights represent the rights to conduct mining activities in East Nusa Tenggara, Kupang, Indonesia.

The mining rights are amortised using the unit-of-production methods based on the total proven and probable mineral reserves, under the assumption that the mining rights have a finite useful lives of 20 years and would expire on 18 November 2031, till all proven and probable mineral reserves have been mined. For the years ended 31 March 2019 and 2018, the management considered that commercial production of the mine has not yet commenced, no amortisation were provided during both years.

During the year ended 31 March 2019, as a result of the export restriction of raw ore imposed by the Indonesia government and the slack demand in local Indonesia manganese ore market, the Directors of the Company reviewed the carrying amount of the mining rights, an impairment loss of approximately HK$93,216,000 under business segment of other operations was charged to the consolidated statement of profit or loss for the year ended 31 March 2019 (2018: Nil).

The recoverable amount of the mining rights was estimated by an independent valuer, Roma Appraisals Limited. The valuation was performed based on the excess earning method under the income-approach. The excess earnings were the net profit after deducting all the charges for contributory assets, including fixed assets, working capital and assembled workforce, which were then discounted at an appropriate discount rate to arrive at the fair value of the mining rights. Weighted average cost of capital plus additional premium was adopted as the discount rate for the excess earnings cash flow. There were no changes to the valuation techniques during the year. Key assumptions adopted by management in the valuation are summarised as follows:

	2019	2018
Adopted manganese ore benchmark price (US$/ton) (note (a))	**US$158.00**	US$181.76
Discount rate (note (b))	**12%**	13%

18. MINING RIGHTS *(Continued)*

Notes:

(a) For the year ended 31 March 2019, the adopted manganese ore benchmark price was estimated with reference to the sale and purchase agreement entered between PT. Satwa Lestaris Permai, a 95% owned subsidiary of the Company, as seller and an independent third party as buyer (2018: reference by 44% Mn Tianjin manganese ore index published by United Nations Conference on Trade and Development, and 44-45% Mn Tianjin manganese ore index published by Shanghai Metals Market Information & Technology Co., Ltd). The manganese ore benchmark price for valuation as at 31 March 2019 has decreased by approximately 13.1% than that as at 31 March 2018. No growth rate was assumed to the manganese ore benchmark price estimation over a period longer than five years. The treatment was consistent among valuation as at 31 March 2019 and as at 31 March 2018.

(b) The slightly decrease of 1% in discount rate (2018: increase of 1%) was due to normal market data fluctuation.

(c) No growth rate was assumed for operating costs. No mining rights have been pledged to secure general banking facilities granted to the Group in the both years.

19. GOODWILL

	HK$'000
Cost	
At 1 April 2016	75,100
Acquisition of subsidiaries	27,647
At 31 March 2017, 31 March 2018, 1 April 2018 and 31 March 2019	102,747
Accumulated impairment losses	
At 1 April 2017, 31 March 2018, 1 April 2018 and 31 March 2019	(11,293)
Carrying amount	
At 31 March 2019	**91,454**
At 31 March 2018	91,454

Goodwill is allocated to the Group's cash generating unit ("CGU") identified according to business segment as follow:

	2019 HK$'000	2018 HK$'000
Hotel operation	**45,738**	45,738
Property investment operation	**18,069**	18,069
Agricultural operation	**27,647**	27,647
	91,454	91,454

19. GOODWILL *(Continued)*

Impairment tests for CGU containing goodwill

The recoverable amount of the CGU is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. The Directors of the Company estimate discount rate using pre-tax rate that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The management considers that the recoverable amount calculated with value in use method based on a discounted future cash flow of the CGU of property investment operation, hotel operation and agricultural operation is higher than their carrying amount.

Hotel operation

During the year, the Group performed impairment test for the CGU of hotel operation based on cash flow forecasts derived from the most recent financial budgets approved by management covering a five-year period. The growth rate used in preparing cash flows beyond the five-year period is base on the estimated growth of hotel operation taking into account of industry growth rate, past experience and the medium or long-term growth target of hotel operation. The growth rate does not exceed the long-term average growth rate for the business of hotel operation. Discount rate of 15.1% (2018: 14.2%) was used in preparation of the cash flow forecasts to reflect current market assessments of the time value of money and the risks specific to hotel operation.

Property investment operation

During the year, the Group performed impairment test for the CGU of property investment operation based on cash flow forecasts derived from the most recent financial budgets approved by management covering a five-year period. The growth rate used in preparing cash flows beyond the five-year period is base on the estimated growth of property investment operation taking into account of industry growth rate, past experience and the medium or long-term growth target of property investment operation. The growth rate does not exceed the long-term average growth rate for the business of property investment operation. Discount rate of 14.8% (2018: 14.0%) was used in preparation of the cash flow forecasts to reflect current market assessments of the time value of money and the risks specific to property investment operation.

Agricultural operation

During the year, the Group performed impairment test for the CGU of agricultural operation based on cash flow forecasts derived from the most recent financial budgets approved by management covering a five-year period. The growth rate used in preparing cash flows beyond the five-year period is based on the estimated growth of agricultural operation taking into account of industry growth rate, past experience and the medium or long-term growth target of agricultural operation. The growth rate does not exceed the long-term average growth rate for the business of agricultural operation. Discount rate of 14.8% (2018: 16.3%) was used in preparation of the cash flow forecasts to reflect current market assessments of the time value of money and the risks specific to agricultural operation.

20. INVENTORIES

	2019 HK$'000	2018 HK$'000
Finished goods	**7,664**	7

21. BIOLOGICAL ASSETS

Movements of the biological assets are shown below:

	Cows and bulls HK$'000	Heifers and calves HK$'000	Soybean HK$'000	Rice HK$'000	Total HK$'000
As at 1 April 2017	1,919	964	–	–	2,883
Increase due to purchases	632	80	–	–	712
Increase due to raising (including feeding cost and others)	–	213	–	–	213
Decrease due to sales	(465)	(284)	–	–	(749)
Decrease due to deaths	(108)	(23)	–	–	(131)
Change in fair value less costs to sell	(33)	(58)	–	–	(91)
As at 31 March 2018 and 1 April 2018	1,945	892	–	–	2,837
Acquisition of subsidiaries (note 34)	–	–	15,662	2,986	18,648
Increase due to purchases	687	124	–	–	811
Increase due to raising/plantation (including feeding cost and others)	381	776	958	81	2,196
Decrease due to sales/harvest	(547)	(1,186)	(4,854)	(2,107)	(8,694)
Decrease due to deaths	(98)	(31)	–	–	(129)
Change in fair value less costs to sell	206	1,093	676	307	2,282
As at 31 March 2019	**2,574**	**1,668**	**12,442**	**1,267**	**17,951**

21. BIOLOGICAL ASSETS *(Continued)*

The quantity of biological assets are shown below:

	2019	2018
Cows and bulls	**675**	410
Heifers and calves	**340**	458
	1,015	868
Soybean (in hectares)	**4,234**	–
Rice (in hectares)	**479**	–
	4,713	–

The Group is exposed to fair value risks arising from changes in price of the biological assets. The Group does not anticipate that the price of biological assets will significantly decline in the foreseeable future and the Directors of the Company are of the view that there is no available derivative or other contracts which the Group can enter into manage the risk of a decline in the price of the biological assets.

The Group is exposed to a number of risks related to biological assets and exposed to the following operation risks:

(a) Regulatory and environmental risks

The Group is subject to laws and regulations in the location in which it operates farming of cattle and plantations. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage these risks.

(b) Climate, disease and other natural risks

The Group's biological assets are exposed to the risk of damage from climatic changes, diseases and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular inspections and disease controls and surveys and insurance.

The qualification of the Valuer

The Group's biological assets were independently valued by an external valuer (the "Valuer"). The Valuer and its professional valuers in charge of this valuation have appropriate qualifications and relevant experiences in various appraisal assignments involving biological assets and agricultural produce. The professional valuers of the Valuer participated in this valuation have appraisal experiences in different kinds of assets such as property assets, industrial assets and biological assets. They have previously participated in the valuation of biological assets and agricultural produce.

21. BIOLOGICAL ASSETS *(Continued)*

Value of cattles

The Group currently has self-operating cattle farm. Cows, bulls, heifers and calves of similar age or in the same stage of life cycle are moved into a curtain-barn. For administration purposes, the housekeeper of the cattle farm would keep proper warehouse records on the number of cows moved into or out of the curtain-barns from time to time throughout the farming period. To facilitate the farming process, a group of cattle within a curtain-barn are sub-divided into certain number of sub-groups of more or less the same size and each of these sub-groups are separated from each other by means of physical barriers.

The Valuer has conducted inspection of the farms to understand, among others, the species of pure breed cattle, cross breeding program being undertaken, parameters in selection and culling of cattle, caring and feeding programs for farming cattle and facilities in the farms. To ascertain the quantity of cattle, the Valuer has checked the inventory records compiled by the finance department by physical count of selected sample groups of cattle. Sample groups (with sample size not less than 25% of total quantity) of cattle in different stages of life cycle have been selected and the following steps have been taken for undertaking physical counting of the selected samples by the Valuer:

- To obtain the warehouse records reflecting the quantities of cattle as at the reporting date;
- To perform physical counting of cattle within the curtain-barns as at the reporting date;
- To obtain the warehouse records in relation to the reduction and addition on the number of cattle of the curtain-barns during the year; and
- To compare and reconcile the results with the stocktaking records prepared by the Group.

In addition, the following principal assumptions have been adopted by the independent external Valuer:

(a) there will be no major change in the existing political, legal and economic conditions in the Bolivia;

(b) save for those proposed changes on taxation policies announced by the Tax Bureau of the Bolivia, there will be no major change in the current taxation law and tax rates as prevailing and that all applicable laws and regulations on taxation will be complied with by the Group;

(c) the biological assets are properly fed with balance diets such that they are gaining weight in accordance under normal growth rate and are receiving appropriate veterinary care;

(d) the availability of finance will not be a constraint on the farming of the biological assets;

(e) the production facilities, systems and the technology utilised by the Group in carrying out its cattle farming operations do not infringe any relevant regulations and law;

(f) the Group has obtained or shall have no impediment to obtain all necessary governmental permits and approvals to carry out its cattle farming operations in the Bolivia;

21. BIOLOGICAL ASSETS *(Continued)*

Value of cattles *(Continued)*

(g) the biological assets are not subject to any liabilities, interest-bearing loans and encumbrances that would impair their fair value as at the relevant valuation date;

(h) the Group will secure and retain competent management, key personnel, marketing and technical staff to carry out and support its cattle farming operations; and

(i) the estimated fair value does not include consideration of any extraordinary financing or income guarantees, special tax considerations or any other atypical benefits which may influence the fair value of the biological assets.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of biological assets:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from 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 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at 31 March 2019

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Cows and bulls	–	2,574	–	2,574
Heifers and calves	–	1,668	–	1,668
Soy bean	–	–	12,442	12,442
Rice	–	–	1,267	1,267
Total biological assets	–	4,242	13,709	17,951

21. BIOLOGICAL ASSETS *(Continued)*

Fair value hierarchy *(Continued)*

As at 31 March 2018

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Cows and bulls	–	1,945	–	1,945
Heifers and calves	–	892	–	892
Soy bean	–	–	–	–
Rice	–	–	–	–
Total biological assets	–	2,837	–	2,837

Valuation Methodology of Biological Assets

Type	Fair value hierarchy	Valuation technique and Key input	Significant observable input
Cows and bulls, heifers and calves	Level 2	The fair value of the cows and bulls, heifers and calves are determined with the reference to the market determined prices of items with similar age, weight and gender.	Prevailing market price of calves at US$242.33 per head (2018: US$197.77 per head) Prevailing market price of little bulls at US$Nil per head (2018: US$286.88 per head) Prevailing market price of heifers at US$450.25 per head (2018: US$301.71 per head) Prevailing market price of cows ranging from US$483.91 to US$680.45 per head (2018: ranging from US$524.50 to US$643.32 per head) Prevailing market price of bulls at US$732.43 per head (2018: US$524.50 per head) Prevailing market price of ox at US$732.43 per head (2018: US$Nil per head)

21. BIOLOGICAL ASSETS *(Continued)*

Valuation Methodology of Biological Assets *(Continued)*

i. Valuation techniques and assumptions

The valuation technique used is the discounted cash flow method under income approach it requires to assess a series of variables, which include the discount rate, market prices of rice and soybean yield, planting costs, etc. The values of such variables are determined by the independent valuers using information supplied by the Group, proprietary and third-party data as well as under some assumptions.

There were no changes to the valuation techniques during the period. Major assumptions adopted for valuation are listed below:

a. The soybean and rice are a perennial crop with a one-year crop cycle and the crop is reaped exactly one year after planting;

b. The soybean and rice experiences linear growth; and

c. The economic life of the soybean and rice is one year.

ii. Significant unobservable inputs

The major inputs for the above valuation models are discount rate, soybean and rice yield per hectare, market prices of soybean and rice and estimated maturity of soybean and rice. The values of such inputs are as follows:

1) The discount rate applied for the year ended 31 March 2019 was 6%.

2) The estimated soybean and rice yield per hectare represents the harvest level of the soybean and rice.

3) The market price variables represent the estimated market price for soybean and rice produced by the Group.

	Soybean	Rice
Estimated market price (approximately)	USD290 (HK$2,262)	USD250 (HK$1,950)

The yield of soybean and rice is affected by the age, species, the climate, location, soil conditions, topography and agricultural infrastructure.

The higher the discount rate, the lower the fair value. The higher the estimated crop yield per hectare, market prices variables and average maturity of soybean and rice, the higher the fair value.

The fair value measurement is based on the above biological assets' highest and best use, which does not differ from their actual use.

22. DEPOSIT PAID FOR ACQUISITION OF SUBSIDIARIES

During the year ended 31 March 2018, deposit of HK$195,000,000 was paid for an acquisition of the entire equity interest in Pengxin Agricultural Holdings Company Limited ("Pengxin Agricultural") and its subsidiaries (collectively referred to as "Pengxin Agricultural Group"). Details of which were set out in the Company's circular dated 28 June 2018. The acquisition was completed on 31 October 2018, detail of the acquisition of subsidiaries was set out in note 34.

23. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2019 **HK$'000**	2018 HK$'000
Trade receivables	**7,087**	1,127
Prepayments, deposits and other receivables	**263,203**	451,272
	270,290	452,399
Less: Allowance for expected credit losses	**(93,768)**	(73,855)
	176,522	378,544

The Group's trade and other receivables and prepayments are determined in the following currencies:

	2019 **HK$'000**	2018 HK$'000
Hong Kong dollar	**30,271**	34,436
Renminbi ("RMB")	**115,507**	340,374
US dollar	**30,744**	3,734
	176,522	378,544

The following is an aging analysis of trade receivables based on the invoice date:

	2019 **HK$'000**	2018 HK$'000
0 to 30 days	**6,756**	1,065
31 to 60 days	**196**	10
61 to 90 days	**–**	–
91 to 180 days	**37**	2
Over 180 days	**98**	50
	7,087	1,127

23. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS *(Continued)*

Movement in the allowance for ECL of trade and other receivables were as follow:

	2019 HK$'000	2018 HK$'000
Balance at 1 April, originally stated	73,855	2
Initial application of HKFRS 9 (note 3)	4,721	–
At 1 April 2018, as restated	78,576	2
Impairment loss recognised	17,289	73,853
Exchange alignment	(2,097)	–
At end of the year	93,768	73,855

The Group allows an average credit period of 60 days (2018: 60 days) to its trade customers.

During the year ended 31 March 2019, an impairment loss of approximately HK$17,289,000 (2018: HK$73,853,000) in respect of an individual debtor of other receivables was considered as credit impaired under lifetime ECL provided in the consolidated statement of profit or loss. The impaired individual debtor of other receivables related to the debtor that was in financial difficulties and management of the Company considered only part of the outstanding balances could be recovered. The Group does not hold any other collateral or other credit enhancements over these balances.

Details of allowance for ECL assessment for the year 31 March 2019 are set out in note 40.

The aged analysis of the trade receivables that are past due but not impaired was as follow:

	2019 HK$'000	2018 HK$'000
Over 90 days	135	52

Trade receivables within credit terms relate to a wide range of customers for whom there is no recent history of default. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of trade receivables. The Group does not hold any collateral over these balances.

The Group's prepayments, deposits and other receivables as at 31 March 2019 and 2018, inter alia, the following:

(i) other receivables of approximately HK$42,059,000 (2018: HK$125,926,000) paid for acquisition of several potential water plant projects in the PRC; and

(ii) prepayments and other receivables of approximately HK$37,940,000 (2018: HK$169,321,000) paid to various contractors for construction of environmental protection and water treatment projects in the PRC.

24. LOAN RECEIVABLES

	2019 HK$'000	2018 HK$'000
Loan receivables	**61,006**	91,084
Less: allowance for expected credit loss	**(8,531)**	–
	52,475	91,084

The amount of approximately HK$61,006,000 (2018: HK$91,084,000) were secured by collateral providing by customers, bearing interest at 5% (2018: 5%) per annum with fixed repayment terms.

Movement in impairment of loan receivables were as follow:

	2019 HK$'000	2018 HK$'000
Balance at 1 April, originally stated	**–**	–
Initial application of HKFRS 9 (note 3)	**12,660**	–
Balance at 1 April, as restated	**12,660**	–
Impairment loss recognised	**25,949**	–
Amounts written-off	**(30,078)**	–
Balance at 31 March	**8,531**	–

The impaired individual debtor of loan receivables related to the debtor that was in financial difficulties and management of the Company considered only part of the outstanding balances could be recovered.

Details of allowance for ECL assessment for the year ended 31 March 2019 are set out in note 40.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 HK$'000	2018 HK$'000
Held for trading:		
Listed equity securities — Hong Kong, at fair value	**–**	99,516
Listed equity securities — the PRC, at fair value	**911,924**	1,293,716
	911,924	1,393,232

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Details of the Group's financial assets at fair value through profit or loss are as follows:

At 31 March 2019

Stock Code	Name of investee company	Number of shares held	Percentage shareholding held by the Group	Investment cost	Market value as at 31 March 2019	Percentage to the Group's net assets as at 31 March 2019	Unrealised loss on change in fair value for the year ended 31 March 2019
				HK$'000 (Note (1))	HK$'000 (Note (1))		HK$'000 (Note (1))
600187	**Heilongjiang Interchina Water Treatment Company Limited ("Heilongjiang Interchina") (note (2))**	**227,312,500**	**13.74%**	**283,016**	**911,924**	**35.28%**	**(320,912)**

At 31 March 2018

Stock Code	Name of investee company	Number of shares held	Percentage shareholding held by the Group	Investment cost	Market value as at 31 March 2018	Percentage to the Group's net assets as at 31 March 2018	Unrealised loss on change in fair value for the year ended 31 March 2018
				HK$'000 (Note (1))	HK$'000 (Note (1))		HK$'000 (Note (1))
600187	Heilongjiang Interchina (note (2))	227,312,500	13.74%	283,016	1,293,716	41.10%	(328,340)
439	KuangChi Science Limited ("KuangChi") (note (3))	54,981,000	0.75%	296,127	99,516	3.16%	(81,510)
				579,143	1,393,232	44.26%	(409,850)

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Notes:

(1) The investment costs and market value as at 31 March 2019 and 31 March 2018 and unrealised loss of the investments in the above table have been subject to foreign exchange adjustments and rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them. The fair value of investment for Heilongjiang Interchina is approximately RMB775,136,000 (equivalent to approximately HK$911,924,000) as at 31 March 2019 (2018: approximately RMB1,047,911,000 (equivalent to approximately HK$1,293,716,000)).

(2) Heilongjiang Interchina is principally engaged in sewage water treatment, water supply and the provision of environmental technology services and its issued shares are listed on the Shanghai Stock Exchange. There was no movement in the number of shares held by the Group during the years ended 31 March 2019 and 2018. No dividend was received during each of the years ended 31 March 2019 and 2018. According to the latest published audited financial statements of Heilongjiang Interchina, it had net asset value of approximately RMB3,348,451,000 as at 31 December 2018 (31 December 2017: approximately RMB3,656,489,000). Heilongjiang Interchina recorded revenue of approximately RMB467,977,000 and net profit of approximately RMB10,398,000 for the year ended 31 December 2018 (2017: revenue of RMB439,782,000 and net profit of approximately RMB14,482,000).

(3) KuangChi is principally engaged in provision of in-depth space services, manufacturing and trading of paper packaging products and property investment and its issued shares are listed on the Hong Kong Stock Exchange. No dividend was received during each of the years ended 31 March 2019 and 2018. During the year ended 31 March 2018, the Company disposed of 2,976,000 shares of KuangChi at the average price of HK$1.89 per share. During the year ended 31 March 2019, the Group fully disposed of 54,981,000 shares of KuangChi for an aggregate consideration of approximately HK$38,779,000 and recognised a realised loss of approximately HK$60,725,000 (2018: HK$10,397,000) on disposal of shares of KuangChi for the year.

(4) At 31 March 2019, financial assets at fair value through profit or loss with the carrying amount of approximately HK$910,671,000 (2018: HK$1,123,960,000) have been pledged to secure loan facilities granted to the Group.

26. CASH AND CASH EQUIVALENTS

	2019 **HK$'000**	2018 HK$'000
Cash and bank balances	**79,975**	179,712

Cash at banks earns interest at floating rates based on daily bank deposit rates.

At 31 March 2019, cash and cash equivalents of approximately HK$62,233,000 (2018: HK$176,166,000) are denominated in RMB. RMB is not freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

27. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

The following is an analysis of trade and other payables and deposits received:

	2019 HK$'000	2018 HK$'000
Trade payables	**12,591**	2,715
Other payables and deposits received	**64,328**	146,133
	76,919	148,848

The Group's trade and other payables and deposit received are determined in the following currencies:

	2019 HK$'000	2018 HK$'000
Hong Kong dollar	**11,414**	13,933
RMB	**46,729**	110,292
Indonesian Rupiah	**–**	18,886
US dollar	**18,776**	5,737
	76,919	148,848

The aging analysis of trade payables based on the invoice date is as follows:

	2019 HK$'000	2018 HK$'000
0 to 30 days	**10,057**	275
31 to 60 days	**275**	331
Over 60 days	**2,259**	2,109
	12,591	2,715
Other payables and deposits received	**64,328**	146,133
	76,919	148,848

The Group's other payables and deposits received as at 31 March 2019 and 2018, inter alia, the following:

(i) interest expenses payable of approximately HK$18,865,000 (2018: HK$2,177,000);

(ii) rental deposits received of approximately HK$5,034,000 (2018: HK$5,685,000);

(iii) deposit of decoration expenses received from Heilongjiang Interchina of approximately HK$6,235,000 (2018: HK$7,023,000); and

27. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED *(Continued)*

(iv) during the year ended 31 March 2018, Interchina (Tianjin), a wholly-owned subsidiary of the Company, was placed under tax examination by the Tianjin Tax Bureau in respect of the PRC Enterprise Income Tax paid for the Relevant Periods. At 31 March 2018, the amount included in other payables of approximately RMB53,910,000 (equivalent to approximately HK$66,555,000) representing the outstanding overdue fine payable to the Tianjin Tax Bureau in accordance with the relevant tax law and regulations in the PRC for the year. During the year ended 31 March 2019, the overdue fine payable to the Tianjin Tax Bureau has been settled, the Group had received a tax refund amount of approximately RMB22,183,000 (equivalent to approximately HK$25,498,000).

28. CONTRACT LIABILITIES

	2019 **HK$'000**	2018 HK$'000
Consideration received from customers in advance (note)	**443**	–

Note: Before the adoption of HKFRS 15, the Group recognised consideration received in relation to hotel operation from customers in trade and other payables and deposits received. Under HKFRS 15, the amount is classified as contract liabilities. Included in the contract liabilities as at 1 April 2018 of approximately HK$519,000 were recognised as revenue during the year ended 31 March 2019.

29. BANK AND OTHER BORROWINGS

	2019 **HK$'000**	2018 HK$'000
Bank borrowings, secured (Note (i))	**6,794**	–
Other borrowings, secured (Note (ii))	**887,112**	1,119,651
Total borrowings	**893,906**	1,119,651
Carrying amount repayable:		
Within one year	**888,158**	1,119,651
Not repayable within one year	**5,748**	–
	893,906	1,119,651

Notes:

(i) The bank borrowing is repayable on agreed repayment schedule by installments over a period of 8 years bearing interest rate of 6.0% per annum and secured by a portion land.

29. BANK AND OTHER BORROWINGS *(Continued)*

Notes: (Continued)

(ii) The other borrowings bear interest rate ranging from 5.5% to 12.5% per annum for the year ended 31 March 2019 (2018: 6.60% to 9.50% per annum).

During the year ended 31 March 2019, the other borrowings with carrying amount of approximately HK$1,483,451,000 had been repaid and an agreement had been entered to raise new other borrowings of approximately HK$1,250,912,000. The other borrowings with carrying amount of approximately HK$341,175,000 (2018: HK$462,963,000) are secured by the Group's investment in Heilongjiang Interchina, whose shares are listed on the Shanghai Stock Exchange. The other borrowings with carrying amount of approximately HK$529,412,000 (2018: HK$548,148,000) are secured by the Group's investment properties, hotel property in the PRC and corporate guarantee executed by the Company.

The Group's borrowings are denominated in the following currencies:

	2019 **HK$'000**	2018 HK$'000
Hong Kong Dollar	**16,525**	108,540
RMB	**870,587**	1,011,111
US dollar	**6,794**	–
	893,906	1,119,651

30. DEFERRED TAX LIABILITIES

The followings are the major deferred tax liabilities recognised by the Group and movements thereon:

	Revaluation of property HK$'000	**Fair value adjustments arising on acquisition of subsidiaries** HK$'000	**Total** HK$'000
At 1 April 2017	56,459	49,342	105,801
Exchange alignment	4,517	5,279	9,796
Credit to the consolidated statement of profit or loss (note 12)	(9,568)	(3,537)	(13,105)
At 31 March 2018 and 1 April 2018	51,408	51,084	102,492
Acquisition of subsidiaries (note 34)	–	18,631	18,631
Exchange alignment	3,289	6,680	9,969
Credit to the consolidated statement of profit or loss (note 12)	(3,373)	(880)	(4,253)
At 31 March 2019	**51,324**	**75,515**	**126,839**

Under the Enterprise Income Tax of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of the temporary differences attributable to the profits earned by the PRC subsidiaries of the Group because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

31. SHARE CAPITAL

	Number of shares		Nominal value	
	2019	2018	**2019**	2018
			HK$'000	HK$'000
Issued and fully paid ordinary shares:				
At beginning and end of the year	**6,078,669,363**	6,078,669,363	**2,490,454**	2,490,454
Issue of shares (note)	**1,215,700,000**	–	**173,844**	–
	7,294,369,363	6,078,669,363	**2,664,298**	2,490,454

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

Note: On 4 October 2018, the Company issued 1,215,700,000 ordinary shares by way of placing under general mandate at placing price of HK$0.143 per ordinary share with total proceed of approximately HK$173,844,000.

32. SHARE OPTIONS

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 operations. The Company adopted a share option scheme pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 12 August 2011 (the "Share Option Scheme"). The Share Option Scheme became effective for a period of 10 years commencing on 12 August 2011. Under the Share Option Scheme, the Board is authorised, at their discretion, invite a wider category of participants as defined in the Company's circular issued on 18 July 2011 (the "Participants"), to take up options to subscribe for fully paid ordinary shares in the Company subject to the terms and conditions stipulated therein.

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

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Company (including exercised, cancelled and outstanding options) to each Participant in any 12-month period shall not exceed 1% of the issued share capital of the Company in issue (the "Individual Limited"). Any further grant of options in excess of the Individual Limited in any 12-month period up to and including the date of such further grant, shall be subject to the issue of a circular to the shareholders and the shareholders' approval in general meeting of the Company with such Participant and his associates abstaining from voting.

No share option was granted under the Share Option Scheme during the year ended 31 March 2019 and 31 March 2018.

33. STATEMENT OF FINANCIAL POSITION AND MOVEMENT IN RESERVES OF THE COMPANY

(a) Statement of financial position of the Company

	2019 HK$'000	2018 HK$'000
Non-current assets		
Property, plant and equipment	**1,307**	1,556
Interests in subsidiaries	**3,030,803**	3,161,670
Prepayment	**–**	195,000
	3,032,110	3,358,226
Current assets		
Other receivables and prepayments	**28,150**	25,255
Financial assets at fair value through profit or loss	**–**	99,516
Cash and cash equivalents	**15,010**	3,092
	43,160	127,863
Total assets	**3,075,270**	3,486,089
Equity		
Share capital	**2,664,298**	2,490,454
Reserves (note 33(b))	**(140,279)**	475,902
	2,524,019	2,966,356
Current liabilities		
Trade and other payables and deposits received	**13,161**	6,564
Amounts due to subsidiaries	**521,565**	404,629
Other borrowings	**16,525**	108,540
Total liabilities	**551,251**	519,733
Total equity and liabilities	**3,075,270**	3,486,089
Net current liabilities	**(508,091)**	(391,870)
Total assets less current liabilities	**2,524,019**	2,966,356

Approved by the Board of Directors on 27 June 2019 and signed on its behalf by:

Jiang Zhaobai
Director

Lam Cheung Shing, Richard
Director

33. STATEMENT OF FINANCIAL POSITION AND MOVEMENT IN RESERVES OF THE COMPANY *(Continued)*

(b) Movement in reserves of the Company

The changes in the reserves of the Company during the years ended 31 March 2019 and 2018 are as follows:

	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2017	1,342,477	(697,044)	645,433
Net loss for the year	–	(169,531)	(169,531)
Total comprehensive loss for the year	–	(169,531)	(169,531)
At 31 March 2018 and 1 April 2018	1,342,477	(866,575)	475,902
Net loss for the year	–	(616,181)	(616,181)
Total comprehensive loss for the year	–	(616,181)	(616,181)
At 31 March 2019	**1,342,477**	**(1,482,756)**	**(140,279)**

34. ACQUISITION OF SUBSIDIARIES

On 13 June 2017, the Group entered into the sale and purchase agreement with Mr. Jiang Zhaobai ("Mr. Jiang"), an executive Director and the Chairman of the Group ("the Vendor"), Mr. Jiang is a connected person of the Company and the Acquisition also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules, subject to the reporting, announcement and the Independent Shareholders' approval requirements. Regarding the Acquisition of (i) the entire interest in the Pengxin Agricultural Group and (ii) the amount owing by the Pengxin agricultural Group to the Vendor at the consideration of US$46,000,000 (equivalent to approximately HK$358,800,000) (the "Acquisition"). The Acquisition was completed on 31 October 2018 (the "Completion"), immediately following the Completion, the Company owns 100% of the interest in Pengxin Agricultural Group. Pengxin Agricultural Group engaged in the operation of agricultural farming in Bolivia. Further details of the Acquisition are set out in the Company's circular dated 28 June 2018.

34. ACQUISITION OF SUBSIDIARIES *(Continued)*

Analysis of assets and liabilities recognised at fair value at the date of the Acquisition:

	HK$'000
Property, plant and equipment (note 17)	355,980
Inventories	10,250
Biological assets (note 21)	18,648
Trade and other receivables and prepayments	13,660
Cash and cash equivalents	460
Trade and other payables and deposits received	(19,906)
Loans receivables	22,701
Bank borrowings (note 39)	(22,271)
Due to related parties	(2,091)
Deferred tax liabilities (note 30)	(18,631)
Shareholder loan	(220,114)
Net assets acquired	138,686
Shareholder's loan	220,114
Consideration	358,800
Net cash outflow arising from the Acquisition	
Deposits paid	195,000
Cash consideration paid during the year	163,800
Less: Cash and cash equivalent acquired	(460)
Net cash outflow	358,340

Impact of acquisition on the results of the Group

Since the Acquisition, the Pengxin Agricultural Group contributed revenue of approximately HK$47,594,000 and profit of approximately HK$9,413,000 for the year ended 31 March 2019.

The fair value of freehold land, which included in property, plant and equipment at the date of the Acquisition is approximately HK$328,380,000.

The fair value of trade and other receivables and prepayments at the date of Acquisition is approximately HK$13,660,000. The gross contractual amount for trade and other receivables and prepayments due is approximately HK$13,660,000 of which the best estimate at the date of the Acquisition of the contractual cash flows are expected to be fully collectable.

35. DISPOSAL/DEREGISTRATION OF SUBSIDIARIES

(a) Disposal of subsidiaries

On 10 December 2016, the Group entered into a sale and purchase agreement with an independent third party to disposal of 100% equity interest and a shareholder's loan of approximately HK$98,103,000 in Shanghai Interchina Club Co. Ltd ("Shanghai IC Club"), a wholly-owned subsidiary of the Group, at a total consideration of RMB1. The disposal was completed on 31 May 2017, on which date control of Shanghai IC Club was passed to the acquirer.

Analysis of liabilities over which control was lost:

	HK$'000
Other payables	(11,208)
Amount due to ultimate holding company	(98,103)
Net liabilities of Shanghai IC Club	(109,311)
Sales of shareholder's loan	98,103
Release of Exchange reserve	9,176
Gain on disposal of Shanghai IC Club	2,032
Consideration	–
Net cash outflow arising from disposal	
Cash consideration received	–

(b) Deregistration of subsidiaries

During the year ended 31 March 2018, the Group deregistered a directly wholly-owned subsidiary, Guoze Water Treatment Company Limited ("Guoze"), which was inactive during the year.

The Group recognised a gain of approximately HK$7,000 on deregistration of Guoze.

36. OPERATING LEASE COMMITMENTS

The Group as lessee

At 31 March 2019 and 2018, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2019	2018
	HK$'000	HK$'000
Within one year	**2,675**	2,372
In the second to fifth year inclusive	**5,619**	5,554
	8,294	7,926

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases for the office properties are negotiated for an average term of three years.

36. OPERATING LEASE COMMITMENTS *(Continued)*

The Group as lessor

Property rental income earned during the year was approximately HK$58,572,000 (2018: HK$56,214,000). Some of the properties held have committed tenants for one to three years.

At 31 March 2019, the Group had contracted with tenants for the following future minimum lease payments:

	2019	2018
	HK$'000	HK$'000
Within one year	**32,523**	26,891
In the second to fifth year inclusive	**73,830**	53,022
After fifth year	**42,296**	54,494
	148,649	134,407

37. RETIREMENT BENEFITS SCHEMES

(a) The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Pursuant to the rules of the MPF Scheme, the Group and its employees are each required to make contributions to the scheme at specific rates, subject to relevant income levels. Contributions of the Group to the MPF Scheme are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme.

(b) The employees of subsidiaries in the PRC are members of the state-managed retirement benefits scheme operated by the PRC government. The Company's PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

(c) Employees employed by the Group outside Hong Kong are covered by the appropriate local retirement benefits schemes pursuant to the local labour rules and regulations.

38. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these consolidated financial statements, during the year ended 31 March 2019 and 31 March 2018, the Group had entered into the following material transactions with related parties:

(a) No rental income was received from Heilongjiang Interchina during the year ended 31 March 2019 (2018: HK$688,000). As at 31 March 2019, no relevant rental deposit was received from Heilongjiang Interchina (2018: HK$7,023,000).

38. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Compensation of key management personnel

Compensation for key management personnel, including amounts paid to the Directors of the Company and the senior executives are as follow:

	2019 HK$'000	2018 HK$'000
Salaries and other short-term benefits	**11,684**	10,463
Pension scheme contributions	**516**	516
	12,200	10,979

(c) Balance with a related party

Balance with a related company as at the end of the year is as follow:

	2019 HK$'000	2018 HK$'000
Other payables		
Loan from Novagro (note)	–	18,355

Note: For the year ended 31 March 2018, included in other payables were amount of approximately HK$18,355,000 due to Novagro, a company owned as to 99% by Mr. Jiang. Upon completion of the Acquisition, Novagro is a wholly-owned subsidiary of the Company, the balance were unsecured, interest free and repayable on demand for the both years. Details of the Acquisition were set out in note 34 to the consolidated financial statements.

(d) Rental income from a related company

Rental income including amounts received and receivable from a related company is as follow:

	2019 HK$'000	2018 HK$'000
Rental income		
Wo Hua Commercial Management (Shanghai) Co., Ltd ("Wo Hua") (note)	**21,809**	24,007

Note: Mr. Jiang has beneficial interest in Wo Hua.

(e) Management fee paid to a related company

Management fee including amounts paid and payable to a related company is as follow:

	2019 HK$'000	2018 HK$'000
Management fee		
Shanghai Chun Chuan Property Service Company Limited ("Shanghai Chun Chuan") (note)	**1,819**	1,908

Note: Mr. Jiang has beneficial interest in Shanghai Chun Chuan.

39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flow were, or future cash flows will be classified in the Group's consolidated statement of cash flows from financing activities:

	Bank borrowings (note 29) HK$'000	Other borrowings (note 29) HK$'000	Interest payable (note 27) HK$'000	Total HK$'000
At 1 April 2017	3,759	1,040,134	1,743	1,045,636
Exchange alignment	–	49,271	139	49,410
Interest expense			79,226	79,226
Interest paid	–	–	(78,931)	(78,931)
New other borrowings raised	–	481,963	–	481,963
Repayment of bank and other borrowings	(3,759)	(451,717)	–	(455,476)
At 31 March 2018	–	1,119,651	2,177	1,121,828

	Bank borrowings (note 29) HK$'000	Other borrowings (note 29) HK$'000	Interest payable (note 27) HK$'000	Total HK$'000
At 31 March 2018 and 1 April 2018	–	1,119,651	2,177	1,121,828
Exchange alignment	–	(47,582)	–	(47,582)
Interest expenses	–	–	86,594	86,594
Interest paid	–	–	(69,906)	(69,906)
Acquisition of subsidiaries	22,271	–	–	22,271
New bank and other borrowings raised	–	1,250,912	–	1,250,912
Repayment of bank and other borrowings	(15,477)	(1,435,869)	–	(1,451,346)
At 31 March 2019	**6,794**	**887,112**	**18,865**	**912,771**

40. FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, deposits, bank balances, cash and cash equivalents, loan receivables, financial assets at fair value through profit or loss, trade and other payables and bank and other borrowings. Details of these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Categories of financial instruments

	2019 HK$'000	2018 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	–	436,849
Financial asset at amortised cost	**212,842**	–
Financial assets at fair value through profit or loss	**911,924**	1,393,232
Financial liabilities		
Amortised cost	**971,268**	1,262,616

Financial risk factors

The Group is exposed to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk, liquidity risk and cash flow and fair value interest rate risk, which result from both its operating and investing activities. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group's treasury function operates as a centralised service for managing financial risks and for providing cost efficient funding to the Group.

(a) Market risk

(i) Foreign exchange risk

The Group operates mainly in the PRC, Hong Kong and Bolivia, majority of transactions are denominated in RMB, Hong Kong dollars and US dollar. It results the Group exposed to foreign exchange risk arising from the exposure of RMB against Hong Kong dollars.

Sensitivity analysis

The sensitivity at the end of the reporting period to a reasonably possible change of 5% in the exchange rate of Hong Kong dollars against the RMB, with all other variables held constant, of the Group's loss before tax and the Group's equity would be increased or decreased by approximately HK$50,783,000 (2018: HK$24,491,000).

40. FINANCIAL RISK MANAGEMENT *(Continued)*

Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(ii) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated statement of financial position as financial assets at fair value through profit or loss which are measured at fair value at each of the reporting period. The Group manages the price risk exposure by maintaining a portfolio of investments with different risk profiles.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risks at the end of the reporting period.

If the prices of the respective equity instruments have been 5% higher/lower, loss before taxation for the Group would be increased/decreased by approximately HK$45,596,000 (2018: loss increased/decreased by approximately HK$69,661,000) as a result of the changes of fair value of financial assets at fair value through profit or loss.

(b) Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 March 2019 in relation to each class of recognised financial assets is the carrying amount of those assets. With respect to credit risk arising from loan receivables, the Group's exposure to credit risk arising from default of the counterparty is limited as the counterparty has good history of repayment. The Group's time deposits are deposited with banks of high credit quality in Hong Kong.

The Group made transactions with counterparties with acceptable credit quality in conformance to the Group treasury policies to minimise credit exposure. Acceptable credit ratings from reputable credit rating agencies and scrutiny of financials for nonrated counterparties are two important criteria in the selection of counterparties. The credit quality of counterparties will be closely monitored over the life of the transactions. The Group reviews its financial counterparties periodically in order to reduce credit risk concentrations relative to the underlying size and credit strength of each counterparty and ensure that adequate impairment losses are made for irrecoverable amounts.

In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2018: incurred loss model) on trade balances from its trade customers based on provision matrix.

40. FINANCIAL RISK MANAGEMENT *(Continued)*

Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

In order to minimise the credit risk, the management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

Other receivables relating to accounts that are long overdue with significant amounts, known insolvencies or non-response to collection activities, they are assessed individually for impairment allowance. The Group recognised the provision for expected credit losses by assessing the credit risk characteristics of debtor, discount rate and the likelihood of recovery and considering the prevailing economic conditions.

In relation to the loan receivables, the Group estimates the ECL under HKFRS 9 ECL models. In assessing whether the credit risk of loan receivables has increased significantly since initial recognition, the Group consider that a default event occurs when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward looking information that is available without undue cost or effort.

The following table provides information about the Group's exposure to credit risk and ECLs for trade and other receivables and loan receivables as at 31 March 2019:

	Notes	Expected loss rate %	Grosscarrying amount HK$'000	Loss allowance HK$'000
Trade and other receivables and prepayments	23	34.69	270,290	93,768
Loan receivables	24	13.98	61,006	8,531
			331,296	102,299

40. FINANCIAL RISK MANAGEMENT *(Continued)*

Financial risk factors *(Continued)*

(c) Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves and considering of obtaining banking facilities to support the Group's short, medium and long-term funding and liquidity management requirements. In addition, the management of the Group continuously monitors forecast and actual cash flows and matches the maturity profiles of financial assets and liabilities.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on weighted average effective interest rates) and the earliest date the Group can be required to pay:

	Weighted average effective interest rate	Less than 1 year HK$'000	Between 1 and 5 years HK$'000	Over 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Total carrying amount HK$'000
At 31 March 2019						
Trade and other payables and deposits received	**–**	**77,362**	**–**	**–**	**77,362**	**77,362**
Bank and other borrowings	**5.5%-12.5%**	**888,158**	**–**	**9,161**	**897,319**	**893,906**
		965,520	**–**	**9,161**	**974,681**	**971,268**

	Weighted average effective interest rate	Less than 1 year HK$'000	Between 1 and 5 years HK$'000	Over 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Total carrying amount HK$'000
At 31 March 2018						
Trade and other payables and deposits received	–	148,848	–	–	148,848	148,848
Bank and other borrowings	6.60%-9.50%	1,119,651	–	–	1,119,651	1,119,651
		1,268,499	–	–	1,268,499	1,268,499

40. FINANCIAL RISK MANAGEMENT *(Continued)*

Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

Bank and other borrowings with a repayment on demand clause are included in the "within 1 year or on demand" time band in the above maturity analysis. As at 31 March 2019, the aggregate undiscounted principal amounts of the Group's bank and other borrowings with a repayment on demand clause amounted to HK$16,000,000 (2018: HK$19,000,000).

(d) Cash flow and fair value interest rate risk

Bank and other borrowings at variable interest rate expose the Group to cash flow interest rate and those at fixed rates expose the Group to fair value interest risk. The Group monitors the interest rate risk exposure on a continuous basis and adjusts the portfolio of borrowings where necessary.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For variable-rate borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis points increase or decrease in HIBOR is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 31 March 2019 would increase/decrease by approximately HK$3,792,000 (2018: loss increase/decrease HK$5,598,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Fair value measurement

HKFRS 7 (Amendment) 'Financial Instruments — Disclosures' requires disclosure of fair value measurements for financial instruments by level of the following fair value measurement 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 (that is, as prices) or indirectly (that is, derived from prices) (level 2).

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

40. FINANCIAL RISK MANAGEMENT *(Continued)*

Fair value measurement *(Continued)*

The following table presents the Group's financial assets that are measured at fair value at 31 March 2019 and 2018:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31 March 2019				
Financial assets at fair value through profit or loss	**911,924**	**–**	**–**	**911,924**
As at 31 March 2018				
Financial assets at fair value through profit or loss	1,393,232	–	–	1,393,232

Details of the Group's financial assets that are measured at fair value at 31 March 2019 and 2018 were set out in the note 25 to the consolidated financial statement.

There have been no significant transfers between level 1, 2 and 3 in the reporting period.

The Directors of the Company consider that the carrying amounts of financial assets and financial liabilities at amortised cost in the consolidated financial statements approximate their fair values.

Capital risk management

The primary objective of the Group's capital management is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Group's overall strategy remains unchanged from prior year.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of issue new shares or sell assets to reduce debts.

40. FINANCIAL RISK MANAGEMENT *(Continued)*

Capital risk management *(Continued)*

The Group monitors its capital on the basis of the gearing ratio of borrowings over total equity. This ratio is calculated as borrowings less cash and cash equivalent divided by total equity. The Group aims to maintain the gearing ratio at a reasonable level.

The gearing ratios at the end of the reporting period are as follows:

	2019	2018
	HK$'000	HK$'000
Bank and other borrowings (note 29)	**893,906**	1,119,651
Less: Cash and cash equivalents (note 26)	**(79,975)**	(179,712)
	813,931	939,939
Total equity	**2,584,656**	3,147,461
Gearing ratio	**31.49%**	29.86%

41. MAJOR NON-CASH TRANSACTION

Save as disclosed note 22 elsewhere in these consolidated financial statement, the Group had no major non-cash transaction during the year ended 31 March 2019 and 2018.

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ registration and operation	Paid-up issued ordinary shares/ registered capital* HK$ (unless otherwise stated)	Percentage of issued ordinary shares/registered capital held by the Company Directly %	Indirectly %	Principal activity
Interchina (Tianjin) Water Treatment Company Limited	PRC	RMB900,000,000	100	–	Investment holding
Action Investments Limited	Hong Kong	100	100	–	Property investment
Jet Source Investments Limited	Hong Kong	2	100	–	Property investment

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ registration and operation	Paid-up issued ordinary shares/ registered capital* HK$ (unless otherwise stated)	Percentage of issued ordinary shares/registered capital held by the Company Directly %	Indirectly %	Principal activity
External Fame Limited	The British Virgin Island (the "BVI")	US$1	–	100	Investment holding
Success Flow International Limited	BVI	US$1	100	–	Investment holding
Long Bao Property Limited	Hong Kong	100	–	100	Investment holding
北京龍堡物業管理有限公司	PRC	RMB45,000,000	–	100	Property investment
北京博雅宏遠物業管理有限公司	PRC	RMB20,000,000	–	100	Property investment
Omnigold Resources Limited	BVI	US$1	–	100	Property investment
Interchina Finance (H.K.) Limited	Hong Kong	10,000	–	100	Provision for financial services
Interchina Resources Holdings Limited	Hong Kong	100	100	–	Investment holding
Universe Glory Limited	BVI	US$50,000	–	100	Natural resources investment
P.T. Satwa Lestari Permai	Indonesia	RP5,000,000,000	–	95	Exploration, mining processing and sale of manganese resources
EverChina Hotel Investment Limited	BVI	US$10,000	100	–	Investment holding
Loyal Rich International Investment Limited	Hong Kong	10,000	–	100	Hotel investment
天富(上海)酒店管理有限公司	PRC	RMB2,000,000	–	100	Hotel management
Interchina Corporate Services Limited	Hong Kong	10,000	100	–	Corporate management
All Yield Investments Limited	BVI	US$50,000	–	100	Natural resources investment
上海欣竑投資有限公司	PRC	RMB650,000,000	–	100	Property investment

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ registration and operation	Paid-up issued ordinary shares/ registered capital* HK$ (unless otherwise stated)	Percentage of issued ordinary shares/registered capital held by the Company Directly %	Indirectly %	Principal activity
Pengxin Agricultural Holdings Company Limited	BVI	USD100	100	–	Investment holding
Sociedad Agropecuaria Argotanto S.A.	Bolivia	BOB12,000	–	100	Cattle raising and sales of cattle
Empresa Agropecuaria Novagro S.A.	Bolivia	USD1,327,371	–	100	Agricultural farming

Details of non-wholly owned subsidiary that has material non-controlling interests

The following table lists out the information relating to P.T. Satwa Lestari Permai, the only subsidiary of the Group which has material non-controlling interests. The summarised financial information of P.T. Satwa Lestari Permai is set out below:

	2019 HK$'000	2018 HK$'000
Non-controlling interests percentage	**5%**	5%
Current assets	**391**	193
Non-current assets	**179,133**	272,325
Current liabilities	**(18,067)**	(16,927)
Net assets	**161,457**	255,591
Equity attributable to owners of the Company	**123,478**	212,904
Non-controlling interests	**37,979**	42,687

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Details of non-wholly owned subsidiary that has material non-controlling interests

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
Turnover	**–**	–
Loss for the year	**(94,140)**	(1,209)
Loss for the year attributable to:		
Owners of the Company	**(89,432)**	(1,143)
Non-controlling interests	**(4,708)**	(66)
	(94,140)	(1,209)
Total comprehensive loss attributable to:		
Owners of the Company	**(89,432)**	(1,143)
Non-controlling interests	**(4,708)**	(66)
Total comprehensive loss for the year	**(94,140)**	(1,209)
Net cash used in operating activities	**(182)**	(181)
Net decrease in cash and cash equivalents	**(182)**	(181)

The information above is the amount before inter-company eliminations.

43. COMPARATIVE FIGURES

The Group has initially applied HKFRS 15 and HKFRS 9 on 1 April 2019. Under the transition method, comparative informations is not restated. Further details of the change in accounting policies are disclosed in note 2.

44. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of Directors on 27 June 2019.

FIVE YEAR FINANCIAL SUMMARY

For the year ended 31 March 2019

RESULTS

	For the year ended 31 March				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**78,064**	89,912	67,951	86,811	51,544
(Loss)/profit from ordinary activities before taxation	**(628,770)**	(678,636)	106,152	(682,959)	(401,899)
Tax credit/(expense)	**23,810**	(97,237)	(5,386)	(1,591)	(54,009)
(Loss)/profit for the year from continuing operations	**(604,960)**	(775,873)	100,766	(684,550)	(455,908)
Loss for the year from discontinued operations	**–**	–	(18,422)	(1,320)	(29,678)
(Loss)/profit for the year	**(604,960)**	(775,873)	82,344	(685,870)	(485,586)
Owners of the Company	**(600,252)**	(775,807)	82,403	(685,672)	(403,159)
Non-controlling interests	**(4,708)**	(66)	(59)	(198)	(82,427)
(Loss)/profit for the year	**(604,960)**	(775,873)	82,344	(685,870)	(485,586)

ASSETS AND LIABILITIES

	As at 31 March				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**3,689,049**	4,520,715	4,873,812	4,477,067	5,900,132
Total liabilities	**(1,104,393)**	(1,373,254)	(1,230,414)	(726,607)	(919,398)
Non-controlling interests	**(37,979)**	(42,687)	(42,753)	(42,812)	(303,162)
Shareholders' funds	**2,546,677**	3,104,774	3,600,645	3,707,648	4,677,572

PARTICULARS OF MAJOR PROPERTIES

Location	Use	Lease term
Flat No. 17 on 27/F, Apartment Tower, Western Side of Convention Plaza, Wan Chai, Hong Kong	Residential premises for rental	Long-term lease
Retail portion on basement Level 1, Level 1 to Level 2 and 88 office units from Level 3 to Level 12 And 164 carparking spaces on basement, Level 2 and 3 situation at Interchina Commercial Building 33, Dengshikou Street, Dong Cheng District, Beijing, PRC	Commercial premises for rental	Medium-term lease
Level 1-20, 1729 Huangxing Road, Wujiaochang Jiedao, Yangpu District, Shanghai, PRC	Hotel operation	Medium-term lease
B2 & B3, 1737 Huangxing Road, Wujiaochang Jiedao, Yangpu District, Shanghai, PRC	Car parking space for rental	Medium-term lease
14 retail units at Levels 1-3 of Above the Bund Square No. 948 Dongdaming Road, Hongkou District, Shanghai, PRC	Commercial premises for rental	Medium-term lease