



中國動力  
China Dynamics



Interim Report

2015/16

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

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

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# Corporate Information

## DIRECTORS

### Executive Directors

Mr. Cheung Ngan (*Chairman*)  
Mr. Lai Kwok Wai  
(appointed on 27 April 2015)

### Non-Executive Directors

Mr. Li Shaofeng (resigned on  
2 November 2015)  
Mr. Zhao Hong Feng  
Mr. Zhou Jin Kai

### Independent Non-Executive Directors

Mr. Chan Francis Ping Kuen  
Mr. Hu Guang  
Mr. Chan Chak Paul

## AUDIT COMMITTEE

Mr. Chan Francis Ping Kuen  
Mr. Hu Guang  
Mr. Chan Chak Paul

## AUDITOR

BDO Limited  
25th Floor, Wing On Centre  
111 Connaught Road Central  
Hong Kong

## LEGAL ADVISOR IN HONG KONG

TC & Co.  
Units 2201-3, 22/F,  
Tai Tung Building, 8 Fleming Road  
Wanchai, Hong Kong

## BRANCH REGISTRAR IN HONG KONG

Tricor Tengis Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## STOCK CODE

0476

## REGISTERED OFFICE

Clarendon House  
2 Church Street, Hamilton HM 11  
Bermuda

## PRINCIPAL REGISTRAR

Appleby Management (Bermuda) Ltd.  
Canon's Court, 22 Victoria Street  
Hamilton HM 12  
Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

## COMPANY SECRETARY

Ms. Lo Lai Man, *CPA* (appointed on  
13 May 2015)

## PRINCIPAL BANKER

Hang Seng Bank Limited

## WEBSITE

[www.chinadynamics.com](http://www.chinadynamics.com)

# Management Discussion and Analysis

The board of directors (the “Directors”) of China Dynamics (Holdings) Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2015.

## RESULTS

During the period ended 30 September 2015, the Group recorded a turnover of approximately HK\$120.4 million (30 September 2014: HK\$nil) derived from sales of motor vehicles in the People’s Republic of China (the “PRC”) of HK\$53.0 million and sale of iron ores in the PRC of HK\$67.4 million.

The turnover of motor vehicle selling is derived from a subsidiary acquired by the Group in December 2014 and thus no such turnover in the previous period. Profit margin of 15.6% was contributed from the sales of motor vehicle during the current period.

The selling price of global metal and minerals is still fluctuating and lead to the profit margin from the sale of iron ores of 0.9% during the current period.

The Group recorded a loss of approximately HK\$76.8 million for the period as compared to a loss of approximately HK\$49.2 million for last period. Such an increase in loss was mainly due to the increase in administrative expenses of approximately HK\$58.6 million (30 September 2014: HK\$39.6 million) and the increase in finance costs of approximately HK\$24.2 million (30 September 2014: HK\$10.9 million). The increase in administrative expenses during the period was mainly due to administrative expenses incurred by a subsidiary in the PRC acquired by the Group in December 2014.

Finance costs of approximately HK\$24.2 million (30 September 2014: HK\$10.9 million) during the period mainly represents the non-cash imputed interest expenses of HK\$10.4 million (30 September 2014: HK\$10.8 million) on the amount due to a related company arising from the acquisition of a subsidiary in February 2014 and the unwind interest on early extinguishment on amount due to a related company of HK\$13.4 million (30 September 2014: HK\$nil) resulted from the full and early settlement during the current period.

# Management Discussion and Analysis

The loss attributable to the owners of the Company was HK\$68.8 million (30 September 2014: HK\$45.3 million). Basic and diluted loss per share for the period was HK\$0.02 per share (30 September 2014: HK\$0.01 per share).

## INTERIM DIVIDEND

The Directors of the Company do not recommend the payment or declaration of any interim dividend for the six months ended 30 September 2015 (30 September 2014: nil).

## BUSINESS REVIEW

### Electric bus (“eBus”) and electric vehicles (“EVs”)

Heavy photochemical smog and haze in the PRC has been continuing during the period under review. One of the reasons of such continuing deterioration is due to increasing transportation and thus raising the emission levels. Electrification of cars is inevitably a global trend towards a feasible solution in improving such deterioration. In additions, electrification will also have the benefit of less dependence on crude oil-led fuels and thus a better energy security. The benefit of electric vehicles are clear and the PRC Government is dedicated to reiterate its support recently by emphasizing the building of infrastructure such as charging stations to sufficiently cater for the number of electric vehicles by year 2020. The recent unveiling of the “Thirteenth Five Plan” proposal also emphasizes to promote green development such as using cleaner energy. Among all vehicle sectors, buses are the vehicles with the most polluting emission and they are mostly used for public transportation. Electric buses including hybrid and fuel cell variations, have been observed to be almost the only solution for emission controls from public transport. The Group believes that electric buses and vehicles is definitely a global trend in vehicle transportation industry and thus offering good business opportunity.

# Management Discussion and Analysis

As discussed in previous annual reports, the Group was the successful bidder for a tender from the Hong Kong Productivity Council (the “HKPC”) in February 2014 for the design, supply and fabrication of 4 sets of Permanent Magnet Synchronised Motor System and Power Battery System to be used for HKPC Electric Buses Project (the “eBus Project”). The successful bid reflects the unique advantage of our Power Battery System which is in solid state, intense power density, able to achieve high power output, light in weight and safety. The advantages also enable the Group to commence business in the new energy industry as it can resolve the hindrance that general power battery system may cause to electric vehicles, especially the leaking of electrolyte in liquid state battery which may result in severe safety concern.

In addition to the successful bid of the above tender, the Group also acquired Green Dynamic Electric Vehicle Limited (the “GDEV”) in last year, GDEV was responsible for the eBus Project as mentioned above. The Group then became fully in control of integrating our Power Battery System in the whole eBus Project according to HKPC requirement standard. The eBus project aimed to develop 12-meter long single deck pure electric buses to comply with highest Hong Kong quality requirement. The eBus was delivered and had already gone through the evaluation procedure of HKPC and is currently going through HKPC internal documentation procedure. According to HKPC, the ebus has four distinctive features – light body, extended range, intelligent and localized design. It fully caters to the unique traffic condition of Hong Kong and the operation model of local franchised bus companies. As such, the Group is confident that the success of this eBus Project enables the Group a distinct advantage to develop eBus market both in Hong Kong and the PRC.

Chongqing Suitong Industrial Company Limited (the “Chongqing Suitong”), a subsidiary which is principally engaged in manufacturing of whole eBus with all electric power system and control system, manufacturing of other buses, marketing and selling the components of vehicles, continues to contribute turnover to the Group for the period under review. Chongqing Suitong has decided to directly apply for the new energy buses production full license based on its existing traditional diesel bus production license rather than to first apply for specialty buses license as discussed in last annual report. The full new energy production license is expected to be completed by end of 2015 and in any case no later than the first quarter of 2016. The full new energy vehicles production license will equip Chongqing Suitong with production permit of new energy vehicles including large and medium buses, large and medium lorries, mini buses as well as specialty vehicles such as garbage truck.

# Management Discussion and Analysis

Subsequent to 30 September 2015, the Group had obtained a sales order of 90 units at 8-meter long and 10 units of 10.48-meter long pure electric buses from Xingtai People's Government ("Xingtai") and is expected to deliver by end of 2015. The Group believes that this is the first order from Xingtai with more orders to follow, as it is an important demonstration city in new energy vehicles changeover among the "Beijing-Tianjin-Hebei Metropolitan Region". As such, the Group is confident to rapidly develop the new energy vehicles market among the Region.

Although our ebus sales orders was slower than the expected timeframe as discussed in last annual report, however, with the confirmation of recent Xingtai sales order and eBus Project development, the Group is very confident that after Chongqing Suitong successfully obtained the license in the near future, the ebus business will grow rapidly as the bottleneck of the ebus business segment is no longer a hindrance.

The investment in 10% enlarged shareholdings in Rimac Automobili d.o.o. (the "Rimac") does not have any positive contribution yet, but its revenue and orders is growing rapidly during the period and the Group believes that the investment represents good horizontal business expansion opportunity into passenger EV markets in addition to the eBus markets, as well as providing opportunity for technology exchange which can benefit our eBus business development.

During the period, the Group has entered into a Strategic Cooperation Agreement and a New Energy Vehicle Cooperation Agreement (the "Agreements") with Chongqing Liangjian New Area Innovation Venture Investment and Development Company Limited (the "Chongqing Liangjian") to develop new energy vehicles, and is currently proceeding in accordance with the Agreements. Chongqing Liangjian is a state owned company established in Chongqing to promote research and development, and commercialisation of innovative technology projects including EVs. The Board believes that the entering into the Agreements will strengthen its presence in the new energy vehicle market in the PRC, especially in Chongqing. Chongqing is a very important new energy vehicle market among south western provinces and the Group is already in a distinct strategic position through the above strategic cooperation.

# Management Discussion and Analysis

During the period, the Group has entered into a non-legally binding term sheet in respect of possible formation of a joint venture with Phinergy Limited (“Phinergy”), a company incorporated in the state of Israel, to integrate its aluminum-air batteries with our own lithium solid state battery into a unique energy systems for electric buses, coaches, logistic vehicles and sports utility vehicles. Prior to the signing of a definitive agreement and the joint venture formation, demos of a 6-meter and a 11.5-meter electric vehicle with sufficient energy system to operate for a range of 1,000 and 3,000 kilometers respectively will first be carried out. The 6-meter demo project is currently undergoing. Phinergy is an innovative company developing metal-air energy systems based on its breakthrough air-electrode technology. It has developed a revolutionary way to generate electricity using aluminum as an energy source, offering significant advantages such as high energy density, long driving range, abundant and fully recyclable materials, safety and low cost. The directors believe that with this integrated battery energy system, the Group is well positioned in taking up future market changes and has first mover advantages in new technology adaptation.

The Board is optimistic that the Group is well positioned to develop the eBus and EVs market in a rather fast pace, and is also able to seek for expansion and capture opportunity from time to time.

## **Mining and production of mineral products**

The Group’s wholly owned subsidiary, Guangxi Weiri Mining Company Limited (the “Guangxi Weiri”), held a glauberite mine located in Guangxi, the PRC. The product of the glauberite mine is thenardite which is an important raw material used in chemical and light industrial manufacturing industries. The Group expects that there will be an increasing thenardite demand in the PRC as a result of the continuing urbanisation in the PRC.



# Management Discussion and Analysis

The glauberite mine is currently undergoing development preparation in accordance with its development plan. Since the processes of land acquisitions for the factory as well as for the road access are much slower than expected and therefore during the period ended 30 September 2015, there is no significant exploration, development or production activity conducted for the glauberite mine. The mineral resources has not changed since its acquisition on 28 February 2014, details of the resources are stated in the “Mineral resources and ore reserves” section below.

During the previous year, Guangxi Weiri completed the purchase of a land use right of 63,118 square meters for RMB7.6 million. Another RMB7.7 million was paid for approximately 100,000 square meters of land for factory site but relevant land use rights has not been issued yet due to local governmental land management process. Procedure for approximately 41,500 square meters of land for road access has also been completed but no payment to government was made yet since the land use rights of the second parcel of land above is still pending.

In view of the lands acquisition situation as stated above, Guangxi Weiri has postponed the purchase of production equipment from a Europe supplier and its China production base. The terms of the relevant purchase contract has been concluded but not yet committed. Guangxi Weiri will work closely with local government to sort out the land issue.

# Management Discussion and Analysis

## *Mineral resources and ore reserves*

As at 30 September 2015, the Company, through its wholly-owned subsidiary Guangxi Weiri in the PRC, held a glauberite mine in Guangxi. The following table sets out the mineral information of the mine as at 30 September 2015.

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

## **Metals and minerals trading**

During the current period, trading of iron ores contributed part of the Group’s turnover and gross profit. The Group will continue to identify and pursue resources trading business. The Group believes that the economy of the PRC will continue to grow and urbanisation will keep pace, and thus a continuous demand in metals and minerals.

# Management Discussion and Analysis

## Ores processing and trading

As discussed in previous annual reports, the Group had slowed down the progress on the development of Chile's ores processing plant in 2009. After the financial crisis in late 2008, the quantitative easing policy and European sovereign debt crisis have also largely increased the financial market volatility and hence the risk of global economic downturn. Accordingly, the Group was very cautious and has considered operational design adjustments from time to time, and as such, the project development was in a rather slow pace in the past few years.

In addition to the global economic uncertainty, water resources are also an important issue to the mining industry within the region where the Chile's subsidiary, Minera Catania Verde S.A. ("Verde"), operates. Water is a scarce resource within the region and the people relies basically on underground water in the region. Verde had acquired underground water use right during the years ended 31 March 2007 and 31 March 2010 for this reason. However, the underground water resources in the region have been suffering a severe decrease due to drastic drought weather since the end of 2011 and seriously affected the normal water supply for human consumption and agricultural activity. As such, in March 2013, Chilean Government has declared the region a zone of water scarcity by a governmental decree in order to prioritize water usage for public health. Under the decree, anyone can use the water resources to secure human health and cultivation even without water use rights, hence, it is expected that the water resources will be consumed faster and intensify the water scarcity issue. The water scarcity situation has continued in 2014 and Chile government has appointed a Presidential Delegate for water resources for the purpose of reporting and proposing further measures to solve the water scarcity issues especially in the affected area.

# Management Discussion and Analysis

The Group had obtained a legal opinion in 2015 from Chilean lawyer regarding the current situation of the water resources, which advised that the decree in 2013 is no longer in force but the situation of scarcity remains and inhabitants still continued to use this decree to extract water and hence this situation may affect Verde's possibility of sourcing water. The Company still considered that the current water scarcity situation is not a permanent situation although it is unable to predict the timing for its recovery. Having considered the above factors, and taking note of the current business objectives of the Group and resource allocation, the Group has maintained the decision to delay further work on the construction of the ores processing facilities in Chile until 2018. The Company will continue to review the situation annually, and should the situation becomes more clear and favorable, the Company will consider to resume project development in Chile accordingly.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group generally financed its operations by internal resources. As at 30 September 2015, the net asset value of the Group amounted to approximately HK\$3,474 million (31 March 2015: HK\$3,676 million). As at 30 September 2015, the gearing ratio of the Group was 0.4% (31 March 2015: 1.9%) based on the bank borrowing of HK\$12.2 million (31 March 2015: bank borrowing and amount due to a related company totaling HK\$66.6 million) and the equity attributable to the owners of the Company of HK\$3,355 million (31 March 2015: HK\$3,544 million).

During the period, the Group repaid HK\$78.0 million (31 March 2015: HK\$97.0 million) to a related company and hence the amount due to a related company was fully settled during the period.

As at 30 September 2015, the Group had cash and bank balances of approximately HK\$231.8 million (31 March 2015: HK\$392.0 million) and bank deposit of HK\$4.4 million (31 March 2015: HK\$nil) was pledged.

# Management Discussion and Analysis

The operating cash flows of the Group are mainly denominated in HK dollars, Renminbi, US dollars and Chilean pesos. Certain bank deposits, receivables and payables of the Group are denominated in Renminbi, US dollars and Chilean pesos. Foreign exchange exposure in respect of US dollars is considered to be minimal as HK dollars is pegged to US dollars. For other currencies, the Group will closely monitor the currency exposure and, when considers appropriate, will take the necessary actions to ensure that such exposure is properly hedged.

## PROSPECTS

The Group believes that electric vehicle is definitely a global focus and trend in improving air pollution and enhancing economic sustainability. With the Group's recent progress of the eBus Project, the expectation of getting new energy vehicle production license for Chongqing Suitong, the strategic cooperation with Chongqing Liangjian, the possible joint venture with Phinergy, and together with the government support of new energy policy in recent Thirteenth Five Years proposal, the Group is confident that the eBus and EVs business will offer a good business opportunity and prospect. The Board is also optimistic that the Group is well positioned to develop the eBus and EVs market in a rather fast pace which commenced and signified by the starting order from Xingtai, and is also able to seek for expansion and capture opportunity from time to time.

The product of the glauberite mine is thenardite which is an important raw material used in chemical and light industrial manufacturing industries. The Group expects that there will be an increasing thenardite demand in the PRC as a result of the continuing urbanisation in the PRC. The Board considers that this is the right opportunity for the Group to further invest in the development and expansion of its mining business and to increase its reserve of non-ferrous metal resources.

Although the current slack economy will inevitably affect the demand of metal and minerals, nevertheless, the world's economy continued a moderate recovery. The Group will closely monitor the situation from time to time and will look for any potential trading opportunity.

The water scarcity situation in Chile continues to affect the development of ore processing and trading business. The Group will closely monitor the situation and will take appropriate measures and action as and when necessary.

## SHARE REPURCHASE

Consistent with the management's commitment in enhancing the net asset value of the Company and protecting its long-term interest, a share repurchase exercise was implemented. 5,700,000 of its ordinary shares were acquired and cancelled at an aggregate price of HK\$2,928,000. Consequent to this share repurchase exercises, the Company have acquired and cancelled approximately 0.15% of the total number of issued shares of the Company immediately prior to such repurchase and cancellation.

## CHARGES ON THE GROUP'S ASSETS AND CONTINGENT LIABILITIES

At 30 September 2015, the Group has pledged a land in Chongqing with aggregate carrying amount of approximately HK\$18,335,000 (31 March 2015: HK\$19,245,000) to secure a bank borrowing of approximately HK\$12,179,000 (31 March 2015: HK\$12,416,000). In additions, the Group pledged its bank deposits of HK\$4,419,000 (31 March 2015: HK\$ nil) to secure banking facilities granted to the Group.

The Group provided a guarantee to a financial institution in Chongqing for certain of its customers on the purchase of motor vehicle. In the event of customers' default, the Group will be required to compensate the financial institution for the outstanding receivable from the customers. As at 30 September 2015, the Group's maximum exposure to the arrangement was RMB10.4 million. During the period ended 30 September 2015, there was no default of payments from customers which required the Group to make payments. Save as disclosed herein, there was no charge on the Group's assets and the Group did not have any significant contingent liabilities.

# Management Discussion and Analysis

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 September 2015, the Group employed 408 (31 March 2015: 351) full time managerial and skilled staff principally in Hong Kong, the PRC and Chile.

The Group remunerates and provides benefits for its employees based on current industry practice. Discretionary bonus and other individual performance bonus are awarded to staff based on the financial performance of the Group and performance of individual staff. In the PRC and Chile, the Group provides staff welfare for its employees in accordance with prevailing labour legislation. In Hong Kong, the Group provides staff benefits including mandatory provident fund scheme and medical scheme. In addition, share options are granted to eligible employees in accordance with the terms of the Company's share option scheme.

## **SHARE OPTION SCHEME**

The Company's share option scheme (the "New Scheme"), which was adopted by an ordinary resolution of the shareholders at annual general meeting of the Company on 30 August 2013 (the "Adoption Date"), constitutes a share option scheme governed by Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and will remain in force for 10 years from the Adoption Date.

Pursuant to the New Scheme, the Board is empowered, at its discretion, to invite any participant, including but not limited to any executive directors, non-executive directors and employees of the Company or any of its subsidiaries or associates, to take up options to subscribe for shares in the Company. Details of the New Scheme are set out in note 21 to the condensed consolidated financial statements.

No share options was granted during the current period.

# Management Discussion and Analysis

## DIRECTORS' RIGHTS TO ACQUIRE SHARES

Movements of the outstanding share options to the directors as at 30 September 2015 were as follows:

Name of Director	Date of grant	Exercise Price (HK\$)	Number of share options		
			At 1 April 2015	Granted	At 30 September 2015
Mr. Cheung Ngan	16 December 2009	0.46	1,200,000	–	1,200,000
Mr. Lai Kwok Wai	16 December 2009	0.46	12,000,000	–	12,000,000
	11 July 2007	0.86	10,000,000	–	10,000,000
Mr. Li Shaofeng	16 December 2009	0.46	12,000,000	–	12,000,000
Mr. Zhao Hong Feng	11 April 2014	1.15	10,000,000	–	10,000,000
Mr. Chan Francis Ping Kuen	16 December 2009	0.46	1,200,000	–	1,200,000
Mr. Hu Guang	16 December 2009	0.46	1,200,000	–	1,200,000

No share option was exercised by the directors during the period ended 30 September 2015.

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



# Management Discussion and Analysis

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2015, the interests and short positions of the directors in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which had been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Capacity/ Nature of interest	Number of shares or underlying shares		Approximate percentage of shareholding in the Company/ associated company
		Long position	Short position	
Mr. Cheung Ngan	Beneficial owner & interest of controlled corporation	1,917,102,469 (Note 1)	–	51.73%
	Interest of controlled corporation	1,000 (Note 2)	–	20%
Mr. Chan Chung Chun, Arnold (Deceased)	Beneficial owner & interest of controlled corporation	2,223,232,469 (Note 3)	–	59.99%
	Interest of controlled corporation	1,000 (Note 4)	–	20%
Mr. Lai Kwok Wai	Beneficial owner	22,000,000 (Note 5)	–	0.59%
Mr. Li Shaofeng	Beneficial owner	12,000,000 (Note 5)	–	0.36%

# Management Discussion and Analysis

Name of Director	Capacity/ Nature of interest	Number of shares or underlying shares		Approximate percentage of shareholding in the Company/ associated company
		Long position	Short position	
Mr. Zhao Hong Feng	Beneficial owner	10,000,000 (Note 5)	–	0.30%
Mr. Zhou Jin Kai	Beneficial owner	1,110,000,000 (Note 6)	–	29.95%
Mr. Chan Francis Ping Kuen	Beneficial owner	1,200,000 (Note 5)	–	0.04%
Mr. Hu Guang	Beneficial owner	1,200,000 (Note 5)	–	0.04%

Note:

- 1) The 1,917,102,469 shares include:
  - a. the number of shares of 394,670,000 held by Mr. Cheung Ngan;
  - b. the underlying shares of 1,200,000 from the share options granted, details of which are set out in the section headed “directors’ rights to acquire shares” above;
  - c. the underlying shares of 190,000,000 from conversion of convertible notes with principal amount of HK\$142,500,000 held by Faith Profit Holding Limited, which was wholly owned by Mr. Cheung Ngan; and
  - d. the number of shares of 95,232,469 and underlying shares of 1,236,000,000 from conversion of convertible notes with principal amount of HK\$927,000,000 held by Sino PowerHouse Corporation, which was beneficially owned as to 51% by Faith Profit Holding Limited.

# Management Discussion and Analysis

- 2) The 1,000 shares represent the indirect interest in Tong Guan La Plata Company Limited ("TGLP"), which is 60% indirectly held by the Company and hence is an associated corporation. The 20% beneficial interest in TGLP is held by Catania Copper (Chile) Limited. Catania Copper (Chile) Limited is 40% held by Great Base Holdings Limited and 60% held by Catania Mining Limited. Catania Mining Limited is 55% held by CM Universal Corporation. Faith Profit Holding Limited held 50% interest in Great Base Holdings Limited. Mr. Cheung Ngan held 100% interest in Faith Profit Holding Limited and 51% interest in CM Universal Corporation.
- 3) The 2,223,232,469 shares include:
  - a. the number of shares of 390,000,000 and underlying shares of 490,000,000 from conversion of convertible notes with principal amount of HK\$367,500,000 held by Entrust Limited, which was wholly owned by Mr. Chan Chung Chun, Arnold;
  - b. the underlying shares of 12,000,000 from the share options granted on 16 December 2009; and
  - c. the number of shares of 95,232,469 and underlying shares of 1,236,000,000 from conversion of convertible notes with principal amount of HK\$927,000,000 held by Sino PowerHouse Corporation, which was beneficially owned as to 49% by Entrust Limited, which was wholly owned by Mr. Chan Chung Chun, Arnold.

Mr. Chan Chung Chun, Arnold deceased on 8 May 2015.

- 4) The 1,000 shares represent the indirect interest in TGLP, which is 60% indirectly held by the Company and hence is an associated corporation. The 20% beneficial interest in TGLP is held by Catania Copper (Chile) Limited. Catania Copper (Chile) Limited is 40% held by Great Base Holdings Limited and 60% held by Catania Mining Limited. Catania Mining Limited is 55% held by CM Universal Corporation. Entrust Limited held 50% interest in Great Base Holdings Limited. Mr. Chan Chung Chun, Arnold (deceased) held 100% interest in Entrust Limited and 49% interest in CM Universal Corporation.
- 5) Being options to acquire ordinary shares of the Company, and further details of which are set out in the section headed "directors' rights to acquire shares" above.
- 6) The number of shares of 186,000,000 and underlying shares of 924,000,000 from conversion of convertible notes with principal amount of HK\$693,000,000.

# Management Discussion and Analysis

Save as disclosed above, as at 30 September 2015, none of the directors of the Company have interest or short positions in the shares and underlying shares or other securities of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

## DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 22 to the condensed consolidated financial statements, no director, whether directly or indirectly, had a material beneficial interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the period under review.

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

As at 30 September 2015, the following shareholders had registered an interest or short position in the shares or underlying shares of 5% or more of the issued share capital of the Company in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name of substantial shareholder	Capacity/Nature of interest	Number of shares or underlying shares		Approximate percentage of shareholding in the Company
		Long position	Short position	
Mr. Cheung Ngan	Beneficial owner & interest of controlled corporation	1,917,102,469 (Note 1)	–	51.73%
Faith Profit Holding Limited	Beneficial owner & interest of controlled corporation	1,521,232,469 (Note 1)	–	41.05%

# Management Discussion and Analysis

Name of substantial shareholder	Capacity/Nature of interest	Number of shares or underlying shares		Approximate percentage of shareholding in the Company
		Long position	Short position	
Mr. Chan Chung Chun, Arnold (Deceased)	Beneficial owner & interest of controlled corporation	2,223,232,469 (Note 2)	–	59.99%
Entrust Limited	Beneficial owner & interest of controlled corporation	2,211,232,469 (Note 2)	–	59.67%
Sino PowerHouse Corporation	Beneficial owner	1,331,232,469 (Note 3)	–	35.92%
Mr. Zhou Jin Kai	Beneficial owner	1,110,000,000 (Note 4)	–	29.95%
北京汽車城投資管理有限公司	Beneficial owner & interest of controlled corporation	203,860,000 (Note 5)	–	5.50%
北京匯濟投資中心	Interest of controlled corporation	203,860,000 (Note 5)	–	5.50%
北京市順義區政府	Interest of controlled corporation	203,860,000 (Note 5)	–	5.50%

Note:

- 1) The 1,917,102,469 shares include:
  - a. the number of shares of 394,670,000 held by Mr. Cheung Ngan;
  - b. the underlying shares of 1,200,000 from the share options granted to Mr. Cheung Ngan;
  - c. the underlying shares of 190,000,000 from conversion of convertible notes with principal amount of HK\$142,500,000 held by Faith Profit Holding Limited, which was wholly owned by Mr. Cheung Ngan. Accordingly, Mr. Cheung Ngan is deemed to be interested in the shares in which Faith Profit Holding Limited is interested by virtue of the SFO; and

# Management Discussion and Analysis

- d. the number of shares of 95,232,469 and underlying shares of 1,236,000,000 from conversion of convertible notes with principal amount of HK\$927,000,000 held by Sino PowerHouse Corporation, which was beneficially owned as to 51% by Faith Profit Holding Limited. Accordingly, Faith Profit Holding Limited and Mr. Cheung Ngan are deemed to be interested in the shares in which Sino PowerHouse Corporation is interested by virtue of the SFO.
- 2) The 2,223,232,469 shares include:
- a. the number of shares of 390,000,000 and underlying shares of 490,000,000 from conversion of convertible notes with principal amount of HK\$367,500,000 held by Entrust Limited, which was wholly owned by Mr. Chan Chung Chun, Arnold. Accordingly, Mr. Chan Chung Chun, Arnold is deemed to be interested in the shares in which Entrust Limited is interested by virtue of the SFO;
  - b. the underlying shares of 12,000,000 from the share options granted to Mr. Chan Chung Chun on 16 December 2009; and
  - c. the number of shares of 95,232,469 and underlying shares of 1,236,000,000 from conversion of convertible notes with principal amount of HK\$927,000,000 held by Sino PowerHouse Corporation, which was beneficially owned as to 49% by Entrust Limited. Mr. Chan Chung Chun, Arnold held 100% interest in Entrust Limited. Accordingly, Entrust Limited and Mr. Chan Chung Chun are deemed to be interested in the shares in which Sino PowerHouse Corporation is interested by virtue of the SFO.

Mr. Chan Chung Chun, Arnold deceased on 8 May 2015.

- 3) The number of shares of 95,232,469 and underlying shares of 1,236,000,000 from conversion of convertible notes with principal amount of HK\$927,000,000 held by Sino PowerHouse Corporation.
- 4) The number of shares of 186,000,000 and underlying shares of 924,000,000 from conversion of convertible notes with principal amount of HK\$693,000,000.
- 5) The number of 203,860,000 shares include:
  - a. the shares of 75,970,000 held by 北京汽車城投資管理有限公司; and
  - b. the shares of 127,890,000 held by 首航國際(香港)投資有限公司. 首航國際(香港)投資有限公司 was 100% indirectly owned by 北京汽車城投資管理有限公司.

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

# Management Discussion and Analysis

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES**

The Company purchased 5,700,000 shares at a cost of HK\$2,928,000 during the period. Other than this purchase, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 September 2015.

## **CORPORATE GOVERNANCE PRACTICE**

The Company has adopted the code provisions set out in the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules. The Company has applied the principles in the Code and complied with the code provisions during the six months ended 30 September 2015 except the following:

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual.

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

## **CHANGE IN DIRECTOR'S INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES**

Since the publication of the latest annual report of the Company, changes in director's information are set out below:

- Mr. Li Shaofeng, a non-executive director of the Company, has resigned as a non-executive director of the Company on 2 November 2015.
- With effect from 1 May 2015, the annual salary entitlements of Mr. Cheung Ngan, executive director of the Company, have been adjusted from HK\$351,000 to HK\$520,000.
- The term of appointment of each of Mr. Chan Francis Ping Kuen, Mr. Hu Guang, and Mr. Chan Chak Paul, both of them are an independent non-executive director of the Company, has been renewed for a further two years from 1 July 2015 to 30 June 2017 at a director's fee of HK\$100,000 per annum.

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

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions.

Specific enquiry has been made of all the directors of the Company who have confirmed in writing their compliance with the required standards set out in the Model Code during the period under review.



# Management Discussion and Analysis

## **AUDIT COMMITTEE**

The audit committee, which comprises three independent non-executive directors of the Company, has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters of the Group. The committee had reviewed the unaudited interim financial statements for the six months ended 30 September 2015.

On behalf of the Board

**China Dynamics (Holdings) Limited**

**Cheung Ngan**

*Chairman*

Hong Kong, 24 November 2015

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2015

	Notes	For the six months ended 30 September	
		2015 (unaudited) HK\$'000	2014 (unaudited) HK\$'000
<b>Turnover</b>	5	<b>120,353</b>	–
Cost of sales		<b>(111,483)</b>	–
Gross profit		<b>8,870</b>	–
Other income and gains	5	<b>2,721</b>	5,348
Selling and distribution expenses		<b>(1,001)</b>	(119)
Administrative expenses		<b>(58,615)</b>	(39,554)
Change in fair value of financial assets at fair value through profit or loss		<b>(4,587)</b>	(4,085)
Finance costs	6	<b>(24,153)</b>	(10,857)
Share of gain of an associate		–	78
Loss before income tax	8	<b>(76,765)</b>	(49,189)
Income tax	9	<b>(27)</b>	–
<b>Loss for the period</b>		<b>(76,792)</b>	(49,189)
<b>Other comprehensive income for the period</b>			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		<b>(134,617)</b>	(13,660)
Share of other comprehensive income of associates		<b>(80)</b>	2
<b>Other comprehensive income for the period</b>		<b>(134,697)</b>	(13,658)
<b>Total comprehensive income for the period</b>		<b>(211,489)</b>	(62,847)

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2015

	Notes	For the six months ended	
		30 September 2015 (unaudited) HK\$'000	2014 (unaudited) HK\$'000
<b>Loss attributable to:</b>			
– Owners of the Company		<b>(68,798)</b>	(45,306)
– Non-controlling interests		<b>(7,994)</b>	(3,883)
		<b>(76,792)</b>	(49,189)
<b>Total comprehensive income attributable to:</b>			
– Owners of the Company		<b>(198,033)</b>	(54,928)
– Non-controlling interests		<b>(13,456)</b>	(7,919)
		<b>(211,489)</b>	(62,847)
<b>Loss per share</b>			
– Basic and diluted (HK\$)	10	<b>(0.02)</b>	(0.01)

# Condensed Consolidated Statement of Financial Position

As at 30 September 2015

	Notes	30 September 2015 (unaudited) HK\$'000	31 March 2015 (audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	11	89,235	92,384
Construction in progress	12	65,196	72,878
Prepaid lease payments for land		26,973	28,242
Goodwill		35,922	39,943
Mining assets	13	2,740,134	2,850,531
Other intangible assets		64,532	66,641
Interests in associates		423	503
Interests in joint venture		6,221	4,380
Available-for-sale investments		69,802	69,802
Value-added-tax recoverable		8,726	9,896
<b>Total non-current assets</b>		<b>3,107,164</b>	<b>3,235,200</b>
<b>Current assets</b>			
Inventories	14	49,802	36,432
Accounts receivable	15	19,423	5,142
Other receivables, deposits and prepayments		149,697	131,813
Financial asset at fair value through profit or loss	16	8,837	13,200
Prepaid lease payments for land		592	604
Pledged bank balances	17	4,419	–
Cash and bank balances		231,820	391,987
<b>Total current assets</b>		<b>464,590</b>	<b>579,178</b>
<b>Total assets</b>		<b>3,571,754</b>	<b>3,814,378</b>

# Condensed Consolidated Statement of Financial Position

As at 30 September 2015

		<b>30 September 2015 (unaudited) HK\$'000</b>	31 March 2015 (audited) HK\$'000
	Notes		
<b>Current liabilities</b>			
Accounts payable	18	<b>20,822</b>	8,399
Other payables and accruals		<b>40,449</b>	43,338
Receipts in advance		<b>8,021</b>	2,365
Bank borrowings		<b>12,179</b>	12,416
<b>Total current liabilities</b>		<b>81,471</b>	66,518
<b>Net current assets</b>		<b>383,119</b>	512,660
<b>Total assets less current liabilities</b>		<b>3,490,283</b>	3,747,860
<b>Non-current liabilities</b>			
Amount due to a related company		–	54,163
Deferred tax liabilities		<b>16,772</b>	17,412
<b>Total non-current liabilities</b>		<b>16,772</b>	71,575
<b>Total liabilities</b>		<b>98,243</b>	138,093
<b>NET ASSETS</b>		<b>3,473,511</b>	3,676,285
<b>Equity</b>			
Share capital	20	<b>37,060</b>	35,617
Reserves		<b>3,317,740</b>	3,508,501
<b>Equity attributable to owners of the Company</b>		<b>3,354,800</b>	3,544,118
<b>Non-controlling interests</b>		<b>118,711</b>	132,167
<b>TOTAL EQUITY</b>		<b>3,473,511</b>	3,676,285

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2015

	Attributable to owners of the Company										Total equity HK\$'000	
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Convertible notes equity reserve HK\$'000	Share options reserve HK\$'000	Foreign currency translation reserve HK\$'000	Capital reserve HK\$'000	Treasury reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000		Non-controlling interests HK\$'000
At 1 April 2015 (audited)	35,617	1,670,446	20,566	1,980,612	78,991	(3,584)	687	(2,928)	(236,289)	3,544,118	132,167	3,676,285
Loss for the period	-	-	-	-	-	-	-	-	(68,798)	(68,798)	(7,994)	(76,792)
Other comprehensive income	-	-	-	-	-	(129,235)	-	-	-	(129,235)	(5,462)	(134,697)
Total comprehensive income	-	-	-	-	-	(129,235)	-	-	(68,798)	(198,033)	(13,456)	(211,489)
Share-based payment	-	-	-	-	8,715	-	-	-	-	8,715	-	8,715
Cancellation of repurchased shares	(57)	(2,871)	-	-	-	-	-	2,928	-	-	-	-
Conversion of convertible notes	1,500	97,862	-	(99,362)	-	-	-	-	-	-	-	-
At 30 September 2015 (unaudited)	37,060	1,765,437	20,566	1,881,250	87,706	(132,819)	687	-	(305,087)	3,354,800	118,711	3,473,511
At 1 April 2014 (audited)	22,107	693,367	20,566	2,503,917	62,039	(7,625)	687	-	(187,875)	3,107,783	104,578	3,212,361
Loss for the period	-	-	-	-	-	-	-	-	(45,306)	(45,306)	(3,883)	(49,189)
Other comprehensive income	-	-	-	-	-	(9,622)	-	-	-	(9,622)	(4,036)	(13,658)
Total comprehensive income	-	-	-	-	-	(9,622)	-	-	(45,306)	(54,928)	(7,919)	(62,847)
Share-based payment	-	-	-	-	8,261	-	-	-	-	8,261	-	8,261
Placing of shares	4,500	369,000	-	-	-	-	-	-	-	373,500	-	373,500
Share issue expense	-	(11,235)	-	-	-	-	-	-	-	(11,235)	-	(11,235)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	6,280	6,280
Subscription of shares	960	87,360	-	-	-	-	-	-	-	88,320	-	88,320
Conversion of convertible notes	6,400	417,543	-	(423,943)	-	-	-	-	-	-	-	-
At 30 September 2014 (unaudited)	33,967	1,556,635	20,566	2,079,974	70,300	(17,247)	687	-	(233,181)	3,511,701	102,939	3,614,640

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2015

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2015</b>	2014
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Net cash used in operating activities	<b>(64,992)</b>	(107,246)
Net cash (used in)/generated from investing activities	<b>(11,693)</b>	998
Net cash (used in)/generated from financing activities	<b>(81,060)</b>	375,812
Net (decrease)/increase in cash and cash equivalents	<b>(157,745)</b>	269,564
Cash and cash equivalents at beginning of period	<b>391,987</b>	276,022
Effect of foreign exchange rate changes	<b>(2,422)</b>	(316)
Cash and cash equivalents at end of period	<b>231,820</b>	545,270

## 1. CORPORATE INFORMATION

The Company was incorporated in Bermuda with limited liability. Its shares are listed on the Stock Exchange. The Company's registered office is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. Its head office and principal place of business are located at 37th Floor, China Online Centre, 333 Lockhart Road, Wanchai, Hong Kong.

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

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements set out in Appendix 16 of the Listing Rules.

The basis of preparation and the accounting policies adopted in these interim financial statements are consistent with those adopted by the Group in its annual financial statements for the year ended 31 March 2015, except as stated in note 3 below following the adoption of the new and revised Hong Kong Financial Reporting Standards in the current period.



## 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current interim period, the Group has applied the following new and revised standards, amendments and interpretations (“HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 April 2015.

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle

The adoption of the new and revised HKFRSs had no material effect on the results and financial position for the current or prior accounting period. Accordingly, no prior period adjustment is required.

The following new or revised HKFRSs, potentially relevant to the Group, have been issued but are not yet effective and have not been early adopted by the Group:

HKFRSs (Amendments)	Annual improvements 2012-2014 Cycle <sup>1</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>1</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>1</sup>
HKFRS 9	Financial Instruments <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>

<sup>1</sup> *Effective for annual periods beginning on or after 1 January 2016*

<sup>2</sup> *Effective for annual periods beginning on or after 1 January 2018*

The Group is in the process of making an assessment of the potential impact of these new or revised HKFRSs in the period of their initial application.

## 4. SEGMENT REPORTING

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

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

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

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

## 4. SEGMENT REPORTING (CONTINUED)

## (a) Reportable segments

	Development of electric vehicles		Mining		Metal and minerals trading		Ores processing and trading		Total	
	For the 6 months ended		For the 6 months ended		For the 6 months ended		For the 6 months ended		For the 6 months ended	
	30 September (unaudited) 2015 HK\$'000	2014 (unaudited) 2014 HK\$'000	30 September (unaudited) 2015 HK\$'000	2014 (unaudited) 2014 HK\$'000	30 September (unaudited) 2015 HK\$'000	2014 (unaudited) 2014 HK\$'000	30 September (unaudited) 2015 HK\$'000	2014 (unaudited) 2014 HK\$'000	30 September (unaudited) 2015 HK\$'000	2014 (unaudited) 2014 HK\$'000
Revenue from external customers	52,934	-	-	-	67,419	-	-	-	120,353	-
Reportable segment (loss)/profit	(25,036)	(17,912)	(5,306)	(5,504)	(1,924)	(3,967)	(3,260)	298	(35,526)	(27,085)
Share of profit of an associate	-	-	-	-	-	78	-	-	-	78
Interest income	16	4	1	2	1	-	18	-	36	6
Unallocated income	-	-	-	-	-	-	-	-	872	1,119
Total interest income	-	-	-	-	-	-	-	-	908	1,125
Depreciation	(1,789)	(97)	(372)	(290)	-	-	(80)	(180)	(2,241)	(567)
Unallocated expense	-	-	-	-	-	-	-	-	(367)	(26)
Total depreciation	-	-	-	-	-	-	-	-	(2,608)	(593)
Amortisation	(833)	(607)	(5)	-	-	-	-	-	(838)	(607)

## 4. SEGMENT REPORTING (CONTINUED)

### (a) Reportable segments (Continued)

*Reconciliation of segment revenue and profit or loss*

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2015</b>	2014
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>Revenue</b>		
Reportable segment revenue and consolidated revenue	<b>120,353</b>	–
<b>Loss before income tax</b>		
Reportable segment loss	<b>(35,526)</b>	(27,085)
Unallocated other income and gains	<b>916</b>	1,111
Unallocated share-based payment	<b>(523)</b>	(496)
Change in fair value of financial assets at fair value through profit or loss	<b>(4,587)</b>	(4,085)
Unallocated other corporate expenses	<b>(12,892)</b>	(7,777)
Finance costs	<b>(24,153)</b>	(10,857)
Consolidated loss before income tax	<b>(76,765)</b>	(49,189)

4. SEGMENT REPORTING (CONTINUED)

(a) Reportable segments (Continued)

	Development of electric vehicles		Mining		Metal and minerals trading		Ores processing and trading		Total	
	As at		As at		As at		As at		As at	
	30 September 2015	31 March 2015	30 September 2015	31 March 2015	30 September 2015	31 March 2015	30 September 2015	31 March 2015	30 September 2015	31 March 2015
	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Reportable segment assets</b>	<b>354,374</b>	<b>320,310</b>	<b>2,774,419</b>	<b>2,883,290</b>	<b>107,615</b>	<b>33,576</b>	<b>129,203</b>	<b>146,971</b>	<b>3,365,611</b>	<b>3,384,147</b>
Interests in associates	-	-	-	-	423	503	-	-	423	503
Additions to non-current assets	4,719	145,770	1,021	10,002	-	-	313	141	6,053	155,913
Unallocated assets									288	3,215
Total additions to non-current assets									6,341	159,128
<b>Reportable segment liabilities</b>	<b>(91,466)</b>	<b>(74,467)</b>	<b>(1,932)</b>	<b>(56,052)</b>	<b>(3,338)</b>	<b>(58)</b>	<b>(1,443)</b>	<b>(2,372)</b>	<b>(98,179)</b>	<b>(132,949)</b>

## 4. SEGMENT REPORTING (CONTINUED)

### (a) Reportable segments (Continued)

*Reconciliation of segment assets and liabilities*

	As at	
	30 September 2015 (unaudited) HK\$'000	31 March 2015 (audited) HK\$'000
<b>Assets</b>		
Reportable segment assets	3,365,611	3,384,147
Unallocated corporate assets (Note)	206,143	430,231
Consolidated total assets	<b>3,571,754</b>	<b>3,814,378</b>
<b>Liabilities</b>		
Reportable segment liabilities	(98,179)	(132,949)
Unallocated corporate liabilities	(64)	(5,144)
Consolidated total liabilities	<b>(98,243)</b>	<b>(138,093)</b>

Note: Unallocated corporate assets as at 30 September 2015 mainly represent cash and bank balances held by the Company of approximately HK\$104,635,000 (31 March 2015: HK\$333,836,000) and available-for-sale investments of HK\$69,802,000 (31 March 2015: HK\$69,802,000).

## 4. SEGMENT REPORTING (CONTINUED)

### (b) Geographic information

During the periods ended 30 September 2015 and 2014, the Group's business revenue was all generated from the PRC.

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

	<b>Specified non-current assets</b>	
	<b>As at</b>	
	<b>30 September</b>	31 March
	<b>2015</b>	2015
	<b>(unaudited)</b>	(audited)
	<b>HK\$'000</b>	HK\$'000
PRC, including Hong Kong	<b>2,914,621</b>	3,027,944
Chile	<b>122,318</b>	136,951
Asia Pacific	<b>423</b>	503
	<b>3,037,362</b>	3,165,398

# Notes to Condensed Consolidated Interim Financial Statements

## 5. TURNOVER, OTHER INCOME AND GAINS

Turnover, which is also the revenue, represents the invoiced value of goods supplied to customers and is analysed as follows:

	For the six months ended	
	30 September	
	2015	2014
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
<b>Turnover</b>		
Sale of motor vehicles	52,934	–
Sale of metals and minerals	67,419	–
	<b>120,353</b>	–
<b>Other income and gains</b>		
Rental income	1,679	1,301
Interest income	908	1,125
Sundry income	134	80
Service fee income	–	1,685
Income from trading ore in Chile	–	989
Exchange gain, net	–	168
	<b>2,721</b>	5,348



# Notes to Condensed Consolidated Interim Financial Statements

## 6. FINANCE COSTS

	For the six months ended	
	30 September	
	2015	2014
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Interest expenses (Note)	10,436	10,857
Unwind interest on early extinguishment on amount due to a related company (Note)	13,404	–
Bank borrowings interest	259	–
Bank charges and trust receipt loan interest	54	–
	<u>24,153</u>	<u>10,857</u>

Note: Interest expenses represent the imputed interest expenses on the amount due to a related company. During the period, the amount was fully settled before the original maturity date. According to HKFRS 9, the difference between the carrying amount of the amount due to a related company and the consideration paid shall be recognised in profit or loss which resulted in the unwind interest on early extinguishment.

## 7. DIVIDEND

The directors do not recommend the payment or declaration of any interim dividend for the six months ended 30 September 2015 (30 September 2014: nil).

## 8. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	For the six months ended	
	30 September	
	2015	2014
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	2,608	593
Staff costs (including directors' remuneration)		
– Salaries and allowances	19,709	9,625
– Other benefits	1,127	639
– Share-based payment	8,715	8,261
– Pension contributions	752	279
	30,303	18,804

# Notes to Condensed Consolidated Interim Financial Statements

## 9. INCOME TAX

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2015</b>	2014
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Current income tax – the PRC	<b>27</b>	–
Current income tax – Hong Kong	–	–
	<b>27</b>	–

No Hong Kong profits tax has been provided as the Group had no assessable profits arising in Hong Kong during the current and prior periods.

The prevailing corporate income tax rate in the PRC for the subsidiaries is calculated at the rate of 25% on their estimated assessable profits for the period.

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

No deferred tax asset in respect of the unused tax losses has been recognised due to the unpredictability of future profit streams.

# Notes to Condensed Consolidated Interim Financial Statements

## 10. LOSS PER SHARE

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

	For the six months ended 30 September	
	2015 (unaudited) HK\$'000	2014 (unaudited) HK\$'000
Loss for the period attributable to owners of the Company	<b>(68,798)</b>	(45,306)
	<b>Number</b>	Number
Weighted average number of ordinary shares in issue	<b>3,688,917,292</b>	2,796,040,975

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

## 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2015, the Group acquired property, plant and equipment in an aggregate amount of approximately HK\$4,931,000 (30 September 2014: HK\$5,007,000). Depreciation for items of property, plant and equipment was approximately HK\$4,163,000 (30 September 2014: HK\$803,000) during the period. Exchange realignment arising on translation of the carrying amount of the property, plant and equipment amounted to HK\$3,917,000 (30 September 2014: HK\$610,000) during the period.

No disposal of property, plant and equipment occurred during the current and prior periods.

## 12. CONSTRUCTION IN PROGRESS

During the six months ended 30 September 2015, expenditure recognised as construction in progress amounted to approximately HK\$239,000 (30 September 2014: nil). Exchange realignment arising on translation of construction in progress amounted to HK\$7,921,000 (30 September 2014: HK\$7,028,000) during the period.

## 13. MINING ASSETS

Mining assets located at Guangxi, the PRC, have not been amortised since acquisition as the mine has not yet commenced operation since then.

## 14. INVENTORIES

	<b>As at</b>	
	<b>30 September</b>	31 March
	<b>2015</b>	2015
	<b>(unaudited)</b>	(audited)
	<b>HK\$'000</b>	HK\$'000
Raw materials	<b>19,840</b>	14,156
Work in progress	<b>28,693</b>	21,912
Finished goods	<b>1,269</b>	364
	<b>49,802</b>	36,432

# Notes to Condensed Consolidated Interim Financial Statements

## 15. ACCOUNTS RECEIVABLE

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

	As at	
	30 September 2015 (unaudited) HK\$'000	31 March 2015 (audited) HK\$'000
0 – 30 days	9,547	1,307
31 – 90 days	5,453	3,835
91 – 365 days	4,423	–
	<b>19,423</b>	<b>5,142</b>

The credit period granted by the Group to customers is 30 days.

## 16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The fair values of the equity securities are determined based on Level 1 of fair value hierarchy: the quoted market prices in active market.

	As at	
	30 September 2015 (unaudited) HK\$'000	31 March 2015 (audited) HK\$'000
Equity securities held for trading and listed in Hong Kong	8,837	13,200

## 17. PLEDGED BANK BALANCES

	<b>As at</b>	
	<b>30 September</b>	31 March
	<b>2015</b>	2015
	<b>(unaudited)</b>	(audited)
	<b>HK\$'000</b>	HK\$'000
Pledged bank balances for securing banking facilities	<b>4,419</b>	–

## 18. ACCOUNTS PAYABLE

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

	<b>As at</b>	
	<b>30 September</b>	31 March
	<b>2015</b>	2015
	<b>(unaudited)</b>	(audited)
	<b>HK\$'000</b>	HK\$'000
0 – 30 days	<b>8,326</b>	1,861
31 – 90 days	<b>8,548</b>	3,021
91 – 180 days	<b>1,232</b>	3,474
181 days – 365 days	<b>2,474</b>	39
More than 1 year	<b>242</b>	4
	<b>20,822</b>	8,399

The credit period from the Group's trade creditors is 30 days.

## 19. CONVERTIBLE NOTES

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

The Convertible Notes are an equity instrument as the Company has the option to issue conversion shares at the conversion price on the maturity date and has no obligation to settle in cash. During the period, the Convertible Notes in principal amount of HK\$112,500,000 (30 September 2014: HK\$480,000,000) were converted into 150,000,000 (30 September 2014: 640,000,000) ordinary shares of the Company.



# Notes to Condensed Consolidated Interim Financial Statements

## 20. SHARE CAPITAL

	As at			
	30 September 2015		31 March 2015	
	(unaudited)	(unaudited)	(audited)	(audited)
	Number	HK\$'000	Number	HK\$'000
	of shares		of shares	
<b>Authorised:</b>				
Ordinary shares of HK\$0.01 each	<b>50,000,000,000</b>	<b>500,000</b>	50,000,000,000	500,000
<b>Issued and fully paid:</b>				
At beginning of period/year	<b>3,561,746,800</b>	<b>35,617</b>	2,210,746,800	22,107
Conversion of Convertible Notes (Note (i))	<b>150,000,000</b>	<b>1,500</b>	790,000,000	7,900
Cancellation of repurchased shares (Note (ii))	<b>(5,700,000)</b>	<b>(57)</b>	(5,000,000)	(50)
Subscription of shares	–	–	96,000,000	960
Placing of shares	–	–	450,000,000	4,500
Consideration shares issued for the acquisition of available-for-sale investments	–	–	20,000,000	200
At end of the period/year	<b>3,706,046,800</b>	<b>37,060</b>	3,561,746,800	35,617

Notes: (i) The Company's Convertible Notes with principal value of HK\$112,500,000 were converted into 150,000,000 ordinary shares of the Company at the conversion price of HK\$0.75 per share, of which HK\$1,500,000 was credited to share capital and the remaining balance of HK\$97,861,759 was credited to share premium account.

(ii) On 30 March 2015, the Company repurchased 5,700,000 shares of the Company in the open market at a consideration of HK\$2,928,000 and all such shares were cancelled after the repurchase.

## 21. SHARE-BASED PAYMENT TRANSACTIONS

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

Pursuant to the New Scheme, the board of directors is empowered, at its discretion, to invite any participant (defined in the New Scheme) to take up options to subscribe for shares in the Company.

The movements in the number of share options during the six months ended 30 September 2015 were as follows:

Date of offer of grant	At 1 April 2015	Granted/ (lapsed) during the period	At 30 September 2015	Exercise price	Closing price at date of offer of grant	Exercise period	Vesting period
<b>Under Old Scheme</b>							
11/07/2007	33,000,000	–	33,000,000	HK\$0.86	HK\$0.86	11/07/2007 to 10/07/2017	N/A
18/09/2007	5,000,000	–	5,000,000	HK\$2.95	HK\$2.90	01/04/2008 to 17/09/2017	01/04/2008 to 31/03/2013
16/12/2009	64,400,000	–	64,400,000	HK\$0.46	HK\$0.45	16/12/2009 to 15/12/2019	N/A
<b>Under New Scheme</b>							
11/04/2014	100,000,000	–	100,000,000	HK\$1.15	HK\$1.11	12/04/2016 to 10/04/2024	12/04/2016 to 12/04/2020
	<b>202,400,000</b>	<b>–</b>	<b>202,400,000</b>				

## 21. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

The movements in the number of share options during the six months ended 30 September 2014 were as follows:

Date of offer of grant	At 1 April 2014	Granted during the period	At 30 September 2014	Exercise price	Closing price at date of offer of grant	Exercise period	Vesting period
Under Old Scheme							
11/07/2007	33,000,000	-	33,000,000	HK\$0.86	HK\$0.86	11/07/2007 to 10/07/2017	N/A
18/09/2007	5,000,000	-	5,000,000	HK\$2.95	HK\$2.90	01/04/2008 to 17/09/2017	01/04/2008 to 31/03/2013
16/12/2009	64,400,000	-	64,400,000	HK\$0.46	HK\$0.45	16/12/2009 to 15/12/2019	N/A
Under New Scheme							
11/04/2014	-	100,000,000	100,000,000	HK\$1.15	HK\$1.11	12/04/2016 to 10/04/2024	12/04/2016 to 12/04/2020
	<u>102,400,000</u>	<u>100,000,000</u>	<u>202,400,000</u>				

No share options were granted by the Company during the current period.

The weighted average remaining contractual life of options outstanding at the end of the period was 5.89 years (30 September 2014: 6.89 years). The weighted average exercise price of options outstanding at the end of the period was HK\$0.93 (30 September 2014: HK\$0.93).

Of the total number of options outstanding at the end of the period, 102,400,000 (30 September 2014: 102,400,000) were exercisable at the end of the period.

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

The equity-settled share-based payment expenses of approximately HK\$8,715,000 (30 September 2014: HK\$8,261,000) was recognised during the period.

## 22. RELATED PARTY TRANSACTIONS

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

The Master Agreement will subsist until terminated by Verde (at the discretion of Verde) by giving CAH not less than 6 months’ written notice of termination any time after the 3rd anniversary of the Master Agreement.

There were no purchases from CAH during the periods ended 30 September 2015 and 2014.

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

- (b) The remuneration of key management during the period and comprised remuneration to executive directors only was as follows:

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2015</b>	2014
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$’000</b>	HK\$’000
Short-term benefits	<b>797</b>	761
Pension contributions	<b>19</b>	16
	<b>816</b>	777

## 23. CONTINGENT LIABILITIES

The Group provided a guarantee to a financial institution in Chongqing for certain of its customers on the purchase of motor vehicle. In the event of customers' default, the Group will be required to compensate the financial institution for the outstanding receivable from the customers. As at 30 September 2015, the Group's maximum exposure to the arrangement was RMB10.4 million. During the period ended 30 September 2015, there was no default of payments from customers which required the Group to make payments and hence the default risk is low.

## 24. CAPITAL COMMITMENTS

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

	<b>As at</b>	
	<b>30 September</b>	31 March
	<b>2015</b>	2015
	<b>(unaudited)</b>	(audited)
	<b>HK\$'000</b>	HK\$'000
Acquisition of property, plant and equipment	<b>10,935</b>	13,144
Capital expenditure in respect of the construction of ores processing plant	<b>3,688</b>	3,706
Capital expenditure in respect of the mining operations	<b>23,083</b>	5,815
	<b>37,706</b>	22,665