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中國動力
China Dynamics

CHINA DYNAMICS (HOLDINGS) LIMITED

中國動力（控股）有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 476)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2016**

The board of directors (the “Board”) of China Dynamics (Holdings) Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2016.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 MARCH 2016

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue	5	330,249	18,978
Cost of sales		(315,528)	(18,395)
Gross profit		14,721	583
Other income	5	6,331	51,002
Selling and distribution expenses		(1,365)	(236)
Administrative and other expenses		(130,197)	(85,914)
Change in fair value of financial assets at fair value through profit or loss		(10,083)	(3,335)
Finance costs	6	(24,714)	(22,867)
Share of profit of an associate		–	53
Loss before income tax	7	(145,307)	(60,714)
Income tax credit/(expense)	8	203	(6)
Loss for the year		(145,104)	(60,720)

	2016	2015
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other comprehensive income for the year		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	(167,954)	(1,490)
Share of other comprehensive income of associates	<u>–</u>	<u>(61)</u>
Other comprehensive income for the year	<u>(167,954)</u>	<u>(1,551)</u>
Total comprehensive income for the year	<u>(313,058)</u>	<u>(62,271)</u>
Loss attributable to:		
– Owners of the Company	(120,140)	(48,414)
– Non-controlling interests	<u>(24,964)</u>	<u>(12,306)</u>
	<u>(145,104)</u>	<u>(60,720)</u>
Total comprehensive income attributable to:		
– Owners of the Company	(284,152)	(44,373)
– Non-controlling interests	<u>(28,906)</u>	<u>(17,898)</u>
	<u>(313,058)</u>	<u>(62,271)</u>
Loss per share		
– Basic and diluted (<i>HK\$</i>)	<i>10</i>	
	<u>(0.03)</u>	<u>(0.02)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2016

		2016	2015
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		87,780	92,384
Construction in progress		76,472	72,878
Prepaid lease payments for land		26,608	28,242
Goodwill		33,518	39,943
Mining assets		2,705,211	2,850,531
Other intangible assets		81,610	66,641
Interests in associates		477	503
Interest in joint venture		6,621	4,380
Available-for-sale investments		69,802	69,802
Value-added tax recoverable		9,031	9,896
		<hr/>	<hr/>
Total non-current assets		3,097,130	3,235,200
		<hr/>	<hr/>
Current assets			
Inventories		63,584	36,432
Accounts receivable	<i>11</i>	29,256	5,142
Other receivables, deposits and prepayments		119,846	131,813
Financial assets at fair value through profit or loss		3,341	13,200
Prepaid lease payments for land		409	604
Cash and bank balances		152,535	391,987
		<hr/>	<hr/>
Total current assets		368,971	579,178
		<hr/>	<hr/>
Total assets		3,466,101	3,814,378
		<hr/>	<hr/>

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current liabilities			
Accounts payable	<i>12</i>	20,571	8,399
Other payables and accruals		21,319	43,338
Receipts in advance		9,691	2,365
Bank borrowings		12,024	12,416
		<hr/>	<hr/>
Total current liabilities		63,605	66,518
		<hr/>	<hr/>
Net current assets		305,366	512,660
		<hr/>	<hr/>
Total assets less current liabilities		3,402,496	3,747,860
		<hr/>	<hr/>
Non-current liabilities			
Amount due to a related company		–	54,163
Deferred tax liabilities		16,334	17,412
		<hr/>	<hr/>
Total non-current liabilities		16,334	71,575
		<hr/>	<hr/>
Total liabilities		79,939	138,093
		<hr/>	<hr/>
NET ASSETS		3,386,162	3,676,285
		<hr/> <hr/>	<hr/> <hr/>
Equity			
Share capital	<i>13</i>	37,060	35,617
Reserves		3,242,920	3,508,501
		<hr/>	<hr/>
Equity attributable to owners of the Company		3,279,980	3,544,118
Non-controlling interests		106,182	132,167
		<hr/>	<hr/>
TOTAL EQUITY		3,386,162	3,676,285
		<hr/> <hr/>	<hr/> <hr/>

1. CORPORATION INFORMATION

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

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

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

(a) Adoption of new/revised HKFRSs – effective 1 April 2015

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions

As explained below, the adoption of these amendments has no material impact on the Group’s financial statements.

Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle

The amendments issued under the annual improvements process make small, non-urgent changes to a number of standards where they are currently unclear. They include amendments to HKAS 16 Property, Plant and Equipment to clarify how the gross carrying amount and accumulated depreciation are treated where an entity uses the revaluation model. The carrying amount of the asset is restated to revalued amount. The accumulated depreciation may be eliminated against the gross carrying amount of the asset. Alternatively, the gross carrying amount may be adjusted in a manner consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The adoption of the amendments to HKAS 16 has no impact on these financial statements as the Group does not use the revaluation model for its property, plant and equipment.

Amendments to HKAS 19 (2011) – Defined Benefit Plans: Employee Contributions

The amendments permit contributions that are independent of the number of years of service to be recognised as a reduction in the service cost in the period in which the service is rendered instead of allocating the contributions to periods of service.

The adoption of the amendments has no impact on these financial statements as the Group has no defined benefit plan.

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

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle ¹
Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
Amendments to HKAS 27 HKFRS 9 (2014)	Equity Method in Separate Financial Statements ¹ Financial Instruments ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ¹
HKFRS 15	Revenue from Contracts with Customers ²
HKFRS 16	Leases ³

¹ *Effective for annual periods beginning on or after 1 January 2016*

² *Effective for annual periods beginning on or after 1 January 2018*

³ *Effective for annual periods beginning on or after 1 January 2019*

⁴ *Effective date is deferred*

Annual Improvements 2012-2014 Cycle

The amendments issued under the annual improvements process make small, non-urgent changes to a number of standards where they are currently unclear.

Amendments to HKAS 1 – Disclosure Initiative

The amendments are designed to encourage entities to use judgment in the application of HKAS 1 when considering the layout and content of their financial statements.

An entity's share of other comprehensive income from equity accounted interests in associates and joint ventures will be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

Amendments to HKAS 16 and HKAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

Amendments to HKAS 27 – Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

HKFRS 9 (2014) – Financial Instruments

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

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

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

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

Amendments to HKFRS 11– Accounting for Acquisitions of Interests in Joint Operations

The amendments require an entity to apply all of the principles of HKFRS 3 Business Combinations when it acquires an interest in a joint operation that constitutes a business as defined in that standard. The principles of HKFRS 3 are also applied upon the formation of a joint operation if an existing business as defined in that standard is contributed by at least one of the parties.

HKFRS 15 – Revenue from Contracts with Customers

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

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

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

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

HKFRS 16 – Leases

HKFRS 16 supersedes HKAS 17 Leases, HK(IFRIC) – Int 4 Determining whether an Arrangement contains a Lease, HK(SIC) – Int 15 Operating Lease – Incentives and HK(SIC) – Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

HKFRS 16 eliminates the classification by a lessee of leases as either operating or finance. Instead all leases are treated in a similar way to finance leases in accordance with HKAS 17. Under HKFRS 16, leases are recorded on the statement of financial position by recognising a liability for the present value of its obligation to make future lease payments with an asset (comprised of the amount of the lease liability plus certain other amounts) either being disclosed separately in the statement of financial position (within right-of-issue assets) or together with property, plant and equipment. The most significant effect of the new requirements will be an increase in recognised lease assets and financial liabilities.

There are some exemptions. HKFRS 16 contains options which do not require a lessee to recognise assets and liabilities for (a) short term leases (i.e. leases of 12 months or less, including the effect of an extension options) and (b) leases of low-value assets (for example, a lease of a personal computer).

HKFRS 16 clarifies that a lessee separates lease components and service components of a contract, and applies the lease accounting requirements only to the lease components.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs but is not yet in a position to state whether they could have material financial impact on the Group's financial statements.

(c) New Hong Kong Companies Ordinance provisions relating to the disclosure of financial statements

The provisions of the new Hong Kong Companies Ordinance, Cap. 622, in relation to the disclosure of financial statements apply to the Company in this financial year.

The directors consider that there is no impact on the Group's financial position or performance, however the new Hong Kong Companies Ordinance, Cap. 622, impacts on the presentation and disclosures in the consolidated financial statements. For example, the statement of financial position of the Company is now presented in the notes to the financial statements rather than as a primary statement and related notes to the statement of financial position of the Company are generally no longer presented.

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

4. SEGMENT REPORTING

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

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

- 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' results that are used by the chief operating decision-maker for assessment of segment performance.

(a) Reportable segments

	Development of electric vehicles		Mining		Metal and minerals trading		Ores processing and trading		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	<u>188,489</u>	<u>18,978</u>	<u>-</u>	<u>-</u>	<u>141,760</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>330,249</u>	<u>18,978</u>
Reportable segment profit/(loss)	<u>(71,843)</u>	<u>1,277</u>	<u>(13,057)</u>	<u>(11,233)</u>	<u>(7,389)</u>	<u>(7,475)</u>	<u>(5,258)</u>	<u>(791)</u>	<u>(97,547)</u>	<u>(18,222)</u>
Share of profit of an associate	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53</u>
Interest income	<u>169</u>	<u>24</u>	<u>4</u>	<u>3</u>	<u>3</u>	<u>-</u>	<u>18</u>	<u>89</u>	<u>194</u>	<u>116</u>
Unallocated income									<u>945</u>	<u>2,754</u>
Total interest income									<u>1,139</u>	<u>2,870</u>
Depreciation	<u>(7,457)</u>	<u>(1,940)</u>	<u>(811)</u>	<u>(591)</u>	<u>-</u>	<u>-</u>	<u>(175)</u>	<u>(248)</u>	<u>(8,443)</u>	<u>(2,779)</u>
Unallocated expenses									<u>(747)</u>	<u>(135)</u>
Total depreciation									<u>(9,190)</u>	<u>(2,914)</u>
Amortisation	<u>(1,830)</u>	<u>(1,316)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,830)</u>	<u>(1,316)</u>
Impairment loss on goodwill	<u>(3,613)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,613)</u>	<u>-</u>
Impairment loss on other intangible assets	<u>(2,389)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,389)</u>	<u>-</u>
Reportable segment assets	<u>383,387</u>	<u>320,310</u>	<u>2,780,454</u>	<u>2,883,290</u>	<u>36,337</u>	<u>33,576</u>	<u>135,579</u>	<u>146,971</u>	<u>3,335,757</u>	<u>3,384,147</u>
Interests in associates	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>447</u>	<u>503</u>	<u>-</u>	<u>-</u>	<u>477</u>	<u>503</u>
Additions to non-current assets	<u>38,987</u>	<u>145,770</u>	<u>1,062</u>	<u>10,002</u>	<u>-</u>	<u>-</u>	<u>483</u>	<u>141</u>	<u>40,532</u>	<u>155,913</u>
Unallocated assets									<u>424</u>	<u>3,215</u>
Total additions to non-current assets									<u>40,956</u>	<u>159,128</u>
Reportable segment liabilities	<u>(74,001)</u>	<u>(74,467)</u>	<u>(1,926)</u>	<u>(56,052)</u>	<u>(50)</u>	<u>(58)</u>	<u>(2,535)</u>	<u>(2,372)</u>	<u>(78,512)</u>	<u>(132,949)</u>

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue		
Reportable segment revenue and consolidated revenue	<u>330,249</u>	<u>18,978</u>
Loss before income tax		
Reportable segment loss	(97,547)	(18,222)
Unallocated other income	1,020	2,913
Change in fair value of financial assets		
at fair value through profit or loss	(10,083)	(3,335)
Unallocated share-based payments	(4,357)	(1,017)
Unallocated other corporate expenses	(9,626)	(18,186)
Finance costs	<u>(24,714)</u>	<u>(22,867)</u>
Consolidated loss before income tax	<u>(145,307)</u>	<u>(60,714)</u>
Assets		
Reportable segment assets	3,335,757	3,384,147
Unallocated corporate assets*	<u>130,344</u>	<u>430,231</u>
Consolidated total assets	<u>3,466,101</u>	<u>3,814,378</u>
Liabilities		
Reportable segment liabilities	78,512	132,949
Unallocated corporate liabilities	<u>1,427</u>	<u>5,144</u>
Consolidated total liabilities	<u>79,939</u>	<u>138,093</u>

* *Unallocated corporate assets as at 31 March 2016 mainly represent cash and bank balances held by the Company of approximately HK\$41,557,000 (2015: HK\$333,836,000) and available-for-sale investments of HK\$69,802,000 (2015: HK\$69,802,000).*

(c) **Geographic information**

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

	Revenue from external customers		Specified non-current assets	
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
PRC, including Hong Kong	188,489	18,978	2,900,198	3,027,944
Chile	–	–	126,653	136,951
Singapore	141,760	–	–	–
Malaysia	–	–	477	503
	330,249	18,978	3,027,328	3,165,398

(d) **Information about major customers**

During the year ended 31 March 2016, all sales amounts generated from the metal and minerals trading segment was contributed by one customer (2015: Nil).

During the year ended 31 March 2016, there is no major customer (2015: two customers contributed revenue of HK\$4,682,000) in the development of electric vehicles segment.

5. REVENUE AND OTHER INCOME

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue		
Sale of motor vehicles	178,059	17,867
Sale of metals and minerals	141,760	–
Sale of batteries of motor vehicles	10,430	1,111
	<u>330,249</u>	<u>18,978</u>
Other income		
Rental income	3,169	2,867
Sundry income	1,252	123
Interest income	1,139	2,870
Income from trading ore in Chile	771	673
Gain on bargain purchase	–	41,056
Service fee income	–	3,348
Exchange gain, net	–	65
	<u>6,331</u>	<u>51,002</u>

6. FINANCE COSTS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Unwind interest on early extinguishment on amount due to a related company (<i>Note</i>)	13,404	–
Interest expenses (<i>Note</i>)	10,436	22,553
Bank borrowings interest	730	312
Bank charges and trust receipt loans interest	144	–
Bank overdraft interest	–	2
	<u>24,714</u>	<u>22,867</u>

Note: Interest expenses represent the imputed interest expenses on the amount due to a related company. During the year, the amount was fully settled before the original maturity date. 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. LOSS BEFORE INCOME TAX

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Auditor's remuneration	1,415	1,463
Amortisation of prepaid lease payments for land	400	103
Amortisation of other intangible assets	1,430	1,213
Cost of inventories recognised as expenses	315,528	18,395
Depreciation of property, plant and equipment	9,190	2,914
Exchange loss/(gain), net	801	(65)
Impairment loss of goodwill	3,613	–
Impairment loss of other intangible assets	2,389	–
Loss on disposal of property, plant and equipment	86	33
Operating lease rentals on leasehold land and buildings	11,428	8,397
Electric bus sample written off	3,445	–
Research and development cost	2,071	527
	<hr/>	<hr/>
Staff costs (including directors' remuneration)		
– Salaries and allowances	33,099	22,769
– Share-based payments (<i>note 14</i>)	22,935	16,952
– Other benefits	1,827	780
– Pension contributions	1,597	606
	<hr/>	<hr/>
	59,458	41,107
	<hr/> <hr/>	<hr/> <hr/>

8. INCOME TAX

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

As at 31 March 2016, subject to the agreement by the Hong Kong Inland Revenue Department, the Group had unused tax losses of HK\$71,187,000 (2015: HK\$43,240,000) available for offsetting against future profits. In addition, the Group had unused tax losses related to subsidiaries operating in Mainland China of HK\$25,373,000 (2015: HK\$1,698,000). No deferred tax asset has been recognised in respect of these losses due to the unpredictability of future profit streams.

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

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Loss before income tax	<u>(145,307)</u>	<u>(60,714)</u>
Tax credit at the applicable rates	(27,476)	(10,049)
Tax effect of non-taxable revenue	(189)	(10,745)
Tax effect of non-deductible expenses	17,554	19,652
Tax effect of share of profit of an associate	–	(9)
Under-provision in prior year	26	–
Tax effect of tax losses and temporary differences not recognised	<u>9,882</u>	<u>1,157</u>
Income tax (credit)/expense for the year	<u>(203)</u>	<u>6</u>

9. DIVIDEND

No dividend has been proposed or paid by the Company in respect of the year ended 31 March 2016 (2015: nil).

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:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company	<u>(120,140)</u>	<u>(48,414)</u>

	2016 <i>Number</i>	2015 <i>Number</i>
Weighted average number of ordinary shares in issue	<u>3,697,458,581</u>	<u>3,151,864,608</u>

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

11. ACCOUNTS RECEIVABLE

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0 – 30 days	1,170	1,307
31 – 90 days	25,439	3,835
91 – 180 days	1,446	–
181 – 365 days	1,116	–
More than 1 year	<u>85</u>	<u>–</u>
	<u>29,256</u>	<u>5,142</u>

The credit period granted by the Group to customers ranged from 30 days to 365 days and some of the customers are required to settle by equal monthly installments.

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

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Not past due	29,171	1,307
Less than 1 month past due	–	3,835
More than 3 months but less than 12 months past due	85	–
	<u>29,256</u>	<u>5,142</u>

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

12. ACCOUNTS PAYABLE

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

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	6,194	1,861
31 – 90 days	7,464	3,021
91 – 180 days	6,066	3,474
181 – 365 days	665	39
More than 1 year	182	4
	<u>20,571</u>	<u>8,399</u>

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

13. SHARE CAPITAL

	2016		2015	
	<i>Number of shares</i>	<i>HK\$'000</i>	<i>Number of shares</i>	<i>HK\$'000</i>
Authorised:				
Ordinary shares of HK\$0.01 each	<u>50,000,000,000</u>	<u>500,000</u>	<u>50,000,000,000</u>	<u>500,000</u>
Issued and fully paid:				
At 1 April	3,561,746,800	35,617	2,210,746,800	22,107
Conversion of Convertible Notes (<i>note i</i>)	150,000,000	1,500	790,000,000	7,900
Cancellation of repurchased shares (<i>note ii</i>)	(5,700,000)	(57)	(5,000,000)	(50)
Placing of shares	–	–	450,000,000	4,500
Subscription of shares	–	–	96,000,000	960
Consideration shares issued for the acquisition of available-for-sale investments	–	–	20,000,000	200
At 31 March	<u>3,706,046,800</u>	<u>37,060</u>	<u>3,561,746,800</u>	<u>35,617</u>

Note:

- (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\$97,863,000 was credited to share premium account.
- (ii) During the year ended 31 March 2016, the Company cancelled 5,700,000 (2015: 5,000,000) shares of the Company, the shares were repurchased in the open market at a consideration of HK\$2,928,000 (2015: 3,501,000) on 30 March 2015.

14. SHARE-BASED PAYMENT TRANSACTIONS

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

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

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

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

Pursuant to the New Scheme, the board of directors is empowered, at its discretion, to invite any participant (defined in the New Scheme) to take up options to subscribe for shares in the Company. The period during which an option may be exercised will be determined by the directors at their discretion, save that no option may be exercised later than 10 years after it has been granted. Acceptance of the offer shall be within 21 days after the date of offer of the grant of options, upon payment of a nominal consideration of HK\$1. The maximum number of shares in respect of which options may be granted under the New Scheme may not exceed 10% of the aggregate of the shares of the Company in issue as at 24 August 2015, the date upon which the limit was refreshed by an ordinary resolution of the shareholders. Pursuant to the New Scheme, the above limit can be further refreshed by the shareholders. However, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme shall not exceed 30% of the shares in issue from time to time. The subscription price of the share options shall not be less than the higher of (i) the closing price of the shares on the Stock Exchange on the date of offer; (ii) the average closing price of the shares on the Stock Exchange for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the shares.

There was 370,000,000 share options granted under the New Scheme during the year.

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

Date of offer of grant	At 01/04/2014	Granted during the year	At 31/03/2015	Granted during the year	Lapsed/ forfeited during the year	At 31/03/2016	Exercise price	Closing price at date of offer of grant	Exercise period	Vesting period
Under the Old Scheme										
11/07/2007	33,000,000	-	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	-	-	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	-	(12,000,000)	52,400,000	HK\$0.46	HK\$0.45	16/12/2009 to 15/12/2019	N/A
Under the New Scheme										
11/04/2014	-	100,000,000	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
10/03/2016	-	-	-	370,000,000	-	370,000,000	HK\$0.30	HK\$0.28	10/03/2016 to 09/03/2026	10/03/2016 to 11/03/2020
	<u>102,400,000</u>	<u>100,000,000</u>	<u>202,400,000</u>	<u>370,000,000</u>	<u>(12,000,000)</u>	<u>560,400,000</u>				

The weighted average remaining contractual life of options outstanding at the end of the year was 8.4 years (2015: 6.4 years). The weighted average exercise price of options outstanding at the end of the year was HK\$0.52 (2015: HK\$0.93).

Of the total number of options outstanding at the end of the year, 164,400,000 (2015: 102,400,000) were exercisable at the end of the year.

There was no exercise of share options during the years ended 31 March 2016 and 2015.

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.

Fair value of share options and assumptions:

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

An equity-settled share-based payment expense of approximately HK\$22,935,000 (2015: HK\$16,952,000) was recognised during the year.

15. CAPITAL COMMITMENTS

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

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Acquisition of property, plant and equipment	8,174	13,144
Capital expenditure in respect of the construction of the ores processing plant	3,694	3,706
Capital expenditure in respect of the mining operations	19,231	5,815
	<u>31,099</u>	<u>22,665</u>

16. RELATED PARTY TRANSACTIONS

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

Save as disclosed elsewhere in these financial statements, the Group had the following major transactions with related parties during the years ended 31 March 2016 and 2015:

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

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 years ended 31 March 2016 and 2015.

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) Remuneration for key management personnel of the Group comprised only of the directors during the year.

RESULTS

During the year ended 31 March 2016, the Group recorded a turnover of approximately HK\$330.2 million (2015: HK\$19.0 million) derived from sales of motor vehicles of HK\$188.5 million (2015: HK\$19.0 million) and sale of iron ores of HK\$141.8 million (2015: HK\$nil).

Gross profit margin increased to approximately HK\$14.7 million (2015: HK\$0.6 million). Gross profit ratio increased to 4.5% (2015: 3.1%) was contributed from the sales of motor vehicle with gross profit ratio of 7.2% (2015: 3.1%) and the sales of iron ores with the gross profit ratio of 0.8% (2015: nil). The increase in gross profit ratio on the sales of motor vehicle resulted from the increase in sales order and hence lead to better economy of scale. The selling price of global metal and minerals is still fluctuating and lead to the gross profit margin from the sale of iron ores of 0.8% during the current year.

The Group recorded a loss of approximately HK\$145.1 million for the year as compared to a loss of approximately HK\$60.7 million for last year. Such an increase in loss was mainly due to the increase in administrative expenses to approximately HK\$130.2 million (2015: HK\$85.9 million) and the decrease in other income and gains to approximately HK\$6.3 million (2015: HK\$51.0 million). The increase in administrative expenses was mainly due to administrative expenses incurred by the subsidiaries in the PRC acquired by the Group in December 2014 and February 2015, and the share-based payment expenses of approximately HK\$22.9 million (2015: HK\$16.9 million) recognised during the current year. Other income and gains in the previous year was mainly derived from the gain on bargain purchase of approximately HK\$41.1 million on the acquisition of certain subsidiaries in the PRC in previous year.

Finance costs of approximately HK\$24.7 million (2015: HK\$22.9 million) during the year mainly represents the non-cash imputed interest expenses of HK\$10.4 million (2015: HK\$22.6 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 (2015: HK\$nil) resulted from the full and early settlement during the current year.

The loss attributable to the owners of the Company was HK\$120.1 million (2015: HK\$48.4 million). Basic and diluted loss per share for the year was HK\$0.03 per share (2015: HK\$0.02 per share).

DIVIDEND

The directors of the Company do not recommend the payment of any dividend for the year ended 31 March 2016.

BUSINESS REVIEW

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

Heavy photochemical smog and haze in the PRC has been continuing during the year 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 addition, electrification will also have the benefit of less dependence on crude oil-led fuels and thus a better energy security. The benefits of electric vehicles are clear and the PRC Government is dedicated to reiterate its support by emphasizing the building of infrastructure such as charging stations to sufficiently cater for the number of electric vehicles by year 2020. The unveiling of the “Thirteenth Five-Year 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.

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 safe. 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 vigorous testing by HKPC over a period of eight months, and also testing by an HKPC recognized independent third party for another three months. All testings both in Chongqing and HK were successfully completed by late 2015. 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.

Unfortunately, the eBus was damaged and lost in a fire incident in mid-December 2015. The incident happened when the eBus was in a transitional parking area waiting for the arrangement and preparation of customs documentation for returning it to Dongguan to carry out maintenance work as requested by HKPC. After a few months’ investigation by HKPC, the incident was due to some PRC technical support staff who has compromised the water sealing of battery casings during tuning and inspection. As such, subsequent water seepage leads to short circuit and ultimately the fire incident. Although the incident will inevitably affect and delay the Group’s marketing plan in Hong Kong, the Group is confident that with the superb performance of eBus, it still offers the Group a distinct advantage to develop eBus market both in Hong Kong and the PRC.

Chongqing Suitong New Energy Vehicle Production 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 year under review. Chongqing Suitong has already got the new energy buses production license and has already successfully got the production license and sales approval from the Ministry of Industry and Information Technology of the PRC for the Group’s pure electric logistic vehicles, 6-meter and 10.5-meter buses. 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.

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”) in the PRC and had delivered 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, with the confirmation of recent Xingtai sales order and eBus Project development, the Group is very confident that after Chongqing Suitong successfully obtained the new energy buses production license recently, the ebus business will grow rapidly as the bottleneck of the ebus business segment is no longer a hindrance. The Group also expects sales orders from various provinces in the PRC will increase in a rather fast pace in coming years.

In May 2016, the Company had entered into a non-legally binding investment agreement with Qijiang District of Chongqing to acquire a parcel of land for industrial purposes in the Qijiang District, Chongqing with a size of approximately 800 mu. The investment outlined a construction plan of a new production facility for the manufacture of new energy vehicles and buses with an annual production capacity of 5,000 units. The construction will be divided into two phases for which the first phase is expected to be completed in two years. The Group considered this investment of production facility is a milestone of introducing the new energy vehicles and buses developed by the Group into mass production and to cater for the sales orders to be obtained in the near future as discussed above.

The investment in 10% 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 year 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 year, 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 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.

The non-legally binding term sheet entered into with Phinergy Limited to form a joint venture company for the sale of energy systems of electric vehicles has been terminated on 31 May 2016 due to the failure in entering into the demo project agreement as stipulated in the term sheet. Both parties have been mutually released from their respective rights and obligations under the term sheet.

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.

The glauberite mine is currently undergoing development preparation in accordance with its development plan. The processes of land acquisitions for the factory as well as for the road access are much slower than expected and therefore, there is only approximately HK\$9.1 million construction in progress incurred during the year ended 31 March 2016, which is mainly for the construction of access road to the factory site. No other significant exploration, development or production activity was conducted for the glauberite mine during the year. 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. Approximately HK\$36.5 million has also been set aside in Guangxi Weiri since the end of 2015 waiting for the acquisition of remaining parcel of land. Yet, no acquisition process or relevant work has ever been performed by the local government.

In view of the land 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.

Mineral resources and ore reserves

As at 31 March 2016, the Company, through its wholly-owned subsidiary in the PRC, held a glauberite mine in Guangxi. The following table set out the mineral information of the mine as at 31 March 2016.

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

Note:

- (1) The effective date of the Mineral Resource is 31 May 2013. All tonnages are rounded to the nearest million tonnes to reflect the inherent level of confidence associated with the resources estimation. The Mineral Resource was estimated within constraining wireframe solids based on geological limits of the mineralised and internal waste units. Nominal cut off for defining the geological unit is 10% Na₂SO₄. The mineral resource estimate is in accordance with JORC Code with an effective date of 31 May 2013. Since no additional work has been done to add to the geological data set, nor has the resource been depleted through mining, the resource as at 31 March 2016 remain unchanged.

(2) Competent person statement:

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

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

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

Metals and minerals trading

During the current year, 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.

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.

The Group had obtained a legal opinion 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, however, due to the rapid expansion of the eBus and EVs business, the Group may look for financial resources other than internal resources alone in the future in order to finance its operations. As at 31 March 2016, the net asset value of the Group amounted to approximately HK\$3,386.2 million (2015: HK\$3,676.3 million). As at 31 March 2016, the gearing ratio of the Group was 0.4% (2015: 1.9%) based on the bank borrowing of HK\$12.0 million (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\$3,280.0 million (2015: HK\$3,544.1 million).

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

As at 31 March 2016, the Group had cash and bank balances of approximately HK\$152.5 million (2015: HK\$392.0 million).

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 new energy vehicle production license for Chongqing Suitong, the expected expansion of production capacity in Qijiang District, and together with the government support of new energy policy in "Thirteenth Five-Year Plan" 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. During the year ended 31 March 2016, 5,700,000 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. As the Board considers that the value of the Company's shares is consistently undervalued, it considers that the action taken will go towards addressing this trend. The Board also believes that the share repurchase will not materially affect the Company's financial position.

CHARGES ON THE GROUP'S ASSETS AND CONTINGENT LIABILITIES

As at 31 March 2016, the Group has pledged a land in Chongqing with aggregate carrying amount of approximately HK\$17,905,000 (2015: HK\$19,245,000) to secure a bank borrowing of approximately HK\$12,024,000 (2015: HK\$12,416,000).

During the year ended 31 March 2016, the Group also 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 31 March 2016, the Group's maximum exposure to the arrangement was RMB25.3 million (2015: RMB10.4 million). During the year ended 31 March 2016, there was no default of payments from customers which required the Group to make payments.

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2016, the Group employed 396 (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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

The Company purchased 5,700,000 shares at an aggregate cost of HK\$2,928,000 during the year. Other than these purchase, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules. The Company has applied the principles in the Code and complied with the code provisions set out in the Code for the year ended 31 March 2016 except that the roles of chairman and chief executive officer are not separated and are performed by the same individual as the Board considered that non-segregation would not result in considerable concentration of power.

CODE OF CONDUCT ON DIRECTORS' SECURITIES TRANSACTIONS

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

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 year ended 31 March 2016.

AUDIT COMMITTEE

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

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2016 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

PUBLICATION

The Company's 2016 annual report which sets out all the information required to be disclosed under Appendix 16 of the Listing Rules, will be published on the website of the Company and the Stock Exchange in due course.

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

Hong Kong, 27 June 2016

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