



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)



中國動力  
China Dynamics

2016/17  
Interim Report

CORPORATE INFORMATION	2
MANAGEMENT DISCUSSION AND ANALYSIS	3-21
CONDENSED INTERIM FINANCIAL STATEMENTS	
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	22-23
Condensed Consolidated Statement of Financial Position	24-25
Condensed Consolidated Statement of Changes in Equity	26
Condensed Consolidated Statement of Cash Flows	27-28
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS	29-50



# Corporate Information

## DIRECTORS

### Executive Directors

Mr. Cheung Ngan (*Chairman*)  
Ms. Chan Hoi Ying  
(appointed on 12 May 2016)

### Non-Executive Directors

Mr. Zhao Hong Feng  
Mr. Zhou Jin Kai

### Independent Non-Executive Directors

Mr. Chan Francis Ping Kuen  
Mr. Hu Guang  
Dato' Tan Yee Boon  
(appointed on 17 June 2016)

## AUDIT COMMITTEE

Mr. Chan Francis Ping Kuen  
Mr. Hu Guang  
Dato' Tan Yee Boon  
(appointed on 17 June 2016)

## AUDITOR

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

## LEGAL ADVISOR IN HONG KONG

K&L Gates, Solicitors  
44th Floor, Edinburgh Tower, The Landmark  
15 Queen's Road Central, 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

Estera Management (Bermuda) Limited  
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

## 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 2016.

## RESULTS

During the period ended 30 September 2016, the Group recorded revenue of approximately HK\$55.9 million (30 September 2015: HK\$120.4 million) derived solely from sales of motor vehicles (30 September 2015: derived from sales of motor vehicles of HK\$53.0 million and sale of iron ores of HK\$67.4 million). As compared to previous period, of which part of the revenue was generated from sales of iron ores, revenue has decreased since the Group did not have any revenue from iron ores trading during the period. The decrease in iron ores trading is due to the continued fluctuation in the selling price of global metal and minerals market.

Gross profit amounted to approximately HK\$5.2 million (30 September 2015: HK\$8.9 million) and the gross profit ratio is 9.3% (30 September 2015: 7.4%).

The Group recorded a loss of approximately HK\$58.4 million for the period as compared to a loss of approximately HK\$76.8 million for last period. Such a decrease in loss was mainly due to the decrease in finance costs to approximately HK\$0.4 million (30 September 2015: HK\$24.2 million) during the period. Finance costs in the current period mainly represent the interest expenses on bank loan in the People’s Republic of China (the “PRC”). Finance costs in previous period mainly represent the non-cash imputed interest expenses and the unwind interest on early extinguishment on the full settlement of the amount due to a related company.

The administrative expenses increased to approximately HK\$71.1 million (30 September 2015: HK\$58.6 million) was mainly due to the increase in the share-based payment expenses to approximately HK\$16.7 million (30 September 2015: HK\$8.7 million) during the current period.

The loss attributable to the owners of the Company was approximately HK\$48.9 million (30 September 2015: HK\$68.8 million). Basic and diluted loss per share for the period was HK\$0.01 (30 September 2015: HK\$0.02).

## 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 2016 (30 September 2015: 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 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 completed the project with the Hong Kong Productivity Council (the “HKPC”) for the development of a 12-meter long single deck pure electric bus. The electric buses were delivered and had already gone through vigorous testing by HKPC and HKPC recognized independent third party. 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. With the completion of the HKPC’s project, the Group is confident of the superb performance of eBus and it represents a distinct advantage on the development of eBus market both in Hong Kong and the PRC.

# Management Discussion and Analysis

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 revenue to the Group for the period 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, 8.5-meter, 10.5-meter and 12-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.

The Group is very confident that the ebus business will grow rapidly and 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. During the current period, the Group is in the progress of acquiring the first 500 mu parcel of land.

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 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.



# Management Discussion and Analysis

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\$7.4 million construction in progress incurred during the period ended 30 September 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 period ended 30 September 2016. 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 have 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. Yet, no acquisition process or relevant work has ever been performed by the local government. Guangxi Weiri will work closely with local government to sort out the land issue.

## Mineral resources and ore reserves

As at 30 September 2016, the Company, through its wholly-owned subsidiary in the PRC, held a glauberite mine in Guangxi. The following table sets out the mineral information of the mine as at 30 September 2016:

Wireframe	Classification	Tonnes (‘000)	Na <sub>2</sub> SO <sub>4</sub> (%)	Na <sub>2</sub> SO <sub>4</sub> (‘000)
North Orebody 1	Indicated	473,000	18.12	86,000
	Inferred	–	–	–
North Orebody 2	Indicated	–	–	–
	Inferred	37,000	18.92	7,000
Central Orebody 1	Indicated	581,000	16.77	98,000
	Inferred	49,000	16.76	8,000
Central Orebody 2	Indicated	43,000	14.99	6,000
	Inferred	–	–	–
East Orebody 1	Indicated	151,000	19.10	29,000
	Inferred	12,000	19.63	2,000
<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 revenue 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.

# Management Discussion and Analysis

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 become 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 external financial resources in the future in order to finance its operations. As at 30 September 2016, the net asset value of the Group amounted to approximately HK\$3,248.3 million (31 March 2016: HK\$3,386.2 million). As at 30 September 2016, the gearing ratio of the Group was 0.4% (31 March 2016: 0.4%) based on bank borrowing amounted to approximately HK\$11.6 million (31 March 2016: HK\$12.0 million) and the equity attributable to the owners of the Company amounted to approximately HK\$3,149.7 million (31 March 2016: HK\$3,280.0 million).

As at 30 September 2016, the Group had cash and bank balances of approximately HK\$87.1 million (31 March 2016: HK\$152.5 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 vehicles is definitely a global focus and trend in improving air pollution and enhancing economic sustainability. With the Group's 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 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.



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

As at 30 September 2016, the Group has pledged a piece of land in Chongqing with aggregate carrying amount of approximately HK\$17.1 million (31 March 2016: HK\$17.9 million) to secure a bank borrowing of approximately HK\$11.6 million (31 March 2016: HK\$12.0 million).

During the period ended 30 September 2016, the Group also provided a guarantee to a financial institution in Chongqing for certain of its customers on the purchase of motor vehicles. In the event of customers' default, the Group will be required to compensate the financial institution for the outstanding receivable from the customers. As at 30 September 2016, the Group's maximum exposure to the arrangement was RMB27.9 million (31 March 2016: RMB25.3 million). During the period ended 30 September 2016 (31 March 2016: Nil), 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 30 September 2016, the Group employed 418 (31 March 2016: 395) 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 "Share Option 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 Share Option Scheme, the Board is empowered, at its discretion, to invite any participant, including but not limited to any executive directors, non-executive directors and employees of the Company or any of its subsidiaries or associates, to take up options to subscribe for shares in the Company. Details of the New Scheme are set out in note 20 to the condensed consolidated interim financial statements.

No share options was granted during the current period.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES

Movements of the outstanding share options to the directors as at 30 September 2016 were as follows:

Name of Director	Date of grant	Exercise Price (HK\$)	Number of share options		
			At 1 April 2016	Granted/ (lapsed)	At 30 September 2016
Mr. Cheung Ngan	16 December 2009	0.46	1,200,000	–	1,200,000
	10 March 2016	0.30	3,700,000	–	3,700,000
Ms. Chan Hoi Ying	10 March 2016	0.30	3,700,000	–	3,700,000
Mr. Lai Kwok Wai (resigned on 12 May 2016)	11 July 2007	0.86	10,000,000	–	10,000,000
	16 December 2009	0.46	12,000,000	–	12,000,000
	10 March 2016	0.30	30,000,000	–	30,000,000
Mr. Zhao Hong Feng	11 April 2014	1.15	10,000,000	–	10,000,000
	10 March 2016	0.30	10,000,000	–	10,000,000
Mr. Zhou Jin Kai	10 March 2016	0.30	3,700,000	–	3,700,000
Mr. Chan Francis Ping Kuen	16 December 2009	0.46	1,200,000	–	1,200,000
	10 March 2016	0.30	3,700,000	–	3,700,000
Mr. Hu Guang	16 December 2009	0.46	1,200,000	–	1,200,000
	10 March 2016	0.30	3,700,000	–	3,700,000
Mr. Chan Chak Paul (resigned on 17 June 2016)	10 March 2016	0.30	3,700,000	(3,700,000)	–

No share option was exercised by the directors during the period ended 30 September 2016.

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.

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

At 30 September 2016, 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 or nature of interest	Number of shares or underlying shares		Approximate percentage of shareholding in the Company or associated company
		Long position	Short position	
Mr. Cheung Ngan	Beneficial owner & interest of controlled corporation	1,920,802,469 (Note 1)	–	51.83%
	Interest of controlled corporation	1,000 (Note 2)	–	20%
Ms. Chan Hoi Ying	Beneficial owner	3,700,000 (Note 3)	–	0.10%
Mr. Zhao Hong Feng	Beneficial owner	20,000,000 (Note 3)	–	0.54%
Mr. Zhou Jin Kai	Beneficial owner	1,113,700,000 (Note 4)	–	30.05%

# Management Discussion and Analysis

Name of Director	Capacity or nature of interest	Number of shares or underlying shares		Approximate percentage of shareholding in the Company or associated company
		Long position	Short position	
Mr. Chan Francis Ping Kuen	Beneficial owner	4,900,000 (Note 3)	–	0.13%
Mr. Hu Guang	Beneficial owner	4,900,000 (Note 3)	–	0.13%

Note:

- 1) The 1,920,802,469 shares include:
  - a. the number of shares of 394,670,000 held by Cheung Ngan;
  - b. the underlying shares of 4,900,000 from the share options granted, details of which are set out in the section headed “directors’ rights to acquire shares” above;
  - 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) 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.
- 4) The 1,113,700,000 shares include:
  - a. the underlying shares of 3,700,000 from the share option granted, details of which are set out in the section headed “directors’ rights to acquire shares” above; and
  - b. 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.

Save as disclosed above, as at 30 September 2016, 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 Issuers to be notified to the Company and the Stock Exchange.

## DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 21 to the condensed consolidated interim 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 2016, the following shareholders had registered an interest or short position in the shares or underlying shares of 5% or more of the issued share capital of the Company in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name of substantial shareholder	Capacity or nature of interest	Number of shares or underlying shares		Approximate percentage of shareholding in the Company
		Long position	Short position	
Mr. Cheung Ngan	Beneficial owner & interest of controlled corporation	1,920,802,469 (Note 1)	–	51.83%
Faith Profit Holding Limited	Interest of controlled corporation	1,521,232,469 (Note 1)	–	41.05%
Entrust Limited	Beneficial owner & interest of controlled corporation	2,211,232,469 (Note 2)	–	59.67%
Mr. Chan Tok Yu	Interest of controlled corporation	2,211,232,469 (Note 2)	–	59.67%

# Management Discussion and Analysis

Name of substantial shareholder	Capacity or nature of interest	Number of shares or underlying shares		Approximate percentage of shareholding in the Company
		Long position	Short position	
Ms. Siu Kwan	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	1,113,700,000 (Note 4)	–	30.05%
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 1,920,802,469 shares include:
  - a. the number of shares of 394,670,000 held by Mr. Cheung Ngan;
  - b. the underlying shares of 4,900,000 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 2,211,232,469 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. Entrust Limited is controlled as to 34% by Mr. Chan Tok Yu, 25% by Ms. Chan Hoi Ying, 25% by Mr. Chan Hin Yeung and 16% by Ms. Siu Kwan. Mr. Chan Tok Yu is aged under 18 and his interest is held by Ms. Siu Kwan as a trustee. Accordingly, Mr. Chan Tok Yu is deemed to be interested in the shares in which Entrust Limited is interested by virtue of the SFO; and
    - b. 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. Accordingly, Entrust Limited and Mr. Chan Tok Yu are deemed to be interested in the shares in which Sino PowerHouse Corporation is interested by virtue of the SFO.
  - 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.
  - 4) The 1,113,700,000 shares include:
    - a. the underlying shares of 3,700,000 from the share option granted, details of which are set out in the section headed "directors' rights to acquire shares" above; and
    - b. 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

5) The 203,860,000 shares include:

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

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

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 September 2016.

## 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 2016 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.



## **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.

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

There is no change in the director’s information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## **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, risk management, 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 2016.



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

For the six months ended 30 September 2016

		<b>For the six months ended</b>	
		<b>30 September</b>	
		<b>2016</b>	2015
		<b>(unaudited)</b>	(unaudited)
		<b>HK\$'000</b>	HK\$'000
	Notes		
<b>Revenue</b>	5	<b>55,953</b>	120,353
Cost of sales		<b>(50,764)</b>	(111,483)
<b>Gross profit</b>		<b>5,189</b>	8,870
Other income	5	<b>5,234</b>	2,721
Selling and distribution expenses		<b>(1,065)</b>	(1,001)
Administrative expenses		<b>(71,111)</b>	(58,615)
Change in fair value of financial assets at fair value through profit or loss		<b>3,674</b>	(4,587)
Finance costs	6	<b>(433)</b>	(24,153)
Loss before income tax	7	<b>(58,512)</b>	(76,765)
Income tax credit/(expense)	8	<b>87</b>	(27)
<b>Loss for the period</b>		<b>(58,425)</b>	(76,792)
<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>(96,098)</b>	(134,617)
Share of other comprehensive income of associates		–	(80)
<b>Other comprehensive income for the period</b>		<b>(96,098)</b>	(134,697)
<b>Total comprehensive income for the period</b>		<b>(154,523)</b>	(211,489)

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

For the six months ended 30 September 2016

	Notes	For the six months ended	
		2016 (unaudited) HK\$'000	2015 (unaudited) HK\$'000
<b>Loss attributable to:</b>			
– Owners of the Company		(48,904)	(68,798)
– Non-controlling interests		(9,521)	(7,994)
		<b>(58,425)</b>	<b>(76,792)</b>
<b>Total comprehensive income attributable to:</b>			
– Owners of the Company		(146,935)	(198,033)
– Non-controlling interests		(7,588)	(13,456)
		<b>(154,523)</b>	<b>(211,489)</b>
<b>Loss per share</b>			
– Basic and diluted (HK\$)	10	<b>(0.01)</b>	<b>(0.02)</b>



# Condensed Consolidated Statement of Financial Position

As at 30 September 2016

		<b>30 September 2016 (unaudited) HK\$'000</b>	31 March 2016 (audited) HK\$'000
	Notes		
<b>Non-current assets</b>			
Property, plant and equipment	11	<b>84,852</b>	87,780
Construction in progress	12	<b>86,796</b>	76,472
Prepaid lease payments for land		<b>25,540</b>	26,608
Goodwill		<b>34,572</b>	33,518
Mining assets	13	<b>2,615,887</b>	2,705,211
Other intangible assets		<b>78,888</b>	81,610
Interests in associates		–	477
Interests in joint venture		<b>8,021</b>	6,621
Available-for-sale investments		<b>69,802</b>	69,802
Value-added tax recoverable		<b>9,323</b>	9,031
<b>Total non-current assets</b>		<b>3,013,681</b>	3,097,130
<b>Current assets</b>			
Inventories	14	<b>64,742</b>	63,584
Accounts receivable	15	<b>27,335</b>	29,256
Other receivables, deposits and prepayments		<b>129,939</b>	119,846
Financial assets at fair value through profit or loss	16	<b>7,015</b>	3,341
Prepaid lease payments for land		<b>396</b>	409
Cash and bank balances		<b>87,146</b>	152,535
<b>Total current assets</b>		<b>316,573</b>	368,971
<b>Total assets</b>		<b>3,330,254</b>	3,466,101

# Condensed Consolidated Statement of Financial Position

As at 30 September 2016

	Notes	30 September 2016 (unaudited) HK\$'000	31 March 2016 (audited) HK\$'000
<b>Current liabilities</b>			
Accounts payable	17	21,412	20,571
Other payables and accruals		22,135	21,319
Receipts in advance		11,041	9,691
Bank borrowings		11,627	12,024
<b>Total current liabilities</b>		<b>66,215</b>	63,605
<b>Net current assets</b>		<b>250,358</b>	305,366
<b>Total assets less current liabilities</b>		<b>3,264,039</b>	3,402,496
<b>Non-current liabilities</b>			
Deferred tax liabilities		15,708	16,334
<b>Total non-current liabilities</b>		<b>15,708</b>	16,334
<b>Total liabilities</b>		<b>81,923</b>	79,939
<b>NET ASSETS</b>		<b>3,248,331</b>	3,386,162
<b>Equity</b>			
Share capital	19	37,060	37,060
Reserves		3,112,677	3,242,920
<b>Equity attributable to owners of the Company</b>		<b>3,149,737</b>	3,279,980
<b>Non-controlling interests</b>		<b>98,594</b>	106,182
<b>TOTAL EQUITY</b>		<b>3,248,331</b>	3,386,162

# Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 September 2016

	Attributable to owners of the Company											
	Share capital	Share premium	Share contributed surplus	Convertible notes equity reserve	Share options reserve	Foreign currency translation reserve	Capital reserve	Treasury reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
At 1 April 2016 (audited)	37,060	1,765,488	20,566	1,881,249	96,809	(167,596)	687	-	(354,233)	3,279,980	106,182	3,386,162
Loss for the period	-	-	-	-	-	-	-	-	(48,904)	(48,904)	(9,521)	(58,425)
Other comprehensive income	-	-	-	-	-	(98,031)	-	-	-	(98,031)	1,933	(96,098)
Total comprehensive income	-	-	-	-	-	(98,031)	-	-	(48,904)	(146,935)	(7,588)	(154,523)
Share-based payments	-	-	-	-	16,692	-	-	-	-	16,692	-	16,692
Forfeited share options	-	-	-	-	(11,076)	-	-	-	11,076	-	-	-
At 30 September 2016 (unaudited)	37,060	1,765,488	20,566	1,881,249	102,425	(265,627)	687	-	(392,061)	3,149,737	98,594	3,248,331
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 payments	-	-	-	-	8,715	-	-	-	-	8,715	-	8,715
Cancellation of repurchased shares	(57)	(2,871)	-	-	-	-	-	2,928	-	-	-	-
Conversion of convertible notes	1,500	97,863	-	(99,363)	-	-	-	-	-	-	-	-
At 30 September 2015 (unaudited)	37,060	1,765,488	20,566	1,881,249	87,706	(132,819)	687	-	(305,087)	3,354,800	118,711	3,473,511

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2016

	Notes	For the six months ended	
		2016 (unaudited) HK\$'000	2015 (unaudited) HK\$'000
<b>OPERATING ACTIVITIES</b>			
Loss before income tax		<b>(58,512)</b>	(76,765)
Adjustments for:			
Interest income	5	<b>(468)</b>	(908)
Finance costs	6	<b>433</b>	24,153
Depreciation of property, plant and equipment	7	<b>5,357</b>	4,163
Amortisation of prepaid lease payments for land		<b>191</b>	204
Amortisation of other intangible assets		<b>1,865</b>	634
Share-based payments	7	<b>16,692</b>	8,715
Change in fair value of financial assets at fair value through profit or loss		<b>(3,674)</b>	4,587
Exchange gain, net		<b>(734)</b>	–
		<hr/>	<hr/>
<b>Operating cash flows before movements in working capital</b>		<b>(38,850)</b>	(35,217)
Decrease/(increase) in accounts receivable		<b>1,230</b>	(14,416)
Increase in other receivables, deposits and prepayments		<b>(11,606)</b>	(16,089)
(Increase)/decrease in value-added tax recoverable		<b>(576)</b>	75
Increase in inventories		<b>(3,078)</b>	(14,284)
Increase in financial assets at fair value through profit or loss		–	(224)
Increase in accounts payable		<b>1,327</b>	12,423
Increase/(decrease) in other payables and accruals		<b>1,557</b>	(2,890)
Increase in receipts in advance		<b>1,620</b>	5,657
		<hr/>	<hr/>
Cash used in operations		<b>(48,376)</b>	(64,965)
Income tax paid		–	(27)
		<hr/>	<hr/>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>		<b>(48,376)</b>	(64,992)

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2016

	Notes	For the six months ended	
		30 September 2016 (unaudited) HK\$'000	2015 (unaudited) HK\$'000
<b>INVESTING ACTIVITIES</b>			
Payments to acquire property, plant and equipment		(4,802)	(4,931)
Payments to acquire construction in progress		(8,617)	(239)
Acquisition of intangible assets		(905)	(1,171)
Advance to a joint venture		(1,400)	(1,841)
Dividend received from an associate		438	–
Interest received		468	908
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(14,818)</b>	<b>(7,274)</b>
<b>FINANCING ACTIVITIES</b>			
Interest paid		(433)	(313)
Repayment to a related company		–	(78,003)
Proceeds from bank borrowings		5,858	6,264
Repayment of bank borrowings		(6,012)	(6,080)
Repurchase of shares		–	(2,928)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(587)</b>	<b>(81,060)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(63,781)</b>	<b>(153,326)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>		<b>152,535</b>	<b>391,987</b>
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>		<b>(1,608)</b>	<b>(2,422)</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<b>87,146</b>	<b>236,239</b>
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Pledged bank balances		–	4,419
Cash and bank balances		87,146	231,820
		<b>87,146</b>	<b>236,239</b>

## 1. CORPORATE INFORMATION

The Company was incorporated in Bermuda with limited liability and 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 ("HKAS") 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 2016, 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 relevant to its operations and effective for its accounting period beginning on 1 April 2016.

HKFRSs (Amendments)	Annual improvements 2012-2014 Cycle
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 27	Equity method in separate financial statements
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations

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 Group has not applied any new and revised HKFRSs that are not yet effective for the current period.

## 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 (30 September 2015: 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 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 six months ended		For the six months ended		For the six months ended		For the six months ended		For the six months ended	
	30 September (unaudited) 2016 HK\$'000	30 September (unaudited) 2015 HK\$'000	30 September (unaudited) 2016 HK\$'000	30 September (unaudited) 2015 HK\$'000	30 September (unaudited) 2016 HK\$'000	30 September (unaudited) 2015 HK\$'000	30 September (unaudited) 2016 HK\$'000	30 September (unaudited) 2015 HK\$'000	30 September (unaudited) 2016 HK\$'000	30 September (unaudited) 2015 HK\$'000
Revenue from external customers	55,953	52,934	-	-	-	67,419	-	-	55,953	120,353
Reportable segment loss	(31,925)	(25,036)	(4,161)	(5,306)	(2,055)	(1,924)	(2,306)	(3,260)	(40,447)	(35,526)
Interest income	447	16	3	1	-	1	-	18	450	36
Unallocated interest income									18	872
Total interest income									468	908
Depreciation	(4,453)	(3,339)	(407)	(377)	-	-	(100)	(80)	(4,960)	(3,796)
Unallocated depreciation expense									(397)	(367)
Total depreciation									(5,357)	(4,163)
Amortisation	(2,056)	(833)	-	(5)	-	-	-	-	(2,056)	(838)

## 4. SEGMENT REPORTING (CONTINUED)

### (a) Reportable segments (Continued)

*Reconciliation of segment revenue and profit or loss*

	For the six months ended	
	30 September	
	2016	2015
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
<b>Revenue</b>		
Reportable segment revenue and consolidated revenue	<b>55,953</b>	120,353
<b>Loss before income tax</b>		
Reportable segment loss	<b>(40,447)</b>	(35,526)
Unallocated other income and gains	<b>46</b>	916
Unallocated share-based payments	<b>(6,822)</b>	(523)
Change in fair value of financial assets at fair value through profit or loss	<b>3,674</b>	(4,587)
Unallocated other corporate expenses	<b>(14,530)</b>	(12,892)
Finance costs	<b>(433)</b>	(24,153)
Consolidated loss before income tax	<b>(58,512)</b>	(76,765)

**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 2016	31 March 2016	30 September 2016	31 March 2016	30 September 2016	31 March 2016	30 September 2016	31 March 2016	30 September 2016	31 March 2016
	(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
Reportable segment assets	359,722	383,387	2,682,778	2,780,454	56,296	36,337	137,688	135,579	3,236,494	3,335,757
Interests in associates	-	-	-	-	-	477	-	-	-	477
Additions to non-current assets	6,754	38,387	7,367	1,062	-	-	-	483	14,121	40,532
Unallocated assets	-	-	-	-	-	-	-	-	203	424
Total additions to non-current assets	(78,235)	(74,001)	(1,856)	(1,926)	(250)	(50)	(1,295)	(2,535)	14,324	40,956
Reportable segment liabilities	-	-	-	-	(250)	(50)	(1,295)	(2,535)	(81,636)	(78,512)

**4. SEGMENT REPORTING (CONTINUED)**

**(a) Reportable segments (Continued)**

*Reconciliation of segment assets and liabilities*

	<b>As at</b>	
	<b>30 September 2016 (unaudited) HK\$'000</b>	31 March 2016 (audited) HK\$'000
<b>Assets</b>		
Reportable segment assets	<b>3,236,494</b>	3,335,757
Unallocated corporate assets	<b>93,760</b>	130,344
Consolidated total assets	<b>3,330,254</b>	3,466,101
<b>Liabilities</b>		
Reportable segment liabilities	<b>81,636</b>	78,512
Unallocated corporate liabilities	<b>287</b>	1,427
Consolidated total liabilities	<b>81,923</b>	79,939

## 4. SEGMENT REPORTING (CONTINUED)

### (b) Geographic information

During the periods ended 30 September 2016 and 2015, 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 2016 (unaudited) HK\$'000</b>	<b>31 March 2016 (audited) HK\$'000</b>
PRC, including Hong Kong	<b>2,813,381</b>	2,900,198
Chile	<b>130,498</b>	126,653
Malaysia	–	477
	<b>2,943,879</b>	3,027,328

## 5. REVENUE AND OTHER INCOME

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

	For the six months ended	
	30 September	
	2016	2015
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
<b>Revenue</b>		
Sale of motor vehicles	55,953	52,934
Sale of metals and minerals	–	67,419
	<b>55,953</b>	<b>120,353</b>
<b>Other income</b>		
Rental income	1,930	1,679
Interest income	468	908
Sundry income	1,520	134
Income from trading ore in Chile	582	–
Exchange gain, net	734	–
	<b>5,234</b>	<b>2,721</b>

## 6. FINANCE COSTS

	For the six months ended	
	30 September	
	2016	2015
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Bank borrowings interest	432	259
Bank charges and trust receipt loan interest	1	54
Unwind interest on early extinguishment on amount due to a related company (Note)	–	13,404
Interest expenses (Note)	–	10,436
	<b>433</b>	<b>24,153</b>

Note: Interest expenses represent the imputed interest expenses on the amount due to a related company. During the six months ended 30 September 2015, 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:

	For the six months ended	
	30 September	
	2016	2015
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Cost of inventories recognised as expenses	50,764	111,483
Depreciation of property, plant and equipment	5,357	4,163
Staff costs (including directors' remuneration)		
– Salaries and allowances	16,262	19,709
– Share-based payments (Note 20)	16,692	8,715
– Other benefits	1,460	1,127
– Pension contributions	897	752
	35,311	30,303



## 8. INCOME TAX (CREDIT)/EXPENSE

	For the six months ended	
	30 September	
	2016	2015
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Current tax – PRC income tax	–	27
Deferred tax	(87)	–
Income tax (credit)/expense	(87)	27

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.

## 9. DIVIDEND

The directors do not recommend the payment or declaration of any interim dividend for the six months ended 30 September 2016 (30 September 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:

	For the six months ended 30 September	
	2016 (unaudited) HK\$'000	2015 (unaudited) HK\$'000
Loss for the period attributable to owners of the Company	<b>(48,904)</b>	(68,798)
	Number	Number
Weighted average number of ordinary shares in issue	<b>3,706,046,800</b>	3,688,917,292

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 2016, the Group acquired property, plant and equipment in an aggregate amount of approximately HK\$4,802,000 (30 September 2015: HK\$4,931,000). Depreciation for items of property, plant and equipment was approximately HK\$5,357,000 (30 September 2015: HK\$4,163,000) during the period. Exchange realignment arising on translation of the carrying amount of the property, plant and equipment amounted to HK\$2,373,000 (30 September 2015: HK\$3,917,000) during the period.

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

## 12. CONSTRUCTION IN PROGRESS

Construction in progress mainly represents properties under construction for the processing of copper ores in Chile and the construction of access road to the factory site in the PRC. During the six months ended 30 September 2016, expenditure recognised as construction in progress amounted to approximately HK\$8,617,000 (30 September 2015: HK\$239,000). Exchange realignment arising on translation of construction in progress amounted to HK\$1,707,000 (30 September 2015: HK\$7,921,000) 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>2016</b>	2016
	<b>(unaudited)</b>	(audited)
	<b>HK\$'000</b>	HK\$'000
Raw materials	<b>20,389</b>	22,163
Work in progress	<b>32,593</b>	30,721
Finished goods	<b>11,760</b>	10,700
	<b>64,742</b>	63,584

## 15. ACCOUNTS RECEIVABLE

The ageing analysis of accounts receivable 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>2016</b>	2016
	<b>(unaudited)</b>	(audited)
	<b>HK\$'000</b>	HK\$'000
0 – 30 days	<b>725</b>	1,170
31 – 90 days	<b>1,952</b>	25,439
91 – 180 days	<b>624</b>	1,446
181 – 365 days	<b>23,866</b>	1,116
More than 1 year	<b>168</b>	85
	<b>27,335</b>	29,256

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 instalments. The above balances are neither past due nor impaired, and there was no recent history of default.

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

	As at	
	30 September 2016 (unaudited) HK\$'000	31 March 2016 (audited) HK\$'000
Equity securities held for trading and listed in Hong Kong	<b>7,015</b>	3,341

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

## 17. ACCOUNTS PAYABLE

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

	As at	
	30 September 2016 (unaudited) HK\$'000	31 March 2016 (audited) HK\$'000
0 – 30 days	<b>3,009</b>	6,194
31 – 90 days	<b>7,988</b>	7,464
91 – 180 days	<b>3,370</b>	6,066
181 days – 365 days	<b>5,507</b>	665
More than 1 year	<b>1,538</b>	182
	<b>21,412</b>	20,571

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

## 18. CONVERTIBLE NOTES

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

The Company has the option to issue conversion shares at the conversion price on the maturity date or to redeem the outstanding principal amount of the Convertible Notes. The Convertible Notes are equity instruments as the Company has no obligation to settle in cash. The fair value of the Convertible Notes as at 28 February 2014 which is determined as the fair value of the net assets of the group companies acquired less the fair value of the consideration shares amounted to HK\$2,570,158,000 is credited to the “Convertible notes equity reserve” on the issuance of the Convertible Notes. During the period, no Convertible Notes were converted into ordinary shares of the Company (30 September 2015: principal amount of HK\$112,500,000 converted into 150,000,000 ordinary shares).

## 19. SHARE CAPITAL

	30 September 2016		As at 31 March 2016	
	(unaudited) Number of shares	(unaudited) HK\$'000	(audited) Number of shares	(audited) HK\$'000
<b>Authorised:</b>				
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>
<b>Issued and fully paid:</b>				
At beginning of period/year	<u>3,706,046,800</u>	<u>37,060</u>	3,561,746,800	35,617
Conversion of Convertible Notes (Note)	–	–	150,000,000	1,500
Cancellation of repurchased shares	–	–	(5,700,000)	(57)
At end of the period/year	<u>3,706,046,800</u>	<u>37,060</u>	<u>3,706,046,800</u>	<u>37,060</u>

Note: During the year ended 31 March 2016, 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.

## 20. 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 2016 were as follows:

Date of offer of grant	At 1 April 2016	Granted/ (lapsed) during the period	At 30 September 2016	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	(500,000)	32,500,000	HK\$0.86	HK\$0.86	11/07/2007 to 10/07/2017	N/A
18/09/2007	5,000,000	-	5,000,000	HK\$2.95	HK\$2.90	01/04/2008 to 17/09/2017	01/04/2008 to 31/03/2013
16/12/2009	52,400,000	(12,000,000)	40,400,000	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	(9,000,000)	91,000,000	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
	<b>560,400,000</b>	<b>(21,500,000)</b>	<b>538,900,000</b>				



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

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 during the period	At 30 September 2015	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>202,400,000</u>	<u>-</u>	<u>202,400,000</u>				

No share options were granted by the Company during the period ended 30 September 2016 and 2015.

The weighted average remaining contractual life of options outstanding at the end of the period was 8.09 years (30 September 2015: 5.89 years). The weighted average exercise price of options outstanding at the end of the period was HK\$0.51 (30 September 2015: HK\$0.93).

Of the total number of options outstanding at the end of the period, 170,100,000 (30 September 2015: 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\$16,692,000 (30 September 2015: HK\$8,715,000) was recognised during the period.

## 21. RELATED PARTY TRANSACTIONS

- (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 agreed to purchase and CAH agreed 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 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) The remuneration of key management during the period which only comprised executive directors’ remuneration was as follows:

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2016</b>	2015
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$’000</b>	HK\$’000
Short-term benefits	<b>1,044</b>	797
Share-based payments	<b>880</b>	–
Pension contributions	<b>19</b>	19
	<b>1,943</b>	816

## 22. CAPITAL COMMITMENTS

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

	<b>As at</b>	
	<b>30 September</b>	31 March
	<b>2016</b>	2016
	<b>(unaudited)</b>	(audited)
	<b>HK\$'000</b>	HK\$'000
Acquisition of property, plant and equipment	<b>6,984</b>	8,174
Capital expenditure in respect of the construction of ores processing plant	<b>3,698</b>	3,694
Capital expenditure in respect of the mining operations	<b>13,826</b>	21,858
	<b>24,508</b>	33,726

## 23. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on 28 November 2016.