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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 2017**

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 2017.

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

*FOR THE YEAR ENDED 31 MARCH 2017*

|  | <i>Notes</i> | <b>2017</b><br><b>HK\$'000</b> | 2016<br>HK\$'000 |
|--|--------------|--------------------------------|------------------|
| Revenue  | 5            | <b>126,108</b>                 | 330,249          |
| Cost of sales  |              | <u><b>(120,301)</b></u>        | <u>(315,528)</u> |
| Gross profit   |              | <b>5,807</b>                   | 14,721           |
| Other income   | 5            | <b>11,171</b>                  | 6,331            |
| Selling and distribution expenses  |              | <b>(2,432)</b>                 | (1,365)          |
| Administrative and other expenses  |              | <b>(154,871)</b>               | (130,197)        |
| Change in fair value of financial assets<br>at fair value through profit or loss |              | <b>(1,663)</b>                 | (10,083)         |
| Finance costs  | 6            | <u><b>(867)</b></u>            | <u>(24,714)</u>  |
| <b>Loss before income tax</b>  | 7            | <b>(142,855)</b>               | (145,307)        |
| Income tax credit  | 8            | <u><b>172</b></u>              | <u>203</u>       |
| <b>Loss for the year</b>   |              | <u><b>(142,683)</b></u>        | <u>(145,104)</u> |

|  | <b>2017</b>                    | 2016                    |
|--|--------------------------------|-------------------------|
| <i>Notes</i>   | <b><i>HK\$'000</i></b>         | <i>HK\$'000</i>         |
| <b>Other comprehensive income for the year</b>                       |                                |                         |
| Item that may be reclassified subsequently<br>to profit or loss:     |                                |                         |
| Exchange differences arising on translation of<br>foreign operations | <u>(184,459)</u>               | <u>(167,954)</u>        |
| <b>Total comprehensive income for the year</b>                       | <b><u>(327,142)</u></b>        | <b><u>(313,058)</u></b> |
| <b>Loss attributable to:</b>   |                                |                         |
| – Owners of the Company  | (118,408)                      | (120,140)               |
| – Non-controlling interests  | <u>(24,275)</u>                | <u>(24,964)</u>         |
|  | <b><u>(142,683)</u></b>        | <b><u>(145,104)</u></b> |
| <b>Total comprehensive income attributable to:</b>                   |                                |                         |
| – Owners of the Company  | (299,224)                      | (284,152)               |
| – Non-controlling interests  | <u>(27,918)</u>                | <u>(28,906)</u>         |
|  | <b><u>(327,142)</u></b>        | <b><u>(313,058)</u></b> |
| <b>Loss per share</b>  |                                |                         |
| – Basic and diluted ( <i>HK\$</i> )                                  | <i>10</i> <b><u>(0.03)</u></b> | <b><u>(0.03)</u></b>    |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2017

|  | <i>Notes</i> | <b>2017</b><br><i>HK\$'000</i> | 2016<br><i>HK\$'000</i> |
|--|--------------|--------------------------------|-------------------------|
| <b>Non-current assets</b>                                |              |                                |                         |
| Property, plant and equipment                            |              | <b>82,454</b>                  | 87,780                  |
| Construction in progress                                 |              | <b>90,239</b>                  | 76,472                  |
| Prepaid lease payments for land                          |              | <b>49,237</b>                  | 26,608                  |
| Goodwill   |              | <b>34,245</b>                  | 33,518                  |
| Mining assets  |              | <b>2,537,127</b>               | 2,705,211               |
| Other intangible assets                                  |              | <b>70,158</b>                  | 81,610                  |
| Interests in associates                                  |              | –                              | 477                     |
| Interest in joint venture                                |              | <b>4,380</b>                   | 6,621                   |
| Available-for-sale investments                           |              | <b>69,802</b>                  | 69,802                  |
| Other receivables, deposits and prepayments              |              | <b>17,480</b>                  | 17,534                  |
| Value-added-tax recoverable                              |              | <b>9,200</b>                   | 9,031                   |
| <b>Total non-current assets</b>                          |              | <b><u>2,964,322</u></b>        | <u>3,114,664</u>        |
| <b>Current assets</b>                                    |              |                                |                         |
| Inventories  |              | <b>45,694</b>                  | 63,584                  |
| Accounts receivable                                      | <i>11</i>    | <b>33,055</b>                  | 29,256                  |
| Other receivables, deposits and prepayments              |              | <b>109,233</b>                 | 102,312                 |
| Financial assets at fair value through<br>profit or loss |              | <b>1,608</b>                   | 3,341                   |
| Prepaid lease payments for land                          |              | <b>886</b>                     | 409                     |
| Cash and bank balances                                   |              | <b>202,174</b>                 | 152,535                 |
| <b>Total current assets</b>                              |              | <b><u>392,650</u></b>          | <u>351,437</u>          |
| <b>Total assets</b>                                      |              | <b><u>3,356,972</u></b>        | <u>3,466,101</u>        |

|   | <i>Notes</i> | <b>2017</b><br><b><i>HK\$'000</i></b> | 2016<br><i>HK\$'000</i> |
|---|--------------|---------------------------------------|-------------------------|
| <b>Current liabilities</b>                          |              |                                       |                         |
| Accounts payable                                    | <i>12</i>    | <b>20,446</b>                         | 20,571                  |
| Other payables and accruals                         |              | <b>26,096</b>                         | 21,319                  |
| Receipts in advance                                 |              | <b>11,429</b>                         | 9,691                   |
| Bank borrowings                                     |              | <b>11,276</b>                         | 12,024                  |
|   |              | <hr/>                                 | <hr/>                   |
| <b>Total current liabilities</b>                    |              | <b>69,247</b>                         | 63,605                  |
|   |              | <hr/>                                 | <hr/>                   |
| <b>Net current assets</b>                           |              | <b>323,403</b>                        | 287,832                 |
|   |              | <hr/>                                 | <hr/>                   |
| <b>Total assets less current liabilities</b>        |              | <b>3,287,725</b>                      | 3,402,496               |
|   |              | <hr/>                                 | <hr/>                   |
| <b>Non-current liabilities</b>                      |              |                                       |                         |
| Deferred tax liabilities                            |              | <b>15,151</b>                         | 16,334                  |
| Other payables                                      |              | <b>5,638</b>                          | –                       |
|   |              | <hr/>                                 | <hr/>                   |
| <b>Total non-current liabilities</b>                |              | <b>20,789</b>                         | 16,334                  |
|   |              | <hr/>                                 | <hr/>                   |
| <b>Total liabilities</b>                            |              | <b>90,036</b>                         | 79,939                  |
|   |              | <hr/>                                 | <hr/>                   |
| <b>NET ASSETS</b>                                   |              | <b>3,266,936</b>                      | 3,386,162               |
|   |              | <hr/> <hr/>                           | <hr/> <hr/>             |
| <b>Equity</b>                                       |              |                                       |                         |
| Share capital                                       | <i>13</i>    | <b>44,460</b>                         | 37,060                  |
| Reserves  |              | <b>3,144,212</b>                      | 3,242,920               |
|   |              | <hr/>                                 | <hr/>                   |
| <b>Equity attributable to owners of the Company</b> |              | <b>3,188,672</b>                      | 3,279,980               |
| <b>Non-controlling interests</b>                    |              | <b>78,264</b>                         | 106,182                 |
|   |              | <hr/>                                 | <hr/>                   |
| <b>TOTAL EQUITY</b>                                 |              | <b>3,266,936</b>                      | 3,386,162               |
|   |              | <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 2016

|   |   |
|---|---|
| HKFRSs (Amendments)                             | Annual Improvements 2012-2014 Cycle                                     |
| Amendments to HKAS 1                            | Disclosure Initiative   |
| Amendments to HKAS 16 and<br>HKAS 38            | Clarification of Acceptable Methods of Depreciation and<br>Amortisation |
| Amendments to HKAS 27                           | Equity Method in Separate Financial Statements                          |
| Amendments to HKFRS 11                          | Accounting for Acquisitions of Interests in Joint Operations            |
| Amendments to HKFRS 10,<br>HKFRS 12 and HKAS 28 | Investment Entities: Applying the Consolidation Exception               |

#### *Amendments to HKAS 1 – Disclosure Initiative*

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

Included in the clarifications is that an entity’s share of other comprehensive income from equity accounted interests in associates and joint ventures is 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.

The adoption of the amendments has no impact on these financial statements.

***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. The amendments are applied prospectively.

The adoption of the amendments has no impact on these financial statements as the Group has not previously used revenue-based depreciation methods.

***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. The amendments are applied retrospectively in accordance with HKAS 8.

The adoption of the amendments has no impact on these financial statements as the Company has not elected to apply the equity method in its separate financial statements.

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

The amendments require an entity to apply the relevant 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. The amendments are applied prospectively.

The adoption of the amendments has no impact on these financial statements as the Group has not acquired or formed a joint operation.

***Amendments to HKFRS 10, HKFRS 12 and HKAS 28 – Investment Entities: Applying the Consolidation Exception***

The amendments clarify that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a subsidiary of an investment entity (including investment entities that account for their subsidiaries at fair value rather than consolidating them). An investment entity parent will consolidate a subsidiary only when the subsidiary is not itself an investment entity and the subsidiary's main purpose is to provide services that relate to the investment entity's investment activities. A non-investment entity applying the equity method to an associate or joint venture that is an investment entity may retain the fair value measurements that associate or joint venture used for its subsidiaries. An investment entity that prepares financial statements in which all its subsidiaries are measured at fair value through profit or loss should provide the disclosures related to investment entities as required by HKFRS 12. The amendments are applied prospectively.

The adoption of the amendments has no impact on these financial statements as the Company is neither an intermediate parent entity nor an investment entity.

**(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. The Group's current intention is to apply these changes on the date they become effective.

|  |   |
|--|---|
| Amendments to HKAS 7                             | Disclosure Initiative <sup>1</sup>  |
| Amendments to HKAS 12                            | Recognition of Deferred Tax Assets for Unrealised Losses <sup>1</sup>                                 |
| Amendments to HKFRS 2                            | Classification and Measurement of Share-Based<br>Payment Transactions <sup>2</sup>                    |
| HKFRS 9  | Financial Instruments <sup>2</sup>  |
| HKFRS 15   | Revenue from Contracts with Customers <sup>2</sup>  |
| Amendments to HKFRS 15                           | Revenue from Contracts with Customers<br>(Clarifications to HKFRS 15) <sup>2</sup>                    |
| HK (IFRIC) – Int 22                              | Foreign Currency Transactions and Advance Consideration <sup>2</sup>                                  |
| HKFRS 16   | Leases <sup>3</sup>   |
| Amendments to HKFRS 10 and<br>HKAS 28            | Sale or Contribution of Assets between an Investor and<br>its Associate or Joint Venture <sup>4</sup> |
| Annual Improvements to HKFRSs<br>2014-2016 Cycle | Amendments to a number of HKFRSs <sup>5</sup>   |

- <sup>1</sup> *Effective for annual periods beginning on or after 1 January 2017*
- <sup>2</sup> *Effective for annual periods beginning on or after 1 January 2018*
- <sup>3</sup> *Effective for annual periods beginning on or after 1 January 2019*
- <sup>4</sup> *The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted*
- <sup>5</sup> *Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate*

#### ***Amendments to HKAS 7 – Disclosure Initiative***

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The Group expects to adopt the amendments on 1 April 2017 and does not expect its adoption will have significant impact on the consolidated financial statements.

#### ***Amendments to HKAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses***

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured at fair value.

The Group expects to adopt the amendments on 1 April 2017 and does not expect its adoption will have significant impact on the consolidated financial statements.

#### ***Amendments to HKFRS 2 – Classification and Measurement of Share-Based Payment Transactions***

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The Group expects to adopt the amendment on 1 April 2018 and does not expect its adoption will have significant impact on the Group's financial position and performance.



### ***HKFRS 9 – Financial Instruments***

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

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 or Loss (“FVTPL”).

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model either on twelve-month basis or lifetime basis, as opposed to an incurred credit loss model under HKAS 39 “Financial Instruments: Recognition and Measurement”. The Group expects to apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its financial assets measured at amortised cost.

Based on the Group’s financial instruments and risk management policies as at 31 March 2017, the directors of the Company preliminarily assess that the application of HKFRS 9 in the future may have an impact on the classification and measurement of the Group’s financial assets. The Group’s available-for-sale investments, which are currently stated at cost less impairment, will either be measured at FVTPL or be designated as FVTOCI (subject to fulfillment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group’s financial assets measured at amortised cost. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the directors of the Company complete a detailed review.

### ***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

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The directors of the Company preliminarily assess that the application of HKFRS 15 in the future will not have a material impact on the pattern and amount of revenue recognition but there will be more comprehensive disclosure related to revenue in the consolidated financial statements.

#### ***HK(IFRIC)-Int 22 – Foreign Currency Transactions and Advance Consideration***

HK(IFRIC)-Int 22 addresses foreign currency transactions or parts of transactions where:

- (i) There is consideration that is denominated or priced in a foreign currency;
- (ii) The entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- (iii) The prepayment asset or deferred income liability is non-monetary.

The Interpretations Committee came to the following conclusion:

- (i) The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability; and

- (ii) If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

The Group expects to adopt the amendment on 1 April 2018 and does not expect its adoption will have significant impact on the Group's financial position and performance.

### ***HKFRS 16 – Leases***

HKFRS 16, which upon the effective date will supersede HKAS 17 “Leases” and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Under HKAS 17, the Group has already recognised the prepaid lease payments for leasehold land where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

As at 31 March 2017, the Group has non-cancellable operating lease commitments of HK\$6,579,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of these leases unless they qualify for short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

***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.

***Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to a number of HKFRSs***

Annual Improvements 2014-2016 Cycle make changes to a number of standards including HKFRS 12 Disclosure of Interests in Other Entities:

Amendments have been made to clarify the scope of HKFRS 12 in respect of interests in entities within the scope of HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Specifically it clarifies that entities are not exempt from all of the disclosure requirements in HKFRS 12 when entities have been classified as held for sale or as discontinued operations. The standard as amended therefore makes it clear that it is only the disclosure requirements set out in paragraphs B10-16 that do not need to be provided for entities within the scope of HKFRS 5.

This annual improvement must be applied retrospectively for periods beginning on or after 1 January 2017. No transitional relief is available.

The Group expects to adopt the amendments on 1 April 2017 and does not expect its adoption will have significant impact on the consolidated financial statements.

**3. BASIS OF PREPARATION**

**(a) Statement of compliance**

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

**(b) Basis of measurement**

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

**(c) Functional and presentation currency**

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

**4. SEGMENT REPORTING**

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

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

- 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            |                  |
|--|----------------------------------|-----------------|------------------|------------------|----------------------------|----------------|-----------------------------|----------------|------------------|------------------|
|  | 2017                             | 2016            | 2017             | 2016             | 2017                       | 2016           | 2017                        | 2016           | 2017             | 2016             |
|  | 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>97,339</u>                    | <u>188,489</u>  | <u>–</u>         | <u>–</u>         | <u>28,769</u>              | <u>141,760</u> | <u>–</u>                    | <u>–</u>       | <u>126,108</u>   | <u>330,249</u>   |
| Reportable segment loss                    | <u>(99,604)</u>                  | <u>(71,843)</u> | <u>(10,941)</u>  | <u>(13,057)</u>  | <u>(4,419)</u>             | <u>(7,389)</u> | <u>(3,335)</u>              | <u>(5,258)</u> | <u>(118,299)</u> | <u>(97,547)</u>  |
| Interest income                            | 452                              | 169             | 1                | 4                | 21                         | 3              | –                           | 18             | 474              | 194              |
| Unallocated interest income                |                                  |                 |                  |                  |                            |                |                             |                | <u>179</u>       | <u>945</u>       |
| Total interest income                      |                                  |                 |                  |                  |                            |                |                             |                | <u>653</u>       | <u>1,139</u>     |
| Depreciation                               | (9,236)                          | (7,457)         | (753)            | (811)            | –                          | –              | (236)                       | (175)          | (10,225)         | (8,443)          |
| Unallocated depreciation expenses          |                                  |                 |                  |                  |                            |                |                             |                | <u>(797)</u>     | <u>(747)</u>     |
| Total depreciation                         |                                  |                 |                  |                  |                            |                |                             |                | <u>(11,022)</u>  | <u>(9,190)</u>   |
| Amortisation                               | <u>(4,179)</u>                   | <u>(1,830)</u>  | <u>–</u>         | <u>–</u>         | <u>–</u>                   | <u>–</u>       | <u>–</u>                    | <u>–</u>       | <u>(4,179)</u>   | <u>(1,830)</u>   |
| Impairment loss on goodwill                | <u>–</u>                         | <u>(3,613)</u>  | <u>–</u>         | <u>–</u>         | <u>–</u>                   | <u>–</u>       | <u>–</u>                    | <u>–</u>       | <u>–</u>         | <u>(3,613)</u>   |
| Impairment loss on other intangible assets | <u>(5,000)</u>                   | <u>(2,389)</u>  | <u>–</u>         | <u>–</u>         | <u>–</u>                   | <u>–</u>       | <u>–</u>                    | <u>–</u>       | <u>(5,000)</u>   | <u>(2,389)</u>   |
| Impairment loss on inventories             | <u>(7,010)</u>                   | <u>–</u>        | <u>–</u>         | <u>–</u>         | <u>–</u>                   | <u>–</u>       | <u>–</u>                    | <u>–</u>       | <u>(7,010)</u>   | <u>–</u>         |
| Reportable segment assets                  | <u>358,093</u>                   | <u>383,387</u>  | <u>2,580,333</u> | <u>2,780,454</u> | <u>41,936</u>              | <u>36,337</u>  | <u>138,816</u>              | <u>135,579</u> | <u>3,119,178</u> | <u>3,335,757</u> |
| Interests in associates                    | <u>–</u>                         | <u>–</u>        | <u>–</u>         | <u>–</u>         | <u>–</u>                   | <u>477</u>     | <u>–</u>                    | <u>–</u>       | <u>–</u>         | <u>477</u>       |
| Additions to non-current assets            | 38,926                           | 38,987          | 10,410           | 1,062            | –                          | –              | 354                         | 483            | 49,690           | 40,532           |
| Unallocated assets                         |                                  |                 |                  |                  |                            |                |                             |                | <u>203</u>       | <u>424</u>       |
| Total additions to non-current assets      |                                  |                 |                  |                  |                            |                |                             |                | <u>49,893</u>    | <u>40,956</u>    |
| Reportable segment liabilities             | <u>(79,857)</u>                  | <u>(74,001)</u> | <u>(2,011)</u>   | <u>(1,926)</u>   | <u>(3,674)</u>             | <u>(50)</u>    | <u>(2,703)</u>              | <u>(2,535)</u> | <u>(88,245)</u>  | <u>(78,512)</u>  |

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

|   | 2017<br><i>HK\$'000</i> | 2016<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| <b>Revenue</b>  |                         |                         |
| Reportable segment revenue and consolidated revenue                       | <u><u>126,108</u></u>   | <u><u>330,249</u></u>   |
| <b>Loss before income tax</b>   |                         |                         |
| Reportable segment loss   | (118,299)               | (97,547)                |
| Unallocated other income  | 231                     | 1,020                   |
| Change in fair value of financial assets                                  |                         |                         |
| at fair value through profit or loss                                      | (1,663)                 | (10,083)                |
| Unallocated share-based payments  | (13,433)                | (4,357)                 |
| Unallocated provision for impairment loss on interest in<br>joint venture | (4,381)                 | –                       |
| Unallocated other corporate expenses                                      | (4,443)                 | (9,626)                 |
| Finance costs   | <u>(867)</u>            | <u>(24,714)</u>         |
| Consolidated loss before income tax                                       | <u><u>(142,855)</u></u> | <u><u>(145,307)</u></u> |
| <b>Assets</b>   |                         |                         |
| Reportable segment assets   | 3,119,178               | 3,335,757               |
| Unallocated corporate assets*   | <u>237,794</u>          | <u>130,344</u>          |
| Consolidated total assets   | <u><u>3,356,972</u></u> | <u><u>3,466,101</u></u> |
| <b>Liabilities</b>  |                         |                         |
| Reportable segment liabilities  | 88,245                  | 78,512                  |
| Unallocated corporate liabilities   | <u>1,791</u>            | <u>1,427</u>            |
| Consolidated total liabilities  | <u><u>90,036</u></u>    | <u><u>79,939</u></u>    |

\* *Unallocated corporate assets as at 31 March 2017 mainly represent cash and bank balances held by the Company of approximately HK\$156,435,000 (2016: HK\$41,557,000) and available-for-sale investments of HK\$69,802,000 (2016: 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 customers and assets respectively are located:

|                          | Revenue from<br>external customers |                         | Specified<br>non-current assets |                         |
|--------------------------|------------------------------------|-------------------------|---------------------------------|-------------------------|
|                          | 2017<br><i>HK\$'000</i>            | 2016<br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i>         | 2016<br><i>HK\$'000</i> |
| PRC, including Hong Kong | 97,339                             | 188,489                 | 2,764,602                       | 2,917,732               |
| Chile                    | –                                  | –                       | 129,918                         | 126,653                 |
| Singapore                | 28,769                             | 141,760                 | –                               | –                       |
| Malaysia                 | –                                  | –                       | –                               | 477                     |
|                          | <u>126,108</u>                     | <u>330,249</u>          | <u>2,894,520</u>                | <u>3,044,862</u>        |

(d) **Information about major customers**

During the years ended 31 March 2017 and 2016, all sales amounts generated from the metal and minerals trading segment were contributed by one customer.



## 5. REVENUE AND OTHER INCOME

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

|                                  | 2017<br><i>HK\$'000</i> | 2016<br><i>HK\$'000</i> |
|----------------------------------|-------------------------|-------------------------|
| <b>Revenue</b>                   |                         |                         |
| Sale of motor vehicles           | 96,113                  | 178,059                 |
| Sale of metals and minerals      | 28,769                  | 141,760                 |
| Sale of batteries                | 1,226                   | 10,430                  |
|                                  | <u>126,108</u>          | <u>330,249</u>          |
| <b>Other income</b>              |                         |                         |
| Rental income                    | 3,855                   | 3,169                   |
| Exchange gain, net               | 2,795                   | –                       |
| Sundry income                    | 2,135                   | 1,252                   |
| Income from trading ore in Chile | 1,733                   | 771                     |
| Interest income                  | 653                     | 1,139                   |
|                                  | <u>11,171</u>           | <u>6,331</u>            |

## 6. FINANCE COSTS

|   | 2017<br><i>HK\$'000</i> | 2016<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Unwind interest on early extinguishment on<br>amount due to a related company ( <i>Note</i> ) | –                       | 13,404                  |
| Interest expenses ( <i>Note</i> )   | –                       | 10,436                  |
| Bank borrowings interest  | 831                     | 730                     |
| Bank charges and trust receipt loans interest   | 36                      | 144                     |
|   | <u>867</u>              | <u>24,714</u>           |

*Note:* Interest expenses represent the imputed interest expenses on the amount due to a related company. During the previous year ended 31 March 2016, 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 was 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):

|  | 2017<br><i>HK\$'000</i> | 2016<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Auditor's remuneration                                     | 1,645                   | 1,415                   |
| Amortisation of prepaid lease payments for land            | 461                     | 400                     |
| Amortisation of other intangible assets*                   | 3,718                   | 1,430                   |
| Cost of inventories recognised as expenses                 | 120,301                 | 315,528                 |
| Depreciation of property, plant and equipment              | 11,022                  | 9,190                   |
| Electric bus sample written off                            | –                       | 3,445                   |
| Exchange (gain)/loss, net                                  | (2,795)                 | 801                     |
| Impairment loss of inventories                             | 7,010                   | –                       |
| Impairment loss of goodwill                                | –                       | 3,613                   |
| Provision for impairment loss on interest in joint venture | 4,381                   | –                       |
| Impairment loss of other intangible assets*                | 5,000                   | 2,389                   |
| Loss on disposal of property, plant and equipment          | –                       | 86                      |
| Operating lease rentals on leasehold land and buildings    | 10,282                  | 11,428                  |
| Research and development cost                              | 15,426                  | 2,071                   |
| Directors' remuneration                                    | 5,251                   | 4,304                   |
| Employee costs (excluding directors' remuneration)         |                         |                         |
| – Salaries and allowances                                  | 31,076                  | 31,170                  |
| – Share-based payments ( <i>note 14</i> )                  | 29,526                  | 20,597                  |
| – Other benefits   | 1,938                   | 1,827                   |
| – Pension contributions                                    | 1,871                   | 1,560                   |
|  | <u>64,411</u>           | <u>55,154</u>           |

\* included in administrative and other expenses

## 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 2017, subject to the agreement by the Hong Kong Inland Revenue Department, the Group had unused tax losses of HK\$93,304,000 (2016: HK\$71,187,000) available for offsetting against future profits. In addition, the Group had unused tax losses related to subsidiaries operating in Mainland China of HK\$50,107,000 (2016: HK\$25,373,000). 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 expire 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:

|   | 2017<br><i>HK\$'000</i> | 2016<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Loss before income tax  | <u>(142,855)</u>        | <u>(145,307)</u>        |
| Tax credit at the applicable rates                                | (28,071)                | (27,476)                |
| Tax effect of non-taxable revenue                                 | (160)                   | (189)                   |
| Tax effect of non-deductible expenses                             | 17,278                  | 17,554                  |
| Under-provision in prior year                                     | –                       | 26                      |
| Tax effect of tax losses and temporary differences not recognised | <u>10,781</u>           | <u>9,882</u>            |
| Income tax credit for the year                                    | <u>(172)</u>            | <u>(203)</u>            |

## 9. DIVIDEND

No dividend has been proposed or paid by the Company in respect of the years ended 31 March 2017 and 2016.

## 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:

|   | 2017<br><i>HK\$'000</i> | 2016<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Loss for the year attributable to owners of the Company | <u>(118,408)</u>        | <u>(120,140)</u>        |

|   | 2017<br><i>Number</i> | 2016<br><i>Number</i> |
|---|-----------------------|-----------------------|
| Weighted average number of ordinary shares in issue | <u>3,922,978,307</u>  | <u>3,697,458,581</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:

|                  | 2017<br><i>HK\$'000</i> | 2016<br><i>HK\$'000</i> |
|------------------|-------------------------|-------------------------|
| 0 – 30 days      | 6,917                   | 1,170                   |
| 31 – 90 days     | –                       | 25,439                  |
| 91 – 180 days    | 5,730                   | 1,446                   |
| 181 – 365 days   | 11,792                  | 1,116                   |
| More than 1 year | <u>8,616</u>            | <u>85</u>               |
|                  | <u>33,055</u>           | <u>29,256</u>           |

The credit period granted by the Group to customers ranged from 30 days to 3 years 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 are neither individually nor collectively considered to be impaired, was as follows:

|   | <b>2017</b>            | 2016            |
|---|------------------------|-----------------|
|   | <b><i>HK\$'000</i></b> | <i>HK\$'000</i> |
| Not past due  | <b>29,768</b>          | 29,171          |
| Less than 1 month past due                          | <b>720</b>             | –               |
| More than 1 month but less than 3 months past due   | <b>1,339</b>           | –               |
| More than 3 months but less than 12 months past due | <b>1,228</b>           | 85              |
|   | <u><b>33,055</b></u>   | <u>29,256</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:

|                  | <b>2017</b>            | 2016            |
|------------------|------------------------|-----------------|
|                  | <b><i>HK\$'000</i></b> | <i>HK\$'000</i> |
| 0 – 30 days      | <b>5,128</b>           | 6,194           |
| 31 – 90 days     | <b>1,350</b>           | 7,464           |
| 91 – 180 days    | <b>10,039</b>          | 6,066           |
| 181 – 365 days   | <b>60</b>              | 665             |
| More than 1 year | <b>3,869</b>           | 182             |
|                  | <u><b>20,446</b></u>   | <u>20,571</u>   |

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

### 13. SHARE CAPITAL

|   | 2017                        |                 | 2016                        |                 |
|---|-----------------------------|-----------------|-----------------------------|-----------------|
|   | <i>Number of<br/>shares</i> | <i>HK\$'000</i> | <i>Number of<br/>shares</i> | <i>HK\$'000</i> |
| <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 1 April  | 3,706,046,800               | 37,060          | 3,561,746,800               | 35,617          |
| Placing of shares ( <i>note i</i> )                       | 740,000,000                 | 7,400           | –                           | –               |
| Conversion of Convertible Notes ( <i>note ii</i> )        | –                           | –               | 150,000,000                 | 1,500           |
| Cancellation of repurchased shares<br>( <i>note iii</i> ) | –                           | –               | (5,700,000)                 | (57)            |
| At 31 March   | <u>4,446,046,800</u>        | <u>44,460</u>   | <u>3,706,046,800</u>        | <u>37,060</u>   |

*Note:*

- (i) On 15 December 2016, 740,000,000 ordinary shares of the Company were issued at a subscription price of HK\$0.245 each to independent third parties at an aggregate consideration of HK\$181,300,000 of which HK\$7,400,000 was credited to share capital and the remaining balance of HK\$168,447,000 (net of share issue expenses of HK\$5,453,000) was credited to share premium account.
- (ii) 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.
- (iii) During the year ended 31 March 2016, the Company cancelled 5,700,000 shares of the Company. The shares were repurchased in the open market at a consideration of HK\$2,928,000 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 22 August 2016, the date upon which the limit was refreshed by an ordinary resolution of the shareholders. Pursuant to the New Scheme, the above limit can be further refreshed by the shareholders. However, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme shall not exceed 30% of the shares in issue from time to time. The subscription price of the share options shall not be less than the higher of (i) the closing price of the shares on the Stock Exchange on the date of offer; (ii) the average closing price of the shares on the Stock Exchange for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the shares.

There was no share option (2016: 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 01/04/2015      | Granted during the year | Lapsed/ forfeited during the year | At 31/03/2016      | Lapsed/ forfeited during the year | At 31/03/2017      | Exercise price | Closing price at date of offer of grant | Exercise period          | Vesting period           |
|-----------------------------|--------------------|-------------------------|-----------------------------------|--------------------|-----------------------------------|--------------------|----------------|---|--------------------------|--------------------------|
| <b>Under the Old Scheme</b> |                    |                         |                                   |                    |                                   |                    |                |   |                          |                          |
| 11/07/2007                  | 33,000,000         | -                       | -                                 | 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          | -                                 | 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         | -                       | (12,000,000)                      | 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 the New Scheme</b> |                    |                         |                                   |                    |                                   |                    |                |   |                          |                          |
| 11/04/2014                  | 100,000,000        | -                       | -                                 | 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        | (3,700,000)                       | 366,300,000        | HK\$0.30       | HK\$0.28                                | 10/03/2016 to 09/03/2026 | 10/03/2016 to 11/03/2020 |
|                             | <u>202,400,000</u> | <u>370,000,000</u>      | <u>(12,000,000)</u>               | <u>560,400,000</u> | <u>(25,200,000)</u>               | <u>535,200,000</u> |                |   |                          |                          |



The weighted average remaining contractual life of options outstanding at the end of the year was 7.58 years (2016: 8.4 years). The weighted average exercise price of options outstanding at the end of the year was \$0.52 (2016: \$0.52).

Of the total number of options outstanding at the end of the year, 242,620,000 (2016: 164,400,000) were exercisable at the end of the year.

There was no exercise of share options during the years ended 31 March 2017 and 2016.

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

Fair value of share options and assumptions:

|   | Offer of grant on |                       |                     |                  |                  |
|---|-------------------|-----------------------|---------------------|------------------|------------------|
|   | 11 July<br>2007   | 18 September<br>2007  | 16 December<br>2009 | 11 April<br>2014 | 10 March<br>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<br>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\$32,069,000 (2016: HK\$22,935,000) 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:

|   | <b>2017</b><br><i>HK\$'000</i> | 2016<br><i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Acquisition of property, plant and equipment                                    | <b>6,363</b>                   | 8,174                   |
| Capital expenditure in respect of the construction of the ores processing plant | <b>3,697</b>                   | 3,694                   |
| Capital expenditure in respect of the mining operations                         | <b>10,023</b>                  | 19,231                  |
|   | <b><u>20,083</u></b>           | <b><u>31,099</u></b>    |

## 16. RELATED PARTY TRANSACTIONS

- (a) On 16 October 2007, 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 2017 and 2016.

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

## 17. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year’s presentation.

## RESULTS

During the year ended 31 March 2017, the Group recorded revenue of approximately HK\$126.1 million (2016: HK\$330.2 million) derived from sales of motor vehicles and batteries of approximately HK\$97.3 million (2016: HK\$188.5 million) and sales of iron ores of approximately HK\$28.8 million (2016: HK\$141.8 million).

Gross profit decreased to approximately HK\$5.8 million (2016: HK\$14.7 million) with the gross profit ratio of 4.6% (2016: 4.5%). Gross profit amounted to approximately HK\$2.7 million (2016: HK\$13.6 million) with the gross profit ratio of 2.8% (2016: 7.2%) was contributed from the sales of motor vehicles and batteries. The decrease in gross profit on the sales of motor vehicles and batteries was resulted from the decrease in sales order and hence affect the economy of scale. Gross profit amounted to approximately HK\$3.1 million (2016: HK\$1.1 million) with the gross profit ratio of 10.8% (2016: 0.8%) was contributed from the sales of iron ores. The selling price of global metal and minerals is still fluctuating and lead to the increase in gross profit ratio from the sales of iron ores during the current year.

The Group recorded a loss of approximately HK\$142.7 million for the year as compared to a loss of approximately HK\$145.1 million for last year. Such a decrease in loss was mainly due to the decrease in finance costs to approximately HK\$0.9 million (2016: HK\$24.7 million) during the year. Finance costs in the current year mainly represent the interest expenses on bank loan in the PRC. Finance costs in previous year 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 and other expenses increased to approximately HK\$154.9 million (2016: HK\$130.2 million) was mainly due to the increase in the non-cash share-based payment expenses to approximately HK\$32.1 million (2016: HK\$22.9 million) and the increase in research and development cost to approximately HK\$15.4 million (2016: HK\$2.1 million) during the current year.

The loss attributable to the owners of the Company was approximately HK\$118.4 million (2016: HK\$120.1 million). Basic and diluted loss per share for the year was HK\$0.03 per share (2016: HK\$0.03 per share).

## **DIVIDEND**

The directors of the Company do not recommend the payment of any dividend for the year ended 31 March 2017.

## **BUSINESS REVIEW**

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

#### ***Current Development***

Chongqing Suitong New Energy Automotive Manufacturing Co., Ltd. (the “Suitong”), a subsidiary which is principally engaged in manufacturing of whole electric bus 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. Suitong had successfully obtained the new energy vehicles production license in early 2016 and has also successfully registered several models of pure electric vehicles, which means products are legally qualified for sales in public market within the PRC. The new energy vehicles production license will equip 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.

In December 2016, several models from Suitong had entered the Catalogue of Recommended Models for New Energy Automobile Popularization (the “Catalogue”) (《新能源汽車推廣應用推薦車型目錄》) issued by the Ministry of Industry and Information Technology of the PRC. The year 2016 was a difficult year for pure electric automobile industry in the PRC. Almost all new energy automobile industry participants were affected to certain extent by the subsidy fraud investigation which began in mid-2016, as well as by the frequent policy changes during and after the year 2016. Therefore, market growth was obviously slower than previous years. Suitong has also been affected in the way that all its newly registered models were being hold up by the Ministry of Finance in entering the Catalogue until the fraud investigation is completed. Finally, several models listed in the Catalogue in December 2016 with some six to nine months delay. However, in December 2016, a “Notice on Adjusting the Financial Subsidy Policies for the Promotion and Application of New Energy Vehicles (《關於調整新能源汽車推廣應用財政補貼政策的通知》) was jointly released by the National Ministry of Finance, the Ministry of Science and Technology, the Ministry of Industry and Information Technology, and the Development and Reform Commission to uplift the threshold

for qualifying the relevant subsidies. The new measures include higher battery energy density ratio and its safety requirement etc. These new measures means further works on upgrading the battery system is necessary in order to continue to be listed in the Catalogue.

In January 2017, another new policy was introduced requiring a mandatory EV intranet system to be installed in each new energy bus to enable real time surveillance and operation data capturing. In response to these new changes, Suitong had managed to get through the stringent EV intranet system test in a very short period based on the Group's own developed EV intranet system. Suitong also prioritized certain more popular models namely 8.9m commuter bus, 8.5m and 10.5m public transport bus, for upgrading the battery system and had already gone through the revised new tests. Suitong will continue to upgrade other models and will dedicate its best endeavor to launch further new products in the very near future.

With ongoing unexpected new policies and measures in place from time to time, launching new models in time becomes a real challenge. Nevertheless the Group welcomes such course of governmental initiatives, as it can adjust the bad practices of the market and leading to a more healthy and regulated market. The Group is very confident that the current market regulating trend offers the Group a distinct advantage in utilizing our self-developed design and technology to take on more market share and sustainable development in the foreseeable future.

### ***Strategy***

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. During the current year, the Group have completed the acquisition of 219.96 mu parcel of land at the total cost of approximately RMB22.4 million. The acquisition on the remaining parcel of land is in progress and is targeted to be completed before the end of 2017.

Along with the ever growing strength of China economy in a global perspective, the transition of China traditional automobile industry to new energy vehicles has become more strategically important in terms of global competition, energy safety and environmental issues. Therefore the transition is absolutely an inevitable trend and the momentum of this transition will become stronger and stronger down the years. As suggested by Chairman Xi Jinping of the PRC, such transition is the only gateway that enables the PRC to switch over from a pure big consumption country to an automobile strong country. China National Planning on New Energy Vehicles has also explicitly aimed to reach 5 million new energy vehicles by year 2020, whereas the second largest country, the USA, may reach 3 million by then. New energy vehicle is also important strategic merchandise within the recent “One Belt One Road” grand plan as well as “Made in China 2025” strategic plan. The recent “Paris Agreement” on temperature change will obviously even more rely on a good development of new energy automobile industry.

Under the general background as stated above, there is good reason to expect future booming of the new energy automobile sector. The Group believes that in order to grab this precious big opportunity, it relies on two key competitive edges: a closed loop self-developed electrical power drivetrain system and light vehicle body design (the “Own Powertrain System”), and a strategic plan for production capacity layout (the “Strategic Layout”).

The Group has always emphasised the development of our Own Powertrain System as our unique competitiveness. After completion of the eBus project with the Hong Kong Productivity Council with details discussed in previous annual reports, the Group has progressed to enhancing and optimizing our Own Powertrain System, and is vertically directing deeper research into areas such as new material battery, optimizing control hubs and power efficiency and intelligent control. The Group is of the view that this Own Powertrain System enhancement may complement future development of smart city which was believed to be a major global trend.

Strategic Layout is another important strategy of the Group. It enables the Group layout its production capacity in different strategic location to maximize covered area. The Group's first location is Chongqing which, as mentioned above, a second production facility with annual production capacity of 5,000 units is starting to develop. Chongqing is a strategic location in the western side of the PRC as well as a western side access for One Belt One Road.

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.

Although the pace of market development is much slower than expected due to frequent policies changes during the year, the Group still considers it is a positive sign rather than negative as it will get rid of market participants with low product quality and bad business practices. These measures will lead the market to become less reliant on governmental subsidy and to become more rational and regulated. As such, market participants will return to compete in terms of quality and value for money products. The Group strongly believes that with our technology and production capacity layout strategies as discussed above, the current industry new policies and measurements is an enormous opportunity for the Group to catch up with current market leaders, and will enable the Group to take on bigger market shares in the very near future. The Board is 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 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.

## **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 "Glauberite Mine"). The product of the Glauberite Mine is thenardite which is an important raw material used in chemical and light industrial manufacturing industries. The Glauberite Mine is one of the largest in terms of its confirmed resources within the PRC. It is also strategically located in Taowei county of Guangxi permitting easy access for river transport to the industrial Peral River Delta, as well as a short distance to the only land export gateway to China's largest thenardite exporting countries, the ASEAN countries. Along with the ever growing economy of the PRC, the Group expects that there will be a corresponding increment of thenardite demand in the PRC as a result of the continuing urbanisation process. At the same time, all old and small glauberite mine operators have been phased out over the past few years due to low quality products and low efficiency, and together with the efforts of the Industry Alliance that was newly setup by major participants last year promoting anti-dumping and fair competition, the market has become more and more rational and as such, the pricing of thenardite products has kept stable since last year.

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 accumulated RMB16.6 million (2016: RMB7.6 million) construction in progress for the construction of access road to the factory site incurred as at 31 March 2017. No other significant exploration, development or production activity was conducted for the Glauberite Mine during the year ended 31 March 2017. 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.



As discussed in previous annual reports, Guangxi Weiri completed the purchase of a land use right of 63,118 square meters for RMB7.6 million. Another RMB8.4 million (2016: 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. Guangxi Weiri will work closely with local government to sort out the land issue hoping to obtain flexibility for the right of land use even without granting relevant land use right yet. However, Guangxi Weiri will assess the relevant risks involved before any construction work is carried out. In order to get the project moving forward, the Group is also considering if it is feasible to adjust the project schedule so as to enable Guangxi Weiri to implement some auxiliary construction first.

The Group will closely monitor the Glauberite Mine development and assess its resources, financial viability, and general condition from time to time. The management will prepare regular financial analysis taking into account its resources, technical parameters and market situation so as to assess the mining asset's overall situation. The Group will also engage an independent qualified valuer to assess its fair value annually. Details of the independent valuation for the year under review is disclosed in the annual report. Given the Glauberite Mine's distinct advantage in its large scale resources, strategic location and market potential, the Group is very confident that it is a precious and valuable asset to the Group, and the Group is dedicated to catch up delays due to the land issues experienced before.

## Mineral resources and ore reserves

As at 31 March 2017, 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 31 March 2017.

| Wireframe         | Classification              | Tonnes<br>( <i>'000</i> ) | Na <sub>2</sub> SO <sub>4</sub><br>(%) | Na <sub>2</sub> SO <sub>4</sub><br>Metal<br>tonnage<br>( <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         | <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>   |

*Note:*

- (1) The effective date of the Mineral Resource is 31 May 2013. All tonnages are rounded to the nearest million tonnes to reflect the inherent level of confidence associated with the resources estimation. The Mineral Resource was estimated within constraining wireframe solids based on geological limits of the mineralised and internal waste units. Nominal cut off for defining the geological unit is 10% Na<sub>2</sub>SO<sub>4</sub>. 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 2017 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 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.

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 Directors have considered various ways of raising funds and consider that the placings of shares represent an attractive opportunity to raise capital for the Company while broadening the shareholder base and capital base of the Company. During the year ended 31 March 2017, the Group has earned support to raise funds by placing new shares. These additional funds serve as significant financial support for enhancing liquidity and future development.

On 15 December 2016, the Company issued 740,000,000 new shares of HK\$0.01 each to independent third parties at a price of HK\$0.245 per share under the general mandate granted to the directors of the Company at the annual general meeting of the Company held on 22 August 2016. Such placing was announced on 30 November 2016 and represented a discount of approximately 16.95% to the closing price of HK\$0.295 per share of the Company on the date of the placing agreement on 30 November 2016. The net proceeds of approximately HK\$175.7 million were intended to be used for the general working capital purpose and future capital investments in the PRC. Up to the date of this announcement, approximately HK\$25.7 million had been used as general working capital, mainly administrative expenses of the Group, and the balance is currently kept in an interest bearing bank account pending for usage.

The Group generally financed its operations by internal resources. However, due to the rapid expansion of the business mentioned above, the Group may look for external financial resources in the future in order to finance its operations. As at 31 March 2017, the net asset value of the Group amounted to approximately HK\$3,266.9 million (2016: HK\$3,386.2 million). As at 31 March 2017, the gearing ratio of the Group was 0.4% (2016: 0.4%) based on bank borrowing of HK\$11.3 million (2016: HK\$12.0 million) and the equity attributable to the owners of the Company of HK\$3,188.7 million (2016: HK\$3,280.0 million).

As at 31 March 2017, the Group had unpledged cash and bank balances of approximately HK\$202.2 million (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 new energy 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 strategic plan on "One Belt One Road", 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. Industry consolidation and Industry Alliance also made the market more rational. The Group is very confident that the Glauberite Mine is a precious asset to the Group and continue to assess its resources, financial viability, and general condition from time to time.

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 31 March 2017, the Group has pledged a parcel of land in Chongqing with aggregate carrying amount of approximately HK\$16.4 million (2016: HK\$17.9 million) to secure a bank borrowing of approximately HK\$11.3 million (2016: HK\$12.0 million).

During the year ended 31 March 2017, 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 31 March 2017, the Group's maximum exposure to the arrangement was RMB18.1 million (2016: RMB25.3 million). During the year ended 31 March 2017 (2016: Nil), there was no default of payments from customers which required the Group to make payments.

As at 31 March 2017, the Company had provided a corporate guarantee of HK\$40,000,000 to a bank in respect of banking facilities granted to the Group. The banking facilities were not utilised by the Group at the end of reporting period.

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

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 March 2017, the Group employed 290 (2016: 396) 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**

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 2017 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 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 2017.

## **AUDIT COMMITTEE**

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



## **SCOPE OF WORK OF BDO LIMITED**

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2017 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 2017 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, 23 June 2017

*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.*