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

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

2017/18
Interim Report

Content

Corporate Information

DIRECTORS

Executive Directors

Mr. Cheung Ngan *(Chairman)*
Ms. Chan Hoi Ying

Non-Executive Directors

Mr. Zhao Hong Feng
Mr. Zhou Jin Kai

Independent Non-Executive Directors

Mr. Chan Francis Ping Kuen
Mr. Hu Guang
Dato' Tan Yee Boon

AUDIT COMMITTEE

Mr. Chan Francis Ping Kuen
Mr. Hu Guang
Dato' Tan Yee Boon

AUDITOR

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

LEGAL ADVISOR IN HONG KONG

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2001-02 Hutchison House
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BRANCH REGISTRAR IN HONG KONG

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STOCK CODE

0476

REGISTERED OFFICE

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Bermuda

PRINCIPAL REGISTRAR

Estera Management (Bermuda) Limited
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Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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333 Lockhart Road
Wanchai, Hong Kong

COMPANY SECRETARY

Ms. Lo Lai Man, CPA

PRINCIPAL BANKER

Bank of Communications Co., Ltd
Hong Kong Branch
Hang Seng Bank Limited

WEBSITE

www.chinadynamics.com

The board of directors (the "Board") of China Dynamics (Holdings) Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2017.

RESULTS

During the period ended 30 September 2017, the Group recorded revenue of approximately HK$25.8 million (30 September 2016: HK$55.9 million), derived from sales of motor vehicles and batteries.

Gross profit decreased to approximately HK$0.2 million (30 September 2016: HK$5.2 million) with the gross profit ratio at 0.8% (30 September 2016: 9.3%). The decrease in gross profit on sales of motor vehicles and batteries was the result of a decline in sales orders which affected the economy of scale. Details of the current development are set out in the section headed "business review" below.

The Group recorded a loss of approximately HK$59.4 million for the period as compared with a loss of approximately HK$58.4 million for last period. Such an increase in loss was mainly due to the decrease in revenue and gross profit as discussed above. Administrative expenses decreased to approximately HK$63.1 million (30 September 2016: HK$71.1 million), which was mainly due to the decrease in non-cash share-based payment expenses to approximately HK$10.1 million (30 September 2016: HK$16.7 million) and the decrease in research and development cost to approximately HK$3.4 million (30 September 2016: HK$7.6 million) during the current period.

The loss attributable to owners of the Company was approximately HK$52.1 million (30 September 2016: HK$48.9 million). Basic and diluted loss per share for the period was HK$0.01 per share (30 September 2016: HK$0.01 per share).

INTERIM DIVIDEND

The Directors of the Company do not recommend the payment or declaration of any interim dividend for the six months ended 30 September 2017 (30 September 2016: nil).

BUSINESS REVIEW

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

Current Development

Chongqing Suitong New Energy Automotive Manufacturing Co., Ltd. (“Suitong”), a subsidiary which is principally engaged in the manufacturing of electric buses with all electric power systems and control systems, manufacturing of other buses, and marketing and selling the components of vehicles, continued to contribute revenue to the Group.

As discussed in the last annual report, subsidy fraud investigation across the industry and frequent policy changes have seriously affected the pace of the Group’s EV business, including the resubmission of a previously qualified model for further tests to meet newly added criteria. Our revenue decreased due to these government policies. Nevertheless, the Group considers that the situation has stabilized by the end of the second quarter of 2017. With ongoing unexpected new policies and measures emerging from time to time, launching new models in a timely manner has become a real challenge. The Group nonetheless welcomes such government initiatives, as it can alter the bad practices of the market, leading to a more healthy and regulated market. After the date of the last annual report, Suitong obtained the revised 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》） for three models that it had prioritized, namely the 8.9m commuter bus, and the 8.5m and 10.5m public transport buses. Suitong will continue to upgrade other models and will be fully dedicated to launching new products in the very near future.

Suitong obtained three sales contracts for its 8.5m public transport bus shortly after its successful listing in the Catalogue. The sales contracts are for the Hunan, Guangxi and Guangdong markets. Due to the time limitation, since the industry is operated through January to December of each year, sales volume has not reached high levels, though it does signify a fast and good start for the Group's EV business following uncertainties regarding government policies during the last financial period. Together with the expected new factory to be completed in mid-2018, the Group is very confident that the EV business will grow at a fast pace, contributing to the Group's rise to the next level.

Strategy

In May 2016, the Group entered into a non-legally binding investment agreement with Qijiang District of Chongqing to acquire a parcel of land – approximately 800 mus – for industrial purposes. The investment involves the construction of a 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 in which the first phase is expected to be completed in two years. The Group considers this investment of production facility is a milestone, leading to the mass production of new energy vehicles and buses developed by the Group and cater for sales orders to be obtained in the near future. During the current period and previous year, the Group completed the acquisition of 282.81 mu and 219.96 mu parcels of land at a cost of approximately RMB28.8 million and RMB22.4 million respectively. The acquisition of parcels of land for the first phase has been completed and construction of the new production facility is underway, with completion targeted for mid-2018.

Management Discussion and Analysis

Along with the People's Republic of China ("PRC") growing economic strength, the transition of its traditional automobile industry to new energy vehicles has become more strategically important in terms of global competition, energy safety and environmental protection. This transition is therefore an absolutely inevitable trend and its momentum will become increasingly strong down the years. As suggested by Chinese President Xi Jinping, such a change is the only way that will enable the country to move from a major consumption nation to an automobile-strong nation. China National Planning on New Energy Vehicles has also explicitly set a target of 5 million new energy vehicles by the year 2020, whereas the USA, the second largest country for new energy vehicles, could possibly reach 3 million vehicles at that time. New energy vehicles also serve as 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 climate change will obviously rely even more on the favorable development of the new energy automobile industry.

Under the general background as stated above, there is good reason to expect a boom in the new energy automobile sector in the future. The Group believes that in order to seize such immense and valuable opportunity, it will rely 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 emphasized the development of its Own Powertrain System as an important and unique competitive edge. After completion of the eBus project with the Hong Kong Productivity Council, with details discussed in previous annual reports, the Group has progressed towards enhancing and optimizing its Own Powertrain System, and is directing greater research vertically to 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 the smart city, which is believed to be a major global trend.

Strategic Layout is another important strategy of the Group. It enables the Group to layout its production capacity in different strategic locations to maximize coverage. The Group's first location is Chongqing which, as mentioned above, a second production facility with annual production capacity of 5,000 units is being developed. Chongqing is a strategic location in western China, being also the western corridor for the "One Belt, One Road".

Though a 10% shareholding in Rimac Automobili d.o.o. has not resulted in any positive contribution so far, the Group believes that the investment represents a good opportunity for horizontal business expansion into the passenger EV markets in addition to the eBus markets, as well as facilitate opportunities for technology exchanges that can benefit development of the Group's eBus business.

Although the pace of market development is much slower than expected due to frequent policy changes during the period, the Group still considers such changes to be a positive sign, leading to the expelling of market participants with low product quality and poor business practices. These measures will lead the market to become less reliant on government subsidies and to become more rational and regulated. As such, market participants will return to compete based on quality and value-for-money products. The Group strongly believes that with its strategies for technology and production capacity layout as aforementioned, and given the current new policies and measures, there will be an enormous opportunity for the Group to catch up with current market leaders. This will consequently enable the Group to seize greater market share in the very near future. The Board is optimistic that the Group is well positioned to develop in the eBus and EVs market, and to expand and capture opportunities from time to time.

The Group is highly confident that the eBus business will grow rapidly and it also expects sales orders from various provinces in the PRC will increase at quite a rapid pace in the coming years.

Mining and production of mineral products

The Company's wholly-owned subsidiary, Guangxi Weiri Mining Company Limited ("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 the chemical and light industrial manufacturing industries. The Glauberite Mine is one of the largest in terms of confirmed resources within the PRC. It is also strategically located in Taowei county, Guangxi, permitting easy access to river transport to the industrial Pearl River Delta, as well as a short distance to the only land export gateway to the PRC's largest thenardite exporting countries, i.e. ASEAN countries. As the Chinese economy continues to grow, the Group expects that there will be a corresponding increase in demand for thenardite as a result of continuing urbanization. With old and small glauberite mine operators having been phased out over the past few years due to low-quality products and low efficiency, together with the efforts of the Industry Alliance which was newly set up by major participants last year promoting anti-dumping and fair competition, the market has become increasingly rational and as such, the pricing of thenardite products has remained stable since last year.

The Glauberite Mine is currently being prepared in accordance with its development plan. Land acquisitions for the factory as well as for road access have been progressing at a much slower pace than expected. An accumulated expenditure of RMB17.2 million (31 March 2017: RMB16.6 million) was incurred for the construction of an access road to the factory site. No other significant exploration, development or production activity was conducted for the Glauberite Mine during the period ended 30 September 2017. The mineral resources have 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 – covering 63,118 square meters of land – for RMB7.6 million. Another RMB8.4 million was paid for approximately 100,000 square meters of land for a factory site; however, relevant land use rights have not been issued as processing work on land management by the local government is continuing. Procedure for approximately 41,500 square meters of land for road access has also been completed but no payment has been made to the government since the land use rights of the second parcel of land as stated above is still pending approval. Guangxi Weiri will work closely with the local government to sort out the land issue, and hopes to obtain access to the land even without receiving relevant land use rights. However, Guangxi Weiri will weigh the relevant risks involved before any construction work is carried out. In order to proceed with the project, the Group is also considering the feasibility of adjusting the project schedule so as to enable Guangxi Weiri to commence certain auxiliary construction work 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 conduct regular financial analysis, taking into account its resources, technical parameters and market situation so as to assess the mining asset's overall condition. The Group will also engage an independent qualified valuer to assess its fair value annually. Given the Glauberite Mine's distinct advantage in terms of its immense resources, strategic location and market potential, the Group remains highly confident that it is a unique and valuable asset. The Group is therefore dedicated to making up for the delays caused by the land issues by drawing on past experiences.

Mineral resources and ore reserves

As at 30 September 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 30 September 2017:

Wireframe	Classification	Tonnes ('000)	Na_2SO_4 (%)	Na_2SO_4 ('000)
North Orebody 1	Indicated	473,000	18.12	86,000
	Inferred	–	–	–
North Orebody 2	Indicated	–	–	–
	Inferred	37,000	18.92	7,000
Central Orebody 1	Indicated	581,000	16.77	98,000
	Inferred	49,000	16.76	8,000
Central Orebody 2	Indicated	43,000	14.99	6,000
	Inferred	–	–	–
East Orebody 1	Indicated	151,000	19.10	29,000
	Inferred	12,000	19.63	2,000
Sub Total	Indicated	1,248,000	17.50	219,000
	Inferred	98,000	17.91	17,000
Total	Indicated + Inferred	1,346,000	17.53	236,000

Metals and minerals trading

With excess production capacity in the PRC continuing, downward pressure on the prices of metals remained high. The trading industry consequently remained weak, leading to a decline in the Group's revenue on metals and minerals trading. The Group will continue to identify and pursue other types of resources for the trading business and believes that it will be able to seize such opportunities as they arise.

Ores processing and trading

As discussed in previous annual reports, the Group slow down the pace of development of its Chile ore processing plant in 2009. Following the financial crisis in late 2008, the quantitative easing policy and European sovereign debt crisis also greatly increased volatility in the financial market and the risk of a global economic downturn. Accordingly, the Group was very cautious and considered operational adjustments from time to time. As a result, project development was at a slow pace during the past few years.

In addition to global economic uncertainty, water resources are also an important issue to the mining industry within the region where the Chile subsidiary, Minera Catania Verde S.A. ("Verde"), operates. Water is a scarce resource within the region and inhabitants rely basically on underground water. Verde acquired the underground water use rights during the years ended 31 March 2007 and 31 March 2010 for this reason. However, underground water resources in the region decreased severely due to drought since the end of 2011 which seriously affected the normal water supply for human consumption and agricultural activity. Consequently, in March 2013, the Chilean Government declared the region a water scarce zone. The government's decree thereby prioritized water usage for the public. Under the decree, anyone was allowed to use the water resources to protect human health and cultivation, even without water use rights; hence, water resources were consumed at a faster pace, making water scarcity an even greater issue. The water scarcity situation persisted in 2014, which drove the Chilean government to appoint a presidential delegate for water resources tasked with reporting and proposing further measures to solve the water scarcity issues, especially in the affected areas.

The Group obtained legal opinion from a Chilean lawyer regarding the current water resources situation. The lawyer stated that the 2013 decree was no longer in force, but the situation remains and inhabitants have continued to use this decree to extract water; hence the situation could potentially affect Verde's ability to source water. The Group still considers the current water scarcity situation as temporary, although it is unable to predict when there will be a recovery. Having considered the above factors, and taking note of the current business objectives of the Group and resource allocation, it maintains the decision to delay further construction work on the ore processing facilities in Chile until 2018. The Group will continue to review the situation annually, and should the situation become more clear and favorable, the Group will consider resuming development of the project.

LIQUIDITY AND FINANCIAL RESOURCES

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 30 September 2017, the net asset value of the Group amounted to approximately HK$3,338.4 million (31 March 2017: HK$3,266.9 million). As at 30 September 2017, the gearing ratio of the Group was 0.4% (31 March 2017: 0.4%) based on bank borrowings of approximately HK$11.7 million (31 March 2017: HK$11.3 million) and the equity attributable to owners of the Company of approximately HK$3,265.1 million (31 March 2017: HK$3,188.7 million).

As at 30 September 2017, the Group had unpledged cash and bank balances of approximately HK$141.8 million (31 March 2017: HK$202.2 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 the HK dollars is pegged to the US dollars. For other currencies, the Group will closely monitor its respective 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, driven by trends toward reducing air pollution and enhancing economic sustainability. With the Group's expected expansion of production capacity in Qijiang District, together with the government's strategic "One Belt, One Road" plan, the Group is confident that the eBus and EVs business will offer good business opportunities and prospects. The Board is also optimistic that the Group is well positioned to develop the eBus and EVs market and to expand and capture opportunities from time to time.

The product of the Glauberite Mine is thenardite, which is an important raw material used in the chemical and light industrial manufacturing industries. The Group expects that there will be increasing thenardite demand in the PRC's market as the result of continuing urbanization. Furthermore, industry consolidation and the efforts of Industry Alliance will also make the market more rational. The Group therefore believes that the Glauberite Mine is a valuable asset and will continue to regularly assess its resources, financial viability and general condition.

Although excess production capacity in the PRC will inevitably affect the demand for metals and minerals, the moderate though continuing recovery of the global economy provides optimism on metals and minerals trading. The Group will closely monitor the situation in a timely manner and will continue to examine potential trading opportunities.

The water scarcity situation in Chile continues to affect the processing of ore, and in turn, the trading business. The Group will continue to keep a watchful eye on the situation and will take appropriate measures and action as and when deemed necessary.

CHARGES ON THE GROUP'S ASSETS AND CONTINGENT LIABILITIES

As at 30 September 2017, the Group has pledged a parcel of land in Chongqing with aggregate carrying amount of approximately HK$16.9 million (31 March 2017: HK$16.4 million) to secure a bank borrowing of approximately HK$11.7 million (31 March 2017: HK$11.3 million).

During the period ended 30 September 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 receivables from the customers. As at 30 September 2017, the Group's maximum exposure to the arrangement was RMB16.5 million (31 March 2017: RMB18.1 million). During the period ended 30 September 2017, the Group was requested to make payments amounting to RMB1.5 million (31 March 2017: nil) resulting from customers' default in making payments to the financial institution. The Group maintains tight control over these outstanding receivables and performs impairment review periodically.

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

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2017, the Group employed 267 (31 March 2017: 290) full time managerial and skilled staff principally in Hong Kong, the PRC and Chile.

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

SHARE OPTION SCHEME

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

Pursuant to the Share Option Scheme, the Board is empowered, at its discretion, to invite any participant, including but not limited to any executive directors, non-executive directors and employees of the Company or any of its subsidiaries or associates, to take up options to subscribe for shares in the Company. Details of the New Scheme are set out in note 22 to the condensed consolidated interim financial statements.

No share options was granted during the current period.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Movements of the outstanding share options to the directors as at 30 September 2017 were as follows:

Name of Director	Date of grant	Exercise Price (HK$)	Number of share options At 1 April 2017	Granted/ (lapsed)	At 30 September 2017
Mr. Cheung Ngan	16 December 2009	0.46	1,200,000	–	1,200,000
	10 March 2016	0.30	3,700,000	–	3,700,000
Ms. Chan Hoi Ying	10 March 2016	0.30	3,700,000	–	3,700,000
Mr. Zhao Hong Feng	11 April 2014	1.15	10,000,000	–	10,000,000
	10 March 2016	0.30	10,000,000	–	10,000,000
Mr. Zhou Jin Kai	10 March 2016	0.30	3,700,000	–	3,700,000
Mr. Chan Francis Ping Kuen	16 December 2009	0.46	1,200,000	–	1,200,000
	10 March 2016	0.30	3,700,000	–	3,700,000
Mr. Hu Guang	16 December 2009	0.46	1,200,000	–	1,200,000
	10 March 2016	0.30	3,700,000	–	3,700,000

No share option was exercised by the directors during the period ended 30 September 2017.

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

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2017, the interests and short positions of the directors in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which had been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Capacity or nature of interest	Number of shares or underlying shares Long position	Short position	Approximate percentage of shareholding in the Company or associated company
Mr. Cheung Ngan	Beneficial owner & interest of controlled corporation	1,420,524,959 (Note 1)	–	29.56%
	Interest of controlled corporation	1,000 (Note 2)	–	20%
Ms. Chan Hoi Ying	Beneficial owner	3,700,000 (Note 3)	–	0.08%
Mr. Zhao Hong Feng	Beneficial owner	20,000,000 (Note 3)	–	0.45%
Mr. Zhou Jin Kai	Beneficial owner	996,980,000 (Note 4)	–	20.74%

Name of Director	Capacity or nature of interest	Number of shares or underlying shares Long position	Short position	Approximate percentage of shareholding in the Company or associated company
Mr. Chan Francis Ping Kuen	Beneficial owner	4,900,000 (Note 3)	–	0.11%
Mr. Hu Guang	Beneficial owner	4,900,000 (Note 3)	–	0.11%

Note:

1) The 1,420,524,959 shares include:

a. the number of shares of 397,120,000 held by Mr. Cheung Ngan;

b. the underlying shares of 4,900,000 from the share options granted, details of which are set out in the section headed "directors' rights to acquire shares" above;

c. the number of shares of 100,918,559 and underlying shares of 902,586,400 from conversion of convertible notes with principal amount of HK$676,939,800 held by Faith Profit Holding Limited, which was wholly-owned by Mr. Cheung Ngan; and

d. the number of shares of 15,000,000 held by Sino PowerHouse Corporation, which was beneficially owned as to 51% by Faith Profit Holding Limited.

2) The 1,000 shares represent the indirect interest in Tong Guan La Plata Company Limited ("TGLP"), which is 60% indirectly held by the Company and hence is an associated corporation. The 20% beneficial interest in TGLP is held by Catania Copper (Chile) Limited. Catania Copper (Chile) Limited is 40% held by Great Base Holdings Limited and 60% held by Catania Mining Limited. Catania Mining Limited is 55% held by CM Universal Corporation. Faith Profit Holding Limited held 50% interest in Great Base Holdings Limited. Mr. Cheung Ngan held 100% interest in Faith Profit Holding Limited and 51% interest in CM Universal Corporation.

3) Being options to acquire ordinary shares of the Company, and further details of which are set out in the section headed "directors' rights to acquire shares" above.

4) The 996,980,000 shares include:

   a. the underlying shares of 3,700,000 from the share option granted, details of which are set out in the section headed "directors' rights to acquire shares" above; and

   b. the number of shares of 339,280,000 and underlying shares of 654,000,000 from conversion of convertible notes with principal amount of HK$490,500,000.

Save as disclosed above, as at 30 September 2017, none of the directors of the Company have interest or short positions in the shares and underlying shares or other securities of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 23 to the condensed consolidated interim financial statements, no director, whether directly or indirectly, had a material beneficial interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the period under review.

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

As at 30 September 2017, the following shareholders had registered an interest or short position in the shares or underlying shares of 5% or more of the issued share capital of the Company in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name of substantial shareholder	Capacity or nature of interest	Number of shares or underlying shares Long position	Short position	Approximate percentage of shareholding in the Company
Mr. Cheung Ngan	Beneficial owner & interest of controlled corporation	1,420,524,959 (Note 1)	–	29.56%
Faith Profit Holding Limited	Beneficial owner & interest of controlled corporation	1,018,504,959 (Note 1)	–	21.64%
Entrust Limited	Beneficial owner & interest of controlled corporation	1,397,727,510 (Note 2)	–	29.70%
Mr. Chan Tok Yu	Interest of controlled corporation	1,397,727,510 (Note 2)	–	29.70%
Ms. Siu Kwan	Interest of controlled corporation	1,397,727,510 (Note 2)	–	29.70%

Name of substantial shareholder	Capacity or nature of interest	Number of shares or underlying shares Long position	Short position	Approximate percentage of shareholding in the Company
Mr. Zhou Jin Kai	Beneficial owner	996,980,000 (Note 3)	–	20.74%
Yicko Finance Limited	Person having a security interest in shares	900,000,000 (Note 3)	–	20.24%
Yale International Holdings Limited	Interest of controlled corporation	900,000,000 (Note 3)	–	20.24%
Mr. Chong Chin	Interest of controlled corporation	900,000,000 (Note 3)	–	20.24%
Ms. Yao Sze Ling	Interest of controlled corporation	900,000,000 (Note 3)	–	20.24%
HK Guoxin Investment Group Limited	Beneficial owner	740,000,000 (Note 4)	–	15.72%
Mr. Li Feng Mao	Interest of controlled corporation	740,000,000 (Note 4)	–	15.72%
北京汽車城投資管理有限公司	Beneficial owner & interest of controlled corporation	203,860,000 (Note 5)	–	4.59%
北京匯濟投資中心	Interest of controlled corporation	203,860,000 (Note 5)	–	4.59%
北京市順義區政府	Interest of controlled corporation	203,860,000 (Note 5)	–	4.59%

Note:

1) The 1,420,524,959 shares include:

   a. the number of shares of 397,120,000 held by Mr. Cheung Ngan;

   b. the underlying shares of 4,900,000 from the share options granted to Mr. Cheung Ngan;

   c. the number of shares of 100,918,559 and underlying shares of 902,586,400 from conversion of convertible notes with principal amount of HK$676,939,800 held by Faith Profit Holding Limited, which was wholly-owned by Mr. Cheung Ngan. Accordingly, Mr. Cheung Ngan is deemed to be interested in the shares in which Faith Profit Holding Limited is interested by virtue of the SFO; and

   d. the number of shares of 15,000,000 held by Sino PowerHouse Corporation, which was beneficially owned as to 51% by Faith Profit Holding Limited. Accordingly, Faith Profit Holding Limited and Mr. Cheung Ngan are deemed to be interested in the shares in which Sino PowerHouse Corporation is interested by virtue of the SFO.

2) The 1,397,727,510 shares include:

   a. the number of shares of 469,313,910 and underlying shares of 913,413,600 from conversion of convertible notes with principal amount of HK$685,060,200 held by Entrust Limited;

   b. the number of shares of 15,000,000 held by Sino PowerHouse Corporation, which was beneficially owned as to 49% by Entrust Limited. Accordingly, Entrust Limited is deemed to be interested in the shares in which Sino PowerHouse Corporation is interested by virtue of the SFO; and

   c Entrust Limited is controlled as to 34% by Mr. Chan Tok Yu, 25% by Ms. Chan Hoi Ying (executive director of the Company), 25% by Mr. Chan Hin Yeung and 16% by Ms. Siu Kwan. Mr. Chan Tok Yu is aged under 18 and his interest is held by Ms. Siu Kwan as a trustee. Accordingly, Mr. Chan Tok Yu and Ms. Siu Kwan are deemed to be interested in the shares in which Entrust Limited is interested by virtue of the SFO.

3) The 996,980,000 shares include:

a. the underlying shares of 3,700,000 from the share option granted; and

b. the number of shares of 339,280,000 and underlying shares of 654,000,000 from conversion of convertible notes with principal amount of HK$490,500,000.

The 900,000,000 shares related to the same block of shares and underlying shares (the "Shares") for Mr. Zhou Jin Kai. The Shares beneficially owned by Mr. Zhou Jin Kai were charged to Yicko Finance Limited. On 11 July 2017, the Company received notices pursuant to section 324 of Part XV of the SFO from Yicko Finance Limited, Yale International Holdings Limited, Mr. Chong Chin, Ms. Yao Sze Ling and Mr. Zhou Jin Kai. According to these notices, Yicko Finance Limited became having securities interest in the Shares. Yale International Holdings Limited held 99.99% interest in Yicko Finance Limited, and Mr. Chong Chin and Ms. Yao Sze Ling respectively held 50% interest in Yale International Holdings Limited. Accordingly, Yale International Holdings Limited, Mr. Chong Chin and Ms. Yao Sze Ling are deemed to be interested in the shares in which Yicko Finance Limited is interested by virtue of the SFO.

4) The number of shares of 740,000,000 held by HK Guoxin Investment Group Limited, which was wholly-owned by Mr. Li Feng Mao. Accordingly, Mr. Li Feng Mao is deemed to be interested in the shares in which HK Guoxin Investment Group Limited is interested by virtue of the SFO.

5) The 203,860,000 shares include:

a. the number of shares of 75,970,000 held by 北京汽車城投資管理有限公司; and

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

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 September 2017.

CORPORATE GOVERNANCE PRACTICE

The Company has adopted the code provisions set out in the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules. The Company has applied the principles in the Code and complied with the code provisions during the six months ended 30 September 2017 except the following:

Code A.2.1

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

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

Code A.6.7

Code Provision A.6.7 stipulates that independent non-executive directors and non-executive directors should attend general meetings.

Due to other business engagements, one independent non-executive director and two non-executive directors could not attend the annual general meeting of the Company held on 28 August 2017.

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

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

- With effect from 1 July 2017, the annual salary entitlements of Mr. Cheung Ngan, executive director of the Company, have been adjusted from HK$1,300,000 to HK$1,950,000.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

AUDIT COMMITTEE

The audit committee, which comprises three independent non-executive directors of the Company, has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters of the Group. The Committee had reviewed the unaudited interim financial statements for the six months ended 30 September 2017.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2017

	Notes	For the six months ended 30 September 2017 (unaudited) HK$'000	2016 (unaudited) HK$'000
Revenue	6	**25,788**	55,953
Cost of sales		**(25,581)**	(50,764)
Gross profit		**207**	5,189
Other income	6	**4,296**	5,234
Selling and distribution expenses		**(530)**	(1,065)
Administrative expenses		**(63,046)**	(71,111)
Change in fair value of financial assets at fair value through profit or loss		**(1)**	3,674
Finance costs	7	**(395)**	(433)
Loss before income tax	8	**(59,469)**	(58,512)
Income tax credit	9	**86**	87
Loss for the period		**(59,383)**	(58,425)
Other comprehensive income for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**120,766**	(96,098)
Other comprehensive income for the period		**120,766**	(96,098)
Total comprehensive income for the period		**61,383**	(154,523)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2017

	Notes	For the six months ended 30 September **2017** **(unaudited)** **HK$'000**	2016 (unaudited) HK$'000
Loss attributable to:			
– Owners of the Company		**(52,050)**	(48,904)
– Non-controlling interests		**(7,333)**	(9,521)
		(59,383)	(58,425)
Total comprehensive income attributable to:			
– Owners of the Company		**66,349**	(146,935)
– Non-controlling interests		**(4,966)**	(7,588)
		61,383	(154,523)
Loss per share			
– Basic and diluted (HK$)	11	**(0.01)**	(0.01)

Condensed Consolidated Statement of Financial Position

As at 30 September 2017

	Notes	30 September 2017 (unaudited) HK$'000	31 March 2017 (audited) HK$'000
Non-current assets			
Property, plant and equipment	12	**81,723**	82,454
Construction in progress	13	**99,490**	90,239
Prepaid lease payments for land		**83,572**	49,237
Goodwill		**35,833**	34,245
Mining assets	14	**2,641,066**	2,537,127
Other intangible assets		**71,092**	70,158
Interests in joint venture		**–**	4,380
Available-for-sale investments		**69,802**	69,802
Other receivables, deposits and prepayments	17	**21,549**	17,480
Value-added tax recoverable		**9,700**	9,200
Total non-current assets		**3,113,827**	2,964,322
Current assets			
Inventories	15	**46,661**	45,694
Accounts receivable	16	**24,478**	33,055
Other receivables, deposits and prepayments	17	**109,748**	109,233
Financial assets at fair value through profit or loss	18	**1,607**	1,608
Prepaid lease payments for land		**1,775**	886
Cash and bank balances		**141,800**	202,174
Total current assets		**326,069**	392,650
Total assets		**3,439,896**	3,356,972

Condensed Consolidated Statement of Financial Position

As at 30 September 2017

	Notes	30 September 2017 (unaudited) HK$'000	31 March 2017 (audited) HK$'000
Current liabilities			
Accounts payable	19	**19,027**	20,446
Other payables and accruals		**19,248**	26,096
Receipts in advance		**4,435**	11,429
Bank borrowings		**11,738**	11,276
Total current liabilities		**54,448**	69,247
Net current assets		**271,621**	323,403
Total assets less current liabilities		**3,385,448**	3,287,725
Non-current liabilities			
Deferred tax liabilities		**15,684**	15,151
Other payables		**31,352**	5,638
Total non-current liabilities		**47,036**	20,789
Total liabilities		**101,484**	90,036
NET ASSETS		**3,338,412**	3,266,936
Equity			
Share capital	21	**48,060**	44,460
Reserves		**3,217,054**	3,144,212
Equity attributable to owners of the Company		**3,265,114**	3,188,672
Non-controlling interests		**73,298**	78,264
TOTAL EQUITY		**3,338,412**	3,266,936

Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 September 2017

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Convertible notes equity reserve HK$'000	Share options reserve HK$'000	Foreign currency translation reserve HK$'000	Capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2017 (audited)	**44,460**	**1,933,885**	**20,566**	**1,881,249**	**120,288**	**(348,412)**	**687**	**(464,051)**	**3,188,672**	**78,264**	**3,266,936**
Loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(52,050)**	**(52,050)**	**(7,333)**	**(59,383)**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**118,399**	**-**	**-**	**118,399**	**2,367**	**120,766**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**118,399**	**-**	**(52,050)**	**66,349**	**(4,966)**	**61,383**
Conversion of convertible notes	**3,600**	**234,868**	**-**	**(238,468)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Share-based payments	**-**	**-**	**-**	**-**	**10,093**	**-**	**-**	**-**	**10,093**	**-**	**10,093**
Forfeited share options	**-**	**-**	**-**	**-**	**(34,254)**	**-**	**-**	**34,254**	**-**	**-**	**-**
At 30 September 2017 (unaudited)	**48,060**	**2,168,753**	**20,566**	**1,642,781**	**96,127**	**(230,013)**	**687**	**(481,847)**	**3,265,114**	**73,298**	**3,338,412**
At 1 April 2016 (audited)	37,060	1,765,438	20,566	1,881,249	96,809	(167,596)	687	(354,233)	3,279,980	106,182	3,386,162
Loss for the period	-	-	-	-	-	-	-	(48,904)	(48,904)	(9,521)	(58,425)
Other comprehensive income	-	-	-	-	-	(98,031)	-	-	(98,031)	1,933	(96,098)
Total comprehensive income	-	-	-	-	-	(98,031)	-	(48,904)	(146,935)	(7,588)	(154,523)
Share-based payments	-	-	-	-	16,692	-	-	-	16,692	-	16,692
Forfeited share options	-	-	-	-	(11,076)	-	-	11,076	-	-	-
At 30 September 2016 (unaudited)	37,060	1,765,438	20,566	1,881,249	102,425	(265,627)	687	(392,061)	3,149,737	98,594	3,248,331

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2017

	Notes	For the six months ended 30 September 2017 (unaudited) HK$'000	2016 (unaudited) HK$'000
OPERATING ACTIVITIES			
Loss before income tax		**(59,469)**	(58,512)
Adjustments for:			
Interest income	6	**(1,005)**	(468)
Finance costs	7	**395**	433
Depreciation of property, plant and equipment	8	**5,445**	5,357
Amortisation of prepaid lease payments for land		**610**	191
Amortisation of other intangible assets		**1,873**	1,865
Share-based payments	8	**10,093**	16,692
Change in fair value of financial assets at fair value through profit or loss		**1**	(3,674)
Gain on disposal of property, plant and equipment		**(12)**	–
Provision for impairment loss on interest in joint venture		**5,180**	–
Exchange gain, net		**(92)**	(734)
Operating cash flows before movements in working capital		**(36,981)**	(38,850)
Decrease in accounts receivable		**9,600**	1,230
Increase in other receivables, deposits and prepayments		**(450)**	(11,606)
Increase in value-added tax recoverable		**(875)**	(576)
Decrease/(increase) in inventories		**447**	(3,078)
(Decrease)/increase in accounts payable		**(2,052)**	1,327
Increase in other payables and accruals		**18,264**	1,557
(Decrease)/increase in receipts in advance		**(7,348)**	1,620
Cash used in operations		**(19,395)**	(48,376)
Income tax paid		**–**	–
NET CASH USED IN OPERATING ACTIVITIES		**(19,395)**	(48,376)

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2017

	Notes	For the six months ended 30 September 2017 (unaudited) HK$'000	2016 (unaudited) HK$'000
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		**(1,622)**	(4,802)
Addition to construction in progress		**(5,539)**	(8,617)
Addition to prepaid lease payments for land		**(33,274)**	–
Deposits paid for acquisition of property, plant and equipment		**(2,062)**	–
Proceeds from disposal of property, plant and equipment		**12**	–
Acquisition of other intangible assets		**–**	(905)
Advance to a joint venture		**(800)**	(1,400)
Dividend received from an associate		**–**	438
Interest received		**929**	468
NET CASH USED IN INVESTING ACTIVITIES		**(42,356)**	(14,818)
FINANCING ACTIVITIES			
Interest paid		**(395)**	(433)
Proceeds from bank borrowings		**5,780**	5,858
Repayment of bank borrowings		**(5,638)**	(6,012)
NET CASH USED IN FINANCING ACTIVITIES		**(253)**	(587)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(62,004)**	(63,781)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		**202,174**	152,535
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**1,630**	(1,608)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**141,800**	87,146
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**141,800**	87,146

1. CORPORATE INFORMATION

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

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

The basis of preparation, the accounting policies and the methods of computation adopted in these interim financial statements are consistent with those adopted by the Group in its annual financial statements for the year ended 31 March 2017, except as stated in note 3 below following the adoption of the new and revised Hong Kong Financial Reporting Standards in the current period.

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

In the current interim period, the Group has applied the following new and revised standards, amendments and interpretations ("HKFRSs") issued by the HKICPA, which are relevant to its operations and effective for its accounting period beginning on 1 April 2017.

Amendments to HKAS 7	Disclosure initiative
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses
Amendments to HKFRS 12 included in annual improvements to HKFRSs 2014 – 2016 cycle	Disclosure of interests in other entities

Amendments to HKAS 7 – Disclosure initiative

Amendments to HKAS 7 requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosures to be provided in the Group's annual financial statements. The Group is not required to provide the additional disclosures in these condensed consolidated interim financial statements.

Amendments to HKAS 12 – Recognition of deferred tax assets for unrealised losses

Amendments to HKAS 12 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.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Amendments to HKFRS 12 – Clarification of the scope of disclosure requirements in HKFRS 12

The amendments clarify that the disclosure requirements of HKFRS 12, other than for those in paragraphs B10-B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale in accordance with HKFRS 5.

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

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

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing this condensed consolidated interim financial information, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2017 annual financial statements.

5. SEGMENT REPORTING

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

The Group has the following four (30 September 2016: four) reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies.

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

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

5. SEGMENT REPORTING (CONTINUED)

(a) Reportable segments

	Development of electric vehicles For the six months ended 30 September		Mining For the six months ended 30 September		Metal and minerals trading For the six months ended 30 September		Ores processing and trading For the six months ended 30 September		Total For the six months ended 30 September	
	(unaudited) 2017 HK$'000	(unaudited) 2016 HK$'000	**(unaudited) 2017 HK$'000**	(unaudited) 2016 HK$'000	**(unaudited) 2017 HK$'000**	(unaudited) 2016 HK$'000	**(unaudited) 2017 HK$'000**	(unaudited) 2016 HK$'000	**(unaudited) 2017 HK$'000**	(unaudited) 2016 HK$'000
Revenue from external customers	**25,788**	55,953	**–**	–	**–**	–	**–**	–	**25,788**	55,953
Reportable segment loss	**(27,237)**	(31,925)	**(4,291)**	(4,161)	**(449)**	(2,055)	**(1,965)**	(2,306)	**(33,942)**	(40,447)
Interest income	**808**	447	**–**	3	**–**	–	**–**	–	**808**	450
Unallocated interest income									**197**	18
Total interest income									**1,005**	468
Depreciation	**(4,318)**	(4,453)	**(272)**	(407)	**–**	–	**(138)**	(100)	**(4,728)**	(4,960)
Unallocated depreciation expense									**(717)**	(397)
Total depreciation									**(5,445)**	(5,357)
Amortisation	**(2,483)**	(2,056)	**–**	–	**–**	–	**–**	–	**(2,483)**	(2,056)

5. SEGMENT REPORTING (CONTINUED)

(a) Reportable segments (Continued)

Reconciliation of segment revenue, profit or loss, assets and liabilities

	For the six months ended 30 September	
	2017	2016
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Revenue		
Reportable segment revenue and consolidated revenue	**25,788**	55,953
Loss before income tax		
Reportable segment loss	**(33,942)**	(40,447)
Unallocated other income	**221**	46
Unallocated share-based payments	**(4,061)**	(6,822)
Unallocated provision for impairment loss on interest in joint venture	**(5,180)**	–
Change in fair value of financial assets at fair value through profit or loss	**(1)**	3,674
Unallocated other corporate expenses	**(16,111)**	(14,530)
Finance costs	**(395)**	(433)
Consolidated loss before income tax	**(59,469)**	(58,512)

5. SEGMENT REPORTING (CONTINUED)

(a) Reportable segments (Continued)

	Development of electric vehicles As at		Mining As at		Metal and minerals trading As at		Ores processing and trading As at		Total As at	
	30 September 2017 (unaudited) HK$'000	31 March 2017 (audited) HK$'000	30 September 2017 (unaudited) HK$'000	31 March 2017 (audited) HK$'000	30 September 2017 (unaudited) HK$'000	31 March 2017 (audited) HK$'000	30 September 2017 (unaudited) HK$'000	31 March 2017 (audited) HK$'000	30 September 2017 (unaudited) HK$'000	31 March 2017 (audited) HK$'000
Reportable segment assets	399,273	358,093	2,687,617	2,580,333	33,078	41,936	145,071	138,816	3,265,039	3,119,178
Additions to non-current assets	40,958	38,926	706	10,410	–	–	–	354	41,664	49,690
Unallocated assets									833	203
Total additions to non-current assets									42,497	49,893
Reportable segment liabilities	(98,599)	(79,857)	(1,858)	(2,011)	–	(3,674)	(758)	(2,703)	(101,215)	(88,245)

5. SEGMENT REPORTING (CONTINUED)

(a) Reportable segments (Continued)

Reconciliation of segment assets and liabilities

	As at	
	30 September 2017 (unaudited) HK$'000	31 March 2017 (audited) HK$'000
Assets		
Reportable segment assets	**3,265,039**	3,119,178
Unallocated corporate assets	**174,857**	237,794
Consolidated total assets	**3,439,896**	3,356,972
Liabilities		
Reportable segment liabilities	**101,215**	88,245
Unallocated corporate liabilities	**269**	1,791
Consolidated total liabilities	**101,484**	90,036

5. SEGMENT REPORTING (CONTINUED)

(b) Geographic information

During the periods ended 30 September 2017 and 2016, the Group's business revenue was all generated from the PRC.

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

	Specified non-current assets As at	
	30 September 2017 (unaudited) HK$'000	31 March 2017 (audited) HK$'000
PRC, including Hong Kong	**2,908,693**	2,764,602
Chile	**135,332**	129,918
	3,044,025	2,894,520

6. REVENUE AND OTHER INCOME

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

	For the six months ended 30 September 2017 (unaudited) HK$'000	2016 (unaudited) HK$'000
Revenue		
Sale of motor vehicles	**25,375**	55,953
Sale of batteries	**413**	–
	25,788	55,953
Other income		
Rental income	**2,108**	1,930
Interest income	**1,005**	468
Sundry income	**921**	1,520
Income from trading ore in Chile	**158**	582
Gain on disposal of property, plant and equipment	**12**	–
Exchange gain, net	**92**	734
	4,296	5,234

7. FINANCE COSTS

	For the six months ended 30 September 2017 (unaudited) HK$'000	2016 (unaudited) HK$'000
Bank borrowings interest	**395**	432
Bank charges and trust receipt loan interest	**–**	1
	395	433

8. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	For the six months ended 30 September	
	2017	2016
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Auditor's remuneration	**50**	50
Amortisation of prepaid lease payments for land	**610**	191
Amortisation of other intangible assets	**1,873**	1,865
Cost of inventories recognised as expenses	**25,581**	50,764
Depreciation of property, plant and equipment	**5,445**	5,357
Provision for impairment loss on interest in joint venture	**5,180**	–
Research and development cost	**3,397**	7,609
Staff costs (including directors' remuneration)		
– Salaries and allowances	**16,277**	16,262
– Share-based payments (Note 22)	**10,093**	16,692
– Other benefits	**804**	1,460
– Pension contributions	**1,129**	897
	28,303	35,311

9. INCOME TAX CREDIT

	For the six months ended 30 September	
	2017	2016
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Deferred tax	**(86)**	(87)
Income tax credit	**(86)**	(87)

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

The prevailing corporate income tax rate in the PRC for the subsidiaries is calculated at the rate of 25% on their estimated assessable profits for the period. Overseas taxes on assessable profits of the group companies are calculated at the rates of tax prevailing in the respective jurisdictions in which they operate, based on the prevailing legislation, interpretations and practices in respect thereof.

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

10. DIVIDEND

The directors do not recommend the payment or declaration of any interim dividend for the six months ended 30 September 2017 (30 September 2016: nil).

11. LOSS PER SHARE

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

	For the six months ended 30 September	
	2017	2016
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Loss for the period attributable to owners of the Company	**(52,050)**	(48,904)
	Number	Number
Weighted average number of ordinary shares in issue	**4,491,401,991**	3,706,046,800

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

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2017, the Group acquired property, plant and equipment in an aggregate amount of approximately HK$1,622,000 (30 September 2016: HK$4,802,000). Depreciation for items of property, plant and equipment was approximately HK$5,445,000 (30 September 2016: HK$5,357,000) during the period. Exchange realignment arising on translation of the carrying amount of the property, plant and equipment amounted to approximately HK$3,092,000 (30 September 2016: HK$2,373,000) during the period.

13. CONSTRUCTION IN PROGRESS

Construction in progress mainly represents properties under construction for the processing of copper ores in Chile, the mining assets in the PRC and manufacturing plant in the PRC. During the six months ended 30 September 2017, expenditure recognised as construction in progress amounted to approximately HK$5,539,000 (30 September 2016: HK$8,617,000). Exchange realignment arising on translation of construction in progress amounted to approximately HK$3,712,000 (30 September 2016: HK$1,707,000) during the period.

14. MINING ASSETS

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

15. INVENTORIES

	As at	
	30 September 2017 (unaudited) HK$'000	31 March 2017 (audited) HK$'000
Raw materials	**13,094**	12,602
Work in progress	**28,829**	29,317
Finished goods	**4,738**	3,775
	46,661	45,694

16. ACCOUNTS RECEIVABLE

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

	As at	
	30 September 2017 (unaudited) HK$'000	31 March 2017 (audited) HK$'000
0 – 30 days	**2,574**	6,917
31 – 90 days	**1,336**	–
91 – 180 days	**4,007**	5,730
181 – 365 days	**5,727**	11,792
More than 1 year	**10,834**	8,616
	24,478	33,055

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 instalments.

16. ACCOUNTS RECEIVABLE (CONTINUED)

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:

	As at	
	30 September 2017 (unaudited) HK$'000	31 March 2017 (audited) HK$'000
Not past due	**10,969**	29,768
Less than 1 month past due	**543**	720
More than 1 month but less than 3 months past due	**–**	1,339
More than 3 months but less than 12 months past due	**12,879**	1,228
Over 12 months past due	**87**	–
	24,478	33,055

17. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at	
	30 September 2017 (unaudited) HK$'000	31 March 2017 (audited) HK$'000
Other receivables	**28,692**	24,169
Deposits	**8,866**	28,446
Prepayments	**93,739**	74,098
	131,297	126,713
Less: Non-current portion	**(21,549)**	(17,480)
	109,748	109,233

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at	
	30 September 2017 (unaudited) HK$'000	31 March 2017 (audited) HK$'000
Equity securities held for trading and listed in Hong Kong	**1,607**	1,608

The fair values of the equity securities are determined based on Level 1 of fair value hierarchy: the quoted market prices in active market. During the period, a loss on change in fair value of approximately HK$1,000 (30 September 2016: gain of HK$3,674,000) was recognised in profit or loss.

19. ACCOUNTS PAYABLE

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

	As at	
	30 September 2017 (unaudited) HK$'000	31 March 2017 (audited) HK$'000
0 – 30 days	**2,985**	5,128
31 – 90 days	**2,210**	1,350
91 – 180 days	**2,820**	10,039
181 – 365 days	**6,927**	60
More than 1 year	**4,085**	3,869
	19,027	20,446

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

20. CONVERTIBLE NOTES

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

The Company has the option to issue conversion shares at the conversion price on the maturity date or to redeem the outstanding principal amount of the Convertible Notes. The Convertible Notes are an equity instrument as the Company has no obligation to settle in cash. The fair value of the Convertible Notes as at 28 February 2014 which is determined as the fair value of the net assets of the group companies acquired less the fair value of the consideration shares amounted to HK$2,570,158,000 is credited to the "convertible notes equity reserve" on the issuance of the Convertible Notes. During the period, Convertible Notes in principal amount of HK$270,000,000 (30 September 2016: Nil) were converted into 360,000,000 ordinary shares of the Company.

21. SHARE CAPITAL

	As at			
	30 September 2017		31 March 2017	
	(unaudited)	(unaudited)	(audited)	(audited)
	Number of shares	HK$'000	Number of shares	HK$'000
Authorised:				
Ordinary shares of HK$0.01 each	**50,000,000,000**	**500,000**	50,000,000,000	500,000
Issued and fully paid:				
At beginning of period/year	**4,446,046,800**	**44,460**	3,706,046,800	37,060
Conversion of Convertible Notes (Note i)	**360,000,000**	**3,600**	–	–
Placing of shares (Note ii)	**–**	**–**	740,000,000	7,400
At end of the period/year	**4,806,046,800**	**48,060**	4,446,046,800	44,460

Note:

i. During the period, the Company's Convertible Notes with principal value of HK$270,000,000 were converted into 360,000,000 ordinary shares of the Company at the conversion price of HK$0.75 per share, of which HK$3,600,000 was credited to share capital and the remaining balance of HK$234,868,000 was credited to share premium account.

ii. 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.

22. SHARE-BASED PAYMENT TRANSACTIONS

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

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

The movements in the number of share options during the six months ended 30 September 2017 were as follows:

Date of offer of grant	At 1 April 2017	Lapsed during the period	At 30 September 2017	Exercise price	Closing price at date of offer of grant	Exercise period	Vesting period
Under Old Scheme							
11/07/2007	32,500,000	(32,500,000)	–	HK$0.86	HK$0.86	11/07/2007 to 10/07/2017	N/A
18/09/2007	5,000,000	(5,000,000)	–	HK$2.95	HK$2.90	01/04/2008 to 17/09/2017	01/04/2008 to 31/03/2013
16/12/2009	40,400,000	–	40,400,000	HK$0.46	HK$0.45	16/12/2009 to 15/12/2019	N/A
Under New Scheme							
11/04/2014	91,000,000	–	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	366,300,000	–	366,300,000	HK$0.30	HK$0.28	10/03/2016 to 09/03/2026	10/03/2016 to 11/03/2020
	535,200,000	(37,500,000)	497,700,000				

22. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

The movements in the number of share options during the six months ended 30 September 2016 were as follows:

Date of offer of grant	At 1 April 2016	Lapsed during the period	At 30 September 2016	Exercise price	Closing price at date of offer of grant	Exercise period	Vesting period
Under Old Scheme							
11/07/2007	33,000,000	(500,000)	32,500,000	HK$0.86	HK$0.86	11/07/2007 to 10/07/2017	N/A
18/09/2007	5,000,000	–	5,000,000	HK$2.95	HK$2.90	01/04/2008 to 17/09/2017	01/04/2008 to 31/03/2013
16/12/2009	52,400,000	(12,000,000)	40,400,000	HK$0.46	HK$0.45	16/12/2009 to 15/12/2019	N/A
Under New Scheme							
11/04/2014	100,000,000	(9,000,000)	91,000,000	HK$1.15	HK$1.11	12/04/2016 to 10/04/2024	12/04/2016 to 12/04/2020
10/03/2016	370,000,000	–	370,000,000	HK$0.30	HK$0.28	10/03/2016 to 09/03/2026	10/03/2016 to 11/03/2020
	560,400,000	(21,500,000)	538,900,000				

22. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

No share options were granted by the Company during the six months ended 30 September 2017 and 2016.

The weighted average remaining contractual life of options outstanding at the end of the period was 7.63 years (30 September 2016: 8.09 years). The weighted average exercise price of options outstanding at the end of the period was HK$0.47 (30 September 2016: HK$0.51).

Of the total number of options outstanding at the end of the period, 223,320,000 (30 September 2016: 170,100,000) were exercisable at the end of the period.

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

The equity-settled share-based payment expenses of approximately HK$10,093,000 (30 September 2016: HK$16,692,000) was recognised during the period.

23. RELATED PARTY TRANSACTIONS

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

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

There were no purchases from CAH during the six months ended 30 September 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) The remuneration of key management during the period which only comprised executive directors' remuneration was as follows:

	For the six months ended 30 September	
	2017	2016
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Short-term benefits	**1,638**	1,044
Share-based payments	**717**	880
Pension contributions	**18**	19
	2,373	1,943

24. CAPITAL COMMITMENTS

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

	As at	
	30 September 2017 (unaudited) HK$'000	31 March 2017 (audited) HK$'000
Acquisition of property, plant and equipment	**6,521**	6,363
Capital expenditure in respect of the construction of ores processing plant	**3,697**	3,697
Capital expenditure in respect of the mining operations	**8,631**	10,023
Capital expenditure in respect of the development of electric vehicles	**5,354**	–
	24,203	20,083

25. FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 30 September 2017 and 31 March 2017 may be categorised as follows:

	As at	
	30 September 2017 (unaudited) HK$'000	31 March 2017 (audited) HK$'000
Financial assets		
Loans and receivables (including cash and bank balances)	**203,836**	292,224
Fair value through profit or loss – listed investment held for trading	**1,607**	1,608
Available-for-sale investments, at cost	**69,802**	69,802
	275,245	363,634
Financial liabilities		
Financial liabilities, at amortised cost	**49,735**	57,611

25. FINANCIAL ASSETS AND LIABILITIES BY CATEGORY (CONTINUED)

(a) Financial instruments not measured at fair value

Financial instruments not measured at fair value include items classified as loans and receivables, available-for-sale investments and financial liabilities.

The directors of the Company considered that the carrying amounts of the financial assets and financial liabilities recorded at amortised costs in the consolidated interim financial statements approximate to their corresponding fair values.

Available-for-sale investments were measured at cost net of impairment recognised. The investments cannot be reliably measured at fair value as the equity instruments do not have a quoted market price in an active market for an identical instrument and there was no sufficient comparables, in terms of size and technology, in the same industry which can be used in fair value measurement.

25. FINANCIAL ASSETS AND LIABILITIES BY CATEGORY (CONTINUED)

(b) Financial instruments measured at fair value

Financial instruments carried at fair value by level of fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at 30 September 2017 and 31 March 2017, the Group's financial assets at fair value through profit or loss are measured at fair value and classified as Level 1. There were no transfers between levels during the period.

26. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the Board on 27 November 2017.