



中國動力  
China Dynamics

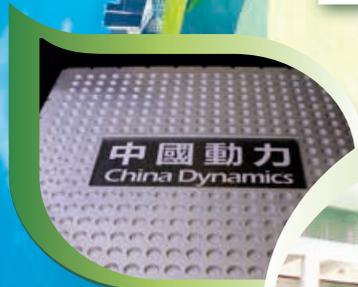
# China Dynamics (Holdings) Limited 中國動力（控股）有限公司

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



# 2014/15

## Interim Report



中國動力  
China Dynamics



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# Corporate Information

## DIRECTORS

### Executive Directors

Mr. Cheung Ngan (*Chairman*)  
Mr. Chan Chung Chun, Arnold  
(*Deputy Chairman*)

### Non-Executive Director

Mr. Li Shaofeng  
Mr. Zhao Hong Feng  
Mr. Zhou Jin Kai

### Independent Non-Executive Directors

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

## AUDIT COMMITTEE

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

## AUDITOR

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

## LEGAL ADVISORS IN HONG KONG

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

## BRANCH REGISTRARS IN HONG KONG

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

## STOCK CODE

0476

## REGISTERED OFFICE

Clarendon House  
2 Church Street, Hamilton HM 11  
Bermuda

## PRINCIPAL REGISTRAR

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

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

## COMPANY SECRETARY

Mr. Chan Chung Chun, Arnold *CPA*

## PRINCIPAL BANKER

Hang Seng Bank Limited

## WEBSITE

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

# Management Discussion and Analysis

The board of directors (the “Directors”) of China Dynamics (Holdings) Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2014.

## RESULTS

During the six months ended 30 September 2014, the Group had not recorded any turnover (30 September 2013: HK\$68.2 million). The decrease in turnover was mainly due to the continued fluctuation and decrease in the selling price of global metal and minerals market, including the nickel ores as traded in the previous period.

The Group recorded a loss of approximately HK\$49.2 million for the period as compared to a loss of approximately HK\$14.8 million for the last period. Such an increase in loss was mainly due to the decrease in turnover and gross profit as discussed above and the increase in administrative expenses to approximately HK\$39.7 million (30 September 2013: HK\$18.5 million). The increase in administrative expenses during the period was arising from administrative expenses incurred by certain subsidiaries which were acquired in February and March 2014 and the share-based payment expense of HK\$8,261,000 (30 September 2013: HK\$nil) recognised during the current period.

There were finance costs of approximately HK\$10.9 million (30 September 2013: HK\$ nil) during the period. The amount represents the non-cash annual imputed interest expenses due to the annual revaluation of fair value on the amount due to a related company arising from the acquisition of a subsidiary in February 2014.

The loss attributable to the owners of the Company was HK\$45.3 million (30 September 2013: HK\$12.7 million). Basic and diluted loss per share for the period was HK\$0.0070 per share (30 September 2013: HK\$0.0092 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 2014 (30 September 2013: nil).

# Management Discussion and Analysis

## BUSINESS REVIEW

The Group have four main businesses and described as below:

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

Environment, climate and energy are three interlinked factors that affect most countries’ economic development as well as its sustainability, especially those countries with rapid economic development, such as the People’s Republic of China (“PRC”). Energy demand and consumption is a key factor for economic development, but it will inevitably deteriorate air quality and intensify abnormal climate. The photochemical smog and haze in the PRC characterised the dilemma of economic development and environment deterioration. Control strategies and measures in improving air quality is pivotal to countries around the globe, and mostly through active promotion of energy-saving and low-emission industries, as well as enhancing usage of new energy products. One of the global focuses in reducing air pollution is to reduce emission from vehicles, the Group believes that electric vehicle is definitely a global trend in vehicle transportation industry and thus offering good business opportunity.

The Group has successfully bid a tender from the Hong Kong Productivity Council (“HKPC”) in February 2014 for the design, supply and fabrication of 4 sets of Permanent Magnet Synchronised Motor System and Power Battery System for electric buses. The HKPC eBus project is expected to be completed in early 2015. The successful bid reflects the Group’s competence to meet the specific requirements set out in the tender and marks another business opportunity for the Group to commence business in the new energy industry.

On 3 November 2014, the Company successfully completed the acquisition of 10% equity interest in Rimac Automobili d.o.o (“Rimac”), a company incorporated in the Republic of Croatia with limited liability, at an aggregate consideration of HK\$72.7 million. Rimac is principally engaged in researching, designing, developing, manufacturing, marketing and selling of (i) the vehicles, powertrains and battery technology systems for use in vehicles, bikes, bicycles and other motor vehicles; and (ii) replacement parts and support equipment and related services, in each case, for such powertrains and battery technology systems. Since the Group has captured the technology of the battery system for electric buses and commencing the market position in the new energy industry, the Directors consider that the investment represents a good opportunity for the Group to further invest in such industry and expand into market in Europe. The Group believes that the investment represents a good horizontal business expansion opportunity into passenger electric vehicle markets in addition to the electric bus public transport fleet markets.

# Management Discussion and Analysis

In view of the tremendous market potential in electric vehicles market, on 17 November 2014, the Group entered into an investment framework agreement, capital injection agreement, equity transfer agreements and equity pledged agreements with vendors and a target company located at Chongqing (the “Transaction”). The target company is a company incorporated in the PRC and is principally engaged in manufacturing of buses, marketing and selling the components of vehicles. The considerations of the Transaction is RMB28.0 million. Upon completion of the Transaction, the Group’s equity interest in the target company will be 70% and the target company will be one of the subsidiaries of the Group. For the details of the Transaction, please refer to the Company’s announcement on 17 November 2014. The Transaction has not yet been completed as at the date of this report. The Group believes that the Transaction demonstrates the execution capacity in the new energy industry and facilitates good future development opportunity in electric vehicles markets.

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

The Group had completed the acquisition of a subsidiary, which is the beneficiary of a glauberite mine located in Guangxi, the PRC, on 28 February 2014.

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

The glauberite mine is currently undergoing development. No exploration or mining production activities was performed during the period under review. The mineral resources has not changed since its acquisition, details of the resources are stated in the “Mineral resources and ore reserves” section below.

# Management Discussion and Analysis

## *Mineral resources and ore reserves*

As at 30 September 2014, the Company, through its wholly-owned subsidiary in the PRC, held a glauberite mine in Guangxi. The following table set out the mineral information of the mine as at 30 September 2014.

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

## **Metals and minerals trading**

During the period, the metals and minerals industry did not have enough momentum to drive significant rebound in demand. Hence the Group’s metals and minerals trading business was inevitably been affected by the slack economy and its prevailing slim or even no margin business nature. As such, the Group had not concluded any trading contract during the period to avoid any possible risk.

# Management Discussion and Analysis

The Group believes that the current slow demand is a normal economic cycle, and is confident that the economy of the PRC will continue to grow and urbanisation will keep pace, and thus a continuous demand in metals and minerals. In the meantime, the Group will also put its efforts to identify and pursue other resources type trading business and believe that the Group will be able to take up such opportunities when they arise.

## 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 year 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 in addition to the governmental decree in 2013 as stated above, Chile government has appointed a Presidential Delegate for water resources for the purpose of reporting and proposing further measures to solve the water scarcity issues especially in the affected area.

# Management Discussion and Analysis

The Group had obtained a legal opinion in 2014 from Chilean lawyer regarding the Chilean governmental decree etc, which advised that the 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 decided to delay further work on the construction of the ores processing facilities in Chile until 2018. The Company will continue to review the situation annually, and should the situation becomes more clear and favorable, the Company will consider to resume project development in Chile accordingly.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2014, the net asset value of the Group amounted to approximately HK\$3.61 billion (31 March 2014: HK\$3.21 billion). As at 30 September 2014, the gearing ratio of the Group was nil (31 March 2014: nil) and the equity attributable to the owners of the Company was approximately HK\$3.51 billion (31 March 2014: HK\$3.11 billion).

The Directors have considered various ways of raising funds and consider that the placings represent an attractive opportunity to raise capital for the Company while broadening the shareholder base and capital base of the Company. During the period ended 30 September 2014, the Group has earned continuous support to raise funds by placing and subscription of new shares. These additional funds serve as significant financial support for enhancing liquidity and future development. Details of the placings are summarised as below:

- i) On 7 April 2014, the Company issued 450,000,000 new shares of HK\$0.01 each to independent third parties at a price of HK\$0.83 per share under the specific mandate granted to the directors of the Company at the special general meeting of the Company held on 2 April 2014. The net proceeds of approximately HK\$362.3 million were mainly used for the development of electric vehicles, the glauberite mine development in Guangxi and future potential investments of the Group.

# Management Discussion and Analysis

- ii) On 27 June 2014, the Company issued 96,000,000 new shares of HK\$0.01 each to a subscriber at a price of HK\$0.92 per share under the general mandate granted to the directors of the Company at the special general meeting of the Company held on 5 May 2014. The net proceeds of approximately HK\$88.3 million were used for the development of electric vehicles, the glauberite mine development in Guangxi and future potential investments of the Group.

As at 30 September 2014, the Group had cash and bank balances of approximately HK\$545.3 million (31 March 2014: HK\$276.0 million), no bank deposit (31 March 2014: HK\$ nil) was pledged.

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

In accordance with the Five Year Plan of the PRC government, green environmental policy is vital to the country. It is cleared to make effort on reducing PM2.5, whereas the fine particles of pollutants is the most harmful to people's health. It is generally accepted that vehicles emission is a significant contributor to air quality deterioration, and as such, the Group believes that electric vehicle is definitely a global focus and trend in improving air pollution and enhancing economic sustainability. Together with the overall consistency of the PRC economic performance, the Group is confident that the eBus and EVs business will offer a good business opportunity and prospect.

# Management Discussion and Analysis

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

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

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**

At 30 September 2014, there was no charge on the Group's assets and the Group did not have any significant contingent liabilities.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 September 2014, the Group had 25 employees (31 March 2014: 22 employees) in Hong Kong and 77 employees (31 March 2014: 25 employees) in 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.

# Management Discussion and Analysis

## SHARE OPTION SCHEME

The Company's 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 "Adoption Date"). The Scheme constitutes a share option scheme governed by Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and will remain in force for 10 years from the Adoption Date.

Pursuant to the New Scheme, the Board is empowered, at its discretion, to invite any participant, including but not limited to any executive directors, non-executive directors and employees of the Company or any of its subsidiaries or associates, to take up options to subscribe for shares in the Company. Details of the New Scheme are set out in note 19 to the condensed consolidated financial statements.

On 11 April 2014, the Company granted 100,000,000 share options under the New Scheme to certain participants of the Group at the exercise price of HK\$1.15 each for a period of ten years from the date of grant.

## EVENT AFTER THE REPORTING DATE

On 3 November 2014, the Company completed the acquisition of 10% equity interest in Rimac, a company incorporated in the Republic of Croatia with limited liability, at an aggregate consideration of HK\$72.7 million of which (i) EUR 5.0 million (or equivalent to HK\$52.7 million) was settled by cash; (ii) HK\$20.0 million was settled by the allotment and issue of 20 million consideration shares at the issue price of HK\$1.00 per consideration share. As a result of the completion of the investment, an aggregate of 20,000,000 consideration shares were allotted and issued to the vendor as settlement of part of the consideration for the investment.

On 17 November 2014, the Group entered into an investment framework agreement, capital injection agreement, equity transfer agreements and equity pledged agreements with vendors, for which the Group will acquire 70% equity interest of a target company at a considerations of RMB28.0 million. The target company is a company incorporated in the PRC and is principally engaged in manufacturing of buses, marketing and selling the components of vehicles. The transaction has not yet been completed as at the date of this report.

# Management Discussion and Analysis

## DIRECTORS' RIGHTS TO ACQUIRE SHARES

Movements of the outstanding share options to the directors as at 30 September 2014 were as follows:

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

No share option was exercised by the directors during the period ended 30 September 2014.

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

# Management Discussion and Analysis

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

At 30 September 2014, 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/<br>Nature of interest                             | Number of shares<br>or underlying shares |                   | Approximate<br>percentage of<br>shareholding in<br>the Company/<br>associated<br>company |
|--------------------------------|---|--|-------------------|--|
|                                |   | Long<br>position                         | Short<br>position |  |
| Mr. Cheung Ngan                | Beneficial owner &<br>interest of controlled<br>corporation | 2,722,432,469<br>(Note 1)                | –                 | 80.15%   |
|                                | Interest of controlled<br>corporation                       | 1,000<br>(Note 2)                        | –                 | 20%  |
| Mr. Chan Chung Chun,<br>Arnold | Beneficial owner &<br>interest of controlled<br>corporation | 2,733,232,469<br>(Note 3)                | –                 | 80.47%   |
|                                | Interest of controlled<br>corporation                       | 1,000<br>(Note 4)                        | –                 | 20%  |
| Mr. Li Shaofeng                | Beneficial owner  | 12,000,000<br>(Note 5)                   | –                 | 0.36%  |

# Management Discussion and Analysis

| Name of Director           | Capacity/<br>Nature of interest | Number of shares<br>or underlying shares |                   | Approximate<br>percentage of<br>shareholding in<br>the Company/<br>associated<br>company |
|----------------------------|---------------------------------|--|-------------------|--|
|                            |                                 | Long<br>position                         | Short<br>position |  |
| Mr. Zhao Hong Feng         | Beneficial owner                | 10,000,000<br>(Note 5)                   | –                 | 0.30%  |
| Mr. Zhou Jin Kai           | Beneficial owner                | 940,000,000<br>(Note 6)                  | –                 | 27.67%   |
| Mr. Chan Francis Ping Kuen | Beneficial owner                | 1,200,000<br>(Note 5)                    | –                 | 0.04%  |
| Mr. Hu Guang               | Beneficial owner                | 1,200,000<br>(Note 5)                    | –                 | 0.04%  |

Note:

- 1) The 2,722,432,469 shares include:
  - a. the number of shares of 390,000,000;
  - b. the underlying shares of 1,200,000 from the share options granted, details of which are set out in the section headed "directors' rights to acquire shares" above; and
  - c. the number of shares of 95,232,469 and underlying shares of 2,236,000,000 from conversion of convertible notes with principal amount of HK\$1,677,000,000 held by Sino PowerHouse Corporation, which was beneficially owned as to 51% by Faith Profit Holding Limited. Mr. Cheung Ngan held 100% interest in 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. Mr. Cheung Ngan held 50% interest in Great Base Holdings Limited and 51% interest in CM Universal Corporation.

# Management Discussion and Analysis

- 3) The 2,733,232,469 shares include:
- a. the number of shares of 390,000,000 held by Entrust Limited, which was wholly owned by Mr. Chan Chung Chun, Arnold;
  - b. the underlying shares of 12,000,000 from the share options granted, details of which are set out in the section headed "directors' rights to acquire shares" above; and
  - c. the number of shares of 95,232,469 and underlying shares of 2,236,000,000 from conversion of convertible notes with principal amount of HK\$1,677,000,000 held by Sino PowerHouse Corporation, which was beneficially owned as to 49% by Entrust Limited. Mr. Chan Chung Chun, Arnold held 100% interest in Entrust Limited.
- 4) The 1,000 shares represent the indirect interest in TGLP, which is 60% indirectly held by the Company and hence is an associated corporation. The 20% beneficial interest in TGLP is held by Catania Copper (Chile) Limited. Catania Copper (Chile) Limited is 40% held by Great Base Holdings Limited and 60% held by Catania Mining Limited. Catania Mining Limited is 55% held by CM Universal Corporation. Mr. Chan Chung Chun, Arnold held 50% interest in Great Base Holdings Limited and 49% interest in CM Universal Corporation.
- 5) Being options to acquire ordinary shares of the Company, and further details of which are set out in the section headed "directors' rights to acquire shares" above.
- 6) The number of shares of 36,000,000 and underlying shares of 904,000,000 from conversion of convertible notes with principal amount of HK\$678,000,000.

Save as disclosed above, as at 30 September 2014, none of the directors of the Company have interest or short positions in the shares and underlying shares or other securities of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

# Management Discussion and Analysis

## DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 20 to the condensed consolidated financial statements, no director, whether directly or indirectly, had a material beneficial interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the period under review.

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

As at 30 September 2014, 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/<br>Nature of interest                             | Number of shares<br>or underlying shares |                   | Approximate<br>percentage of<br>shareholding in<br>the Company |
|---------------------------------|---|--|-------------------|--|
|                                 |   | Long<br>position                         | Short<br>position |  |
| Mr. Cheung Ngan                 | Beneficial owner &<br>interest of controlled<br>corporation | 2,722,432,469<br>(Note 1)                | –                 | 80.15%   |
| Faith Profit Holding<br>Limited | Interest of controlled<br>corporation                       | 2,331,232,469<br>(Note 1)                | –                 | 68.63%   |
| Mr. Chan Chung Chun,<br>Arnold  | Beneficial owner &<br>interest of controlled<br>corporation | 2,733,232,469<br>(Note 2)                | –                 | 80.47%   |
| Entrust Limited                 | Beneficial owner &<br>interest of controlled<br>corporation | 2,721,232,469<br>(Note 2)                | –                 | 80.11%   |
| Sino PowerHouse<br>Corporation  | Beneficial owner  | 2,331,232,469<br>(Note 3)                | –                 | 68.63%   |

# Management Discussion and Analysis

| Name of substantial shareholder | Capacity/<br>Nature of interest                             | Number of shares<br>or underlying shares |                   | Approximate<br>percentage of<br>shareholding in<br>the Company |
|---------------------------------|---|--|-------------------|--|
|                                 |   | Long<br>position                         | Short<br>position |  |
| Mr. Zhou Jin Kai                | Beneficial owner  | 940,000,000<br>(Note 4)                  | –                 | 27.67%   |
| 北京汽車城投資管理<br>有限公司               | Beneficial owner &<br>interest of controlled<br>corporation | 174,860,000<br>(Note 5)                  | –                 | 5.15%  |
| 北京匯濟投資中心                        | Interest of controlled<br>corporation                       | 174,860,000<br>(Note 5)                  | –                 | 5.15%  |
| 北京市順義區政府                        | Interest of controlled<br>corporation                       | 174,860,000<br>(Note 5)                  | –                 | 5.15%  |

Note:

- 1) The 2,722,432,469 shares include:
  - a. the number of shares of 390,000,000 held by Mr. Cheung Ngan;
  - b. the underlying shares of 1,200,000 from the share options granted to Mr. Cheung Ngan; and
  - c. the number of shares of 95,232,469 and underlying shares of 2,236,000,000 from conversion of convertible notes with principal amount of HK\$1,677,000,000 held by Sino PowerHouse Corporation, which was beneficially owned as to 51% by Faith Profit Holding Limited. Mr. Cheung Ngan held 100% interest in 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.

# Management Discussion and Analysis

- 2) The 2,733,232,469 shares include:
- a. the number of shares of 390,000,000 held by Entrust Limited, which was wholly owned by Mr. Chan Chung Chun, Arnold. Accordingly, Mr. Chan Chung Chun, Arnold is deemed to be interested in the shares in which Entrust Limited is interested by virtue of the SFO;
  - b. the underlying shares of 12,000,000 from the share options granted to Mr. Chan Chung Chun; and
  - c. the number of shares of 95,232,469 and underlying shares of 2,236,000,000 from conversion of convertible notes with principal amount of HK\$1,677,000,000 held by Sino PowerHouse Corporation, which was beneficially owned as to 49% by Entrust Limited. Mr. Chan Chung Chun, Arnold held 100% interest in Entrust Limited. Accordingly, Entrust Limited and Mr. Chan Chung Chun are deemed to be interested in the shares in which Sino PowerHouse Corporation is interested by virtue of the SFO.
- 3) The number of shares of 95,232,469 and underlying shares of 2,236,000,000 from conversion of convertible notes with principal amount of HK\$1,677,000,000 held by Sino PowerHouse Corporation.
- 4) The number of shares of 36,000,000 and underlying shares of 904,000,000 from conversion of convertible notes with principal amount of HK\$678,000,000.
- 5) The number of 174,860,000 shares include:
- a. the shares of 75,970,000 held by 北京汽車城投資管理有限公司; and
  - b. the shares of 98,890,000 held by 首航國際(香港)投資有限公司. 首航國際(香港)投資有限公司 was 100% indirectly owned by 北京汽車城投資管理有限公司.

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

# Management Discussion and Analysis

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

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 2014.

## **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 2014 except the following:

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

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

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

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

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

# Management Discussion and Analysis

## **AUDIT COMMITTEE**

The audit committee, which comprises three independent non-executive directors of the Company, has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters of the Group. The Committee had reviewed the unaudited interim financial statements for the six months ended 30 September 2014.

On behalf of the Board

**China Dynamics (Holdings) Limited**

**Cheung Ngan**

*Chairman*

Hong Kong, 27 November 2014

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2014

|  | Note | For the six months ended        |                                 |
|--|------|---------------------------------|---------------------------------|
|  |      | 2014<br>(unaudited)<br>HK\$'000 | 2013<br>(unaudited)<br>HK\$'000 |
| <b>Turnover</b>  | 5    | –                               | 68,233                          |
| Cost of sales  |      | –                               | (66,059)                        |
| Gross profit   |      | –                               | 2,174                           |
| Other income and gains   | 5    | <b>5,348</b>                    | 1,817                           |
| Administrative expenses  |      | <b>(39,673)</b>                 | (18,468)                        |
| Realised loss on disposal of<br>financial assets at fair value<br>through profit or loss |      | <b>(2,035)</b>                  | –                               |
| Unrealised holding loss from<br>financial assets at fair value<br>through profit or loss |      | <b>(2,050)</b>                  | –                               |
| Finance costs  | 6    | <b>(10,857)</b>                 | (317)                           |
| Share of gain/(loss) of an associate   |      | <b>78</b>                       | (35)                            |
| Loss before income tax   | 8    | <b>(49,189)</b>                 | (14,829)                        |
| Income tax   | 9    | –                               | –                               |
| <b>Loss for the period</b>   |      | <b>(49,189)</b>                 | (14,829)                        |
| <b>Other comprehensive income<br/>for the period</b>                                     |      |                                 |                                 |
| Items that may be reclassified<br>subsequently to profit or loss:                        |      |                                 |                                 |
| Exchange differences arising on<br>translation of foreign operations                     |      | <b>(13,660)</b>                 | (12,133)                        |
| Share of other comprehensive income<br>of associates                                     |      | <b>2</b>                        | 31                              |
| <b>Other comprehensive income<br/>for the period</b>                                     |      | <b>(13,658)</b>                 | (12,102)                        |
| <b>Total comprehensive income<br/>for the period</b>                                     |      | <b>(62,847)</b>                 | (26,931)                        |

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2014

|  | Note | For the six months ended |             |
|--|------|--------------------------|-------------|
|  |      | 30 September             |             |
|  |      | 2014                     | 2013        |
|  |      | (unaudited)              | (unaudited) |
|  |      | HK\$'000                 | HK\$'000    |
| <b>Loss attributable to:</b>                       |      |                          |             |
| – Owners of the Company                            |      | <b>(45,306)</b>          | (12,728)    |
| – Non-controlling interests                        |      | <b>(3,883)</b>           | (2,101)     |
|  |      | <b>(49,189)</b>          | (14,829)    |
| <b>Total comprehensive income attributable to:</b> |      |                          |             |
| – Owners of the Company                            |      | <b>(54,928)</b>          | (21,229)    |
| – Non-controlling interests                        |      | <b>(7,919)</b>           | (5,702)     |
|  |      | <b>(62,847)</b>          | (26,931)    |
| <b>Loss per share</b>                              |      |                          |             |
| – Basic and diluted (HK\$)                         | 10   | <b>(0.0070)</b>          | (0.0092)    |

# Condensed Consolidated Statement of Financial Position

As at 30 September 2014

|  |      | <b>30 September<br/>2014<br/>(unaudited)<br/>HK\$'000</b> | 31 March<br>2014<br>(audited)<br>HK\$'000 |
|--|------|---|---|
|  | Note |   |   |
| <b>Non-current assets</b>                            |      |   |   |
| Property, plant and equipment                        | 11   | <b>13,582</b>   | 9,988                                     |
| Construction in progress                             | 12   | <b>75,912</b>   | 82,940                                    |
| Goodwill   |      | <b>41,484</b>   | 45,055                                    |
| Mining assets  | 13   | <b>2,832,944</b>  | 2,832,944                                 |
| Other intangible assets                              |      | <b>24,169</b>   | 25,305                                    |
| Interests in associates                              |      | <b>588</b>  | 511                                       |
| Interests in joint venture                           |      | <b>3,280</b>  | 2,550                                     |
| Value-added-tax recoverable                          |      | <b>10,471</b>   | 11,956                                    |
| <b>Total non-current assets</b>                      |      | <b>3,002,430</b>  | 3,011,249                                 |
| <b>Current assets</b>                                |      |   |   |
| Inventories  | 14   | <b>8,888</b>  | –   |
| Accounts receivable                                  | 15   | –   | 2,020                                     |
| Other receivables, deposits and prepayments          |      | <b>125,369</b>  | 64,383                                    |
| Financial asset at fair value through profit or loss | 16   | <b>12,450</b>   | –   |
| Cash and bank balances                               |      | <b>545,270</b>  | 276,022                                   |
| <b>Total current assets</b>                          |      | <b>691,977</b>  | 342,425                                   |
| <b>Total assets</b>                                  |      | <b>3,694,407</b>  | 3,353,674                                 |

# Condensed Consolidated Statement of Financial Position

As at 30 September 2014

|   | Note | 30 September<br>2014<br>(unaudited)<br>HK\$'000 | 31 March<br>2014<br>(audited)<br>HK\$'000 |
|---|------|---|---|
| <b>Current liabilities</b>                              |      |   |   |
| Other payables and accruals                             |      | 15,086  | 11,370                                    |
| Receipts in advance                                     |      | –   | 1,340                                     |
| <b>Total current liabilities</b>                        |      | <b>15,086</b>                                   | 12,710                                    |
| <b>Net current assets</b>                               |      | <b>676,891</b>                                  | 329,715                                   |
| <b>Total assets less current liabilities</b>            |      | <b>3,679,321</b>                                | 3,340,964                                 |
| <b>Non-current liability</b>                            |      |   |   |
| Amount due to a related company                         |      | 64,681  | 128,603                                   |
| <b>Total liabilities</b>                                |      | <b>79,767</b>                                   | 141,313                                   |
| <b>NET ASSETS</b>                                       |      | <b>3,614,640</b>                                | 3,212,361                                 |
| <b>Equity</b>   |      |   |   |
| Share capital   | 18   | 33,967  | 22,107                                    |
| Reserves  |      | 3,477,734                                       | 3,085,676                                 |
| <b>Equity attributable to owners of<br/>the Company</b> |      | <b>3,511,701</b>                                | 3,107,783                                 |
| <b>Non-controlling interests</b>                        |      | <b>102,939</b>                                  | 104,578                                   |
| <b>TOTAL EQUITY</b>                                     |      | <b>3,614,640</b>                                | 3,212,361                                 |

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2014

|                                  | Attributable to owners of the Company |                           |                                 |  |                                   |  |                             |                                |                   |                                       |                          |
|----------------------------------|---------------------------------------|---------------------------|---------------------------------|--|-----------------------------------|--|-----------------------------|--------------------------------|-------------------|---------------------------------------|--------------------------|
|                                  | Share capital<br>HK\$'000             | Share premium<br>HK\$'000 | Contributed surplus<br>HK\$'000 | Convertible notes equity reserve<br>HK\$'000 | Share options reserve<br>HK\$'000 | Foreign currency translation reserve<br>HK\$'000 | Capital reserve<br>HK\$'000 | Accumulated losses<br>HK\$'000 | Total<br>HK\$'000 | Non-controlling interests<br>HK\$'000 | Total equity<br>HK\$'000 |
| At 1 April 2014 (audited)        | 22,107                                | 693,967                   | 20,566                          | 2,503,917                                    | 62,039                            | (7,625)  | 687                         | (187,275)                      | 3,107,783         | 104,578                               | 3,212,361                |
| Loss for the period              | -                                     | -                         | -                               | -  | -                                 | -  | -                           | (45,306)                       | (45,306)          | (3,883)                               | (49,189)                 |
| Other comprehensive income       | -                                     | -                         | -                               | -  | -                                 | (9,622)  | -                           | -                              | (9,622)           | (4,036)                               | (13,658)                 |
| Total comprehensive income       | -                                     | -                         | -                               | -  | -                                 | (9,622)  | -                           | (45,306)                       | (54,928)          | (7,919)                               | (62,847)                 |
| Share-based payment              | -                                     | -                         | -                               | -  | 8,261                             | -  | -                           | -                              | 8,261             | -                                     | 8,261                    |
| Placing of shares                | 4,500                                 | 369,000                   | -                               | -  | -                                 | -  | -                           | -                              | 373,500           | -                                     | 373,500                  |
| Share issue expenses             | -                                     | (11,235)                  | -                               | -  | -                                 | -  | -                           | -                              | (11,235)          | -                                     | (11,235)                 |
| Acquisition of subsidiaries      | -                                     | -                         | -                               | -  | -                                 | -  | -                           | -                              | -                 | 6,280                                 | 6,280                    |
| Subscription of shares           | 960                                   | 87,360                    | -                               | -  | -                                 | -  | -                           | -                              | 88,320            | -                                     | 88,320                   |
| Conversion of convertible notes  | 6,400                                 | 417,543                   | -                               | (423,943)                                    | -                                 | -  | -                           | -                              | -                 | -                                     | -                        |
| At 30 September 2014 (unaudited) | 33,967                                | 1,556,635                 | 20,566                          | 2,079,974                                    | 70,300                            | (17,247)   | 687                         | (233,181)                      | 3,514,701         | 102,939                               | 3,614,640                |
| At 1 April 2013 (audited)        | 13,844                                | 178,418                   | 20,566                          | -  | 69,492                            | 11,478   | 687                         | (138,915)                      | 135,570           | 101,883                               | 237,453                  |
| Loss for the period              | -                                     | -                         | -                               | -  | -                                 | -  | -                           | (12,728)                       | (12,728)          | (2,101)                               | (14,829)                 |
| Other comprehensive income       | -                                     | -                         | -                               | -  | -                                 | (8,501)  | -                           | -                              | (8,501)           | (3,601)                               | (12,102)                 |
| Total comprehensive income       | -                                     | -                         | -                               | -  | -                                 | (8,501)  | -                           | (12,728)                       | (21,229)          | (5,702)                               | (26,931)                 |
| Lapse of share options           | -                                     | -                         | -                               | -  | (7,026)                           | -  | -                           | 7,026                          | -                 | -                                     | -                        |
| At 30 September 2013 (unaudited) | 13,844                                | 178,418                   | 20,566                          | -  | 62,466                            | 2,977  | 687                         | (164,617)                      | 114,341           | 96,181                                | 210,522                  |

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2014

|  | For the six months ended |             |
|--|--------------------------|-------------|
|  | 30 September             |             |
|  | 2014                     | 2013        |
|  | (unaudited)              | (unaudited) |
|  | HK\$'000                 | HK\$'000    |
| Net cash used in operating activities            | <b>(107,246)</b>         | (28,938)    |
| Net cash generated from/(used in)                |                          |             |
| investing activities                             | <b>998</b>               | (9)         |
| Net cash generated from/(used in)                |                          |             |
| financing activities                             | <b>375,812</b>           | (317)       |
| Net increase/(decrease) in cash and              |                          |             |
| cash equivalents                                 | <b>269,564</b>           | (29,264)    |
| Cash and cash equivalents at beginning of period | <b>276,022</b>           | 40,629      |
| Effect of foreign exchange rate changes          | <b>(316)</b>             | (1,236)     |
| Cash and cash equivalents at end of period       | <b>545,270</b>           | 10,129      |

# Notes to Condensed Consolidated Interim Financial Statements

## 1. CORPORATE INFORMATION

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

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

Pursuant to the special resolution passed at the special general meeting on 5 May 2014 and approved by the Registrar of Companies in Bermuda and Registrar of Companies in Hong Kong on 15 May 2014 and 26 May 2014 respectively, the name of the Company was changed from "Sinocop Resources (Holdings) Limited (中銅資源(控股)有限公司)" to "China Dynamics (Holdings) Limited (中國動力(控股)有限公司)".

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

The basis of preparation and the accounting policies adopted in these interim financial statements are consistent with those adopted by the Group in its annual financial statements for the year ended 31 March 2014, except as stated in note 3 below following the adoption of the new and revised Hong Kong Financial Reporting Standards in the current period.

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

In the current interim period, the Group has applied the following new and revised standards, amendments and interpretations (“HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 April 2014.

|                       |   |
|-----------------------|---|
| Amendments to HKAS 32 | Offsetting Financial Assets and Financial Liabilities |
| HK (IFRIC) 21         | Levies  |

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

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

|                     |  |
|---------------------|--|
| HKFRS 9             | Financial Instruments <sup>4</sup>                 |
| HKFRS 15            | Revenue from Contracts with Customers <sup>3</sup> |
| HKFRSs (Amendments) | Annual improvements 2010-2012 Cycle <sup>2</sup>   |
| HKFRSs (Amendments) | Annual improvements 2011-2013 Cycle <sup>1</sup>   |

<sup>1</sup> *Effective for annual periods beginning on or after 1 July 2014*

<sup>2</sup> *Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014*

<sup>3</sup> *Effective for annual periods beginning, on or after 1 January 2017*

<sup>4</sup> *Effective for annual periods beginning, on or after 1 January 2018*

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

## 4. SEGMENT REPORTING

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

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

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

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

4. SEGMENT REPORTING (CONTINUED)

(a) Reportable segments

|  | Development of electric vehicles |                      | Mining                 |                      | Metal and minerals trading |                      | Ores processing and trading |                      | Total                  |                      |
|--|----------------------------------|----------------------|------------------------|----------------------|----------------------------|----------------------|-----------------------------|----------------------|------------------------|----------------------|
|  | For the 6 months ended           |                      | For the 6 months ended |                      | For the 6 months ended     |                      | For the 6 months ended      |                      | For the 6 months ended |                      |
|  | 30 September 2014                | 30 September 2013    | 30 September 2014      | 30 September 2013    | 30 September 2014          | 30 September 2013    | 30 September 2014           | 30 September 2013    | 30 September 2014      | 30 September 2013    |
|  | (unaudited) HK\$'000             | (unaudited) HK\$'000 | (unaudited) HK\$'000   | (unaudited) HK\$'000 | (unaudited) HK\$'000       | (unaudited) HK\$'000 | (unaudited) HK\$'000        | (unaudited) HK\$'000 | (unaudited) HK\$'000   | (unaudited) HK\$'000 |
| Revenue from external customers        | -                                | -                    | -                      | 68,233               | -                          | -                    | -                           | 68,233               | -                      | -                    |
| Reportable segment (loss)/profit       | (10,147)                         | -                    | (5,504)                | (4,986)              | (3,967)                    | 298                  | (5,255)                     | (19,320)             | (10,241)               |                      |
| Share of profit/(loss) of an associate | -                                | -                    | -                      | (35)                 | 78                         | -                    | -                           | 78                   | (35)                   |                      |
| Interest income                        | 4                                | -                    | 2                      | -                    | -                          | -                    | -                           | 6                    | -                      |                      |
| Unallocated income                     | -                                | -                    | -                      | -                    | -                          | -                    | -                           | 1,119                | -                      |                      |
| Total interest income                  | (97)                             | -                    | (290)                  | -                    | -                          | (180)                | (2,687)                     | (567)                | (2,687)                |                      |
| Depreciation                           | -                                | -                    | -                      | -                    | -                          | -                    | -                           | (26)                 | (16)                   |                      |
| Unallocated expense                    | -                                | -                    | -                      | -                    | -                          | -                    | -                           | (593)                | (2,703)                |                      |
| Total depreciation                     | -                                | -                    | -                      | -                    | -                          | -                    | -                           | -                    | -                      |                      |

## 4. SEGMENT REPORTING (CONTINUED)

### (a) Reportable segments (Continued)

*Reconciliation of segment revenue and profit or loss*

|   | <b>For the six months ended</b> |             |
|---|---------------------------------|-------------|
|   | <b>30 September</b>             |             |
|   | <b>2014</b>                     | 2013        |
|   | <b>(unaudited)</b>              | (unaudited) |
|   | <b>HK\$'000</b>                 | HK\$'000    |
| <b>Revenue</b>  |                                 |             |
| Reportable segment revenue and consolidated revenue   | –                               | 68,233      |
| <b>Loss before income tax</b>   |                                 |             |
| Reportable segment loss   | <b>(19,320)</b>                 | (10,241)    |
| Unallocated other income and gains  | <b>1,111</b>                    | 86          |
| Unallocated share-based payment   | <b>(8,261)</b>                  | –           |
| Unallocated realised and unrealised loss from financial assets at fair value through profit or loss | <b>(4,085)</b>                  | –           |
| Unallocated other corporate expenses  | <b>(7,777)</b>                  | (4,357)     |
| Finance costs   | <b>(10,857)</b>                 | (317)       |
| Consolidated loss before income tax   | <b>(49,189)</b>                 | (14,829)    |

4. SEGMENT REPORTING (CONTINUED)

(a) Reportable segments (Continued)

|                                       | Development of electric vehicles |               | Mining            |                  | Metal and minerals trading |               | Ores processing and trading |                | Total             |                  |
|---------------------------------------|----------------------------------|---------------|-------------------|------------------|----------------------------|---------------|-----------------------------|----------------|-------------------|------------------|
|                                       | 30 September 2014                | 31 March 2014 | 30 September 2014 | 31 March 2014    | 30 September 2014          | 31 March 2014 | 30 September 2014           | 31 March 2014  | 30 September 2014 | 31 March 2014    |
|                                       | As at                            |               | As at             |                  | As at                      |               | As at                       |                | As at             |                  |
|                                       | (unaudited)                      | (audited)     | (unaudited)       | (audited)        | (unaudited)                | (audited)     | (unaudited)                 | (audited)      | (unaudited)       | (audited)        |
|                                       | HK\$'000                         | HK\$'000      | HK\$'000          | HK\$'000         | HK\$'000                   | HK\$'000      | HK\$'000                    | HK\$'000       | HK\$'000          | HK\$'000         |
| <b>Reportable segment assets</b>      | <b>100,436</b>                   | <b>41,456</b> | <b>2,861,263</b>  | <b>2,854,360</b> | <b>33,404</b>              | <b>33,433</b> | <b>150,782</b>              | <b>162,569</b> | <b>3,145,885</b>  | <b>3,091,618</b> |
| Interests in associates               | -                                | -             | -                 | -                | 588                        | 511           | -                           | -              | 588               | 511              |
| Additions to non-current assets       | 4,810                            | 526           | 38                | 9                | -                          | -             | 139                         | 4              | 4,987             | 539              |
| Unallocated assets                    | -                                | -             | -                 | -                | -                          | -             | -                           | -              | 20                | 136              |
| Total additions to non-current assets | (6,245)                          | (2,065)       | (66,629)          | (130,405)        | (5,153)                    | (5,273)       | (1,475)                     | (2,210)        | 5,007             | 675              |
| <b>Reportable segment liabilities</b> |                                  |               |                   |                  |                            |               |                             |                | <b>(79,502)</b>   | <b>(139,953)</b> |

# Notes to Condensed Consolidated Interim Financial Statements

## 4. SEGMENT REPORTING (CONTINUED)

### (a) Reportable segments (Continued)

*Reconciliation of segment assets and liabilities*

|                                     | As at   |   |
|-------------------------------------|---|---|
|                                     | 30 September<br>2014<br>(unaudited)<br>HK\$'000 | 31 March<br>2014<br>(audited)<br>HK\$'000 |
| <b>Assets</b>                       |   |   |
| Reportable segment assets           | 3,145,885                                       | 3,091,618                                 |
| Unallocated corporate assets (Note) | 548,522   | 262,056                                   |
| Consolidated total assets           | <b>3,694,407</b>                                | 3,353,674                                 |
| <b>Liabilities</b>                  |   |   |
| Reportable segment liabilities      | 79,502  | 139,953                                   |
| Unallocated corporate liabilities   | 265   | 1,360                                     |
| Consolidated total liabilities      | <b>79,767</b>                                   | 141,313                                   |

Note: Unallocated corporate assets as at 30 September 2014 mainly represent cash and bank balances held by the Company of approximately HK\$476,819,000 (31 March 2014: HK\$256,097,000).

## 4. SEGMENT REPORTING (CONTINUED)

### (b) Geographic information

During the periods ended 30 September 2014 and 2013, the Group's business revenue was all generated from the PRC.

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

|                          | <b>Specified non-current assets</b> |           |
|--------------------------|-------------------------------------|-----------|
|                          | <b>As at</b>                        |           |
|                          | <b>30 September</b>                 | 31 March  |
|                          | <b>2014</b>                         | 2014      |
|                          | <b>(unaudited)</b>                  | (audited) |
|                          | <b>HK\$'000</b>                     | HK\$'000  |
| PRC, including Hong Kong | <b>2,858,932</b>                    | 2,853,937 |
| Chile                    | <b>142,910</b>                      | 156,801   |
| Asia Pacific             | <b>588</b>                          | 511       |
|                          | <b>3,002,430</b>                    | 3,011,249 |

# Notes to Condensed Consolidated Interim Financial Statements

## 5. TURNOVER, OTHER INCOME AND GAINS

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

|                                  | <b>For the six months ended</b> |             |
|----------------------------------|---------------------------------|-------------|
|                                  | <b>30 September</b>             |             |
|                                  | <b>2014</b>                     | 2013        |
|                                  | <b>(unaudited)</b>              | (unaudited) |
|                                  | <b>HK\$'000</b>                 | HK\$'000    |
| <b>Turnover</b>                  |                                 |             |
| Sale of metals and minerals      | –                               | 68,233      |
| <b>Other income and gains</b>    |                                 |             |
| Service fee income (Note)        | <b>1,685</b>                    | –           |
| Rental income                    | <b>1,301</b>                    | 1,328       |
| Interest income                  | <b>1,125</b>                    | –           |
| Income from trading ore in Chile | <b>989</b>                      | 329         |
| Exchange gain                    | <b>168</b>                      | 74          |
| Sundry income                    | <b>80</b>                       | 86          |
|                                  | <b>5,348</b>                    | 1,817       |

Note: The Group decided to delay further development work on the ores processing and trading business in Chile and had taken advantage of the surplus resources resulting from the delay to earn service income by providing engineering and drilling services to a nearby mineral company.

# Notes to Condensed Consolidated Interim Financial Statements

## 6. FINANCE COSTS

|  | For the six months ended<br>30 September |                                 |
|--|--|---------------------------------|
|  | 2014<br>(unaudited)<br>HK\$'000          | 2013<br>(unaudited)<br>HK\$'000 |
| Interest expenses (Note)                     | 10,857                                   | –                               |
| Bank charges and trust receipt loan interest | –  | 317                             |
|  | <b>10,857</b>                            | <b>317</b>                      |

Note: The amount represents the annual imputed interest expenses on the amount due to a related company.

## 7. DIVIDEND

The directors do not recommend the payment or declaration of any interim dividend for the six months ended 30 September 2014 (30 September 2013: nil).

# Notes to Condensed Consolidated Interim Financial Statements

## 8. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

|   | For the six months ended |             |
|---|--------------------------|-------------|
|   | 30 September             |             |
|   | 2014                     | 2013        |
|   | (unaudited)              | (unaudited) |
|   | HK\$'000                 | HK\$'000    |
| Depreciation of property, plant and equipment   | 593                      | 2,703       |
| Staff costs (including directors' remuneration) |                          |             |
| – Salaries and allowances                       | 9,625                    | 4,750       |
| – Other benefits                                | 639                      | 602         |
| – Share-based payment                           | 8,261                    | –           |
| – Pension contributions                         | 279                      | 89          |
|   | 18,804                   | 5,441       |

## 9. INCOME TAX

No Hong Kong profits tax has been provided as the Group incurred losses during the current and prior periods.

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.

There were no significant unprovided deferred tax liabilities as at 30 September 2014 (31 March 2014: HK\$nil). No deferred tax asset in respect of the unused tax losses has been recognised due to the unpredictability of future profit streams.

# Notes to Condensed Consolidated Interim Financial Statements

## 10. LOSS PER SHARE

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

|  | For the six months ended<br>30 September |                                 |
|--|--|---------------------------------|
|  | 2014<br>(unaudited)<br>HK\$'000          | 2013<br>(unaudited)<br>HK\$'000 |
| Loss for the period attributable to owners of the Company  | <b>(45,306)</b>                          | (12,728)                        |
|  | <b>Number</b>                            | Number                          |
| Weighted average number of ordinary shares in issue (Note) | <b>6,476,348,400</b>                     | 1,384,396,800                   |

Note: The calculation of weighted average number of ordinary shares include the ordinary shares to be issued upon full conversion of the Convertible Notes issued on 28 February 2014 as set out in Note 17 on the basis that ordinary shares will unavoidably be issued under the Convertible Notes unless the Company's option to redeem in cash is exercised.

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

# Notes to Condensed Consolidated Interim Financial Statements

## 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2014, the Group acquired property, plant and equipment in an aggregate amount of approximately HK\$5,007,000 (30 September 2013: HK\$9,000). Depreciation for items of property, plant and equipment was approximately HK\$803,000 (30 September 2013: HK\$2,703,000) during the period. Exchange realignment arising on translation of the carrying amount of the property, plant and equipment amounted to HK\$610,000 (30 September 2013: HK\$750,000) during the period.

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

## 12. CONSTRUCTION IN PROGRESS

During the six months ended 30 September 2014, no expenditure was recognised as construction in progress (30 September 2013: nil). Exchange realignment arising on translation of construction in progress amounted to HK\$7,028,000 (30 September 2013: HK\$6,040,000) during the period.

## 13. MINING ASSETS

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

## 14. INVENTORIES

|                              | As at   |   |
|------------------------------|---|---|
|                              | 30 September<br>2014<br>(unaudited)<br>HK\$'000 | 31 March<br>2014<br>(audited)<br>HK\$'000 |
| Raw materials and components | 8,888   | –   |

## 15. ACCOUNTS RECEIVABLE

As at 30 September 2014, there was no accounts receivable (31 March 2014: HK\$2,020,000). The ageing analysis of accounts receivable as at 31 March 2014, based on invoice date, was within one month.

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

The fair values of the listed securities are based on quoted market prices which is level 1 of the fair value measurement hierarchy under HKFRS 13 as follows:

|   | <b>As at</b>        |           |
|---|---------------------|-----------|
|   | <b>30 September</b> | 31 March  |
|   | <b>2014</b>         | 2014      |
|   | <b>(unaudited)</b>  | (audited) |
|   | <b>HK\$'000</b>     | HK\$'000  |
| Equity securities listed in Hong Kong,<br>at fair value | <b>12,450</b>       | –         |

## 17. CONVERTIBLE NOTES

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

# Notes to Condensed Consolidated Interim Financial Statements

## 17. CONVERTIBLE NOTES (CONTINUED)

Convertible Notes are equity instruments in that the Company has the option to issue conversion shares at the conversion price on the maturity date and has no obligation to settle in cash. During the period, Convertible Notes in principal amount of HK\$480,000,000 were converted into 640,000,000 ordinary shares of the Company. An amount of HK\$423,943,000 was debited to the convertible notes equity reserve of which HK\$6,400,000 was credited to share capital and remaining HK\$417,543,000 was credited to the share premium account.

## 18. SHARE CAPITAL

|   | As at             |             |                  |           |
|---|-------------------|-------------|------------------|-----------|
|   | 30 September 2014 |             | 31 March 2014    |           |
|   | (unaudited)       | (unaudited) | (audited)        | (audited) |
|   | Number of shares  | HK\$'000    | Number of shares | HK\$'000  |
| <b>Authorised:</b>  |                   |             |                  |           |
| Ordinary shares of HK\$0.01 each                                | 50,000,000,000    | 500,000     | 50,000,000,000   | 500,000   |
| <b>Issued and fully paid:</b>                                   |                   |             |                  |           |
| At beginning of period/year                                     | 2,210,746,800     | 22,107      | 1,384,396,800    | 13,844    |
| Subscription of shares (Note (i))                               | 96,000,000        | 960         | –                | –         |
| Placing of shares (Note (ii))                                   | 450,000,000       | 4,500       | 605,350,000      | 6,053     |
| Consideration shares issued for the acquisition of subsidiaries | –                 | –           | 120,000,000      | 1,200     |
| Conversion of convertible notes (Note (iii))                    | 640,000,000       | 6,400       | 100,000,000      | 1,000     |
| Exercise of share options                                       | –                 | –           | 1,000,000        | 10        |
| At end of the period/year                                       | 3,396,746,800     | 33,967      | 2,210,746,800    | 22,107    |

## 18. SHARE CAPITAL (CONTINUED)

- Notes: (i) During the period ended 30 September 2014, 96,000,000 new ordinary shares of par value of HK\$0.01 each were issued at a subscription price of HK\$0.92 each to a subscriber at an aggregate consideration of HK\$88,320,000 of which HK\$960,000 was credited to share capital and the remaining balance of HK\$87,360,000 was credited to share premium account.
- (ii) During the period ended 30 September 2014, 450,000,000 new ordinary shares of par value of HK\$0.01 each were issued at a subscription price of HK\$0.83 each to independent third parties at an aggregate consideration of HK\$362,265,000 (net of share issue expenses of HK\$11,235,000) of which HK\$4,500,000 was credited to share capital and the remaining balance of approximately HK\$357,765,000 (net of share issue expenses) was credited to share premium account.
- (iii) As set out in Note 17, the Company's convertible notes in principal amount of HK\$480,000,000 were converted into 640,000,000 ordinary shares of the Company at the conversion price of HK\$0.75 per share, of which HK\$6,400,000 was credited to share capital and the remaining balance of HK\$417,543,000 was credited to share premium account.

## 19. 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.

# Notes to Condensed Consolidated Interim Financial Statements

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

On 11 April 2014, the Company granted 100,000,000 options to the participants of the Group at the exercise price of HK\$1.15 each for a period of ten years from the date of grant. The movements in the number of share options under the New Scheme and the Old Scheme during the six months ended 30 September 2014 were as follows:

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

The movements in the number of share options under the Old Scheme during the six months ended 30 September 2013 were as follows:

| Date of offer of grant | At 1 April 2013    | Lapsed during the period | At 30 September 2013 | Exercise price | Closing price at date of offer of grant | Exercise period          | Vesting period           |
|------------------------|--------------------|--------------------------|----------------------|----------------|---|--------------------------|--------------------------|
| 11/07/2007             | 43,500,000         | (10,500,000)             | 33,000,000           | HK\$0.86       | HK\$0.86                                | 11/07/2007 to 10/07/2017 | N/A                      |
| 18/09/2007             | 5,000,000          | -                        | 5,000,000            | HK\$2.95       | HK\$2.90                                | 01/04/2008 to 17/09/2017 | 01/04/2008 to 31/03/2013 |
| 16/12/2009             | 65,900,000         | (500,000)                | 65,400,000           | HK\$0.46       | HK\$0.45                                | 16/12/2009 to 15/12/2019 | N/A                      |
|                        | <u>114,400,000</u> | <u>(11,000,000)</u>      | <u>103,400,000</u>   |                |   |                          |                          |

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

The weighted average remaining contractual life of options outstanding at the end of the period was 6.89 years (30 September 2013: 5.3 years).

Of the total number of options outstanding at the end of the period, 102,400,000 (30 September 2013: 103,400,000) were exercisable at the end of the period.

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

The Group recognised equity-settled share-based payment expenses of approximately HK\$8,261,000 (30 September 2013: HK\$nil) during the period.

## 20. RELATED PARTY TRANSACTIONS

- (a) On 16 October 2007, Minera Catania Verde S.A. ("Verde"), a subsidiary of the Company, entered into a master agreement (the "Master Agreement") with CAH Reserve S. A. ("CAH"), a related company in which Mr. Cheung Ngan and Mr. Chan Chung Chun, Arnold 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.

## 20. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) (Continued)

There were no purchases from CAH during the periods ended 30 September 2014 and 2013.

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

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

|                       | <b>For the six months ended</b> |             |
|-----------------------|---------------------------------|-------------|
|                       | <b>30 September</b>             |             |
|                       | <b>2014</b>                     | 2013        |
|                       | <b>(unaudited)</b>              | (unaudited) |
|                       | <b>HK\$'000</b>                 | HK\$'000    |
| Short-term benefits   | <b>911</b>                      | 1,189       |
| Pension contributions | <b>16</b>                       | 14          |
|                       | <b>927</b>                      | 1,203       |

## 21. BANKING FACILITIES

The Company's directors, Mr. Cheung Ngan and Mr. Chan Chung Chun, Arnold, have provided an unlimited personal guarantee to a bank as a security for bank borrowings provided to the Group for its trading activities from time to time. The Group did not have any outstanding borrowings as at 30 September 2014 and 31 March 2014.

## 22. CAPITAL COMMITMENTS

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

|  | <b>As at</b>        |           |
|--|---------------------|-----------|
|  | <b>30 September</b> | 31 March  |
|  | <b>2014</b>         | 2014      |
|  | <b>(unaudited)</b>  | (audited) |
|  | <b>HK\$'000</b>     | HK\$'000  |
| Acquisition of property, plant and equipment in Chile                                | <b>3,496</b>        | 3,489     |
| Capital expenditure in respect of the construction of ores processing plant in Chile | <b>3,712</b>        | 3,739     |
| Capital expenditure in respect of development of electric vehicles                   | <b>4,625</b>        | –         |
| Capital expenditure in respect of the mining operations                              | –                   | 216       |
|  | <b>11,833</b>       | 7,444     |