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中國動力
China Dynamics

CHINA DYNAMICS (HOLDINGS) LIMITED

中國動力（控股）有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 476)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2014**

The board of directors (the “Board”) of China Dynamics (Holdings) Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2014.

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

FOR THE YEAR ENDED 31 MARCH 2014

	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Turnover	5	68,233	261,613
Cost of sales		<u>(66,064)</u>	<u>(247,915)</u>
Gross profit		2,169	13,698
Other income and gains	5	4,170	13,440
Administrative expenses		(45,081)	(51,395)
Finance costs	6	(2,202)	(2,944)
Share of loss of an associate		<u>(69)</u>	<u>(80)</u>
Loss before income tax	7	(41,013)	(27,281)
Income tax	8	<u>—</u>	<u>—</u>
Loss for the year		(41,013)	(27,281)

	2014	2013
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other comprehensive income for the year		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	(27,093)	4,990
Share of other comprehensive income of associates	(33)	7
	<u>(27,126)</u>	<u>4,997</u>
Other comprehensive income for the year	(27,126)	4,997
Total comprehensive income for the year	<u>(68,139)</u>	<u>(22,284)</u>
Loss attributable to:		
– Owners of the Company	(35,986)	(23,209)
– Non-controlling interests	(5,027)	(4,072)
	<u>(41,013)</u>	<u>(27,281)</u>
Total comprehensive income attributable to:		
– Owners of the Company	(55,089)	(19,688)
– Non-controlling interests	(13,050)	(2,596)
	<u>(68,139)</u>	<u>(22,284)</u>
Loss per share		
– Basic and diluted (<i>HK\$</i>)	<i>10</i> <u>(0.0195)</u>	<u>(0.0168)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2014

	<i>Notes</i>	2014 HK\$'000	2013 HK\$'000
Non-current assets			
Property, plant and equipment		9,988	12,521
Construction in progress		82,940	96,485
Goodwill		45,055	48,324
Mining assets		2,832,944	–
Other intangible assets		25,305	15,365
Interests in associates		511	613
Interest in joint venture		2,550	–
Value-added-tax recoverable		11,956	14,535
Total non-current assets		3,011,249	187,843
Current assets			
Accounts receivable	11	2,020	22,737
Other receivables, deposits and prepayments		64,383	42,298
Cash and bank balances		276,022	40,629
Total current assets		342,425	105,664
Total assets		3,353,674	293,507
Current liabilities			
Accounts payable	12	–	22,737
Customers' deposits		–	14,798
Other payables and accruals		11,370	15,810
Receipts in advance		1,340	2,709
Total current liabilities		12,710	56,054
Net current assets		329,715	49,610
Total assets less current liabilities		3,340,964	237,453
Non-current liability			
Amount due to a related company		128,603	–
Total liabilities		141,313	56,054
NET ASSETS		3,212,361	237,453
Equity			
Share capital	13	22,107	13,844
Reserves		3,085,676	121,726
Equity attributable to owners of the Company		3,107,783	135,570
Non-controlling interests		104,578	101,883
TOTAL EQUITY		3,212,361	237,453

1. CORPORATION INFORMATION

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

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

Subsequent to the end of the financial period, the name of the Company was changed from “Sinocop Resources (Holdings) Limited” to “China Dynamics (Holdings) Limited”. The Certificate of Incorporation on Change of Name and the Certificate of Secondary Name of the Company was issued by the Registrar of Companies in Bermuda on 15 May 2014 and the Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 26 May 2014.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

(a) Adoption of amendments to HKFRSs – effective on 1 April 2014

HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle
HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HKAS 19 (2011)	Employee Benefits

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

HKFRSs (Amendments) – Annual Improvements 2010-2012 Cycle

The Basis of Conclusions for HKFRS 13 Fair Value Measurement was amended to clarify that short-term receivables and payables with no stated interest rate can be measured at their invoice amounts without discounting, if the effect of discounting is immaterial. This is consistent with the Group's existing accounting policy.

Amendments to HKAS 1 (Revised) – Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future and those that may not. Tax on items of other comprehensive income is allocated and disclosed on the same basis.

The Group has adopted the amendments retrospectively for the financial year ended 31 March 2014. Items of other comprehensive income that may and may not be reclassified to profit and loss in the future have been presented separately in the consolidated statement of profit or loss and other comprehensive income. The comparative information has been restated to comply with the amendments. As the amendments affect presentation only, there are no effects on the Group's financial position or performance. The title used by HKAS 1 for the statement of comprehensive income has been changed to "Statement of profit or loss and other comprehensive income". The Group has chosen to use this new title.

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them.

The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The Group has changed its accounting policy in determining whether it has control of an investee and therefore is required to consolidate that interest.

HKFRS 12 – Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

HKFRS 12 disclosures are provided in Note 15. As the new standard affects only disclosure, there is no effect on the Group's financial position and performance.

(b) New/revised HKFRSs that have been issued and have been early adopted

Amendments to HKAS 36 – Recoverable Amount Disclosures

The amendments limit the requirements to disclose the recoverable amount of an asset or cash generating unit ("CGU") to those periods in which an impairment loss has been recognised or reversed, and expand the disclosures where the recoverable amount of impaired assets or CGUs has been determined based on fair value less costs of disposal. The amendments are effective for annual periods commencing on or after 1 January 2014. The Group has early adopted the amendments to HKAS 36 in the current period.

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

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

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ¹
HK (IFRIC) 21	Levies ¹
HKFRS 9	Financial Instruments
HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle ³
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle ²

¹ *Effective for annual periods beginning on or after 1 January 2014*

² *Effective for annual periods beginning on or after 1 July 2014*

³ *Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014*

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement.

HKFRS 9 – Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

The financial statements have been prepared under the historical cost basis.

(c) Functional and presentation currency

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

4. SEGMENT REPORTING

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

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

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

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-makers for assessment of segment performance.

(a) Reportable segments

	Metal and minerals trading		Ores processing and trading		Mining		Development of electric bus		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	<u>68,233</u>	<u>261,613</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>68,233</u>	<u>261,613</u>
Reportable segment loss	<u>(11,473)</u>	<u>(5,111)</u>	<u>(8,059)</u>	<u>(10,191)</u>	<u>(2,443)</u>	<u>-</u>	<u>(6,404)</u>	<u>-</u>	<u>(28,379)</u>	<u>(15,302)</u>
Share of loss of an associate	<u>(69)</u>	<u>(80)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(69)</u>	<u>(80)</u>
Interest income	-	1	-	1	-	-	-	-	-	2
Unallocated income									43	-
Total interest income									<u>43</u>	<u>2</u>
Depreciation	-	-	(3,620)	(7,166)	(48)	-	-	-	(3,668)	(7,166)
Unallocated expenses									(27)	(26)
Total depreciation									<u>(3,695)</u>	<u>(7,192)</u>
Write off of prepayments	<u>-</u>	<u>-</u>	<u>(459)</u>	<u>(3,945)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(459)</u>	<u>(3,945)</u>
Reportable segment assets	<u>33,433</u>	<u>67,934</u>	<u>162,369</u>	<u>222,138</u>	<u>2,854,360</u>	<u>-</u>	<u>41,456</u>	<u>-</u>	<u>3,091,618</u>	<u>290,072</u>
Interests in associates	<u>511</u>	<u>613</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>511</u>	<u>613</u>
Additions to non-current assets	-	-	4	1,058	9	-	526	-	539	1,058
Unallocated assets									136	29
Total additions to non-current assets									<u>675</u>	<u>1,087</u>
Reportable segment liabilities	<u>(5,273)</u>	<u>(51,561)</u>	<u>(2,210)</u>	<u>(3,514)</u>	<u>(130,405)</u>	<u>-</u>	<u>(2,065)</u>	<u>-</u>	<u>(139,953)</u>	<u>(55,075)</u>

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Revenue		
Reportable segment revenue and consolidated revenue	<u>68,233</u>	<u>261,613</u>
Loss before income tax		
Reportable segment loss	(28,379)	(15,302)
Unallocated other income and gains	267	90
Unallocated share-based payments	–	(2,633)
Unallocated other corporate expenses	(10,699)	(6,492)
Finance costs	<u>(2,202)</u>	<u>(2,944)</u>
Consolidated loss before income tax	<u>(41,013)</u>	<u>(27,281)</u>
Assets		
Reportable segment assets	3,091,618	290,072
Unallocated corporate assets*	<u>262,056</u>	<u>3,435</u>
Consolidated total assets	<u>3,353,674</u>	<u>293,507</u>
Liabilities		
Reportable segment liabilities	139,953	55,075
Unallocated corporate liabilities	<u>1,360</u>	<u>979</u>
Consolidated total liabilities	<u>141,313</u>	<u>56,054</u>

* *Unallocated corporate assets as at 31 March 2014 mainly represent cash and bank balances held by the Company of approximately HK\$256,097,000.*

(c) **Geographic information**

During the years ended 31 March 2014 and 2013, the Group's business revenue, based on where the customers were located, was all generated from the People's Republic of China (the "PRC").

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

	Specified non-current assets	
	2014	2013
	HK\$'000	HK\$'000
PRC, including Hong Kong	2,853,937	79
Chile	156,801	187,151
Asia Pacific	511	613
	<u>3,011,249</u>	<u>187,843</u>

For the year ended 31 March 2014, sales to two (2013: two) customers in the metal and minerals trading segment was HK\$28,034,000 and HK\$40,199,000 (2013: HK\$182,420,000 and HK\$56,456,000) respectively which accounted for more than 10% of the Group's revenue.

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:

	2014	2013
	HK\$'000	HK\$'000
Turnover		
Sale of metals and minerals	<u>68,233</u>	<u>261,613</u>
Other income and gains		
Rental income	2,740	2,698
Income from trading ore in Chile	1,000	–
Sundry income	228	90
Exchange gains, net	159	–
Interest income	43	2
Service fee income (<i>Note</i>)	–	10,154
Gain on disposal of property, plant and equipment	–	496
	<u>4,170</u>	<u>13,440</u>

Note: In 2013, 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.

6. FINANCE COSTS

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Bank charges and trust receipt loans interest	470	2,944
Interest expenses (<i>Note</i>)	<u>1,732</u>	<u>–</u>
	<u>2,202</u>	<u>2,944</u>

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

7. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Auditor's remuneration	1,205	886
Write-off of prepayments	459	3,945
Write-off of other receivables	–	235
Exchange losses, net	–	269
Operating lease rentals on leasehold land and buildings	3,703	3,408
Depreciation of property, plant and equipment	<u>3,695</u>	<u>7,192</u>
Staff costs (excluding directors' remuneration)		
– Salaries and allowances	9,374	10,210
– Other benefits	338	233
– Share-based payments	–	2,633
– Pension contributions	<u>163</u>	<u>269</u>
	<u>9,875</u>	<u>13,345</u>
Directors' remuneration		
– Salaries and allowances	2,080	2,064
– Fees	300	300
– Pension contribution	<u>30</u>	<u>28</u>
	<u>2,410</u>	<u>2,392</u>

8. INCOME TAX

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

As at 31 March 2014, subject to the agreement by the Hong Kong Inland Revenue Department, the Group had unused tax losses of HK\$38,456,000 (2013: HK\$46,031,000) available for offset against future profits. No deferred tax asset has been recognised in respect of these losses and temporary differences due to the unpredictability of future profit streams. Such losses may be carried forward indefinitely.

9. DIVIDEND

No dividend has been proposed or paid by the Company in respect of the year ended 31 March 2014 (2013: Nil).

10. LOSS PER SHARE

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company	<u>(35,986)</u>	<u>(23,209)</u>
	2014 <i>Number</i>	2013 <i>Number</i>
Weighted average number of ordinary shares in issue*	<u>1,843,904,355</u>	<u>1,384,396,800</u>

* The calculation of weighted average number of ordinary shares include the weighted average number of 3.88 billion ordinary shares to be issued upon full conversion of the Convertible Notes issued on 28 February 2014 for the acquisition of South China Mining Investments Limited (“South China Mining”) 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 is exercised.

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

11. ACCOUNTS RECEIVABLE

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

	The Group	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 month	<u>2,020</u>	<u>22,737</u>

The credit period granted by the Group to customers is 30 days.

As at 31 March 2014, accounts receivable of HK\$2,020,000 (2013: HK\$22,737,000) were neither past due nor impaired.

12. ACCOUNTS PAYABLE

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

	The Group	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 month	<u>–</u>	<u>22,737</u>

The credit period from the Group's trade creditors is 30 days.

13. SHARE CAPITAL

	2014		2013	
	<i>Number of shares</i>	<i>HK\$'000</i>	<i>Number of shares</i>	<i>HK\$'000</i>
Authorised:				
Ordinary shares of HK\$0.01 each	<u>50,000,000,000</u>	<u>500,000</u>	<u>50,000,000,000</u>	<u>500,000</u>
Issued and fully paid:				
At beginning of year	1,384,396,800	13,844	1,384,396,800	13,844
Placing of shares (<i>note (i)</i>)	605,350,000	6,053	–	–
Consideration shares issued for the acquisition of subsidiaries	120,000,000	1,200	–	–
Conversion of convertible notes (<i>note (ii)</i>)	100,000,000	1,000	–	–
Exercise of share options (<i>note (iii)</i>)	<u>1,000,000</u>	<u>10</u>	<u>–</u>	<u>–</u>
At end of year	<u>2,210,746,800</u>	<u>22,107</u>	<u>1,384,396,800</u>	<u>13,844</u>

Notes:

- (i) During the year ended 31 March 2014, 605,350,000 new ordinary shares of par value of HK\$0.01 each were issued at a subscription price of HK\$0.6 each to independent third parties at an aggregate consideration of HK\$352,285,000 (net of share issue expenses of HK\$10,925,000) of which approximately HK\$6,053,000 was credited to share capital and the remaining balance of approximately HK\$346,231,000 (net of share issue expenses) was credited to share premium account.
- (ii) The Company's convertible notes with principal value of HK\$75,000,000 were converted into 100,000,000 ordinary shares of the Company at the conversion prices of HK\$0.75 per share, of which HK\$1,000,000 was credited to share capital and the remaining balance of HK\$65,241,000 was credited to share premium account.
- (iii) During the year ended 31 March 2014, options were exercised to subscribe for 1,000,000 ordinary shares in the Company at a total consideration of HK\$460,000 of which HK\$10,000 was credited to share capital and HK\$877,000 was credited to the share premium account. An amount of HK\$427,000 was transferred from the share options reserve to the share premium account following the exercise of the options.

There was no exercise of options during the year ended 31 March 2013.

14. SHARE-BASED PAYMENT TRANSACTIONS

The Company operates a share option scheme (the “Old Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operation.

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

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

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

Pursuant to the New Scheme, the board of directors is empowered, at its discretion, to invite any participant (defined in the New Scheme) to take up options to subscribe for shares in the Company. The period during which an option may be exercised will be determined by the directors at their discretion, save that no option may be exercised later than 10 years after it has been granted. Acceptance of the offer shall be within 21 days after the date of offer of the grant of options, upon payment of a nominal consideration of HK\$1. The maximum number of shares in respect of which options may be granted under the New Scheme may not exceed 10% of the aggregate of the shares of the Company in issue as at 30 August 2013, the date of approval of the New Scheme by an ordinary resolution of the shareholders. Pursuant to the New Scheme, the above limit can be further refreshed by the shareholders. However, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme shall not exceed 30% of the shares in issue from time to time. The subscription price of the share options shall not be less than the higher of (i) the closing price of the shares on the Stock Exchange on the date of offer; (ii) the average closing price of the shares on the Stock Exchange for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the shares.

There was no share option granted under the New Scheme during the year.

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

Date of offer of grant	At	Exercised	Lapsed/ forfeited	At	Exercised	Lapsed/ forfeited	At	Exercise price	Closing price		Vesting period
	01/04/2012	during the year	during the year	31/03/2013	during the year	during the year	31/03/2014		at date of offer of grant	Exercise period	
11/07/2007	43,500,000	-	-	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	-	-	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	-	-	65,900,000	(1,000,000)	(500,000)	64,400,000	HK\$0.46	HK\$0.45	16/12/2009 to 15/12/2019	N/A
	<u>114,400,000</u>	<u>-</u>	<u>-</u>	<u>114,400,000</u>	<u>(1,000,000)</u>	<u>(11,000,000)</u>	<u>102,400,000</u>				

The weighted average remaining contractual life of options outstanding at the end of the year was 4.83 years (2013: 5.69 years).

Of the total number of options outstanding at the end of the year, 102,400,000 (2013: 114,400,000) were exercisable at the end of the year.

In respect of the share options exercised during the year ended 31 March 2014, the weighted average share price at the dates of exercise was HK\$0.76 (2013: Nil).

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.

Fair value of share options and assumptions:

	11 July 2007	Offer of grant at 18 September 2007	16 December 2009
Fair value at measurement date	HK\$0.65	HK\$2.63	HK\$0.43
Share price at the date of offer of grant	HK\$0.86	HK\$2.90	HK\$0.45
Exercise price	HK\$0.86	HK\$2.95	HK\$0.46
Expected volatility	160.11%	163.08%	125.98%
Expected life	2 years	2.53 to 6.53 years	10 years
Expected dividend rate	0%	0%	0%
Risk-free interest rate	4.757%	4.272%	2.387%

There is no equity-settled share-based payment expense (2013: HK\$2,633,000) recognised during the year.

15. NON-CONTROLLING INTERESTS

The table below shows details of non-wholly-owned subsidiaries of the Company that have material non-controlling interests:

Name of subsidiary	Proportion of ownership interests held by non-controlling interests		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
	2014	2013	2014	2013	2014	2013
			<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Dynamic Union International Limited	49%	–	416	–	15,329	–
Tong Guan La Plata Company Limited	40%	40%	(11,230)	(2,596)	90,653	101,883
Individually immaterial subsidiaries with non-controlling interests					(1,404)	–
					<u>104,578</u>	<u>101,883</u>

Summarised financial information in respect of the Company subsidiaries that has material non-controlling interest is set out below. The summarised financial information below represents amounts before intra-group eliminations.

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Dynamic Union International Limited		
Current assets	18,703	–
Non-current assets	12,625	–
Current liabilities	(45)	–
Equity attributable to owners of the Company	<u>15,954</u>	<u>–</u>
Non-controlling interests	<u>15,329</u>	<u>–</u>
Revenue	<u>–</u>	<u>–</u>
Expenses	<u>–</u>	<u>–</u>
Loss for the year	<u>(849)</u>	<u>–</u>
Loss attributable to owners of the Company	(433)	–
Loss attributable to the non-controlling interests	<u>(416)</u>	<u>–</u>
Loss for the year	<u>(849)</u>	<u>–</u>
Total comprehensive income attributable to owners of the Company	(433)	–
Total comprehensive income attributable to the non-controlling interests	<u>(416)</u>	<u>–</u>
Total comprehensive income for the year	<u>(849)</u>	<u>–</u>
Dividends paid to non-controlling interests	<u>–</u>	<u>–</u>
Net cash outflow from operating activities	(11,936)	–
Net cash inflow from financing activities	<u>20,004</u>	<u>–</u>
Net cash inflow	<u>8,068</u>	<u>–</u>

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Tong Guan La Plata Company Limited		
Current assets	114,866	120,773
Non-current assets	183,061	217,999
Current liabilities	(2,224)	(3,523)
Equity attributable to owners of the Company	<u>205,050</u>	<u>233,366</u>
Non-controlling interests	<u>90,653</u>	<u>101,883</u>
Revenue	<u>3,918</u>	<u>13,268</u>
Expenses	<u>(11,971)</u>	<u>(23,451)</u>
Loss for the year	<u>(8,053)</u>	<u>(10,183)</u>
Loss attributable to owners of the Company	(4,831)	(6,110)
Loss attributable to the non-controlling interests	<u>(3,222)</u>	<u>(4,073)</u>
Loss for the year	<u>(8,053)</u>	<u>(10,183)</u>
Other comprehensive income attributable to owners of the Company	(23,485)	3,529
Other comprehensive income attributable to the non-controlling interests	<u>(8,008)</u>	<u>2,352</u>
Other comprehensive income for the year	<u>(31,493)</u>	<u>5,881</u>
Total comprehensive income attributable to owners of the Company	(28,316)	(2,581)
Total comprehensive income attributable to the non-controlling interests	<u>(11,230)</u>	<u>(1,721)</u>
Total comprehensive income for the year	<u>(39,546)</u>	<u>(4,302)</u>
Dividends paid to non-controlling interests	<u>–</u>	<u>–</u>
Net cash (outflow)/inflow from operating activities	(27,295)	978
Net cash (outflow)/inflow from investing activities	<u>(3)</u>	<u>494</u>
Net cash (outflow)/inflow	<u>(27,298)</u>	<u>1,472</u>

16. BUSINESS COMBINATION

On 5 March 2014, the Group subscribed 510 newly issued ordinary shares of Dynamic Union International Limited (“Dynamic Union”), in consideration of HK\$20,000,000 and held 51% equity interest of Dynamic Union thereafter. The principal activities of Dynamic Union and its subsidiary, Green Dynamic Electric Vehicle Limited (“Green Dynamic”), are to carry out a research and development project to co-develop localised electric buses with the Hong Kong Productivity Council. The purpose of the acquisition is to diversify the Group’s businesses to new energy sector.

The fair value of identifiable assets and liabilities of the acquiree as at 5 March 2014, the date of acquisition, were:

	<i>HK\$'000</i>	<i>HK\$'000</i>
Technical know-how recognised upon fair value adjustments	12,128	
Other receivables	4	
Cash and bank balances	20,000	
Non-controlling interests	<u>(15,745)</u>	
		16,387
The fair value of consideration transferred:		
Cash and bank balances	<u>20,000</u>	
		<u>20,000</u>
Goodwill		<u><u>3,613</u></u>
Net cash outflow arising on acquisition:		
Cash consideration paid		(20,000)
Cash and cash equivalents acquired		<u>20,000</u>
		<u><u>–</u></u>

The fair value of technical know-how of HK\$12,128,000 at the date of acquisition was determined by an independent professional valuer, Ascent Partners Valuation Service Limited.

The goodwill of HK\$3,613,000, which is not deductible for tax purposes, comprises the acquired workforce and the value of expected synergies arising from the combination of the acquired business with the existing operations of the Group.

Since the acquisition date, Dynamic Union has no revenue and contributed loss of HK\$849,000 to the Group's profit or loss. If the acquisition had occurred on 1 April 2013, the Group's revenue and loss would have been the same as the Group's revenue and loss for the year ended 31 March 2014 because Dynamic Union had no revenue or loss prior to its acquisition date.

Subsequent to the subscription of new shares on 5 March 2014, the Dynamic Union non-controlling interests ("NCIs") own 49% of the issued share capital of Dynamic Union.

On 12 March 2014, the Dynamic Union NCIs granted a call option to CE Investment Limited ("CEI"), a wholly owned subsidiary of the Company, to call the entire 49% equity interest on Dynamic Union owned by the Dynamic Union NCIs ("Call Option"). Completion of the granting of Call Option is subject to obtaining the approval of the Company's shareholders in a special general meeting and the listing approval from the Stock Exchange. Exercisable period of the Call Option is 5 years from the date of the Call Option. Upon exercise of the Call Option, CEI has to arrange 267 million shares of the Company at a consideration price of HK\$0.95 each. The total consideration is HK\$253,650,000.

On the same date, CEI wrote a put option to the Dynamic Union NCIs to put the entire 49% equity interest on Dynamic Union owned by the Dynamic Union NCIs to CEI ("Put Option"). Completion of the granting of Put Option is subject to obtaining the approval of the Company's shareholders in a special general meeting and the listing approval from the Stock Exchange. The special general meeting was held and the shareholders' approval was obtained on 5 May 2014. Exercisable period of the Put Option is 5 years from the date of the Put Option. Upon exercise of the Put Option, the exercise price shall be equal to 49% of the target value (which represents 6 times of the average of audited annual consolidated net profit after taxation and before extraordinary items of the acquired group in three consecutive financial years within the exercisable period) but not more than HK\$253,650,000 to be settled by the issue of 267 million shares of the Company at consideration price of HK\$0.95 each.

As at the end of the reporting period, the Call Option and Put Option were subject to the fulfillment of certain conditions precedents and not exercisable.

17. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES

Details of the fair value of net assets acquired in respect of the acquisition of South China Mining and its subsidiaries are as follows:

	<i>HK\$'000</i>	<i>HK\$'000</i>
Net assets acquired:		
Property, plant and equipment	2,039	
Mining assets	2,832,944	
Other receivables, deposits and prepayments	13,413	
Cash and bank balances	<u>5,013</u>	
		2,853,409
<i>Less:</i> Loan from former shareholder of South China Mining	138,565	
Other payables and accruals	2,082	
Amount due to a related company	<u>38,204</u>	
		<u>(178,851)</u>
		<u><u>2,674,558</u></u>
Consideration satisfied by:		
Issue of new shares of the Company, at fair value (<i>Note (i)</i>)		104,400
Issue of Convertible Notes		<u>2,570,158</u>
Total consideration, at fair value		<u><u>2,674,558</u></u>
Net cash inflow arising on acquisition:		
Cash and cash equivalents acquired		<u><u>5,013</u></u>

Note:

- (i) The fair value of 120,000,000 ordinary shares of the Company issued as part of the consideration was determined with reference to the market price of HK\$0.87 of the Company's shares at the completion date, at the total fair value of HK\$104,400,000 of which HK\$1,200,000 was credited to share capital and the remaining balance of HK\$103,200,000 was credited to the share premium account.

On 28 February 2014, the Group acquired the entire issued share capital of South China Mining at a total nominal consideration of HK\$3 billion of which (i) HK\$90 million was settled by the allotment and issue of 120 million consideration shares at the issue price of HK\$0.75 per consideration share to the vendors; (ii) HK\$2.91 billion was settled by the issue of Convertible Notes to the vendor. The principal activity of South China Mining is investment holding and owns the Glauberite mine through its direct shareholding in its subsidiaries. One of the vendors of South China Mining is a corporate jointly owned by two directors of the Company. Further details are set out in the Company's circular dated 11 October 2013.

The acquisition of South China Mining and its subsidiaries did not constitute an integrated set of activities and assets as no significant process was acquired. In the opinion of the directors of the Company, the acquisition was in substance an acquisition of assets and liabilities, being holding of mining rights in Guangxi Province in the PRC and its associated assets and liabilities through acquisition of subsidiaries.

Since the acquisition was considered as an acquisition of assets and liabilities and the consideration is settled by the Company's equity instruments comprising the Company's shares and Convertible Notes which was an equity-settled share-based payment transaction and accordingly the fair value of the equity instruments recognised in the acquisition should be determined based on the fair value of the assets and liabilities acquired.

18. CAPITAL COMMITMENTS

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

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Acquisition of property, plant and equipment	3,489	3,464
Capital expenditure in respect of the construction of the ores processing plant	3,739	3,771
Capital expenditure in respect of the mining operations	216	–
	<u>7,444</u>	<u>7,235</u>

19. RELATED PARTY TRANSACTIONS

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

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

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

There were no purchases from CAH during the years ended 31 March 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.

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

20. 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 31 March 2014 and 2013.

21. EVENTS AFTER THE REPORTING PERIOD

- (i) In a special general meeting held on 5 May 2014, the Company’s shareholders approved CEI which is a wholly owned subsidiary of the Company to enter into an option deed to grant the put option to the non-controlling interests of Dynamic Union to sell the 49% equity interest of Dynamic Union at the consideration equal to 49% of 6 times of the average of audited annual consolidated net profit after taxation and before extraordinary items of Dynamic Union in three consecutive financial years, at a consideration of but not more than HK\$253,650,000.
- (ii) The Company entered into a subscription agreement on 18 June 2014 with the subscriber, pursuant to which the subscriber conditionally agreed to subscribe for and the Company conditionally agreed to issue an aggregate of 96,000,000 subscription shares at a price of HK\$0.92 per subscription share. Further details are set out in the Company’s announcement on 18 June 2014.

RESULTS

During the year ended 31 March 2014, the Group recorded a turnover of approximately HK\$68.2 million (2013: HK\$261.6 million). The decrease in turnover was mainly due to the decrease in sales volume and selling price of nickel ores during the year.

The Group has continued to concentrate its trading in nickel ores during the year. Gross profit margin decreased from 5.2% in last year to 3.2% in this current year. The decrease in gross profit margin was mainly due to the decrease in selling price of nickel ores during the year. As a result, the gross profit decreased to approximately HK\$2.2 million (2013: HK\$13.7 million).

The Group recorded a loss of approximately HK\$41.0 million for the year as compared to a loss of HK\$27.3 million in last year. Such an increase in loss was mainly due to the decrease in gross profit as discussed above and the decrease in other income and gains to approximately HK\$4.2 million (2013: HK\$13.4 million). Other income and gains in last year mainly comprised of the income from rendering engineering services in Chile amounting to HK\$10.2 million. No such service was performed in the current period and hence other income and gains was significantly decreased.

The loss attributable to the owners of the Company was approximately HK\$36.0 million (2013: HK\$23.2 million). Basic and diluted loss per share for the year was HK\$0.0195 per share (2013: HK\$0.0168 per share).

DIVIDEND

The directors of the Company do not recommend the payment of any dividend for the year ended 31 March 2014.

BUSINESS REVIEW

Metals and minerals trading

During the year, the metal and mineral industry did not have enough momentum to drive significant rebound in demand. Hence the Group's metals and minerals trading business had inevitably been affected by the slack economy and thus the Group's turnover significantly decreased. Despite that, the Group has continued to focus on trading in minerals such as nickel ores that was less affected by the prevailing economic atmosphere. The Group believes that the current slow demand is a normal economic cycle, and is confident that the economy of PRC will continue to grow and urbanization will keep pace, and thus a continuous demand in metals and minerals. The Group will continue to monitor and respond to the market demand, and will adjust its trading products mix from time to time.

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. After the financial crisis, 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 recently, the Delegate is for the purpose of reporting and proposing further measures to solve the water scarcity issues especially in the affected area.

The Group had obtained a legal opinion from our 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 the 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.

Mining and production of mineral products

As mentioned in previous annual reports, an agreement was entered into between the Company and the vendors in respect of a very substantial acquisition and a connected transaction of the Company on 29 March 2012 (the "Acquisition"). The transaction is to acquire a target company, South China Mining which is the beneficiary of a glauberite mine located in Guangxi, the PRC.

The product of the glauberite mine is thenardite which is an important raw material used in chemical and light industrial manufacturing industries. The Group expects that there will be an increasing thenardite demand in the PRC as a result of the continuing urbanisation in the PRC. The 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. It was expected that the acquisition will present the Group with favourable long term prospects.

The Acquisition was approved by independent shareholders at the special general meeting of the Company held on 30 October 2013 and all the conditions of the Acquisition were fulfilled and completed on 28 February 2014 (the "Completion"). The glauberite mine is currently undergoing development in accordance with its development plan. The mineral resources has not changed since its Completion, details of the resources are stated in the "Mineral Resources" section below.

Mineral resources and ore reserves

As at 31 March 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 31 March 2014.

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

Notes:

- (1) The effective date of the Mineral Resource is 31 May 2013. All tonnages are rounded to the nearest million tonnes to reflect the inherent level of confidence associated with the resources estimation. The Mineral Resource was estimated within constraining wireframe solids based on geological limits of the mineralised and internal waste units. Nominal cut off for defining the geological unit is 10% Na₂SO₄. The mineral resource estimate is in accordance with JORC Code with an effective date of 31 May 2013. Since no additional work has been done to add to the geological data set, nor has the resource been depleted through mining, the resource as at 31 March 2014 remains unchanged.

(2) Competent person statement:

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

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

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

Electronic 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 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 characterized 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, through its subsidiary, has successfully bidden a tender from the Hong Kong Productivity Council (“HKPC”) in February 2014 for the design, supply and fabrication of 4 sets of Permanent Magnet Synchronized Motor System and Power Battery System for electric buses (“eBus”). The HKPC eBus project is expected to be completed in ten months’ time. 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. In view of the tremendous market potential in electric vehicles market, the Group had decided to further invest in the industry and subscribe for 51% shareholdings in Dynamic Union and Green Dynamic (collectively referred to as “GDEV”) during the year. GDEV is a company which develops pure electric buses including the eBus project through the collaboration with HKPC. In March 2014, the Group had further entered into a call option with GDEV to acquire the remaining 49% shareholdings in GDEV, and at the same time a put option to GDEV for disposing the 49% to the Group at a consideration based on a mutually pre-determined profit generation criteria (“Option Deeds”). The Option Deeds was passed by shareholders at a special general meeting on 5 May 2014. The Board believes that the Option Deeds is beneficial to the Group in terms of being able to acquire the whole interest of eBus project which will facilitate good future development opportunity in electric buses markets.

The Group had entered into a term sheet with Rimac Automobili d.o.o (“Rimac”) in March 2014 for subscribing 10% of its enlarged shareholdings (“Subscription”). Rimac is a company incorporated in the Republic of Croatia with limited liability and is principally engaged in researching, designing, developing, manufacturing, marketing and selling (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 for powertrains and battery technology systems. The Subscription has not yet been completed as at the date of this announcement. The Group believes that the Subscription represents a good horizontal business expansion opportunity into passenger EV markets in addition to the eBus public transport fleet markets.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATE COMPANIES

On 20 December 2013, the Group entered into a shareholders' agreement with Environtech Resources Limited ("ERL"), pursuant to which (i) the Group sold to ERL 49% equity interest in Sinocop Environtech Energy Resources Limited ("SEER") (prior to such disposal, being a wholly-owned subsidiary of the Company) for a consideration of US\$49; and (ii) ERL sold to SEER the Balanced Magnetic Pulsation ("BMP") at a consideration of HK\$1,500,000. BMP is a technique developed by the founder of ERL on recycling of waste oil into usable oils through the BMP unit. Since completion of the above disposals, the Group owns 51% equity interest in SEER. However, pursuant to applicable accounting principles, by virtue of the arrangements under the relevant shareholder's agreement, the financial statements of SEER has ceased to be consolidated into the Group and instead have been accounted for as a jointly controlled entity of the Company.

Also, on the same date, SEER entered into an agreement with the founder of ERL, pursuant to which (i) SEER purchased 20% equity interest in Environtech Services Asia Limited ("ESA") at a consideration of HK\$115,000; and (ii) SEER is given a call option in respect of the remaining 80% shareholding in ESA at a consideration of HK\$459,000. ESA obtain the benefits of the research conducted in respect of the oil sludge subsystem, which is a technique on the treatment of oil sludge.

Both the BMP unit and the oil sludge subsystem are a technical knowhow and the businesses have still not yet been commenced as at the date of this announcement.

On 28 February 2014, the Group completed the acquisition of 100% of the issued share capital of South China Mining, which was satisfied by (i) the allotment and issue of 120 million consideration shares of the Company to the vendors and their nominees; and (ii) the issue of convertible notes in the principal amount of HK\$2,910 million by the Company to the vendors and their nominees. South China Mining became a wholly-owned subsidiary of the Company.

On 5 March 2014, the Group completed the acquisition of 51% equity interest in GDEV at a subscription price of HK\$20 million. GDEV became a subsidiary of the Company.

On 12 March 2014, the Group had further entered into a call option with GDEV to acquire the remaining 49% shareholdings in GDEV, and at the same time a put option to GDEV for disposing the 49% to the Group at a consideration based on a mutually pre-determined profit generation criteria. The put option was passed by shareholders at a special general meeting on 5 May 2014.

Save as disclosed above, there was no material acquisition or disposal of subsidiaries and associate companies during the year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2014, the net asset value of the Group amounted to approximately HK\$3,212.4 million (2013: HK\$237.5 million). As at 31 March 2014, the gearing ratio of the Group was nil (2013: nil) and the equity attributable to the owners of the Company was HK\$3,107.8 million (2013: HK\$135.6 million).

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 year ended 31 March 2014, the Group has earned continuous support to raise fund by placing new shares. These additional funds serve as significant financial support for enhancing liquidity and future development. Details of the placings are summarized as below:

- i) On 15 November 2013, the Company issued 132,000,000 new shares of HK\$0.01 each to independent third parties at a price of HK\$0.6 per share under the general mandate granted to the directors of the Company at the annual general meeting of the Company held on 30 August 2013. The net proceeds of approximately HK\$76.7 million were used for the general working capital purpose and future potential investments.
- ii) On 23 December 2013, the Company issued 51,050,000 new shares of HK\$0.01 each to independent third parties at a price of HK\$0.6 per share under the general mandate granted to the directors of the Company at the annual general meeting of the Company held on 30 August 2013. The net proceeds of approximately HK\$29.6 million were used for the general working capital purpose and future potential investments.

- iii) On 12 February 2014, the Company issued 89,000,000 new shares of HK\$0.01 each to independent third parties at a price of HK\$0.6 per share under the general mandate granted to the directors of the Company at the annual general meeting of the Company held on 30 August 2013. The net proceeds of approximately HK\$51.6 million were used for the general working capital purpose and future potential investments.
- iv) On 14 February 2014, the Company issued 107,350,000 new shares of HK\$0.01 each to independent third parties at a price of HK\$0.6 per share under the special mandate granted to the directors of the Company at the special general meeting of the Company held on 30 October 2013. The net proceeds of approximately HK\$62.3 million were used for the glauberite mine project in Guangxi, the PRC.
- v) On 28 February 2014, the Company issued 225,950,000 new shares of HK\$0.01 each to independent third parties at a price of HK\$0.6 per share under the special mandate granted to the directors of the Company at the special general meeting of the Company held on 30 October 2013. The net proceeds of approximately HK\$131.3 million were used for the glauberite mine project in Guangxi, the PRC.

Subsequent to the reporting date, on 7 April 2014, the Company further issued 450,000,000 new shares at a placing price of HK\$0.83, details of which are set out in the section headed “event after the reporting date” below.

As at 31 March 2014, the Group had cash and bank balances of approximately HK\$276.0 million (2013: HK\$40.6 million), no bank deposit (2013: 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

Although the current slack economy will inevitably affect the demand of metal and minerals, nevertheless, the economy in the PRC is still expected to grow gradually within the expected course and accordingly, the directors remain cautiously optimistic about the trend of the PRC economic growth in the foreseeable future and hence the future prospects of the Group's metals and minerals trading business in the long run.

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.

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. It was expected that the acquisition will present the Group with favourable long term prospects.

Energy demand and consumption is a key factor for economic development, but it will inevitably deteriorate air quality and intensify abnormal climate. The smog and haze in the PRC signify the urgency in tackling a balance between energy consumption and economic development, as well as the importance of enhancing the usage of alternative energy such as new energy vehicles and products. Premier of the PRC, Mr. Li Keqiang, said in his speech at the recent National People's Congress in Beijing that the PRC government would "declare war" on pollution. It would focus, in part, on reducing PM2.5, the fine particles of pollutants thought to be 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. The directors are confident that the Group's eBus and EVs business will offer a good business opportunity and prospect.

CHARGES ON THE GROUP'S ASSETS AND CONTINGENT LIABILITIES

At 31 March 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 31 March 2014, the Group employed 46 (2013: 44) full time managerial and skilled staff principally in Hong Kong, the PRC and Chile.

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

EVENT AFTER THE REPORTING DATE

On 4 March 2014, the Company entered into a placing agreement with a placing agent to place, on a best effort basis, a maximum of 450,000,000 shares to not less than six independent places at a price range of HK\$0.73 to HK\$0.83 per placing share. A specific mandate to issue the placing shares have been sought from the Shareholders at the special general meeting on 2 April 2014. The placing was completed on 7 April 2014 in accordance with the terms and conditions of the placing agreement at the final placing price of HK\$0.83 per placing share. The net proceeds from the placing were approximately HK\$362.1 million.

On 11 April 2014, the Company granted 100,000,000 share options under the Company's share option scheme adopted on 30 August 2013 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.

On 5 May 2014, a special general meeting of the Company was held and the Company's shareholders approved CEI, which is a wholly owned subsidiary of the Company, to enter into a put option deed with the non-controlling interests of Dynamic Union to sell the 49% equity interest of Dynamic Union at the consideration based on a mutually pre-determined profit generation criteria.

On 18 June 2014, the Company entered into a subscription agreement with a subscriber, pursuant to which the subscriber conditionally agreed to subscribe for 96,000,000 shares at a subscription price of HK\$0.92 per subscription share under a general mandate. The net proceeds from the subscription were approximately HK\$88.20 million. The subscription have not been completed up to the date of this announcement.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules. The Company has applied the principles in the Code and complied with the code provisions set out in the Code for the year ended 31 March 2014 except that the roles of chairman and chief executive officer are not separated and are performed by the same individual as the Board considered that non-segregation would not result in considerable concentration of power.

CODE OF CONDUCT ON DIRECTORS' SECURITIES TRANSACTIONS

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

Specific enquiry has been made of all the directors of the Company who have confirmed in writing their compliance with the required standards set out in the Model Code during the year ended 31 March 2014.

AUDIT COMMITTEE

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

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2014 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

PUBLICATION

The Company's 2014 annual report which set out all the information required to be disclosed under Appendix 16 of the Listing Rules, will be published on the website of the Company and the Stock Exchange in due course.

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

Hong Kong, 23 June 2014

As at the date of this announcement, the Board comprises two executive Directors, namely Messrs. Cheung Ngan and Chan Chung Chun, Arnold, one non-executive Director, namely Mr. Li Shaofeng and three independent non-executive Directors, namely Messrs. Chan Francis Ping Kuen, Hu Guang and Chan Chak Paul.