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 2018

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 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2018

	Notes	**2018** **HK$'000**	2017 *HK$'000* (re-presented)
Continuing operations			
Revenue	*5*	**59,568**	126,108
Cost of sales		**(58,732)**	(120,301)
Gross profit		**836**	5,807
Other income	*5*	**4,718**	5,553
Selling and distribution expenses		**(2,234)**	(2,397)
Administrative and other expenses		**(170,488)**	(145,973)
Impairment loss on mining assets		**(104,048)**	–
Change in fair value of financial assets at fair value through profit or loss		**(255)**	(1,663)
Finance costs	*6*	**(690)**	(867)
Loss before income tax	*7*	**(272,161)**	(139,540)
Income tax credit	*8*	**2,241**	172
Loss for the year from continuing operations		**(269,920)**	(139,368)

	Notes	2018 HK$'000	2017 HK$'000 (re-presented)
Discontinued operations			
Loss for the year from discontinued operations		**(129,677)**	(3,315)
Loss for the year		**(399,597)**	(142,683)
Other comprehensive income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**319,492**	(184,459)
Total comprehensive income for the year		**(80,105)**	(327,142)
Loss attributable to:			
Owners of the Company			
Loss for the year from continuing operations		**(244,055)**	(116,419)
Loss for the year from discontinued operations		**(77,806)**	(1,989)
Loss for the year attributable to owners of the Company		**(321,861)**	(118,408)
Non-controlling interests			
Loss for the year from continuing operations		**(25,865)**	(22,949)
Loss for the year from discontinued operations		**(51,871)**	(1,326)
Loss for the year attributable to non-controlling interests		**(77,736)**	(24,275)
		(399,597)	(142,683)
Total comprehensive income attributable to:			
– Owners of the Company		**(8,380)**	(299,224)
– Non-controlling interests		**(71,725)**	(27,918)
		(80,105)	(327,142)
Loss per share from continuing and discontinued operations			
– Basic and diluted *(HK$)*		**(0.07)**	(0.03)
Loss per share from continuing operations			
– Basic and diluted *(HK$)*	*10*	**(0.05)**	(0.03)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		**75,846**	82,454
Construction in progress		**49,938**	90,239
Prepaid lease payments for land		**88,332**	49,237
Goodwill		**–**	34,245
Mining assets	*11*	**2,707,654**	2,537,127
Other intangible assets		**52,929**	70,158
Interests in associates		**–**	–
Interest in joint venture		**–**	4,380
Available-for-sale investments		**69,802**	69,802
Other receivables, deposits and prepayments		**20,273**	17,480
Value-added-tax recoverable		**–**	9,200
Total non-current assets		**3,064,774**	2,964,322
Current assets			
Inventories		**48,805**	45,694
Accounts receivable	*12*	**48,220**	33,055
Other receivables, deposits and prepayments		**72,247**	109,233
Financial assets at fair value through profit or loss		**1,353**	1,608
Prepaid lease payments for land		**1,691**	886
Cash and bank balances		**92,933**	202,174
		265,249	392,650
Assets classified as held for sale	*13*	**22,050**	–
Total current assets		**287,299**	392,650
Total assets		**3,352,073**	3,356,972

	Notes	2018 HK$'000	2017 HK$'000
Current liabilities			
Accounts payable	*14*	**29,100**	20,446
Other payables and accruals		**26,478**	26,096
Receipts in advance		**4,259**	11,429
Bank borrowings		**6,248**	11,276
Total current liabilities		**66,085**	69,247
Net current assets		**221,214**	323,403
Total assets less current liabilities		**3,285,988**	3,287,725
Non-current liabilities			
Deferred tax liabilities		**14,421**	15,151
Other payables		**68,274**	5,638
Total non-current liabilities		**82,695**	20,789
Total liabilities		**148,780**	90,036
NET ASSETS		**3,203,293**	3,266,936
Equity			
Share capital	*15*	**50,360**	44,460
Reserves		**3,126,186**	3,144,212
Equity attributable to owners of the Company		**3,176,546**	3,188,672
Non-controlling interests		**26,747**	78,264
TOTAL EQUITY		**3,203,293**	3,266,936

1. CORPORATION INFORMATION

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

The principal activity of the Company is investment holding. The Group is principally engaged in new energy business, mining, trading of metals and minerals and processing of raw ores which was discontinued in December 2017.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective 1 April 2017

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs 2014 – 2016 Cycle	Amendments to HKFRS 12, Disclosure of Interests in Other Entities

Amendments to HKAS 7 – Disclosure Initiative

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

The adoption of the amendments has led to the additional disclosure which will be presented in the annual report.

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

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

The adoption of the amendments has no impact on these financial statements as the clarified treatment is consistent with the manner in which the Group has previously recognised deferred tax assets.

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKFRS 12, Disclosure of Interests in Other Entities

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 12, Disclosure of Interests in Other Entities, to clarify that the disclosure requirements of HKFRS 12, other than the requirements to disclose summarised financial information, also apply to an entity's interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5, Non-Current Assets Held for Sale and Discontinued Operations.

The adoption of the amendments to HKFRS 12 has no impact on these financial statements as the latter treatment is consistent with the manner in which the Group has previously dealt with disclosures relating to its interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5.

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

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards[1]
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures[1]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[1]
HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[1]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HKFRS 16	Leases[2]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

[1] *Effective for annual periods beginning on or after 1 January 2018*

[2] *Effective for annual periods beginning on or after 1 January 2019*

[3] *The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.*

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, removing transition provision exemptions relating to accounting periods that had already passed and were therefore no longer applicable.

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

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKAS 28, Investments in Associates and Joint Ventures

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 28, Investments in Associates and Joint Ventures, clarifying that a venture capital organisation's permissible election to measure its associates or joint ventures at fair value is made separately for each associate or joint venture.

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

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

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

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

HKFRS 9 – Financial Instruments

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

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

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

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

Based on the Group's financial instruments and risk management policies as at 31 March 2018, the directors of the Company assess that the application of HKFRS 9 in the future will have an impact on the measurement of the Group's available-for-sale investments. The Group's available-for-sale investments, which are currently stated at cost less impairment, will be measured at FVTPL. For the Group's financial assets carried at amortised cost, based on the historical experience of the Group, the default rate of the outstanding balances with customers is low. However, the accumulated amount of the impairment loss to be recognised would still be increased resulting from the expected credit losses provision. Such further impairment recognised under expected credit loss model would increase the opening accumulated losses at 1 April 2018.

HKFRS 15 – Revenue from Contracts with customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

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

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

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

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

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

(i) There is consideration that is denominated or priced in a foreign currency;

(ii) The entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and

(iii) The prepayment asset or deferred income liability is non-monetary.

The Interpretations Committee came to the following conclusion:

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

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

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

HKFRS 16 – Leases

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

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

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

As at 31 March 2018, the Group has non-cancellable operating lease commitments of HK$18,691,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of these leases unless they qualify for short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments

The interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

The Group expects to adopt the amendment on 1 April 2019 and does not expect its adoption will have significant impact on the Group's financial position and performance.

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

The Group expects to adopt the amendments when they become effective and does not expect their adoption will have significant impact on the Group's financial position and performance.

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

4. SEGMENT REPORTING

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

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

Continuing operations:

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

Discontinued operations:

- Ores processing and trading.

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

(a) Reportable segments

	Continuing operations								Discontinued operations			
	Development of electric vehicles		Mining		Metal and minerals trading		Total		Ores processing and trading		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	59,568	97,339	–	–	–	28,769	59,568	126,108	–	–	59,568	126,108
Reportable segment loss	(110,216)	(99,604)	(115,572)	(10,941)	(19,482)	(4,419)	(245,270)	(114,964)	(129,677)	(3,315)	(374,947)	(118,279)
Interest income	1,059	452	1	1	–	21	1,060	474	–	–	1,060	474
Unallocated interest income											254	179
Total interest income											1,314	653
Depreciation	(8,756)	(9,236)	(480)	(753)	–	–	(9,236)	(9,989)	(362)	(236)	(9,598)	(10,225)
Unallocated depreciation expenses											(1,504)	(797)
Total depreciation											(11,102)	(11,022)
Amortisation	(13,366)	(4,179)	–	–	–	–	(13,366)	(4,179)	–	–	(13,366)	(4,179)
Impairment loss on goodwill	–	–	–	–	–	–	–	–	(38,162)	–	(38,162)	–
Impairment loss on other receivables	(727)	–	–	–	(15,678)	–	(16,405)	–	–	–	(16,405)	–
Impairment loss on assets held for sale	–	–	–	–	–	–	–	–	(84,547)	–	(84,547)	–
Impairment loss on other non-current assets	–	(5,000)	(104,048)	–	–	–	(104,048)	(5,000)	–	–	(104,048)	(5,000)
Impairment loss on inventories	(13,214)	(7,010)	–	–	–	–	(13,214)	(7,010)	–	–	(13,214)	(7,010)
Reportable segment assets	411,396	358,093	2,757,852	2,580,333	17,353	41,936	3,186,601	2,980,362	30,109	138,786	3,216,710	3,119,148
Additions to non-current assets	59,913	38,926	2,627	10,410	–	–	62,540	49,336	777	354	63,317	49,690
Unallocated assets											802	203
Total additions to non-current assets											64,119	49,893
Reportable segment liabilities	(141,616)	(79,857)	(2,827)	(2,011)	(25)	(3,674)	(144,468)	(85,542)	(2,210)	(2,703)	(146,678)	(88,245)

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

	2018	2017
	HK$'000	*HK$'000*
		(re-presented)
Revenue		
Reportable segment revenue and consolidated revenue	**59,568**	126,108
Loss before income tax and discontinued operations		
Reportable segment loss	**(374,947)**	(118,279)
Segment loss from discontinued operations	**129,677**	3,315
Unallocated other income	**705**	231
Change in fair value of financial assets at fair value through profit or loss	**(255)**	(1,663)
Unallocated share-based payments	**(7,136)**	(13,433)
Unallocated impairment of interest in joint venture	**(5,358)**	(4,381)
Unallocated other corporate expenses	**(14,157)**	(4,463)
Finance costs	**(690)**	(867)
Consolidated loss before income tax from continuing operations	**(272,161)**	(139,540)
Assets		
Reportable segment assets	**3,216,710**	3,119,148
Unallocated corporate assets*	**135,363**	237,824
Consolidated total assets	**3,352,073**	3,356,972
Liabilities		
Reportable segment liabilities	**146,678**	88,245
Unallocated corporate liabilities	**2,102**	1,791
Consolidated total liabilities	**148,780**	90,036

* *Unallocated corporate assets as at 31 March 2018 mainly represent cash and bank balances held by the Company of approximately HK$55,906,000 (2017: HK$151,620,000) and available-for-sale investments of HK$69,802,000 (2017: HK$69,802,000).*

(c) Geographic information

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

	Revenue from external customers		**Specified non-current assets**	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
PRC, including Hong Kong	**59,568**	97,339	**2,994,971**	2,764,602
Chile	**–**	–	**22,050**	129,918
Singapore	**–**	28,769	**–**	–
	59,568	126,108	**3,017,021**	2,894,520

(d) Information about major customers

During the year, revenue from 2 customers of the Group's development of electric vehicles segment amounted to HK$14,142,000 and HK$11,819,000, which represented 24% and 20% of the Group's revenue. In last year, revenue from one customer of the Group's development of electric vehicles segment amounted to HK$22,779,000 which represented 18% of the Group's revenue.

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

5. REVENUE AND OTHER INCOME

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

	2018	2017
	HK$'000	*HK$'000*
		(re-presented)
Revenue		
Continuing operations		
Sale of motor vehicles	**59,027**	96,113
Sale of metals and minerals	**–**	28,769
Sale of batteries	**541**	1,226
	59,568	126,108
Other income		
Continuing operations		
Gain on disposal of property, plant and equipment	**114**	–
Exchange gain, net	**–**	2,765
Sundry income	**3,290**	2,135
Interest income	**1,314**	653
	4,718	5,553
Discontinued operations		
Rental income	**3,352**	3,855
Income from trading ore in Chile	**1,335**	3,465
Exchange gain, net	**222**	30
Gain on disposal of property, plant and equipment	**12**	–
	4,921	7,350

6. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Continuing operations		
Bank borrowings interest	**690**	831
Bank charges and trust receipt loans interest	**–**	36
	690	867

7. LOSS BEFORE INCOME TAX

(a) Loss before income tax is arrived at after charging/(crediting):

	2018	2017
	HK$'000	*HK$'000*
		(re-presented)
Continuing operations		
Auditor's remuneration	**1,490**	1,435
Amortisation of prepaid lease payments for land	**1,417**	461
Amortisation of other intangible assets	**11,949**	3,718
Cost of inventories recognised as expenses	**58,732**	120,301
Depreciation of property, plant and equipment	**10,740**	10,786
Exchange loss/(gain), net	**44**	(2,765)
Impairment of inventories	**13,214**	7,010
Impairment of accounts receivable	**2,813**	–
Impairment of interest in joint venture	**5,358**	4,381
Impairment of mining assets	**104,048**	–
Impairment of other intangible assets*	**–**	5,000
Impairment of other receivables	**16,405**	–
Operating lease rentals on leasehold land and buildings	**10,261**	9,684
Research and development cost	**19,956**	15,426
Directors' remuneration	**5,091**	5,251
Employee costs (excluding directors' remuneration)		
– Salaries and allowances	**28,864**	27,578
– Share-based payments *(note 16)*	**14,715**	28,460
– Other benefits	**1,604**	1,733
– Pension contributions	**2,128**	1,844
	47,311	59,615

* *included in other expenses*

(b) Discontinued operations

In December 2017, management of the Group passed a resolution to discontinue the Group's ore processing and trading segment which was carried out by the Company's subsidiary, Minera Catania Verde S.A. ("Verde") in Chile as they consider that such businesses would not be commercially viable after the reassessment of the latest situation and the Group plans to focus its resources on development of its electric vehicle businesses. The Group initiated an active programme to locate buyers for the non-current assets held by Verde. The associated assets were consequently classified as held for sale in the consolidated statement of financial position.

The financial performance and cash flows of Verde were as follows:

	2018	2017
	HK$'000	*HK$'000*
Revenue	**–**	–
Other income	**4,921**	7,350
Administrative expenses	**(11,889)**	(10,665)
Loss before tax	**(6,968)**	(3,315)
Impairment loss on goodwill	**(38,162)**	–
Impairment loss on remeasurement at fair value less costs to sell	**(84,547)**	–
Loss for the year from discontinued operations	**(129,677)**	(3,315)
Net cash outflow from operating activities	**(4,715)**	(5,292)
Net cash outflow from investing activities	**(766)**	(354)
Net cash inflow from financing activities	**6,161**	2,106
Net cash inflow/(outflow) from discontinued operations	**680**	(3,540)

The carrying amounts of the non-current assets of Verde at the end of reporting period are disclosed in note 13.

For the purpose of presenting discontinued operations, the comparative consolidated statement of profit and loss and other comprehensive income and the related notes have been re-presented as if the operations discontinued during the year had been discontinued at the beginning of the comparative period.

8. INCOME TAX

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

As at 31 March 2018, subject to the agreement by the Hong Kong Inland Revenue Department, the Group had unused tax losses of HK$104,230,000 (2017: HK$93,304,000) available for offsetting against future profits. In addition, the Group had unused tax losses related to subsidiaries operating in Mainland China of HK$182,663,000 (2017: HK$116,792,000). No deferred tax asset has been recognised in respect of these losses due to the unpredictability of future profit streams.

The tax losses of the subsidiaries operating in Hong Kong will not expire under the current tax legislation. The tax losses of the subsidiaries operating in Mainland China will expire within five years.

(b) The income tax for the year can be reconciled to the loss before income tax as stated in the consolidated statement of profit or loss and other comprehensive income as follows:

	2018	2017
	HK$'000	*HK$'000*
		(re-presented)
Loss before income tax from continuing operations	**(272,161)**	(139,540)
Loss before income tax from discontinued operations	**(129,677)**	(3,315)
Loss before income tax	**(401,838)**	(142,855)
Tax credit at the applicable rates	**(73,312)**	(28,071)
Tax effect of non-taxable revenue	**(71)**	(160)
Tax effect of non-deductible expenses	**50,844**	17,278
Tax effect of tax losses and temporary differences not recognised	**20,298**	10,781
Income tax credit for the year	**(2,241)**	(172)
Income tax credit is attributable to:		
Loss from continuing operations	**(2,241)**	(172)
Loss from discontinued operations	**–**	–
	(2,241)	(172)

9. DIVIDEND

No dividend has been proposed or paid by the Company in respect of the years ended 31 March 2018 and 2017.

10. LOSS PER SHARE

For continuing and discontinued operations

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

	2018	2017
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company	**(321,861)**	(118,408)

	2018	2017
	Number	*Number*
Weighted average number of ordinary shares in issue	**4,681,690,636**	3,922,978,307

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

For continuing operations

Basic and diluted loss per share for continuing operations is HK$0.05 per share (2017: HK$0.03 per share) based on the loss for the year from continuing operations of HK$244,055,000 (2017: HK$116,419,000) and the weighted average number of ordinary shares in issue detailed above. The basic and diluted loss per share for both years presented are the same as the potential ordinary shares issuable under the convertible notes and the share options are anti-dilutive.

For discontinued operations

Basic and diluted loss per share for discontinued operations is HK$0.02 per share (2017: HK$0.001 per share) based on the loss for the year from discontinued operations of HK$77,806,000 (2017: HK$1,989,000) and the weighted average number of ordinary shares in issue detailed above. The basic and diluted loss per share for both years presented are the same as the potential ordinary shares issuable under the convertible notes and the share options are anti-dilutive.

11. MINING ASSETS

Cost and net carrying value:

	2018	2017
	HK$'000	*HK$'000*
At 1 April	**2,537,127**	2,705,211
Impairment loss	**(104,048)**	–
Exchange realignment	**274,575**	(168,084)
At 31 March	**2,707,654**	2,537,127

Mining assets have not been amortised since acquisition as the mine has not yet commenced operation since then. In the opinion of management, the mining project is ongoing and is currently in the process of acquisition of land for the processing factory. The mining operation will be commenced upon the completion of such development.

Impairment testing of mining assets

The directors determined the recoverable amount of the mining assets at its value-in-use based on a valuation of the mining assets performed by an independent valuer using the multi period excess earnings method.

The multi period excess earnings method is based on the projection of future cash flows of the mining business of thenardite prepared from the financial budgets approved by senior management covering a twenty-year period from 2021 to 2040 to reflect the length of time management is committed to exploit the economic benefits of the mining business of thenardite and the expected useful lives of the processing plant and machinery the Group has invested and will continue to invest. The projected future cash flows are discounted to its present value by the appropriate discount rate determined from market data.

Below are the key assumptions used for the multi period excess earnings method:

	2018	2017
Thenardite price per ton	**RMB844**	RMB812
Required rate of return for working capital	**3.26%**	3.26%
Required rate of return for fixed assets	**9%**	9%
Required rate of return for assembled workforce	**18.05%**	17.78%
Discount rate	**18.05%**	17.78%
Income growth rate within the projected period	**3.12%**	2.28%
Costs growth rate within the projected period	**1.48%**	1.39%

Management determined the thenardite price based on relevant data obtained from third party's quotation pertaining to the mining assets in Guangxi. The income growth rate represents the expected inflation rate based on the China Producer Price Index for non-metals minerals mining from 2007 to 2018 and the costs growth rate represents the China Producer Price Index from 2000 to 2018. Management believes the Group can attain maximum production capacity based on planned resources within seven years of commercial production and sustain such capacity throughout the remaining projected period. The discount rate used reflects the specific risks associated with the mining business of thenardite.

The value-in-use of the mining assets was estimated using unobservable market data from the projection of the future cash flows of the businesses from its economic useful life and is classified within level 3 of the fair value hierarchy. Fair value was determined by discounting its multi period excess earnings by the appropriate discount rate determined from market data.

As the carrying value of the mining assets exceeded its recoverable amount by HK$104,048,000, an impairment loss was recognised in the profit or loss (2017: HK$nil). The impairment loss was mainly resulted from the increase in discount rate. As at 31 March 2018, there was an increase in general market risk and risk specific to the mining assets in Guangxi. As these data are key inputs in the calculation of discount rate, the increase in these key inputs lead to a higher discount rate in the value-in-use calculation. As the economic useful life of the mining assets is long, a slight increase in discount rate will lead to a significant decrease in the recoverable amount of the mining assets.

12. ACCOUNTS RECEIVABLE

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

	2018	2017
	HK$'000	*HK$'000*
0 – 30 days	**15,496**	6,917
31 – 90 days	**1,096**	–
91 – 180 days	**12,997**	5,730
181 – 365 days	**1,397**	11,792
More than 1 year	**17,234**	8,616
	48,220	33,055

The credit period granted by the Group to customers ranged from 30 days to 3 years and some of the customers are required to settle by equal monthly installments.

The ageing analysis of accounts receivable at the end of the reporting period, that are neither individually nor collectively considered to be impaired, was as follows:

	2018	2017
	HK$'000	*HK$'000*
Not past due	**31,721**	29,768
Less than 1 month past due	**632**	720
More than 1 month but less than 3 months past due	**1,899**	1,339
More than 3 months but less than 12 months past due	**2,831**	1,228
Over 12 months past due	**11,137**	–
	48,220	33,055

Based on past experience, management believes that no impairment is necessary in respect of above balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancement over these balances.

Certain portion of the above accounts receivable are government subsidies of electric vehicles.

The below table reconciled the impairment loss of accounts receivable for the year:

	2018	2017
	HK$'000	*HK$'000*
At 1 April	**–**	–
Impairment loss recognised	**2,813**	–
At 31 March	**2,813**	–

13. ASSETS CLASSIFIED AS HELD FOR SALE

In December 2017, management of the Group decided to discontinue operations of Verde after considering the ore processing and trading segment's commercial viability. As of the end of reporting period, the Group initiated an active programme to dispose of the non-current assets held by Verde, and it is expected that the associated assets will be disposed within 2018. The following major classes of non-current assets relating to Verde have been classified as held for sale in the consolidated statement of financial position.

	Carrying value	**Impairment loss charged to profit or loss**	**Lower of carrying values and fair value less costs to sell**
	HK$'000	*HK$'000*	*HK$'000*
Property, plant and equipment	7,515	–	7,515
Construction in progress	76,484	73,486	2,998
Goodwill	38,162	38,162	–
Intangible assets	12,133	596	11,537
Value-added-tax recoverable	10,465	10,465	–
	144,759	122,709	22,050

In accordance with HKFRS 5, the assets were written down to their fair value less costs to sell of HK$22,050,000. This is a non-recurring fair value measurement.

An impairment loss on goodwill of HK$38,162,000 and impairment loss of HK$84,547,000 on remeasurement of non-current assets of discontinued operations at fair value less costs to sell were recognised in profit or loss. The impairment loss resulted from the change in valuation basis from value-in-use to fair value less costs to sell.

The operation of Verde constitutes a discontinued operation as it represents a major geographical area of operation.

The fair value less costs to sell of the non-current assets was estimated based on a valuation report prepared by an independent professional valuer using the direct comparison approach with reference to transaction prices for recent sales of similar assets is classified within level 3 of the fair value hierarchy.

14. ACCOUNTS PAYABLE

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

	2018	2017
	HK$'000	*HK$'000*
0 – 30 days	**65**	5,128
31 – 90 days	**974**	1,350
91 – 180 days	**12,855**	10,039
181 – 365 days	**7,454**	60
More than 1 year	**7,752**	3,869
	29,100	20,446

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

15. SHARE CAPITAL

	2018		2017	
	Number of shares	***HK$'000***	*Number of shares*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.01 each	**50,000,000,000**	**500,000**	50,000,000,000	500,000
Issued and fully paid:				
At 1 April	**4,446,046,800**	**44,460**	3,706,046,800	37,060
Conversion of Convertible Notes *(note i)*	**590,000,000**	**5,900**	–	–
Placing of shares *(note ii)*	**–**	**–**	740,000,000	7,400
At 31 March	**5,036,046,800**	**50,360**	4,446,046,800	44,460

Note:

(i) During the year ended 31 March 2018, the Company's Convertible Notes with principal value of HK$442,500,000 were converted into 590,000,000 ordinary shares of the Company at the conversion price of HK$0.75 per share, of which HK$5,900,000 was credited to share capital and the remaining balance of HK$384,922,000 was credited to share premium account.

(ii) On 15 December 2016, 740,000,000 ordinary shares of the Company were issued at a subscription price of HK$0.245 each to independent third parties at an aggregate consideration of HK$181,300,000 of which HK$7,400,000 was credited to share capital and the remaining balance of HK$168,447,000 (net of share issue expenses of HK$5,453,000) was credited to share premium account.

16. SHARE-BASED PAYMENT TRANSACTIONS

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation.

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

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

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

Pursuant to the New Scheme, the board of directors is empowered, at its discretion, to invite any participant (defined in the New Scheme) to take up options to subscribe for shares in the Company. The period during which an option may be exercised will be determined by the directors at their discretion, save that no option may be exercised later than 10 years after it has been granted. Acceptance of the offer shall be within 21 days after the date of offer of the grant of options, upon payment of a nominal consideration of HK$1. The maximum number of shares in respect of which options may be granted under the New Scheme may not exceed 10% of the aggregate of the shares of the Company in issue as at 22 August 2016, the date upon which the limit was refreshed by an ordinary resolution of the shareholders. Pursuant to the New Scheme, the above limit can be further refreshed by the shareholders. However, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme shall not exceed 30% of the shares in issue from time to time. The subscription price of the share options shall not be less than the higher of (i) the closing price of the shares on the Stock Exchange on the date of offer; (ii) the average closing price of the shares on the Stock Exchange for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the shares.

There was no share option (2017: nil) granted under the New Scheme during the year.

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

Date of offer of grant	At 01/04/2016	Lapsed/ forfeited during the year	At 31/03/2017	Lapsed/ forfeited during the year	At 31/03/2018	Exercise price	Closing price at date of offer of grant	Exercise period	Vesting period
Under the Old Scheme									
11/07/2007	33,000,000	(500,000)	32,500,000	(32,500,000)	–	HK$0.86	HK$0.86	11/07/2007 to 10/07/2017	N/A
18/09/2007	5,000,000	–	5,000,000	(5,000,000)	–	HK$2.95	HK$2.90	01/04/2008 to 17/09/2017	01/04/2008 to 31/03/2013
16/12/2009	52,400,000	(12,000,000)	40,400,000	–	40,400,000	HK$0.46	HK$0.45	16/12/2009 to 15/12/2019	N/A
Under the New Scheme									
11/04/2014	100,000,000	(9,000,000)	91,000,000	(33,000,000)	58,000,000	HK$1.15	HK$1.11	12/04/2016 to 10/04/2024	12/04/2016 to 12/04/2020
10/03/2016	370,000,000	(3,700,000)	366,300,000	(28,600,000)	337,700,000	HK$0.30	HK$0.28	10/03/2016 to 09/03/2026	10/03/2016 to 11/03/2020
	560,400,000	(25,200,000)	535,200,000	(99,100,000)	436,100,000				

The weighted average remaining contractual life of options outstanding at the end of the year was 7.16 years (2017: 7.58 years). The weighted average exercise price of options outstanding at the end of the year was HK$0.43 (2017: HK$0.52).

Of the total number of options outstanding at the end of the year, 266,220,000 (2017: 242,620,000) were exercisable at the end of the year.

There was no exercise of share options during the years ended 31 March 2018 and 2017.

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

Fair value of share options and assumptions:

	Offer of grant on				
	11 July 2007	**18 September 2007**	**16 December 2009**	**11 April 2014**	**10 March 2016**
Fair value at measurement date	HK$0.65	HK$2.63	HK$0.43	HK$0.63	HK$0.14
Share price at the date of offer of grant	HK$0.86	HK$2.90	HK$0.45	HK$1.11	HK$0.28
Exercise price	HK$0.86	HK$2.95	HK$0.46	HK$1.15	HK$0.3
Expected volatility	160.11%	163.08%	125.98%	63.33%	96.26%
Expected life	2 years	2.53 to 6.53 years	10 years	10 years	10 years
Expected dividend rate	0%	0%	0%	0%	0%
Risk-free interest rate	4.757%	4.272%	2.387%	2.048%	1.367%

An equity-settled share-based payment expense of approximately HK$16,462,000 (2017: HK$32,069,000) was recognised during the year.

17. 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:

	2018	2017
	HK$'000	*HK$'000*
Acquisition of property, plant and equipment	**4,437**	6,363
Capital expenditure in respect of the construction of the ores processing plant	**3,697**	3,697
Capital expenditure in respect of the mining operations	**9,186**	10,023
Capital expenditure in respect of the development of electric vehicles	**68,377**	–
	85,697	20,083

18. RELATED PARTY TRANSACTIONS

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

Save as disclosed elsewhere in these financial statements, the Group had the following major transactions with related parties during the years ended 31 March 2018 and 2017:

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

The Master Agreement will subsist until terminated by Verde (at the discretion of Verde) by giving CAH not less than 6 months' written notice of termination any time after the 3rd anniversary of the Master Agreement. Upon discontinuance of operations of Verde, Verde has served on 31 March 2018 a written notice to CAH to terminate the Master Agreement with effect from 30 September 2018.

There were no purchases from CAH during the years ended 31 March 2018 and 2017.

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

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

19. COMPARATIVE FIGURES

The comparative consolidated statement of profit or loss and other comprehensive income has been re-presented as if the operations discontinued during the current year had been discontinued at the beginning of the comparative period (note 7(b)).

RESULTS

During the year ended 31 March 2018, the Group recorded revenue of approximately HK$59.6 million (2017: HK$97.3 million) derived from the sales of motor vehicles and batteries. Gross profit decreased to approximately HK$0.8 million (2017: HK$2.7 million) with the gross profit ratio at 1.4% (2017: 2.8%) on the sales of motor vehicles and batteries. The decrease in revenue and gross profit on the sales of motor vehicles and batteries was the result of a decline in sales orders which affected the economies of scale. Details of the current development are set out in the section headed "Business Review" below.

As compared with the previous year, of which part of the revenue of HK$28.8 million and gross profit of HK$3.1 million was generated from sales of iron ores, the Group did not have any revenue generated by trading in iron ores during the year due to the continued fluctuations in the selling price of the global metals and minerals market.

The Group recorded a loss of approximately HK$399.6 million for the year as compared to a loss of approximately HK$142.7 million for last year. The increase in loss was mainly due to the decrease in revenue and gross profit as discussed above, and the increase in administrative and other expenses. The increase in administrative and other expenses to approximately HK$170.5 million (2017: HK$145.9 million) was mainly attributable to: (i) an increase in research and development expenses of approximately HK$19.9 million (2017: HK$15.4 million) on the research, enhancement and application of new models of motor vehicles; (ii) an increase in impairment loss on inventories of approximately HK$13.2 million (2017: HK$7.0 million) resulting from damaged or obsolete inventories; (iii) an impairment loss of accounts and other receivables of approximately HK$19.2 million (2017: HK$nil) and (iv) an increase in amortisation of intangible assets to approximately HK$11.9 million (2017: HK$3.7 million) during the year. There was an impairment loss from discontinued operation in Chile of approximately HK$122.7 million (2017: HK$nil) as detailed in the "Ores Processing and Trading" segment under the "Business Review" and also an impairment loss on the mining assets of approximately HK$104.0 million (2017: HK$nil) as detailed in the "Mining and Production of Mineral Products" segment under the "Business Review".

The loss attributable to the owners of the Company was approximately HK$321.9 million (2017: HK$118.4 million). Basic and diluted loss per share for the year was HK$0.07 per share (2017: HK$0.03 per share).

DIVIDEND

The directors of the Company do not recommend the payment of any dividend for the year ended 31 March 2018.

BUSINESS REVIEW

Electric Bus ("eBus") and Electric Vehicles ("EVs")

Current Development

Chongqing Suitong New Energy Automotive Manufacturing Co., Ltd. ("Suitong"), a subsidiary which is principally engaged in manufacturing of whole electric buses along with the entire electric power system and control system, manufacturing of other buses, marketing and selling the components of vehicles, continues to contribute revenue to the Group.

As discussed in the previous annual report, subsidy fraud investigation across the industry and various frequent policy changes have seriously affected the pace of our EV business since those models which had already qualified had to resubmit approval applications for undergoing further newly added criteria and new tests. With ongoing unexpected new policies and measures promulgated periodically, launching new models in time has become a real challenge. Nonetheless, the Group welcomes such governmental initiatives, as they can eliminate the bad practices in the industry and lead to a more healthy and regulated market. During the current year, Suitong had gained inclusion in the revised Catalogue of Recommended Models for New Energy Automobile Popularisation (the "Catalogue")(《新能源汽車推廣應用推薦車型目錄》) for the three models which it has prioritised, namely the 8.9m commuter bus, the 8.5m and 10.5m public transport buses.

Suitong has secured the sales contracts for its 8.5m public transport bus shortly after its successful listing in the Catalogue. The sales contracts cover the markets of Hunan, Guangxi and Guangdong. Nevertheless, the sales revenue decreased in the current year resulting from the decline in sales orders and the change of subsidy policies. While the sales volume is not large in scale, it signified a fast and good start of our EV business after the uncertain policy during the last financial period. Suitong has continued to upgrade other models and will dedicate its best efforts to launch more new products in the very near future.

Strategy

In May 2016, the Company has entered into a non-legally binding investment agreement with Qijiang District of Chongqing to acquire a parcel of land of approximately 800 mu for industrial purposes in the Qijiang District, Chongqing. The investment has outlined a construction plan for a new production facility to manufacture new energy vehicles and buses with an annual production capacity of 5,000 units. The construction is to be divided into two phases, the first phase of which is expected to be completed in two years. The Group considers this investment in the production facility to be a milestone of introducing its self-developed new energy vehicles and buses into mass production. As at 31 March 2018, the Group has completed the acquisition of 502.77 mu parcel of land at the cost of approximately RMB51.2 million. The acquisition on the parcel of land for the first phase is completed and the construction of the new production facility is in progress and target to be completed at the end of 2018.

Along with the constant strengthening of China's economy from a global perspective, the new energy vehicle is an important strategic product within the "One Belt One Road" grand plan as well as "Made in China 2025" strategic plan. There is good reason to expect the new energy automobile sector to be boom in the future. The Group believes that in order to grasp this precious big opportunity, it can rely on two key competitive advantages: a closed loop self-developed electrical power drivetrain system and light vehicle body design ("Own Powertrain System"), and a strategic plan for layout of the production capacity ("Strategic Layout").

The Group has always emphasised the development of our Own Powertrain System as our unique competitiveness edge and has progressed in enhancing and optimising that system, and is vertically directing deeper research into areas such as new material batteries, optimising control hubs and power efficiency and intelligent control. The Group is of the view that this enhancement may complement future development of smart cities which is believed to be a major global trend.

The Strategic Layout is another important strategy of the Group. It enables the Group to place its production capacity in different strategic locations to maximise the area covered. The Group's first location is Chongqing where, as mentioned above, a second production facility with an annual production capacity of 5,000 units has started construction and development. Chongqing is a strategic location in the western PRC as well as a west side access point for the One Belt One Road initiative.

Although the pace of market development is much slower than expected due to frequent policy shifts during the year, the Group still considers it a positive sign rather than negative as it will eliminate market participants with low product quality engaging in bad business practices. These measures will lead the market to become less reliant on governmental subsidies and to become more rational and better regulated. As such, market participants could compete on the basis of quality and value for money products. The Group strongly believes that with our technology and production capacity Strategic Layout as described above, the current industry new policies and measurements presents an enormous opportunity to catch up with current market leaders, and to take a bigger market share in the very near future. The Board is optimistic that the Group is well positioned to develop the eBus and electric vehicle market, to expand and capture opportunities as they arise.

The investment in Rimac Automobili d.o.o. (the "Rimac") has been diluted from 10% as at 31 March 2017 to 8.06% as at 31 March 2018 as resulting from a new capital investment from a new investor during the year under review. While Rimac has not yet made any positive contribution, nonetheless its sales orders are growing and its fair value is increasing. The Group believes that the investment provides an opportunity for technology exchange which can benefit development of our eBus business.

Mining and Production of Mineral Products

The Group's wholly-owned subsidiary, Guangxi Weiri Mining Company Limited (the "Guangxi Weiri"), held a glauberite mine located in Guangxi Zhuang Autonomous Region, the PRC (the "Glauberite Mine"). The product of the Glauberite Mine is thenardite which is an important raw material used in chemical and light industrial manufacturing. The Glauberite Mine is one of the largest in terms of its confirmed resources within the PRC. It is also strategically located at Taowei county of Guangxi which is easily accessible by river transport to the industrial Pearl River Delta, as well as a short distance to the only land export gateway to China's largest thenardite exporting countries, in the ASEAN region. Along with the expanding economy of the PRC, the Group expects that there will be a corresponding increment of thenardite demand in the PRC as a result of ongoing urbanisation. At the same time, all old and small glauberite mine operators have been phased out over the past few years due to low quality of their products and low efficiency. This trend together with the efforts of the Industry Alliance recently set up by major participants promoting anti-dumping and fair competition, have caused the market to become more rational with the pricing of thenardite products rising gradually in recent years.

Land acquisitions for the factory as well as for road access have been progressing at a much slower pace than expected. An accumulated expenditure of RMB18.4 million (31 March 2017: RMB16.6 million) was incurred for the construction of an access road to the factory site. No other significant exploration, development or production activity was conducted for the Glauberite Mine during the year ended 31 March 2018. The mineral resources have not changed since its acquisition on 28 February 2014. Details of the resources are stated in the "Mineral Resources and Ore Reserves" section below.

As discussed in previous annual reports, Guangxi Weiri completed the purchase of land use rights – covering 63,118 square meters of land – for RMB7.6 million. Another RMB8.4 million was paid for approximately 100,000 square meters of land for a factory site; however, relevant land use rights have not been issued as processing on land management by the local government is continuing. Procedure for approximately 41,500 square meters of land for road access have also been completed but no payment has been made to the government since the land use rights of the second parcel of land as stated above is still pending approval. Guangxi Weiri will work closely with the local government to resolve the land issue, and hopes to obtain access to the land even without receiving relevant land use rights. However, Guangxi Weiri will weigh the relevant risks involved before any construction work is carried out. Before proceeding with the project, the Group is also considering the feasibility of adjusting the project schedule so as to enable Guangxi Weiri to commence certain auxiliary construction work first.

The Group has closely monitored the Glauberite Mine development and periodically assesses its resources, financial viability, and general condition. The management has conducted regular financial analysis, taking into account its resources, technical parameters and market situation so as to assess the mining asset's overall situation. The Group has also engaged a qualified independent valuer to assess its fair value annually. The fair value is calculated under the Multi Period Excess Earnings Method, which is based on a financial budget covering a twenty-year period from 2021 to 2040 and then reduced by the discount rate. The Group has assessed the key assumptions used for the calculation of the discounted cash flows, including the prevailing market condition of the thenardite products, the exploitation volume of the resources and the discount rate adopted. Details of the key assumptions applied for the Glauberite Mine are set out in note 11. In accordance with the report of the valuer, the fair value of the Glauberite Mine as at 31 March 2018 is RMB2,166.7 million. The carrying value of RMB2,250.0 million exceeded the fair value and hence the impairment loss on the mining assets of RMB83.3 million, equivalent to HK$104.0 million (2017: HK$nil), was provided in the current year. Given the Glauberite Mine's distinct advantage in terms of its immense resources, strategic location and market potential, the Group remains highly confident that it is a unique and valuable asset.

Mineral Resources and Ore Reserves

As at 31 March 2018, the Company, through its wholly-owned subsidiary in the PRC, held a Glauberite Mine in Guangxi. The following table sets out the mineral information of the mine as at 31 March 2018:

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

Note:

(1) The effective date of the Mineral Resource is 31 May 2013. All tonnages are rounded to the nearest million tonnes to reflect the inherent level of confidence associated with the resources estimation. The Mineral Resource was estimated within constraining wireframe solids based on geological limits of the mineralised and internal waste units. Nominal cut off for defining the geological unit is 10% Na_2SO_4. 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 resources as at 31 March 2018 remain unchanged.

(2) Competent person statement:

The information in this section that relates to mineral resources is based on work done by Dr. Louis Bucci, Mr. Andrew Banks, Ms. Jessica Binoir, Ms. Kirsty Sheerin and Dr. Gavin Chan, and has been peer reviewed by Mr. Danny Kentwell. Dr. Louis Bucci and Mr. Danny Kentwell take overall responsibility for the resources estimate and Dr. Gavin Chan takes responsibility for the geological model. Mr. Andrew Banks and Dr. Gavin Chan are members of The Australasian Institute of Mining and Metallurgy and Dr. Louis Bucci is a Member of the Australian Institute of Geosciences. Mr. Danny Kentwell is a Fellow of the Australasian Institute of Mining and Metallurgy. Dr. Gavin Chan and Mr. Danny Kentwell are full time employees of SRK Consulting (Australasia) Pty Ltd ("SRK") and Mr. Andrew Banks was a full time employee of SRK from June 2011 until February 2012. Dr. Louis Bucci was a full time employee of SRK from August 2004 until June 2014.

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

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

Competent Person's Consent Form from Mr Danny Kentwell have been obtained by China Dynamics (Holdings) Limited on 8 June 2018.

Metals and Minerals Trading

With the continued excess production capacity in the PRC, downward pressure on the prices of metals remained high. The trading industry consequently remained weak, hence the Group had not concluded any trading contract on metal ores during the year to avoid any possible risk. The Group continues to identify and pursue other types of resources for the trading business and believes that it will be able to seize such opportunities as they arise.

Ores Processing and Trading

As discussed in previous annual reports, the Group had already slowed down the progress on the development of its ores processing plant in Chile in 2009. In recent years, the water scarcity and prioritisation of water usage for agriculture and human consumption still continue. Mining companies in the region where our Chile's subsidiary, Minera Catania Verde S.A. ("Verde"), operates may be subject to legal actions filed by the Chile Regional Government and by the communities, for the impact caused by the use of water to the detriment of agriculture or human consumption. During the current year, the Group together with Verde's joint venture partners, Tong Guan Resources Holdings Ltd and Catania Copper (Chile) Limited, reviewed the current situation and considered to discontinue the operation of Verde from 16th December 2017. Verde has engaged an independent valuer to review the market value of the non-current assets and considered that the market value of the non-current assets is approximately HK$36.1 million. An impairment loss on goodwill of HK$38.2 million (2017: HK$nil) and impairment loss of HK$84.5 million (2017: HK$nil) on remeasurement of non-current assets of discontinued operations at fair value less costs to sell were recognised in profit or loss. The impairment loss was resulted from the change in valuation basis from value-in-use to fair value less costs to sell. Details of the assets classified as held for sale are set out in note 13.

After the disposal of the assets and the settlement of the outstanding liabilities of Verde, the Group will commence the voluntary liquidation of Verde and its related companies accordingly.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has generally financed its operations by internal resources. However, due to the rapid expansion of the business mentioned above, the Group may seek external financial resources in the future in order to finance its operations. As at 31 March 2018, the net asset value of the Group amounted to approximately HK$3,203.3 million (2017: HK$3,266.9 million). As at 31 March 2018, the gearing ratio of the Group was 0.2% (2017: 0.4%) based on bank borrowings of HK$6.2 million (2017: HK$11.3 million) and the equity attributable to owners of the Company of HK$3,176.5 million (2017: HK$3,188.7 million).

As at 31 March 2018, the Company has (i) outstanding convertible notes in the principal amount of HK$1,687.5 million (2017: HK$2,130.0 million) which could be converted into 2,250,000,000 shares (2017: 2,840,000,000 shares) of the Company based on the conversion price of HK$0.75 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; and (ii) outstanding share options entitling participants to subscribe for a total of 436,100,000 shares (2017: 535,200,000 shares) of the Company, for which 266,220,000 shares (2017: 242,620,000 shares) are vested.

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. As at 31 March 2018, the Group had unpledged cash and bank balances of approximately HK$92.9 million (2017: HK$202.2 million), of which 46.9% (2017: 87.7%) was denominated in HK dollars, 51.3% (2017: 7.6%) was denominated in Renminbi and 1.1% (2017: 4.0%) was denominated in US dollars. The bank borrowings of HK$6.2 million are denominated in Renminbi with the effective interest rates of 6.8% (2017: 7.1%) per annum.

During the current year, the exchange rate of the Renminbi has appreciated by approximately 9.8% against the HK dollars having a positive impact on the results of the Group on the translation of the Group's assets that are denominated in Renminbi. However, the bank borrowings were denominated in the functional currency of the relevant group entity and were therefore exposed only to minimal foreign exchange rate risk. The Group has not entered into any foreign currency exchange forward contracts for hedging purposes for Renminbi during the year. Foreign exchange exposure in respect of US dollars is considered to be minimal as the exchange rate between HK dollars and US dollars is pegged. The Group will closely monitor the currency exposure and, when it considers it to be appropriate, will take the necessary actions to ensure that such exposure is properly hedged.

PROSPECTS

The Group believes that new energy vehicles are definitely a focus of global interest and a major trend in improving air pollution and enhancing economic sustainability. With the Group’s expected expansion of production capacity in Qijiang District, the Group is confident that the eBus and EVs business will grow at a fast pace contributing to revenue and bringing the Group’s business to the next level. The Group is well positioned to develop the market and is also capable to initiate expansion and capture opportunities as they arise.

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

Although the excess production capacity in the PRC will inevitably affect the demand of metals and minerals, nevertheless, the global economy has continued a moderate recovery. The Group will closely monitor the situation and will look for any potential trading opportunity.

CHARGES ON THE GROUP'S ASSETS AND CONTINGENT LIABILITIES

As at 31 March 2018, the Group has pledged a parcel of land in Chongqing with an aggregate carrying amount of approximately HK$17.8 million (2017: HK$16.4 million) to secure a bank borrowing of approximately HK$6.2 million (2017: HK$11.3 million).

During the year ended 31 March 2018, the Group also provided a guarantee to a financial institution in Chongqing for certain of its customers on the purchase of motor vehicles. In the event of the customers' default, the Group will be required to compensate the financial institution for the outstanding receivable from the customers. As at 31 March 2018, the Group's maximum exposure to the arrangement was RMB9.8 million (2017: RMB18.1 million). During the year ended 31 March 2018, the Group was requested to make payments amounting to RMB1.9 million (2017: nil) resulting from the customers' default in making payments to the financial institution. Subsequent to the year end and up to the date of this results announcement, the Group received RMB0.3 million from the default customers and appropriate impairment on accounts receivable has been recognised in profit or loss. The Group maintains tight control over these outstanding receivables and periodically performs an impairment review on each individual customer.

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2018, the Group employed 239 (2017: 290) full-time managerial and skilled staff principally in Hong Kong, the PRC and Chile.

The Group remunerates and provides benefits for its employees based on current industry practices. Discretionary bonuses and other individual performance bonuses 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 labor legislation. In Hong Kong, the Group provides staff benefits including the mandatory provident fund scheme and medical scheme. In addition, share options are granted to eligible employees in accordance with the terms of the Company's share option scheme.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules. The Company has applied the principles in the Code and complied with the code provisions set out in the Code for the year ended 31 March 2018 except for the code provision A.2.1 and A.6.7.

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 chief executive officer when it is appropriate.

Code Provision A.6.7 stipulates that independent non-executive directors and non-executive directors should attend general meetings. Due to other business engagements, two non-executive directors and one independent non-executive director could not attend the annual general meeting of the Company held on 28 August 2017.

CODE OF CONDUCT ON DIRECTORS' SECURITIES TRANSACTIONS

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

Specific enquiry has been made of all the directors of the Company who have confirmed in writing their compliance with the required standards set out in the Model Code during the year ended 31 March 2018.

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

Since the publication of the latest interim report and up to the date of this result announcement, changes in directors' information are set out below:

- The term of appointment of Dato' Tan Yee Boon, the independent non-executive director of the Company, has been renewed for a further two years from 17 June 2018 to 16 June 2020 at a director's fee of HK$100,000 per annum;

- Dato' Tan Yee Boon, the independent non-executive director of the Company, have appointed as an independent non-executive director of Binasat Communications Berhad (a company listed on ACE Market of Bursa Malaysia) and retired as a non-executive director of Worldgate Global Logistics Limited (a company listed on Growth Enterprise Market of the Stock Exchange) during the reporting period; and

- The term of appointment of Ms Chan Hoi Ying, the executive director of the Company, has been renewed for a further two years from 10 May 2018 to 9 May 2020 at annual salary entitlements of HK$1,170,000.

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

AUDIT COMMITTEE

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

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2018 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 2018 annual report which sets out all the information required to be disclosed under Appendix 16 of the Listing Rules, will be published on the website of the Company and the Stock Exchange in due course.

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

Hong Kong, 27 June 2018

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Cheung Ngan and Ms. Chan Hoi Ying, one non-executive Director, namely Mr. Zhou Jin Kai, and three independent non-executive Directors, namely Mr. Chan Francis Ping Kuen, Mr. Hu Guang and Dato' Tan Yee Boon.