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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 INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018**

The board of directors (the “Board”) of China Dynamics (Holdings) Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2018.

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

*For the six months ended 30 September 2018*

|  |              | <b>For the six months ended<br/>30 September</b> |                         |
|--|--------------|--|-------------------------|
|  |              | <b>2018</b>                                      | 2017                    |
|  | <i>Notes</i> | <b>(unaudited)<br/>HK\$'000</b>                  | (unaudited)<br>HK\$'000 |
|  |              |  | (re-presented)          |
| <b>Continuing operations</b>   |              |  |                         |
| Revenue  | 6            | 317  | 25,788                  |
| Cost of sales  |              | <u>(307)</u>                                     | <u>(25,581)</u>         |
| Gross profit   |              | 10   | 207                     |
| Other income   | 6            | 414  | 1,926                   |
| Selling and distribution expenses  |              | (407)  | (526)                   |
| Administrative and other expenses  |              | (54,044)   | (58,722)                |
| Reversal of impairment of accounts receivable                                    |              | 48   | –                       |
| Change in fair value of financial assets<br>at fair value through profit or loss |              | (645)  | (1)                     |
| Finance costs  | 7            | <u>(70)</u>                                      | <u>(395)</u>            |
| <b>Loss before income tax</b>  | 8            | <b>(54,694)</b>                                  | (57,511)                |
| Income tax credit  | 9            | <u>1,128</u>                                     | <u>86</u>               |
| <b>Loss for the period from continuing operations</b>                            |              | <u><b>(53,566)</b></u>                           | <u>(57,425)</u>         |

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

*For the six months ended 30 September 2018*

|   | For the six months ended<br>30 September |  |
|---|--|--|
| <i>Notes</i>  | 2018<br>(unaudited)<br><i>HK\$'000</i>   | 2017<br>(unaudited)<br><i>HK\$'000</i><br>(re-presented) |
| <b>Discontinued operations</b>                                    |  |  |
| Loss for the period from discontinued operations                  | (5,085)                                  | (1,958)  |
| <b>Loss for the period</b>  | (58,651)                                 | (59,383)   |
| <b>Other comprehensive income for the period</b>                  |  |  |
| Item that may be reclassified subsequently to profit or loss:     |  |  |
| Exchange differences arising on translation of foreign operations | (264,807)                                | 120,766  |
| <b>Total comprehensive income for the period</b>                  | (323,458)                                | 61,383   |
| <b>Loss attributable to:</b>                                      |  |  |
| Owners of the Company   |  |  |
| Loss for the period from continuing operations                    | (48,505)                                 | (50,876)   |
| Loss for the period from discontinued operations                  | (3,051)                                  | (1,174)  |
| Loss for the period attributable to owners of the Company         | (51,556)                                 | (52,050)   |
| Non-controlling interests   |  |  |
| Loss for the period from continuing operations                    | (5,061)                                  | (6,549)  |
| Loss for the period from discontinued operations                  | (2,034)                                  | (784)  |
| Loss for the period attributable to non-controlling interests     | (7,095)                                  | (7,333)  |
|   | (58,651)                                 | (59,383)   |
| <b>Total comprehensive income attributable to:</b>                |  |  |
| – Owners of the Company   | (312,485)                                | 66,349   |
| – Non-controlling interests                                       | (10,973)                                 | (4,966)  |
|   | (323,458)                                | 61,383   |
| <b>Loss per share from continuing and discontinued operations</b> |  |  |
| – Basic and diluted ( <i>HK\$</i> )                               | <i>11</i><br><u>(0.01)</u>               | <u>(0.01)</u>  |
| <b>Loss per share from continuing operations</b>                  |  |  |
| – Basic and diluted ( <i>HK\$</i> )                               | <i>11</i><br><u>(0.01)</u>               | <u>(0.01)</u>  |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 September 2018*

|  |              | 30 September<br>2018<br>(unaudited)<br><i>HK\$'000</i> | 31 March<br>2018<br>(audited)<br><i>HK\$'000</i> |
|--|--------------|--|--|
|  | <i>Notes</i> |  |  |
| <b>Non-current assets</b>                                |              |  |  |
| Property, plant and equipment                            | <i>12</i>    | <b>65,384</b>  | 75,846   |
| Construction in progress                                 | <i>13</i>    | <b>49,977</b>  | 49,938   |
| Prepaid lease payments for land                          |              | <b>79,810</b>  | 88,332   |
| Mining assets  | <i>14</i>    | <b>2,469,697</b>                                       | 2,707,654  |
| Other intangible assets                                  |              | <b>43,044</b>  | 52,929   |
| Interests in joint venture                               |              | –  | –  |
| Financial assets at fair value through<br>profit or loss | <i>18</i>    | <b>120,750</b>   | –  |
| Available-for-sale investments                           | <i>18</i>    | –  | 69,802   |
| Other receivables, deposits and prepayments              | <i>17</i>    | <b>18,895</b>  | 20,273   |
| <b>Total non-current assets</b>                          |              | <b><u>2,847,557</u></b>                                | <u>3,064,774</u>                                 |
| <b>Current assets</b>                                    |              |  |  |
| Inventories  | <i>15</i>    | <b>61,620</b>  | 48,805   |
| Accounts receivable                                      | <i>16</i>    | <b>31,416</b>  | 48,220   |
| Other receivables, deposits and prepayments              | <i>17</i>    | <b>63,147</b>  | 72,247   |
| Financial assets at fair value through<br>profit or loss | <i>18</i>    | <b>708</b>   | 1,353  |
| Prepaid lease payments for land                          |              | <b>1,542</b>   | 1,691  |
| Cash and bank balances                                   |              | <b>20,974</b>  | 92,933   |
|  |              | <b>179,407</b>   | 265,249  |
| Assets classified as held for sale                       |              | <b><u>22,050</u></b>                                   | <u>22,050</u>                                    |
| <b>Total current assets</b>                              |              | <b><u>201,457</u></b>                                  | <u>287,299</u>                                   |
| <b>Total assets</b>                                      |              | <b><u>3,049,014</u></b>                                | <u>3,352,073</u>                                 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

*As at 30 September 2018*

|   |              | 30 September<br>2018<br>(unaudited)<br><i>HK\$'000</i> | 31 March<br>2018<br>(audited)<br><i>HK\$'000</i> |
|---|--------------|--|--|
|   | <i>Notes</i> |  |  |
| <b>Current liabilities</b>                          |              |  |  |
| Accounts payable                                    | 19           | 19,004   | 29,100   |
| Other payables and accruals                         | 20           | 23,015   | 26,478   |
| Contract liabilities                                |              | 1,863  | –  |
| Receipts in advance                                 |              | –  | 4,259  |
| Bank borrowings                                     |              | –  | 6,248  |
| <b>Total current liabilities</b>                    |              | <b>43,882</b>  | 66,085   |
| <b>Net current assets</b>                           |              | <b>157,575</b>   | 221,214  |
| <b>Total assets less current liabilities</b>        |              | <b>3,005,132</b>                                       | 3,285,988  |
| <b>Non-current liabilities</b>                      |              |  |  |
| Deferred tax liabilities                            |              | 12,073   | 14,421   |
| Other payables                                      | 20           | 62,248   | 68,274   |
| <b>Total non-current liabilities</b>                |              | <b>74,321</b>  | 82,695   |
| <b>Total liabilities</b>                            |              | <b>118,203</b>   | 148,780  |
| <b>NET ASSETS</b>                                   |              | <b>2,930,811</b>                                       | 3,203,293  |
| <b>Equity</b>                                       |              |  |  |
| Share capital                                       | 22           | 50,360   | 50,360   |
| Reserves  |              | 2,865,971  | 3,126,186  |
| <b>Equity attributable to owners of the Company</b> |              | <b>2,916,331</b>                                       | 3,176,546  |
| <b>Non-controlling interests</b>                    |              | <b>14,480</b>  | 26,747   |
| <b>TOTAL EQUITY</b>                                 |              | <b>2,930,811</b>                                       | 3,203,293  |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

|   | Attributable to owners of the Company |                           |                                 |  |                                   |  |                             |                                |                   |                                       |                          |
|---|---------------------------------------|---------------------------|---------------------------------|--|-----------------------------------|--|-----------------------------|--------------------------------|-------------------|---------------------------------------|--------------------------|
|   | Share capital<br>HK\$'000             | Share premium<br>HK\$'000 | Contributed surplus<br>HK\$'000 | Convertible notes equity reserve<br>HK\$'000 | Share options reserve<br>HK\$'000 | Foreign currency translation reserve<br>HK\$'000 | Capital reserve<br>HK\$'000 | Accumulated losses<br>HK\$'000 | Total<br>HK\$'000 | Non-controlling interests<br>HK\$'000 | Total equity<br>HK\$'000 |
| Balance at 31 March 2018<br>as originally presented (audited) | 50,360                                | 2,318,807                 | 20,566                          | 1,490,427                                    | 85,043                            | (34,931)   | 687                         | (754,413)                      | 3,176,546         | 26,747                                | 3,203,293                |
| Initial application of HKFRS 9 (note 3A(i))                   | -                                     | -                         | -                               | -  | -                                 | -  | -                           | 47,479                         | 47,479            | (1,294)                               | 46,185                   |
| Restated balances at 1 April 2018                             | 50,360                                | 2,318,807                 | 20,566                          | 1,490,427                                    | 85,043                            | (34,931)   | 687                         | (706,934)                      | 3,224,025         | 25,453                                | 3,249,478                |
| Loss for the period   | -                                     | -                         | -                               | -  | -                                 | -  | -                           | (51,556)                       | (51,556)          | (7,095)                               | (58,651)                 |
| Other comprehensive income                                    | -                                     | -                         | -                               | -  | -                                 | (260,929)  | -                           | -                              | (260,929)         | (3,878)                               | (264,807)                |
| Total comprehensive income                                    | -                                     | -                         | -                               | -  | -                                 | (260,929)  | -                           | (51,556)                       | (312,485)         | (10,973)                              | (323,458)                |
| Share-based payments  | -                                     | -                         | -                               | -  | 4,791                             | -  | -                           | -                              | 4,791             | -                                     | 4,791                    |
| Forfeited share options                                       | -                                     | -                         | -                               | -  | (922)                             | -  | -                           | 922                            | -                 | -                                     | -                        |
| At 30 September 2018 (unaudited)                              | <u>50,360</u>                         | <u>2,318,807</u>          | <u>20,566</u>                   | <u>1,490,427</u>                             | <u>88,912</u>                     | <u>(295,860)</u>                                 | <u>687</u>                  | <u>(757,568)</u>               | <u>2,916,331</u>  | <u>14,480</u>                         | <u>2,930,811</u>         |
| At 1 April 2017 (audited)                                     | 44,460                                | 1,933,885                 | 20,566                          | 1,881,249                                    | 120,288                           | (348,412)  | 687                         | (464,051)                      | 3,188,672         | 78,264                                | 3,266,936                |
| Loss for the period   | -                                     | -                         | -                               | -  | -                                 | -  | -                           | (52,050)                       | (52,050)          | (7,333)                               | (59,383)                 |
| Other comprehensive income                                    | -                                     | -                         | -                               | -  | -                                 | 118,399  | -                           | -                              | 118,399           | 2,367                                 | 120,766                  |
| Total comprehensive income                                    | -                                     | -                         | -                               | -  | -                                 | 118,399  | -                           | (52,050)                       | 66,349            | (4,966)                               | 61,383                   |
| Conversion of convertible notes                               | 3,600                                 | 234,868                   | -                               | (238,468)                                    | -                                 | -  | -                           | -                              | -                 | -                                     | -                        |
| Share-based payments  | -                                     | -                         | -                               | -  | 10,093                            | -  | -                           | -                              | 10,093            | -                                     | 10,093                   |
| Forfeited share options                                       | -                                     | -                         | -                               | -  | (34,254)                          | -  | -                           | 34,254                         | -                 | -                                     | -                        |
| At 30 September 2017 (unaudited)                              | <u>48,060</u>                         | <u>2,168,753</u>          | <u>20,566</u>                   | <u>1,642,781</u>                             | <u>96,127</u>                     | <u>(230,013)</u>                                 | <u>687</u>                  | <u>(481,847)</u>               | <u>3,265,114</u>  | <u>73,298</u>                         | <u>3,338,412</u>         |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018

|   |       | For the six months ended |                 |
|---|-------|--------------------------|-----------------|
|   |       | 30 September             |                 |
|   |       | 2018                     | 2017            |
|   |       | (unaudited)              | (unaudited)     |
|   | Notes | HK\$'000                 | HK\$'000        |
|   |       |                          | (re-presented)  |
| <b>OPERATING ACTIVITIES</b>   |       |                          |                 |
| Loss before income tax from continuing operations                             |       | (54,694)                 | (57,511)        |
| Loss before income tax from discontinued operations                           |       | (5,085)                  | (1,958)         |
|   |       | <u>(59,779)</u>          | <u>(59,469)</u> |
| Adjustments for:  |       |                          |                 |
| Interest income   | 6     | (323)                    | (1,005)         |
| Finance costs   | 7     | 70                       | 395             |
| Depreciation of property, plant and equipment                                 | 12    | 5,187                    | 5,445           |
| Amortisation of prepaid lease payments for land                               |       | 793                      | 610             |
| Amortisation of other intangible assets                                       |       | 5,460                    | 1,873           |
| Share-based payments  | 23    | 4,791                    | 10,093          |
| Change in fair value of financial assets at fair value through profit or loss |       | 645                      | 1               |
| Gain on disposal of property, plant and equipment                             |       | –                        | (12)            |
| Reversal of impairment losses previously recognised                           |       | (430)                    | –               |
| Impairment of accounts receivable   |       | 382                      | –               |
| Impairment of interest in joint venture                                       |       | 277                      | 5,180           |
| Exchange loss/(gain), net   |       | <u>1,965</u>             | <u>(92)</u>     |
| <b>Operating cash flows before movements in working capital</b>               |       | <b>(40,962)</b>          | <b>(36,981)</b> |
| Decrease in accounts receivable   |       | 9,114                    | 9,600           |
| Decrease/(increase) in other receivables, deposits and prepayments            |       | 6,593                    | (450)           |
| Increase in value-added tax recoverable                                       |       | –                        | (875)           |
| (Increase)/decrease in inventories  |       | (16,578)                 | 447             |
| Decrease in accounts payable  |       | (8,301)                  | (2,052)         |
| (Decrease)/increase in other payables and accruals                            |       | (8,121)                  | 18,264          |
| Decrease in contract liabilities  |       | (2,334)                  | –               |
| Decrease in receipts in advance   |       | –                        | (7,348)         |
|   |       | <u>(60,589)</u>          | <u>(19,395)</u> |
| Cash used in operations   |       | –                        | –               |
| Income tax paid   |       | –                        | –               |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

*For the six months ended 30 September 2018*

|   | <b>For the six months ended<br/>30 September</b> |                       |
|---|--|-----------------------|
|   | <b>2018</b>                                      | <b>2017</b>           |
|   | <b>(unaudited)</b>                               | <b>(unaudited)</b>    |
| <i>Notes</i>  | <b>HK\$'000</b>                                  | <b>HK\$'000</b>       |
|   |  | <b>(re-presented)</b> |
| <b>NET CASH USED IN OPERATING<br/>ACTIVITIES</b>                  | <b>(60,589)</b>                                  | <b>(19,395)</b>       |
| <b>INVESTING ACTIVITIES</b>                                       |  |                       |
| Acquisition of property, plant and equipment                      | (828)  | (1,622)               |
| Addition to construction in progress                              | (4,620)  | (5,539)               |
| Addition to prepaid lease payments for land                       | –  | (33,274)              |
| Deposits paid for acquisition of property,<br>plant and equipment | –  | (2,062)               |
| Proceeds from disposal of property,<br>plant and equipment        | –  | 12                    |
| Advance to a joint venture  | (277)  | (800)                 |
| Interest received   | 323  | 929                   |
|   | <b>(5,402)</b>                                   | <b>(42,356)</b>       |
| <b>NET CASH USED IN INVESTING<br/>ACTIVITIES</b>                  |  |                       |
| <b>FINANCING ACTIVITIES</b>                                       |  |                       |
| Interest paid   | (70)   | (395)                 |
| Proceeds from bank borrowings                                     | –  | 5,780                 |
| Repayment of bank borrowings                                      | (6,248)  | (5,638)               |
|   | <b>(6,318)</b>                                   | <b>(253)</b>          |
| <b>NET CASH USED IN FINANCING<br/>ACTIVITIES</b>                  |  |                       |
| <b>NET DECREASE IN CASH AND<br/>CASH EQUIVALENTS</b>              | <b>(72,309)</b>                                  | <b>(62,004)</b>       |
| <b>CASH AND CASH EQUIVALENTS<br/>AT BEGINNING OF PERIOD</b>       | <b>92,933</b>                                    | <b>202,174</b>        |
| <b>EFFECT OF FOREIGN EXCHANGE RATE<br/>CHANGES</b>                | <b>350</b>                                       | <b>1,630</b>          |
|   | <b>20,974</b>                                    | <b>141,800</b>        |
| <b>CASH AND CASH EQUIVALENTS<br/>AT END OF PERIOD</b>             | <b>20,974</b>                                    | <b>141,800</b>        |
| <b>ANALYSIS OF THE BALANCES OF CASH<br/>AND CASH EQUIVALENTS</b>  |  |                       |
| Cash and bank balances  | <b>20,974</b>                                    | <b>141,800</b>        |

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1. CORPORATE 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. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

The basis of preparation, the accounting policies and the methods of computation adopted in these interim financial statements are consistent with those adopted by the Group in its annual financial statements for the year ended 31 March 2018, except as stated in note 3 below following the adoption of the new and revised Hong Kong Financial Reporting Standards in the current period. The interim financial statements should be read in conjunction with the annual financial statements.

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

In the current interim period, the Group has applied the following new and revised standards, amendments and interpretations (“HKFRSs”) issued by the HKICPA, which are relevant to its operations and effective for its accounting period beginning on 1 April 2018.

|   |   |
|---|---|
| Annual Improvements to HKFRSs 2014-2016 Cycle | Amendments to HKFRS 1, First time adoption of Hong Kong Financial Reporting Standards |
| Annual Improvements to HKFRSs 2014-2016 Cycle | Amendments to HKAS 28, Investments in Associates and Joint Ventures                   |
| Amendments to HKFRS 2                         | Classification and Measurement of Share-Based Payment Transactions                    |
| HKFRS 9                                       | Financial Instruments   |
| HKFRS 15                                      | Revenue from Contracts with Customers   |
| HK(IFRIC)-Int 22                              | Foreign Currency Transactions and Advance Consideration                               |



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

The impact of the adoption of HKFRS 9 Financial Instruments (see note 3A below) and HKFRS 15 Revenue from Contracts with Customers (see note 3B below) have been summarised in below. The other new or amended HKFRSs that are effective from 1 April 2018 did not have any material impact on the Group's accounting policies. The Group has not applied any new and revised HKFRSs that are not yet effective for the current period.

**A. HKFRS 9 Financial Instruments ("HKFRS 9")**

**(i) Classification and measurement of financial instruments**

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 April 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 April 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the condensed consolidated interim financial statements.

The following tables summarised the impact, net of tax, of transition to HKFRS 9 on the opening balance of accumulated losses and non-controlling interests as at 1 April 2018 as follows:

|  | <i>HK\$'000</i> |
|--|-----------------|
| <b>Accumulated losses</b>  |                 |
| Accumulated losses as at 31 March 2018 as originally stated  | (754,413)       |
| Reclassify investments from available-for-sale at cost to<br>fair value through profit or loss ("FVTPL") ( <i>as below</i> ) | 50,948          |
| Increase in expected credit losses ("ECLs") in accounts receivables<br>( <i>note 3A(ii) below</i> )                          | (3,469)         |
| Accumulated losses as at 1 April 2018  | (706,934)       |
| <b>Non-controlling interests</b>   |                 |
| Non-controlling interests as at 31 March 2018 as originally stated   | 26,747          |
| Increase in ECLs in accounts receivables ( <i>note 3A(ii) below</i> )  | (1,294)         |
| Non-controlling interests as at 1 April 2018   | 25,453          |

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

#### A. HKFRS 9 Financial Instruments (“HKFRS 9”) (Continued)

##### (i) *Classification and measurement of financial instruments (Continued)*

HKFRS 9 basically retains the existing requirements in HKAS 39 for the classification and measurements of financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group’s accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group’s classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables that do not contain a significant financing component in accordance with HKFRS 15, an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost (“amortised costs”); (ii) financial assets at fair value through other comprehensive income (“FVOCI”); or (iii) FVTPL (as defined above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the “solely payments of principal and interest” criterion, also known as “SPPI criterion”). Under HKFRS 9, embedded derivatives are no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to be achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

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

#### A. HKFRS 9 Financial Instruments (“HKFRS 9”) (Continued)

##### (i) Classification and measurement of financial instruments (Continued)

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group’s financial assets as follows:

|                 |   |
|-----------------|---|
| FVTPL           | FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.  |
| Amortised costs | Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss. |

As at 1 April 2018, certain unquoted equity investments were reclassified from available-for-sale financial assets at cost to FVTPL. These unquoted equity instrument has no quoted price in an active market. The Group has designated such unquoted equity instrument at the date of initial application as measured at FVTPL. As at 1 April 2018, the difference between the previous carrying amount and the fair value of HK\$50,948,000 has been included in accumulated losses.

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKRS 9 for each class of the Group’s financial assets as at 1 April 2018:

| Financial assets          | Original classification under HKAS 39 | New classification under HKFRS 9 | Carrying amount as at 1 April 2018 under HKAS 39<br>HK\$’000 | Carrying amount as at 1 April 2018 under HKFRS 9<br>HK\$’000 |
|---------------------------|---------------------------------------|----------------------------------|--|--|
| Other financial assets    | Available-for-sale (at cost)          | FVTPL                            | 69,802   | 120,750  |
| Accounts receivables      | Loans and receivables                 | Amortised cost                   | 48,220   | 43,457   |
| Cash and cash equivalents | Loans and receivables                 | Amortised cost                   | 92,933   | 92,933   |

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

#### A. HKFRS 9 Financial Instruments (“HKFRS 9”) (Continued)

##### (ii) *Impairment of financial assets*

The adoption of HKFRS 9 has changed the Group’s impairment model by replacing the HKAS 39 “incurred loss model” to the “ECLs model”. HKFRS 9 requires the Group to recognised ECLs for accounts receivables and financial assets at amortised costs earlier than HKAS 39. Cash and cash equivalents are subject to ECLs model but the impairment is immaterial for the current period.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

##### *Measurement of ECLs*

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets’ original effective interest rate.

The Group has elected to measure loss allowances for accounts receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group’s historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets at amortised costs, the ECLs are based on the 12-month ECLs. The 12-month ECLs is the portion of the lifetime ECLs that results from possible default events on a financial instrument within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

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

**A. HKFRS 9 Financial Instruments (“HKFRS 9”) (Continued)**

**(ii) Impairment of financial assets (Continued)**

*Presentation of ECLs*

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

*Impact of the ECLs model*

(a) Impairment of accounts receivables

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which adopts a lifetime ECLs for accounts receivables. To measure the ECLs, accounts receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance for accounts receivables as at 1 April 2018 was determined as follows:

| 1 April 2018   | Current      | Less than<br>1 month<br>past due | More than<br>1 month but<br>3 months<br>past due | More than<br>3 months but<br>less than<br>12 months<br>past due | Over<br>12 months<br>past due | Total          |
|--|--------------|----------------------------------|--|---|-------------------------------|----------------|
| Gross carrying amount (HK\$'000)                                 | 32,062       | 670                              | 1,961  | 3,907   | 12,595                        | 51,195         |
| Less: Individually assessed (HK\$'000)                           | (55)         | –                                | –  | –   | (10,882)                      | (10,937)       |
| Gross carrying amount under<br>collective measurement (HK\$'000) | 32,007       | 670                              | 1,961  | 3,907   | 1,713                         | 40,258         |
| Expected credit loss rate  | 4%           | 60%                              | 70%  | 76%   | 100%                          |                |
| Loss allowance under<br>HKFRS 9 (HK\$'000)                       | <u>1,280</u> | <u>402</u>                       | <u>1,373</u>                                     | <u>2,970</u>  | <u>1,713</u>                  | 7,738          |
| Less: Loss allowance under<br>HKAS 39 (HK\$'000)                 |              |                                  |  |   |                               | <u>(2,975)</u> |
| Additional allowance on adoption<br>of HKFRS 9 (HK\$'000)        |              |                                  |  |   |                               | <u>4,763</u>   |

The increase in loss allowance for accounts receivables upon the transition to HKFRS 9 as of 1 April 2018 was HK\$4,763,000.

(b) Impairment of other receivables

The directors consider that the impairment losses on other receivables by applying the ECLs model as at 1 April 2018 and 30 September 2018 are insignificant.

(c) Financial guarantee contracts

The directors consider that the loss allowances on financial guarantee contracts provided to customers by applying the lifetime ECLs model as at 1 April 2018 and 30 September 2018 are insignificant.

### **3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)**

#### **A. HKFRS 9 Financial Instruments (“HKFRS 9”) (Continued)**

##### ***(iii) Hedge accounting***

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

##### ***(iv) Transition***

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the consolidated statement of financial position as at 31 March 2018, but are recognised in the consolidated statement of financial position on 1 April 2018. This means that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in accumulated losses as at 1 April 2018. Accordingly, the comparative information presented does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 which is 1 April 2018:

- The determination of the business model within which a financial asset is held; and
- The designation of certain investments in equity instruments as FVTPL.

#### **B. HKFRS 15 Revenue from Contracts with Customers (“HKFRS 15”)**

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 April 2018, thus the comparative figures have not been restated.

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

#### B. HKFRS 15 Revenue from Contracts with Customers (“HKFRS 15”) (Continued)

The following tables summarised the impact of adopting HKFRS 15 on the Group’s condensed consolidated statement of financial position as at 30 September 2018. There was no material impact on the Group’s condensed consolidated statement of profit or loss and other comprehensive income and condensed consolidated statement of cash flows for the six months ended 30 September 2018:

|                      | As reported<br><i>HK\$’000</i> | Adjustments<br><i>HK\$’000</i> | Amount without<br>application of<br>HKFRS 15<br><i>HK\$’000</i> |
|----------------------|--------------------------------|--------------------------------|---|
| <b>Liabilities</b>   |                                |                                |   |
| Contract liabilities | 1,863                          | (1,863)                        | –   |
| Receipts in advance  | –                              | 1,863                          | 1,863   |

### 4. USE OF JUDGEMENTS AND ESTIMATES

In preparing this condensed consolidated interim financial information, the significant judgements made by the management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2018 annual financial statements.

### 5. SEGMENT REPORTING

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

The Group has the following four (30 September 2017: 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 is used by the chief operating decision-maker for assessment of segment performance.

## 5. SEGMENT REPORTING (Continued)

### (a) Reportable segments

|                                  | Continuing operations                 |                  |                                       |                  |                                       |                  |                                       |                  | Discontinued operations               |                  |                                       |                  |
|----------------------------------|---------------------------------------|------------------|---------------------------------------|------------------|---------------------------------------|------------------|---------------------------------------|------------------|---------------------------------------|------------------|---------------------------------------|------------------|
|                                  | Development of electric vehicles      |                  | Mining                                |                  | Metal and minerals trading            |                  | Total                                 |                  | Ores processing and trading           |                  | Total                                 |                  |
|                                  | For the six months ended 30 September |                  | For the six months ended 30 September |                  | For the six months ended 30 September |                  | For the six months ended 30 September |                  | For the six months ended 30 September |                  | For the six months ended 30 September |                  |
|                                  | (unaudited) 2018                      | (unaudited) 2017 | (unaudited) 2018                      | (unaudited) 2017 | (unaudited) 2018                      | (unaudited) 2017 | (unaudited) 2018                      | (unaudited) 2017 | (unaudited) 2018                      | (unaudited) 2017 | (unaudited) 2018                      | (unaudited) 2017 |
| HK\$'000                         |                                       | HK\$'000         |                                       | HK\$'000         |                                       | HK\$'000         |                                       | HK\$'000         |                                       | HK\$'000         |                                       |                  |
| Revenue from external customers  | 317                                   | 25,788           | -                                     | -                | -                                     | -                | 317                                   | 25,788           | -                                     | -                | 317                                   | 25,788           |
| Reportable segment loss          | (30,503)                              | (27,237)         | (3,584)                               | (4,291)          | (257)                                 | (449)            | (34,344)                              | (31,977)         | (5,084)                               | (1,958)          | (39,428)                              | (33,935)         |
| Interest income                  | 144                                   | 808              | -                                     | -                | -                                     | -                | 144                                   | 808              | 1                                     | -                | 145                                   | 808              |
| Unallocated interest income      |                                       |                  |                                       |                  |                                       |                  |                                       |                  |                                       |                  | 178                                   | 197              |
| Total interest income            |                                       |                  |                                       |                  |                                       |                  |                                       |                  |                                       |                  | 323                                   | 1,005            |
| Depreciation                     | (4,258)                               | (4,318)          | (142)                                 | (272)            | -                                     | -                | (4,400)                               | (4,590)          | (2)                                   | (138)            | (4,402)                               | (4,728)          |
| Unallocated depreciation expense |                                       |                  |                                       |                  |                                       |                  |                                       |                  |                                       |                  | (785)                                 | (717)            |
| Total depreciation               |                                       |                  |                                       |                  |                                       |                  |                                       |                  |                                       |                  | (5,187)                               | (5,445)          |
| Amortisation                     | (6,253)                               | (2,483)          | -                                     | -                | -                                     | -                | (6,253)                               | (2,483)          | -                                     | -                | (6,253)                               | (2,483)          |

### Reconciliation of segment revenue and profit or loss

|  | For the six months ended<br>30 September |                                 |
|--|--|---------------------------------|
|  | 2018<br>(unaudited)<br>HK\$'000          | 2017<br>(unaudited)<br>HK\$'000 |
| <b>Revenue</b>   |  |                                 |
| Reportable segment revenue and consolidated revenue                              | <b>317</b>                               | <b>25,788</b>                   |
| <b>Loss before income tax and discontinued operations</b>                        |  |                                 |
| Reportable segment loss  | (39,428)                                 | (33,935)                        |
| Segment loss from discontinued operations  | 5,085                                    | 1,958                           |
| Unallocated other income   | 123                                      | 221                             |
| Unallocated share-based payments   | (2,001)                                  | (4,061)                         |
| Unallocated impairment of interest in joint venture                              | (277)                                    | (5,180)                         |
| Change in fair value of financial assets at<br>fair value through profit or loss | (645)                                    | (1)                             |
| Unallocated other corporate expenses   | (17,481)                                 | (16,118)                        |
| Finance costs  | (70)                                     | (395)                           |
| Consolidated loss before income tax from<br>continuing operations                | <b>(54,694)</b>                          | <b>(57,511)</b>                 |



## 5. SEGMENT REPORTING (Continued)

### (a) Reportable segments (Continued)

|                                       | Continuing operations                  |                                  |  |                                  |  |                                  | Discontinued operations                |                                  |  |                                  |  |                                  |
|---------------------------------------|--|----------------------------------|--|----------------------------------|--|----------------------------------|--|----------------------------------|--|----------------------------------|--|----------------------------------|
|                                       | Development of electric vehicles       |                                  | Mining                                 |                                  | Metal and minerals trading             |                                  | Total                                  |                                  | Ores processing and trading            |                                  | Total                                  |                                  |
|                                       | As at                                  |                                  | As at                                  |                                  | As at                                  |                                  | As at                                  |                                  | As at                                  |                                  | As at                                  |                                  |
|                                       | 30 September 2018 (unaudited) HK\$'000 | 31 March 2018 (audited) HK\$'000 | 30 September 2018 (unaudited) HK\$'000 | 31 March 2018 (audited) HK\$'000 | 30 September 2018 (unaudited) HK\$'000 | 31 March 2018 (audited) HK\$'000 | 30 September 2018 (unaudited) HK\$'000 | 31 March 2018 (audited) HK\$'000 | 30 September 2018 (unaudited) HK\$'000 | 31 March 2018 (audited) HK\$'000 | 30 September 2018 (unaudited) HK\$'000 | 31 March 2018 (audited) HK\$'000 |
| Reportable segment assets             | 359,283                                | 411,396                          | 2,515,374                              | 2,757,852                        | 17,286                                 | 17,353                           | 2,891,943                              | 3,186,601                        | 28,288                                 | 30,109                           | 2,920,231                              | 3,216,710                        |
| Additions to non-current assets       | 5,370                                  | 59,913                           | 56                                     | 2,627                            | -                                      | -                                | 5,426                                  | 62,540                           | -                                      | 777                              | 5,426                                  | 63,317                           |
| Unallocated assets                    |  |                                  |  |                                  |  |                                  |  |                                  |  |                                  | 22                                     | 802                              |
| Total additions to non-current assets |  |                                  |  |                                  |  |                                  |  |                                  |  |                                  | 5,448                                  | 64,119                           |
| Reportable segment liabilities        | (114,220)                              | (141,616)                        | (2,586)                                | (2,827)                          | (175)                                  | (25)                             | (116,981)                              | (144,468)                        | (946)                                  | (2,210)                          | (117,927)                              | (146,678)                        |

### Reconciliation of segment assets and liabilities

|                                   | As at                                  |                                  |
|-----------------------------------|--|----------------------------------|
|                                   | 30 September 2018 (unaudited) HK\$'000 | 31 March 2018 (audited) HK\$'000 |
| <b>Assets</b>                     |  |                                  |
| Reportable segment assets         | 2,920,231                              | 3,216,710                        |
| Unallocated corporate assets      | 128,783                                | 135,363                          |
| Consolidated total assets         | 3,049,014                              | 3,352,073                        |
| <b>Liabilities</b>                |  |                                  |
| Reportable segment liabilities    | 117,927                                | 146,678                          |
| Unallocated corporate liabilities | 276                                    | 2,102                            |
| Consolidated total liabilities    | 118,203                                | 148,780                          |

## 5. SEGMENT REPORTING (Continued)

### (b) Geographic information

During the periods ended 30 September 2018 and 2017, the Group's business revenue was all generated from the People's Republic of China (the "PRC").

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

|                          | Revenue from<br>external customers |               | Specified non-current assets |                  |
|--------------------------|------------------------------------|---------------|------------------------------|------------------|
|                          | For the six months ended           |               | As at                        |                  |
|                          | 30 September                       |               | 30 September                 | 31 March         |
|                          | 2018                               | 2017          | 2018                         | 2018             |
|                          | (unaudited)                        | (unaudited)   | (unaudited)                  | (audited)        |
|                          | HK\$'000                           | HK\$'000      | HK\$'000                     | HK\$'000         |
| PRC, including Hong Kong | 317                                | 25,788        | 2,726,807                    | 2,994,971        |
| Chile                    | -                                  | -             | 22,050                       | 22,050           |
|                          | <u>317</u>                         | <u>25,788</u> | <u>2,748,857</u>             | <u>3,017,021</u> |

### (c) Information about major customers

During the current period, revenue from one (30 September 2017: one) customer of the Group's development of electric vehicles segment amounted to HK\$209,000 (30 September 2017: HK\$5,828,000), which represented 66% (30 September 2017: 23%) of the Group's revenue.

## 6. REVENUE AND OTHER INCOME

Revenue which is recognised at a point in time represents the invoiced value of goods supplied to customers and is analysed as follows:

|   | For the six months ended |                      |
|---|--------------------------|----------------------|
|   | 30 September             |                      |
|   | 2018                     | 2017                 |
|   | (unaudited)              | (unaudited)          |
|   | HK\$'000                 | HK\$'000             |
|   |                          | (re-presented)       |
| <b>Revenue</b>                                    |                          |                      |
| <b>Continuing operations</b>                      |                          |                      |
| Sale of motor vehicles                            | –                        | 25,375               |
| Sale of batteries                                 | <u>317</u>               | <u>413</u>           |
|   | <b><u>317</u></b>        | <b><u>25,788</u></b> |
| <b>Other income</b>                               |                          |                      |
| <b>Continuing operations</b>                      |                          |                      |
| Interest income                                   | 322                      | 1,005                |
| Sundry income                                     | <u>92</u>                | <u>921</u>           |
|   | <b><u>414</u></b>        | <b><u>1,926</u></b>  |
| <b>Discontinued operations</b>                    |                          |                      |
| Rental income                                     | 1,308                    | 2,108                |
| Interest income                                   | 1                        | –                    |
| Income from trading ore in Chile                  | –                        | 158                  |
| Gain on disposal of property, plant and equipment | –                        | 12                   |
| Sundry income                                     | 16                       | –                    |
| Exchange gain                                     | <u>–</u>                 | <u>348</u>           |
|   | <b><u>1,325</u></b>      | <b><u>2,626</u></b>  |

## 7. FINANCE COSTS

**For the six months ended**  
**30 September**  
**2018**                      2017  
**(unaudited)**                      (unaudited)  
**HK\$'000**                      **HK\$'000**

### Continuing operations

|                          |           |            |
|--------------------------|-----------|------------|
| Bank borrowings interest | <u>70</u> | <u>395</u> |
|--------------------------|-----------|------------|

## 8. LOSS BEFORE INCOME TAX

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

**For the six months ended**  
**30 September**  
**2018**                      2017  
**(unaudited)**                      (unaudited)  
**HK\$'000**                      **HK\$'000**  
(re-presented)

### Continuing operations

|   |               |               |
|---|---------------|---------------|
| Auditor's remuneration                                  | 60            | 50            |
| Amortisation of prepaid lease payments for land         | 793           | 610           |
| Amortisation of other intangible assets                 | 5,460         | 1,873         |
| Cost of inventories recognised as expenses              | 307           | 25,581        |
| Impairment of accounts receivable                       | 382           | –             |
| Reversal of impairment of accounts receivable           | <u>(430)</u>  | <u>–</u>      |
|   | (48)          | –             |
| Depreciation of property, plant and equipment           | 4,183         | 3,569         |
| Exchange loss   | 1,965         | 256           |
| Impairment of interest in joint venture                 | 277           | 5,180         |
| Operating lease rentals on leasehold land and buildings | 6,118         | 5,049         |
| Research and development cost                           | <u>1,490</u>  | <u>3,397</u>  |
| Employee costs (including directors' remuneration)      |               |               |
| – Salaries and allowances                               | 13,449        | 14,360        |
| – Share-based payments ( <i>Note 23</i> )               | 4,602         | 9,771         |
| – Other benefits  | 606           | 721           |
| – Pension contributions                                 | <u>1,130</u>  | <u>1,129</u>  |
|   | <u>19,787</u> | <u>25,981</u> |

## 8. LOSS BEFORE INCOME TAX (Continued)

### (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 and the disposal was expected to be completed by March 2019. The associated assets were consequently classified as held for sale in the condensed consolidated statement of financial position.

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

|  | For the six months ended |                       |
|--|--------------------------|-----------------------|
|  | 30 September             |                       |
|  | 2018                     | 2017                  |
|  | (unaudited)              | (unaudited)           |
|  | HK\$'000                 | HK\$'000              |
| Revenue  | –                        | –                     |
| Other income   | 1,325                    | 2,626                 |
| Administrative expenses                                | <u>(6,410)</u>           | <u>(4,584)</u>        |
| Loss for the period from discontinued operations       | <u><b>(5,085)</b></u>    | <u><b>(1,958)</b></u> |
| Net cash outflow from operating activities             | (4,247)                  | (3,549)               |
| Net cash inflow from investing activities              | 1                        | 12                    |
| Net cash inflow from financing activities              | <u>4,093</u>             | <u>4,824</u>          |
| Net cash (outflow)/inflow from discontinued operations | <u><b>(153)</b></u>      | <u><b>1,287</b></u>   |

For the purpose of presenting discontinued operations, the comparative condensed 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 period had been discontinued at the beginning of the comparative period.

## 9. INCOME TAX CREDIT

|                   | For the six months ended |                    |
|-------------------|--------------------------|--------------------|
|                   | 30 September             |                    |
|                   | 2018                     | 2017               |
|                   | (unaudited)              | (unaudited)        |
|                   | HK\$'000                 | HK\$'000           |
| Deferred tax      | <u>(1,128)</u>           | <u>(86)</u>        |
| Income tax credit | <u><u>(1,128)</u></u>    | <u><u>(86)</u></u> |

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

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

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

## 10. DIVIDEND

The directors do not recommend the payment or declaration of any interim dividend for the six months ended 30 September 2018 (30 September 2017: nil).

## 11. 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:

|   | For the six months ended    |                             |
|---|-----------------------------|-----------------------------|
|   | 30 September                |                             |
|   | 2018                        | 2017                        |
|   | (unaudited)                 | (unaudited)                 |
|   | HK\$'000                    | HK\$'000                    |
| Loss for the period from continuing operations            | (48,505)                    | (50,876)                    |
| Loss for the period from discontinued operations          | <u>(3,051)</u>              | <u>(1,174)</u>              |
| Loss for the period attributable to owners of the Company | <u><b>(51,556)</b></u>      | <u><b>(52,050)</b></u>      |
|   | <i>Number</i>               | <i>Number</i>               |
| Weighted average number of ordinary shares in issue       | <u><b>5,036,046,800</b></u> | <u><b>4,491,401,991</b></u> |

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

### For continuing operations

Basic and diluted loss per share for continuing operations is HK\$0.01 per share (30 September 2017: HK\$0.01 per share) is based on the loss for the period from continuing operations of HK\$48,505,000 (30 September 2017: HK\$50,876,000) and the weighted average number of ordinary shares in issue detailed above. The basic and diluted loss per share for both periods presented are the same as the potential ordinary shares issuable under the convertible notes and the share options are anti-dilutive.

### For discontinued operations

Basic and diluted loss per share for discontinued operations is HK\$0.0006 per share (30 September 2017: HK\$0.0003 per share) is based on the loss for the period from discontinued operations of HK\$3,051,000 (30 September 2017: HK\$1,174,000) and the weighted average number of ordinary shares in issue detailed above. The basic and diluted loss per share for both periods presented are the same as the potential ordinary shares issuable under the convertible notes and the share options are anti-dilutive.

## **12. PROPERTY, PLANT AND EQUIPMENT**

During the six months ended 30 September 2018, the Group acquired property, plant and equipment in an aggregate amount of approximately HK\$828,000 (30 September 2017: HK\$1,622,000). Depreciation for items of property, plant and equipment was approximately HK\$5,187,000 (30 September 2017: HK\$5,445,000) during the period. Loss on exchange realignment arising on translation of the carrying amount of the property, plant and equipment amounted to approximately HK\$6,103,000 (30 September 2017: gain of HK\$3,092,000) during the period.

## **13. CONSTRUCTION IN PROGRESS**

Construction in progress mainly represents:

- (a) the mining assets in the PRC on the preliminary construction costs incurred for the development of road access to the factory buildings; and
- (b) the manufacturing plant in the PRC on the preliminary construction costs incurred for the new manufacturing plant of motor vehicle in Chongqing.

During the six months ended 30 September 2018, expenditure recognised as construction in progress amounted to approximately HK\$4,620,000 (30 September 2017: HK\$5,539,000) mainly represents the manufacturing plant in the PRC. Loss on exchange realignment arising on translation of construction in progress amounted to approximately HK\$4,581,000 (30 September 2017: gain of HK\$3,712,000) during the period.

## **14. MINING ASSETS**

Mining assets located at Guangxi, the PRC, have not been amortised since acquisition as the mine has not yet commenced operation since then. The mining project 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. Loss on exchange realignment arising on translation of the carrying amount of the mining assets amounted to approximately HK\$237,957,000 (30 September 2017: gain of HK\$103,939,000) during the period.



## 15. INVENTORIES

|                  | As at         |               |
|------------------|---------------|---------------|
|                  | 30 September  | 31 March      |
|                  | 2018          | 2018          |
|                  | (unaudited)   | (audited)     |
|                  | HK\$'000      | HK\$'000      |
| Raw materials    | 7,696         | 11,348        |
| Work in progress | 48,366        | 32,854        |
| Finished goods   | 5,558         | 4,603         |
|                  | <u>61,620</u> | <u>48,805</u> |

## 16. ACCOUNTS RECEIVABLE

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

|                  | As at         |               |
|------------------|---------------|---------------|
|                  | 30 September  | 31 March      |
|                  | 2018          | 2018          |
|                  | (unaudited)   | (audited)     |
|                  | HK\$'000      | HK\$'000      |
| 0 – 30 days      | 32            | 15,496        |
| 31 – 90 days     | –             | 1,096         |
| 91 – 180 days    | –             | 12,997        |
| 181 – 365 days   | 23,219        | 1,397         |
| More than 1 year | 8,165         | 17,234        |
|                  | <u>31,416</u> | <u>48,220</u> |

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

## 16. ACCOUNTS RECEIVABLE (Continued)

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

|   | As at         |               |
|---|---------------|---------------|
|   | 30 September  | 31 March      |
|   | 2018          | 2018          |
|   | (unaudited)   | (audited)     |
|   | HK\$'000      | HK\$'000      |
| Not past due  | 23,563        | 31,721        |
| Less than 1 month past due                          | 243           | 632           |
| More than 1 month but less than 3 months past due   | 389           | 1,899         |
| More than 3 months but less than 12 months past due | 764           | 2,831         |
| Over 12 months past due                             | 6,457         | 11,137        |
|   | <u>31,416</u> | <u>48,220</u> |

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 movement of impairment loss allowances for accounts receivable during the period:

|   | As at        |              |
|---|--------------|--------------|
|   | 30 September | 31 March     |
|   | 2018         | 2018         |
|   | (unaudited)  | (audited)    |
|   | HK\$'000     | HK\$'000     |
| Opening loss allowance ( <i>Note 3A(ii)</i> )       | 7,738        | –            |
| Impairment loss recognised                          | 382          | 2,813        |
| Reversal of impairment losses previously recognised | (430)        | –            |
| Exchange realignment                                | (678)        | 162          |
| At end of the period/year                           | <u>7,012</u> | <u>2,975</u> |

Based on past experience, management believes that an additional impairment loss of HK\$382,000 is necessary in respect of above balances.

## 17. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

|                           | As at   |   |
|---------------------------|---|---|
|                           | 30 September<br>2018<br>(unaudited)<br>HK\$'000 | 31 March<br>2018<br>(audited)<br>HK\$'000 |
| Other receivables         | 30,769  | 35,730                                    |
| Deposits                  | 9,070   | 9,354                                     |
| Prepayments               | 42,203  | 47,436                                    |
|                           | <u>82,042</u>                                   | <u>92,520</u>                             |
| Less: Non-current portion | (18,895)  | (20,273)                                  |
|                           | <u><u>63,147</u></u>                            | <u><u>72,247</u></u>                      |

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

|  | As at   |   |
|--|---|---|
|  | 30 September<br>2018<br>(unaudited)<br>HK\$'000 | 31 March<br>2018<br>(audited)<br>HK\$'000 |
| <b>Current portion</b>   |   |   |
| Equity securities held for trading and listed in<br>Hong Kong (note (a)) | <u>708</u>                                      | <u>1,353</u>                              |
| <b>Non-current portion</b>   |   |   |
| Unlisted equity investments (note (b))                                   | <u>120,750</u>                                  | <u>–</u>                                  |
|  | <u><u>121,458</u></u>                           | <u><u>1,353</u></u>                       |

### Notes:

- (a) The fair values of the equity securities are determined based on Level 1 of fair value hierarchy: the quoted market prices in active market. During the period, a loss on change in fair value of approximately HK\$645,000 (30 September 2017: HK\$1,000) was recognised in profit or loss.
- (b) These investments were classified as available-for-sale investments and carried at cost as at 31 March 2018. Following the adoption of HKFRS 9 from 1 April 2018, these investments were reclassified and re-measured as financial assets at FVTPL, details for explanations regarding the change in accounting policy and the reclassification are set out in note 3A(i). The fair value are determined based on level 2 of fair value hierarchy: inputs other than quoted prices included within level 1 that are observable for the investments directly.

## 19. ACCOUNTS PAYABLE

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

|                  | As at         |               |
|------------------|---------------|---------------|
|                  | 30 September  | 31 March      |
|                  | 2018          | 2018          |
|                  | (unaudited)   | (audited)     |
|                  | HK\$'000      | HK\$'000      |
| 0 – 30 days      | 1,645         | 65            |
| 31 – 90 days     | 229           | 974           |
| 91 – 180 days    | 3,462         | 12,855        |
| 181 – 365 days   | 10,923        | 7,454         |
| More than 1 year | 2,745         | 7,752         |
|                  | <u>19,004</u> | <u>29,100</u> |

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

## 20. OTHER PAYABLES AND ACCRUALS

|                             | As at           |                 |
|-----------------------------|-----------------|-----------------|
|                             | 30 September    | 31 March        |
|                             | 2018            | 2018            |
|                             | (unaudited)     | (audited)       |
|                             | HK\$'000        | HK\$'000        |
| Other payables and accruals | 85,263          | 94,752          |
| Less: Current portion       | <u>(23,015)</u> | <u>(26,478)</u> |
|                             | <u>62,248</u>   | <u>68,274</u>   |

The non-current portion represented the government grant in relation to the construction of manufacturing plant in the PRC.

## 21. CONVERTIBLE NOTES

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

The Company has the option to issue conversion shares at the conversion price on the maturity date or to redeem the outstanding principal amount of the Convertible Notes. The Convertible Notes are an equity instrument as the Company has no obligation to settle in cash. The fair value of the Convertible Notes as at 28 February 2014 which is determined as the fair value of the net assets of the group companies acquired less the fair value of the consideration shares amounted to HK\$2,570,158,000 is credited to the “convertible notes equity reserve” on the issuance of the Convertible Notes. During the period, no Convertible Notes (30 September 2017: in principal amount of HK\$270,000,000) were converted into (30 September 2017: 360,000,000 ordinary shares) ordinary shares of the Company.

## 22. SHARE CAPITAL

|   | As at                 |                 |                       |                 |
|---|-----------------------|-----------------|-----------------------|-----------------|
|   | 30 September 2018     |                 | 31 March 2018         |                 |
|   | (unaudited)           | (unaudited)     | (audited)             | (audited)       |
|   | <i>Number of</i>      |                 | <i>Number of</i>      |                 |
|   | <i>shares</i>         | <i>HK\$'000</i> | <i>shares</i>         | <i>HK\$'000</i> |
| <i>Authorised:</i>                              |                       |                 |                       |                 |
| 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>  |
| <i>Issued and fully paid:</i>                   |                       |                 |                       |                 |
| At beginning of period/year                     | 5,036,046,800         | 50,360          | 4,446,046,800         | 44,460          |
| Conversion of Convertible Notes ( <i>note</i> ) | —                     | —               | 590,000,000           | 5,900           |
| At end of the period/year                       | <u>5,036,046,800</u>  | <u>50,360</u>   | <u>5,036,046,800</u>  | <u>50,360</u>   |

### *Note:*

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.

## 23. SHARE-BASED PAYMENT TRANSACTIONS

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

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

The movements in the number of share options during the six months ended 30 September 2018 were as follows:

| Date of offer of grant | At 1 April 2018    | Lapsed during the period | At 30 September 2018 | Exercise price | Closing price at date of offer of grant | Exercise period          | Vesting period           |
|------------------------|--------------------|--------------------------|----------------------|----------------|---|--------------------------|--------------------------|
| Under Old Scheme       |                    |                          |                      |                |   |                          |                          |
| 16/12/2009             | 40,400,000         | –                        | 40,400,000           | HK\$0.46       | HK\$0.45                                | 16/12/2009 to 15/12/2019 | N/A                      |
| Under New Scheme       |                    |                          |                      |                |   |                          |                          |
| 11/04/2014             | 58,000,000         | (1,000,000)              | 57,000,000           | HK\$1.15       | HK\$1.11                                | 12/04/2016 to 10/04/2024 | 12/04/2016 to 12/04/2020 |
| 10/03/2016             | 337,700,000        | (3,500,000)              | 334,200,000          | HK\$0.30       | HK\$0.28                                | 10/03/2016 to 09/03/2026 | 10/03/2016 to 11/03/2020 |
|                        | <u>436,100,000</u> | <u>(4,500,000)</u>       | <u>431,600,000</u>   |                |   |                          |                          |

## 23. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

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

| Date of offer of grant | At 1 April 2017    | Lapsed during the period | At 30 September 2017 | Exercise price | Closing price at date of offer of grant | Exercise period          | Vesting period           |
|------------------------|--------------------|--------------------------|----------------------|----------------|---|--------------------------|--------------------------|
| Under Old Scheme       |                    |                          |                      |                |   |                          |                          |
| 11/07/2007             | 32,500,000         | (32,500,000)             | –                    | HK\$0.86       | HK\$0.86                                | 11/07/2007 to 10/07/2017 | N/A                      |
| 18/09/2007             | 5,000,000          | (5,000,000)              | –                    | HK\$2.95       | HK\$2.90                                | 01/04/2008 to 17/09/2017 | 01/04/2008 to 31/03/2013 |
| 16/12/2009             | 40,400,000         | –                        | 40,400,000           | HK\$0.46       | HK\$0.45                                | 16/12/2009 to 15/12/2019 | N/A                      |
| Under New Scheme       |                    |                          |                      |                |   |                          |                          |
| 11/04/2014             | 91,000,000         | –                        | 91,000,000           | HK\$1.15       | HK\$1.11                                | 12/04/2016 to 10/04/2024 | 12/04/2016 to 12/04/2020 |
| 10/03/2016             | 366,300,000        | –                        | 366,300,000          | HK\$0.30       | HK\$0.28                                | 10/03/2016 to 09/03/2026 | 10/03/2016 to 11/03/2020 |
|                        | <u>535,200,000</u> | <u>(37,500,000)</u>      | <u>497,700,000</u>   |                |   |                          |                          |

No share options were granted by the Company during the six months ended 30 September 2018 and 2017.

The weighted average remaining contractual life of options outstanding at the end of the period was 6.65 years (30 September 2017: 7.63 years). The weighted average exercise price of options outstanding at the end of the period was HK\$0.43 (30 September 2017: HK\$0.47).

Of the total number of options outstanding at the end of the period, 275,120,000 (30 September 2017: 223,320,000) were exercisable at the end of the period.

There was no exercise of share options during the six months ended 30 September 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 method. The contractual life of the share options and expectations of early exercise of the share options are incorporated into the model.

The equity-settled share-based payment expenses of approximately HK\$4,791,000 (30 September 2017: HK\$10,093,000) was recognised during the period.

## 24. RELATED PARTY TRANSACTIONS

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

The Master Agreement will subsist until terminated by Verde (at the discretion of Verde) by giving CAH not less than 6 months’ written notice of termination any time after the 3rd anniversary of the Master Agreement. 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 six months ended 30 September 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) The remuneration of key management during the period which only comprised executive directors’ remuneration was as follows:

|                       | For the six months ended |              |
|-----------------------|--------------------------|--------------|
|                       | 30 September             |              |
|                       | 2018                     | 2017         |
|                       | (unaudited)              | (unaudited)  |
|                       | HK\$’000                 | HK\$’000     |
| Short-term benefits   | 1,953                    | 1,638        |
| Share-based payments  | 116                      | 717          |
| Pension contributions | 18                       | 18           |
|                       | <u>2,087</u>             | <u>2,373</u> |



## 25. CAPITAL COMMITMENTS

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

|  | As at   |   |
|--|---|---|
|  | 30 September<br>2018<br>(unaudited)<br>HK\$'000 | 31 March<br>2018<br>(audited)<br>HK\$'000 |
| Acquisition of property, plant and equipment                                       | 4,047   | 4,437                                     |
| Capital expenditure in respect of the construction of<br>the ores processing plant | 3,697   | 3,697                                     |
| Capital expenditure in respect of the mining operations                            | 8,378   | 9,186                                     |
| Capital expenditure in respect of the development of<br>electric vehicles          | 57,722  | 68,377                                    |
|  | <u>73,844</u>                                   | <u>85,697</u>                             |

## 26. FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 30 September 2018 and 31 March 2018 may be categorised as follows:

|   | As at   |   |
|---|---|---|
|   | 30 September<br>2018<br>(unaudited)<br>HK\$'000 | 31 March<br>2018<br>(audited)<br>HK\$'000 |
| <b>Financial assets</b>   |   |   |
| Financial assets at amortised costs<br>(including cash and bank balances) | 92,229  | 170,559                                   |
| Financial assets at fair value through profit or loss                     | 121,458   | 1,353                                     |
| Available-for-sale investments, at cost                                   | –   | 69,802                                    |
|   | <u>213,687</u>                                  | <u>241,714</u>                            |
| <b>Financial liabilities</b>  |   |   |
| Financial liabilities, at amortised cost                                  | <u>42,019</u>                                   | <u>61,826</u>                             |

## 26. FINANCIAL ASSETS AND LIABILITIES BY CATEGORY (Continued)

### (a) Financial instruments not measured at fair value

Financial instruments not measured at fair value include items classified as financial assets at amortised costs and financial liabilities.

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

### (b) Financial instruments measured at fair value

The following table provide an analysis of financial instruments carried at fair value by level of fair value hierarchy:

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

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

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

|                                | As at 30 September 2018<br>(unaudited) |                     |                   | As at 31 March 2018<br>(audited) |                     |                   |
|--------------------------------|--|---------------------|-------------------|----------------------------------|---------------------|-------------------|
|                                | Level 1<br>HK\$'000                    | Level 2<br>HK\$'000 | Total<br>HK\$'000 | Level 1<br>HK\$'000              | Level 2<br>HK\$'000 | Total<br>HK\$'000 |
| Financial assets at fair value |  |                     |                   |                                  |                     |                   |
| - Listed equity investments    | 708                                    | -                   | 708               | 1,353                            | -                   | 1,353             |
| - Unlisted equity investments  | -                                      | 120,750             | 120,750           | -                                | -                   | -                 |
|                                | <u>708</u>                             | <u>120,750</u>      | <u>121,458</u>    | <u>1,353</u>                     | <u>-</u>            | <u>1,353</u>      |

There were no transfers between levels during the period.

## 27. EVENTS AFTER THE REPORTING PERIOD

On 13 November 2018 and 19 November 2018, the Company entered into a placing agreement and a supplemental placing agreement respectively with a placing agent to place, on a best effort basis, a maximum of 1,000,000,000 shares to not less than six independent placees at a price range of HK\$0.10 to HK\$0.14 per placing share under the general mandate. The placing shares represent approximately 19.86% of the existing issued share capital of the Company and approximately 16.57% of the issued share capital of the Company as enlarged by the placing. The net proceeds from the placing are expected to range from HK\$98.0 million to HK\$137.2 million. The placing was not completed on 26 November 2018.

## 28. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on 26 November 2018.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **RESULTS**

During the period ended 30 September 2018, the Group recorded revenue of approximately HK\$0.3 million (30 September 2017: HK\$0.4 million) derived from the sale of batteries. Gross profit increased to approximately HK\$0.01 million (30 September 2017: gross loss of HK\$0.2 million) with the gross profit ratio at 3.2% on the sale of batteries.

As compared with the previous period, of which part of the revenue of HK\$25.4 million and gross profit of HK\$0.4 million was generated from sale of motor vehicles, the Group did not have any revenue generated from the sales of motor vehicles during the period. Details of the current development are set out in the section headed “Business Review” below.

The Group recorded a loss of approximately HK\$53.6 million for the period from continuing operations as compared to a loss of approximately HK\$57.4 million for last period. Such a decrease in loss was mainly due to the decrease in administrative expenses to approximately HK\$54.0 million (30 September 2017: HK\$58.7 million), which was mainly due to the decrease in non-cash share-based payment expenses to approximately HK\$4.6 million (30 September 2017: HK\$9.8 million) during the current period. There was loss from discontinued operations in Chile of approximately HK\$5.1 million (30 September 2017: HK\$1.9 million) as detailed in the “Ores Processing and Trading” segment under the “Business Review”.

The loss attributable to owners of the Company was approximately HK\$51.6 million (30 September 2017: HK\$52.1 million). Basic and diluted loss per share for the period was HK\$0.01 per share (30 September 2017: HK\$0.01 per share).

### **INTERIM DIVIDEND**

The Directors of the Company do not recommend the payment or declaration of any interim dividend for the six months ended 30 September 2018 (30 September 2017: nil).

## **BUSINESS REVIEW**

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

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.

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. Subsequent the launching of 8.9m commuter bus, the 8.5m and 10.5m public transport buses in the previous year, Suitong had also 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 two new models which it has been prioritised, namely the 3 tonnes logistic vehicle and 4.5 tonnes logistic vehicle during the period.

The prevailing EV market is highly competitive. Some products are even selling below production costs in order to obtain market share. In order to minimize financial exposure, the Group is very cautious in bidding or concluding sales orders and hence no revenue is recorded from the sale of EV during the current period. Sales orders for 3 tonnes and 4.5 tonnes logistic vehicles are ready to conclude shortly after its listing in the Catalogue, since subsidy is followed on a calendar year basis, having considered the production time left available, no such sales order has been taken by the Group accordingly. Subsidy program in the PRC is expected to be a lot less significant next year and may totally stop in the year after, the EV industry will definitely become more healthier and more fair and favorable to Suitong in obtaining reasonable sales contract by then.

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. 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. Subsequent to the period ended 30 September 2018, part of the new production facility is utilizing and undergoing installation of the production facilities.

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. After the period ended 30 September 2018, the Group has entered into a Strategic Cooperation Agreement with a cutting edge hydrogen fuel cell provider in the PRC to develop fuel cell battery new energy vehicles. The Group is of the view that only companies keeping their competitive capacity at the forefront can harvest and grasp the big opportunities in the coming near future. For the details of the Strategic Cooperation Agreement, please refer to the Company's voluntary announcement dated 21 November 2018.

Although the pace of market development is still much slower than expected partially due to the dependence of various subsidy programs, the Group still considers that electrification of transportation vehicles or new energy vehicles is an inevitable global trend. Declining subsidy magnitude will also help to 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 the EV markets still offer an enormous opportunity for business growth. 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 8.06% as at 31 March 2018 to 7.19% as at 30 September 2018 resulting from a new capital investment from a new investor in Europe during the period under review. While Rimac has not yet made any positive contribution, nonetheless its sales orders are growing and its fair value is appreciating. The Group believes that the investment provides an opportunity for technology exchange which can benefit development of our eBus business. As resulted from the application of HKFRS 9 as mentioned in note 3A above, the investment in Rimac is restated from the cost of HK\$69.8 million to the fair value of HK\$120.7 million and hence resulted the decrease in the accumulated losses of HK\$50.9 million as at 1 April 2018.

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

The Company’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 RMB18.46 million (31 March 2018: RMB18.40 million) was incurred for the construction of an access road to the factory site. No other significant exploration, development or production activity was conducted for the Glauberite Mine during the period ended 30 September 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 will closely monitor 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 will also engage a qualified independent valuer to assess its fair value annually. Given the Glauberite Mine's distinct advantage in terms of its immense resources, strategic location and market potential, the Group remains highly confident that it is a unique and valuable asset.

### **Mineral resources and ore reserves**

As at 30 September 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 30 September 2018:

| <b>Wireframe</b>  | <b>Classification</b> | <b>Tonnes<br/>(<i>'000</i>)</b> | <b>Na<sub>2</sub>SO<sub>4</sub><br/>(%)</b> | <b>Na<sub>2</sub>SO<sub>4</sub><br/>(<i>'000</i>)</b> |
|-------------------|-----------------------|---------------------------------|---|---|
| North Orebody 1   | Indicated             | 473,000                         | 18.12                                       | 86,000  |
|                   | Inferred              | –                               | –   | –   |
| North Orebody 2   | Indicated             | –                               | –   | –   |
|                   | Inferred              | 37,000                          | 18.92                                       | 7,000   |
| Central Orebody 1 | Indicated             | 581,000                         | 16.77                                       | 98,000  |

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

### **Metals and minerals trading**

With 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 period 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. In previous year, the Group together with Verde’s joint venture partners, Tong Guan Resources Holdings Ltd and Catania Copper (Chile) Limited, reviewed the then current situation and considered to discontinue the operation of Verde from 16 December 2017. Hence the assets of Verde is classified as held for sale and its financial performance is classified as loss from discontinued operations are set out in the condensed consolidated financial statements.



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. During the current period, part of the assets of Verde is undergoing public sale and trying to bargain the highest price. The selling process is target to be completed in early 2019.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group generally financed its operations by internal resources. However, due to the rapid expansion of the business mentioned above, the Group may seek external financial resources in the future in order to finance its operations. As at 30 September 2018, the net asset value of the Group amounted to approximately HK\$2,930.8 million (31 March 2018: HK\$3,203.3 million). As at 30 September 2018, the gearing ratio of the Group was nil as no bank borrowings as at 30 September 2018 (31 March 2018: 0.2% based on bank borrowings of HK\$6.2 million) and the equity attributable to owners of the Company of approximately HK\$2,916.3 million (31 March 2018: HK\$3,176.5 million).

As at 30 September 2018, the Company has (i) outstanding convertible notes in the principal amount of HK\$1,687.5 million (31 March 2018: HK\$1,687.5 million) which could be converted into 2,250,000,000 shares (31 March 2018: 2,250,000,000 shares) of the Company based on the conversion price of HK\$0.75 per share 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 431,600,000 shares (31 March 2018: 436,100,000 shares) of the Company, for which 275,120,000 shares (31 March 2018: 266,220,000 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 30 September 2018, the Group had unpledged cash and bank balances of approximately HK\$20.9 million (31 March 2018: HK\$92.9 million), of which 43.0% (31 March 2018: 46.9%) was denominated in HK dollars, 50.5% (31 March 2018: 51.3%) was denominated in Renminbi and 4.4% (31 March 2018: 1.1%) was denominated in US dollars. There was no bank borrowings (31 March 2018: HK\$6.2 million are denominated in Renminbi with the effective interest rates of 6.8% per annum) as at 30 September 2018.

During the current period, the exchange rate of the Renminbi has depreciated by approximately 9.6% against the HK dollars having a negative impact on the results of the Group on the translation of the Group's assets that are denominated in Renminbi. The Group has not entered into any foreign currency exchange forward contracts for hedging purposes for Renminbi during the period. 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.

Pursuant to the placing agreement dated 13 November 2018 between the Company and a placing agent, the Company may issue 1,000,000,000 new shares, representing approximately 19.86% of the issued share capital of the Company and the net proceeds from the placing will be approximately HK\$98.0 million to HK\$137.2 million.

## **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 30 September 2018, there was no charge on the Group's assets. In the previous year, the Group has pledged a parcel of land in Chongqing with aggregate carrying amount of approximately HK\$17.8 million to secure a bank borrowing of approximately HK\$6.2 million. In the current period, the bank borrowing was fully settled and the pledge of land have been released.

During the period ended 30 September 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 customers' default, the Group will be required to compensate the financial institution for the outstanding receivables from the customers. As at 30 September 2018, the Group's maximum exposure to the arrangement was RMB5.4 million (31 March 2018: RMB9.8 million). During the period ended 30 September 2018, no payment has been made by the Group (31 March 2018: RMB1.9 million) resulting from customers' default in making payments to the financial institution. Part of the amount net of subsequent recovery from default customers and expected recovery from default customers has been included in the write-off of accounts receivable. Management considers the probability of further default is low and in case of default, the expected cash outflows of the Group is insignificant. Therefore, no provision has been made in the condensed consolidated interim financial statements for these guarantees.

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

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 September 2018, the Group employed 201 (31 March 2018: 239) 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 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.

## SHARE OPTION SCHEME

The Company's share option scheme (the "Share Option Scheme"), which was adopted by an ordinary resolution of the shareholders at annual general meeting of the Company on 30 August 2013 (the "Adoption Date"), constitutes a share option scheme governed by Chapter 17 of the Listing Rules and will remain in force for 10 years from the Adoption Date. Pursuant to the Share Option Scheme, the Board is empowered, at its discretion, to invite any participant, including but not limited to any executive directors, non-executive directors and employees of the Company or any of its subsidiaries or associates, to take up options to subscribe for shares in the Company.

During the current period, no options were granted and no ordinary shares were issued in relation to the share options exercised by participants under the Share Option Scheme of the Company. Details of the Share Option Scheme are set out in note 23 to the condensed consolidated interim financial statements.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES

Movements of the outstanding share options to the directors as at 30 September 2018 were as follows:

| Name of Director           | Date of grant    | Exercise Price<br>(HK\$) | Number of share options |                      |                            |
|----------------------------|------------------|--------------------------|-------------------------|----------------------|----------------------------|
|                            |                  |                          | At<br>1 April<br>2018   | Granted/<br>(lapsed) | At<br>30 September<br>2018 |
| Mr. Cheung Ngan            | 16 December 2009 | 0.46                     | 1,200,000               | –                    | 1,200,000                  |
|                            | 10 March 2016    | 0.30                     | 3,700,000               | –                    | 3,700,000                  |
| Ms. Chan Hoi Ying          | 10 March 2016    | 0.30                     | 3,700,000               | –                    | 3,700,000                  |
| Mr. Zhou Jin Kai           | 10 March 2016    | 0.30                     | 3,700,000               | –                    | 3,700,000                  |
| Mr. Chan Francis Ping Kuen | 16 December 2009 | 0.46                     | 1,200,000               | –                    | 1,200,000                  |
|                            | 10 March 2016    | 0.30                     | 3,700,000               | –                    | 3,700,000                  |
| Mr. Hu Guang               | 16 December 2009 | 0.46                     | 1,200,000               | –                    | 1,200,000                  |
|                            | 10 March 2016    | 0.30                     | 3,700,000               | –                    | 3,700,000                  |

No share option was exercised by the directors during the six months ended 30 September 2018.

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

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

At 30 September 2018, the interests and short positions of the directors in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange were as follows:

| Name of Director           | Capacity or nature of interest                        | Number of shares or underlying shares |                | Approximate percentage of shareholding in the Company or associated company |
|----------------------------|---|---------------------------------------|----------------|---|
|                            |   | Long position                         | Short position |   |
| Mr. Cheung Ngan            | Beneficial owner & interest of controlled corporation | 1,175,524,959<br>(Note 1)             | –              | 23.34%  |
|                            | Interest of controlled corporation                    | 1,000<br>(Note 2)                     | –              | 20%   |
| Ms. Chan Hoi Ying          | Beneficial owner                                      | 3,700,000<br>(Note 3)                 | –              | 0.07%   |
| Mr. Zhou Jin Kai           | Beneficial owner                                      | 996,980,000<br>(Note 4)               | –              | 19.80%  |
| Mr. Chan Francis Ping Kuen | Beneficial owner                                      | 4,900,000<br>(Note 3)                 | –              | 0.11%   |
| Mr. Hu Guang               | Beneficial owner                                      | 4,900,000<br>(Note 3)                 | –              | 0.11%   |

*Note:*

- 1) The 1,175,524,959 shares include:
  - a. the number of shares of 397,120,000 held by Mr. Cheung Ngan;
  - b. the underlying shares of 4,900,000 from the share options granted, details of which are set out in the section headed “directors’ rights to acquire shares” above; and
  - c. the number of shares of 100,918,559 and underlying shares of 672,586,400 from conversion of convertible notes with principal amount of HK\$504,439,800 held by Faith Profit Holding Limited, which was wholly-owned by Mr. Cheung Ngan.
- 2) The 1,000 shares represent the indirect interest in Tong Guan La Plata Company Limited (“TGLP”), which is 60% indirectly held by the Company and hence is an associated corporation. The 20% beneficial interest in TGLP is held by Catania Copper (Chile) Limited. Catania Copper (Chile) Limited is 40% held by Great Base Holdings Limited and 60% held by Catania Mining Limited. Catania Mining Limited is 55% held by CM Universal Corporation. Faith Profit Holding Limited held 50% interest in Great Base Holdings Limited. Mr. Cheung Ngan held 100% interest in Faith Profit Holding Limited and 51% interest in CM Universal Corporation.
- 3) Being options to acquire ordinary shares of the Company, and further details of which are set out in the section headed “directors’ rights to acquire shares” above.
- 4) The 996,980,000 shares include:
  - a. the underlying shares of 3,700,000 from the share option granted, details of which are set out in the section headed “directors’ rights to acquire shares” above; and
  - b. the number of shares of 339,280,000 and underlying shares of 654,000,000 from conversion of convertible notes with principal amount of HK\$490,500,000.

Save as disclosed above, as at 30 September 2018, none of the directors of the Company have interest or short positions in the shares and underlying shares or other securities of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

## **DIRECTORS' INTERESTS IN CONTRACTS**

Save as disclosed in note 24 to the condensed consolidated interim financial statements, no director, whether directly or indirectly, had a material beneficial interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the period under review.

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

As at 30 September 2018, the following shareholders had registered an interest or short position in the shares or underlying shares of 5% or more of the issued share capital of the Company in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

| Name of substantial shareholder | Capacity or nature of interest                        | Number of shares or underlying shares |                | Approximate percentage of shareholding in the Company |
|---------------------------------|---|---------------------------------------|----------------|---|
|                                 |   | Long position                         | Short position |   |
| Mr. Cheung Ngan                 | Beneficial owner & interest of controlled corporation | 1,175,524,959<br>(Note 1)             | –              | 23.34%  |
| Faith Profit Holding Limited    | Beneficial owner                                      | 773,504,959<br>(Note 1)               | –              | 15.36%  |
| Entrust Limited                 | Beneficial owner                                      | 1,382,727,510<br>(Note 2)             | –              | 27.46%  |

| Name of substantial shareholder     | Capacity or nature of interest                        | Number of shares or underlying shares |                | Approximate percentage of shareholding in the Company |
|-------------------------------------|---|---------------------------------------|----------------|---|
|                                     |   | Long position                         | Short position |   |
| Mr. Chan Tok Yu                     | Interest of controlled corporation                    | 1,382,727,510<br>(Note 2)             | –              | 27.46%  |
| Ms. Siu Kwan                        | Interest of controlled corporation                    | 1,382,727,510<br>(Note 2)             | –              | 27.46%  |
| Mr. Zhou Jin Kai                    | Beneficial owner                                      | 996,980,000<br>(Note 3)               | –              | 19.80%  |
| Yicko Finance Limited               | Person having a security interest in shares           | 640,000,000<br>(Note 3)               | –              | 12.71%  |
| Yale International Holdings Limited | Interest of controlled corporation                    | 640,000,000<br>(Note 3)               | –              | 12.71%  |
| Mr. Chong Chin                      | Interest of controlled corporation                    | 640,000,000<br>(Note 3)               | –              | 12.71%  |
| Ms. Yao Sze Ling                    | Interest of controlled corporation                    | 640,000,000<br>(Note 3)               | –              | 12.71%  |
|                                     | Beneficial owner                                      | 116,170,000                           | –              | 2.31%   |
| HK Guoxin Investment Group Limited  | Beneficial owner                                      | 740,000,000<br>(Note 4)               | –              | 14.69%  |
| Mr. Li Feng Mao                     | Interest of controlled corporation                    | 740,000,000<br>(Note 4)               | –              | 14.69%  |
| 北京汽車城投資管理有限公司                       | Beneficial owner & interest of controlled corporation | 203,860,000<br>(Note 5)               | –              | 4.59%   |
| 北京匯濟投資中心                            | Interest of controlled corporation                    | 203,860,000<br>(Note 5)               | –              | 4.59%   |
| 北京市順義區政府                            | Interest of controlled corporation                    | 203,860,000<br>(Note 5)               | –              | 4.59%   |



*Note:*

- 1) The 1,175,524,959 shares include:
  - a. the number of shares of 397,120,000 held by Mr. Cheung Ngan;
  - b. the underlying shares of 4,900,000 from the share options granted to Mr. Cheung Ngan; and
  - c. the number of shares of 100,918,559 and underlying shares of 672,586,400 from conversion of convertible notes with principal amount of HK\$504,439,800 held by Faith Profit Holding Limited, which was wholly-owned by Mr. Cheung Ngan. Accordingly, Mr. Cheung Ngan is deemed to be interested in the shares in which Faith Profit Holding Limited is interested by virtue of the SFO.
  
- 2) The 1,382,727,510 shares include:
  - a. the number of shares of 469,313,910 and underlying shares of 913,413,600 from conversion of convertible notes with principal amount of HK\$685,060,200 held by Entrust Limited; and
  - b. Entrust Limited is controlled as to 34% by Mr. Chan Tok Yu, 25% by Ms. Chan Hoi Ying (executive director of the Company), 25% by Mr. Chan Hin Yeung and 16% by Ms. Siu Kwan. Mr. Chan Tok Yu is aged under 18 and his interest is held by Ms. Siu Kwan as a trustee. Accordingly, Mr. Chan Tok Yu and Ms. Siu Kwan are deemed to be interested in the shares in which Entrust Limited is interested by virtue of the SFO.
  
- 3) The 996,980,000 shares include:
  - a. the underlying shares of 3,700,000 from the share option granted; and
  - b. the number of shares of 339,280,000 and underlying shares of 654,000,000 from conversion of convertible notes with principal amount of HK\$490,500,000.

The 640,000,000 shares related to the same block of shares and underlying shares (the “Shares”) for Mr. Zhou Jin Kai. The Shares beneficially owned by Mr. Zhou Jin Kai were charged to Yicko Finance Limited. On 11 July 2017 and 20 February 2018, the Company received notices pursuant to section 324 of Part XV of the SFO from Yicko Finance Limited, Yale International Holdings Limited, Mr. Chong Chin, Ms. Yao Sze Ling and Mr. Zhou Jin Kai. According to these notices, Yicko Finance Limited has come to have securities interest in the Shares. Yale International Holdings Limited held 99.99% interest in Yicko Finance Limited, and Mr. Chong Chin and Ms. Yao Sze Ling respectively held 50% interest in Yale International Holdings Limited. Accordingly, Yale International Holdings Limited, Mr. Chong Chin and Ms. Yao Sze Ling are deemed to be interested in the shares in which Yicko Finance Limited is interested by virtue of the SFO.

- 4) The number of shares of 740,000,000 held by HK Guoxin Investment Group Limited, which was wholly owned by Mr. Li Feng Mao. Accordingly, Mr. Li Feng Mao is deemed to be interested in the shares in which HK Guoxin Investment Group Limited is interested by virtue of the SFO.
- 5) The 203,860,000 shares include:
  - a. the number of shares of 75,970,000 held by 北京汽車城投資管理有限公司; and
  - b. the number of shares of 127,890,000 held by 首航國際(香港)投資有限公司. 首航國際(香港)投資有限公司 was 100% indirectly owned by 北京汽車城投資管理有限公司.

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

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 September 2018.

## **CORPORATE GOVERNANCE PRACTICE**

The Company has adopted the code provisions set out in the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules. The Company has applied the principles in the Code and complied with the code provisions during the six months ended 30 September 2018 except the following:

### **Code A.2.1**

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The roles of chairman and chief executive officer of the Company have been performed by Mr. Cheung Ngan. The Board considers that the non-segregation does not result in considerable concentration of power in one person and has the advantage of a strong and consistent leadership which is conducive to making and implementing decisions quickly and consistently. The Board will review the effectiveness of this arrangement from time to time and will consider appointing an individual as the chief executive officer when it thinks appropriate.

## **Code A.6.7**

Code Provision A.6.7 stipulates that independent non-executive directors and non-executive directors should attend general meetings. Due to other business engagements, two independent non-executive directors could not attend the annual general meeting of the Company held on 27 August 2018.

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

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

- The term of appointment of Mr. Zhou Jin Kai, the non-executive director of the Company, has been renewed for a further two years from 1 September 2018 to 31 August 2020.

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

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

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

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

## **AUDIT COMMITTEE**

The audit committee, which comprises three independent non-executive directors of the Company, has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters of the Group. The Committee had reviewed the unaudited interim financial statements for the six months ended 30 September 2018.

## **PUBLICATION**

The Company's 2018 interim report 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, 26 November 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.*