FDG Electric Vehicles Limited
五龍電動車(集團)有限公司

（Formerly named as Sinopoly Battery Limited 中聚電池有限公司）
（Incorporated in Bermuda with limited liability）
（Stock Code : 729）

Annual Report 2014/15

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This annual report is printed on environmentally friendly paper

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive directors:

Mr. Cao Zhong *(Chairman and Chief Executive Officer)*
Mr. Miao Zhenguo *(Deputy Chairman)*
Dr. Chen Yanping *(Chief Operating Officer)*
Mr. Lo Wing Yat
Mr. Jaime Che *(Vice President)*

Non-executive director:

Professor Chen Guohua

Independent non-executive directors:

Mr. Chan Yuk Tong
Mr. Fei Tai Hung
Mr. Tse Kam Fow

AUDIT COMMITTEE

Mr. Chan Yuk Tong *(Chairman)*
Mr. Fei Tai Hung
Mr. Tse Kam Fow

REMUNERATION COMMITTEE

Mr. Chan Yuk Tong *(Chairman)*
Mr. Cao Zhong
Mr. Miao Zhenguo
Mr. Fei Tai Hung
Mr. Tse Kam Fow

NOMINATION COMMITTEE

Mr. Cao Zhong *(Chairman)*
Mr. Miao Zhenguo
Mr. Jaime Che
Mr. Chan Yuk Tong
Mr. Fei Tai Hung
Mr. Tse Kam Fow

EXECUTIVE COMMITTEE

Mr. Cao Zhong *(Chairman)*
Mr. Miao Zhenguo
Dr. Chen Yanping
Mr. Lo Wing Yat
Mr. Jaime Che

TECHNICAL ADVISORY COMMITTEE

Professor Xie Kai
Professor Ma Zifeng
Professor Wang Rongshun
Professor Wu Feng

AUTHORISED REPRESENTATIVES

Mr. Jaime Che
Mr. Miao Zhenguo

COMPANY SECRETARY

Ms. Fung Sam Ming Samantha

INDEPENDENT AUDITOR

Crowe Horwath (HK) CPA Limited

LEGAL ADVISERS

As to Hong Kong law:

Sidley Austin LLP

As to Bermuda law:

Conyers Dill & Pearman

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
China Construction Bank (Asia) Corporation Limited
Bank of China (Hong Kong) Limited
Bank of Jilin
Tianjin Rural Commercial Bank
Tianjin Binhai Rural Commercial Bank

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 3001-3005, 30th Floor
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
A18/F., Asia Orient Tower
Town Place, 33 Lockhart Road
Wanchai
Hong Kong

STOCK CODE

729

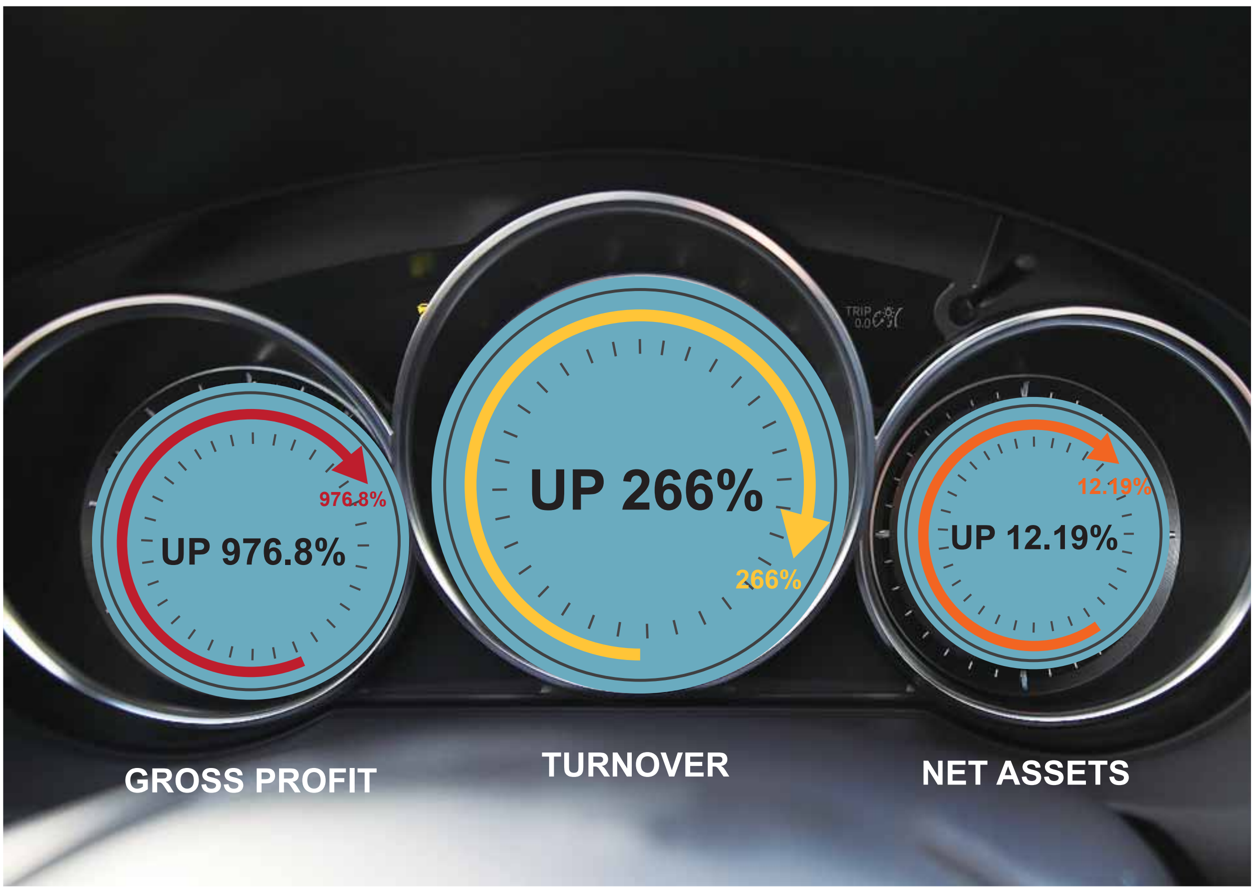
WEBSITE

www.fdgev.com

GROUP FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of FDG Electric Vehicles Limited (previously known as "Sinopoly Battery Limited") (the "Company") and its subsidiaries (collectively the "Group") for the five financial years ended 31 March 2015, as extracted from the published audited consolidated financial statements and reclassified and restated as appropriate, is set out below:

	2015 HK$'000	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000
Loss attributable to owners of the Company	**(409,759)**	(906,389)	(324,447)	(442,334)	(2,805,729)
Total assets	**6,024,455**	3,876,804	1,628,244	1,774,048	1,861,469
Total liabilities	**(3,710,250)**	(1,813,965)	(1,288,053)	(1,244,800)	(1,364,780)
Net assets	**2,314,205**	2,062,839	340,191	529,248	496,689
Non-controlling interests	**243,059**	329,039	–	–	–
Total equity attributable to owners of the Company	**2,071,146**	1,733,800	340,191	529,248	496,689



Dear Shareholders,

It is my great honor to have joined FDG Electric Vehicles Limited ("FDG Electric Vehicles" or the "Company") since March 2014, and I hereby present the annual results of the Company and its subsidiaries (collectively, the "Group") for the financial year ended 31 March 2015 on behalf of the board of directors of the Company.

Looking back at 2014, the world's economy continued its slow recovery while the new normal has been found in China's economic development, with a year-on-year growth of around 7.4% in the gross domestic product (GDP). Under this complicated and ever-changing economic environment, the growth in traditional automobile market in the China slowed down noticeably, with a year-on-year decrease of 7 percentage points in annual traditional automobile sales. Nevertheless, the new energy vehicle market, benefiting from favorable policies and improved technology, welcomed a year of stable growth. According to the data from the China Association of Automobile Manufacturers (CAAM), the accumulated sales of new energy vehicles totalled 75,000 units in 2014, representing a year-on-year increase of around 324%. The industry generally considered 2014 as the year of new energy vehicles became widely commercialized in China.

In recent years, the awareness of environmental protection and energy conservation has gradually shifted the customers' behaviors, and the constant developments and improvements on the technology of electric vehicles contributed to its widespread recognition. In China, as a result of urbanization and upgrade in consumption, automobile is still in demand. While the living standard and consumption power in the country have been improved, the desire of better quality products and better environment is raised. In March 2015, the report released by the Government at National People's Congress and Chinese People's Political Consultative Conference, explicitly mentioned that "Pollution is the main cause of deterioration in people's quality of life, thus we must fight against it with all our might". They proposed to implement the action plan for preventing and controlling air pollution effectively, by striving for zero-growth in the consumption of coal in key districts, and promoting the use of new energy vehicles and reducing vehicle exhaust emissions. More opportunities are anticipated as a result of these actions for new energy vehicle industry. According to the forecast from CAAM experts, the sales of new energy vehicles in China will continue to increase significantly, reaching 150,000 to 200,000 units in 2015.

With insight into the potential of China's new energy vehicle market and to stress the long-term development plan of the Group's business, the Company was officially renamed as FDG Electric Vehicles Limited on 13 May 2014 and started a brand-new chapter for the Group's development, by turning into a comprehensive electric vehicle manufacturer which is developing electric vehicles, lithium-ion batteries as well as leasing service of electric vehicles. By being sensitive and responsive to the market's development, and having one production plant in Kunming, which started operation last year, and another in Hangzhou, which will be ready for business later this year, the Group accelerated business integration and resource optimization, and achieved breakthrough results in research and development ("R&D"), production capacity and sales capability in its electric vehicles business. During the reviewing period, the Group presented its electric vehicles, including the pure electric commercial vehicles "eGlory" and "eBoss", and the pure electric public bus "eZone". "eGlory" was introduced in the 28th International Electric Vehicle Symposium and Exposition held in Seoul, South Korea in May 2015. The recognition and endorsement received from the industry gave a boost of confidence for FDG's development in the business.

The electric vehicle industry is in the initial stage of development in China, and the sales of electric vehicle accounted for the total sales of vehicles increased from 0.08% to 0.32% in 2013 to 2014. Although there is a rapid increase of sales, the market share of electric vehicle in the entire automobile market is still low. Every emerging industry needs time to become mature, through the process of being accepted by the market, the improvement of the technology and the market transformation from small segment into comprehensive. In the era of rapid change in technology, we believe the electric vehicles will become the new force in the automobile industry, and it will shift the consumption pattern of customers.

In spite of the market's concern of electric vehicles' development, the Group believes the electric vehicles industry will see its rapid development ahead in 2015 with the Chinese government's policies on optimizing energy conservation and emission reduction, ensuring energy safety and implementing structural transformation and enhancement in the industry. The Group will further improve the design and function of its electric vehicles in target markets, enhance the R&D capability, broaden the product portfolios, and improve the production capacity in order to become the pioneer in comprehensive electric vehicle manufacturing in the PRC.

Finally, on behalf of the Board, I would like to extend my sincere gratitude to shareholders, suppliers and business partners for your continuous support. I would also like to express my heartfelt appreciation to the management and all the staff of the Group for their hard work and efforts and their contributions over the year. In the future, the Group will continue to work with our vision of "Promote Science & Technology, Stay Innovative, Pursue Green Life, Nurture Humanities", for better performance and generate even greater investment return for shareholders.

Chairman
Cao Zhong

Hong Kong, 29 June 2015

Different from the others, FDG only designs and produces pure electric vehicles

Officially renamed as FDG Electric Vehicles Limited on 13 May 2014, the Company, previously mainly engaged in the R&D, production, distribution and sale of lithium-ion batteries as well as the provision of leasing service of electric vehicles, has developed into an integrated electric vehicle manufacturer, which also engages in independent R&D, design and production of electric vehicles ("EV") such as public buses, mid-size and mini buses, commercial vehicles, trucks, passenger vehicles and other models.

Looking back at 2014, the world's economy has seen divergence in growth in developed economies, and the growth rate for developing countries has slowed. While the path of recovery of economy around the globe is still long and tough, China's economy maintained steady growth under various pressures. The continuous increase in wealth and consumption power of Chinese citizen has excited the development of the slow-growing automobile industry. While technology is ever improving and the industry integration has been accelerated, central and local governments have released a series of promotion and subsidy policies, which provides all-round support for the commercialization of new energy vehicles. During the past year, the Group achieved prevailing interim success on R&D, design and manufacture of electric vehicles through a variety of acquisitions and cooperation plans.

MARKET OVERVIEW

In 2014, despite the new normal has been seen in China's macro economy, the automobile market in the country still maintained its growth. According to the data from China Association of Automobile Manufacturers (CAAM), the accumulated automobile sales in China totalled 23,490,000 units, representing a year-on-year growth of approximately 6.9%, which again hit a record high and continued to rank at the top in the world. However, affected by the increasing pressure from the downturn in China's macro economy and automobiles purchase limits imposed in certain major cities, the sales growth rate of China's automobile industry decreased by approximately 7 percentage points compared to the figure for 2013, which was below market's expectation. Nevertheless, the global sales of new energy vehicles remained strong in 2014.

According to the data from ZSW Centre on Solar Energy and Hydrogen Research, the accumulated sales of electric vehicles (including pure electric vehicles and hybrid vehicles) amounted to 740,000 units in the global market, 320,000 units of which were registered in 2014. 2014 is also the year of new energy vehicles became widely commercialized in China, as the number of registered electric vehicle increased from 45,000 units in 2013 to 120,000 units in 2014. According to the data from CAAM, the accumulated sales of new energy vehicles in China totalled 75,000 units, representing a year-on-year increase of approximately 324%, and pure electric vehicles amounted to 45,000 units. The proportion of domestic electric vehicle sales in the total automobile sales increased from 0.08% in 2013 to 0.32% in 2014.

Having higher standard for environmental quality, air pollution control has become one of the most important topics in maintaining better living standard. The central government and local governments have been paying more attention to environmental protection, and have been continuously rolling out relevant policies that are favourable to the development of new energy vehicle industry. In July 2014, General Office of the State Council of PRC announced the "*Government Guideline of Accelerating the Promotion of New Energy Vehicles*". The Guideline emphasized that the development of new energy vehicle should focus on vehicles with electric motors, including pure electric vehicles, plug-in hybrid vehicles and fuel cell vehicles. The development of new energy vehicles has been raised as a national strategy, by abolishing local interest protection, speeding up the construction of charging facilities, promoting the use of new energy vehicles in public sector, and waiving tax for purchasing new energy vehicles, in order to simulate the growth of the new energy vehicle market.

The Ministry of Finance of PRC, the State Taxation Bureau, as well as the Ministry of Industry and Information Technology then released a joint announcement that, from 1st September 2014 to 31st December 2017, to waive purchase tax for new energy vehicles listed in the "*Catalogue of the Models of New Energy Vehicles Exempt from Vehicle Purchase Tax*", and to extend the subsidies for new energy vehicles to 2020 according to the "*Notice on the Promotion and Application of Financial Supporting Policy on New Energy Vehicles 2016-2020 (Consultation Draft)*" issued by China's four ministries, so as to continue propelling the popularization of new energy vehicles. Meanwhile, in response to national policies, local governments in various cities and provinces, including Beijing, Shanghai and Zhejiang Province, released a series of new energy vehicle supporting policies to encourage promotion and application of new energy vehicles. This reflects local governments' determination of popularizing new energy vehicles and provides a favourable policy environment for the development of the new energy vehicle industry. In respect of public transportation, the Ministry of Finance, the Ministry of Industry and Information Technology, as well as the Ministry of Transport jointly released the "*Notice on Improving Refined Oil Price Subsidy Policy of Urban Buses and Accelerating the Promotion and Application of New energy Automobiles*", bringing forward to subsidize the operation of new energy public buses. The industry believes that the implementation of the policy will accelerate the promotion of new energy public buses and increase the demand for downstream lithium-ion batteries.

BUSINESS REVIEW

Electric vehicles, having enormous potential for improving urban environment and enforcing energy conservation, are the evolution of the global automobile industry. Therefore, the Company decided to further the business strategically by involving design and manufacturing of electric vehicles.

The Group's production plant in Kunming became operational last year, and that in Hangzhou will be ready for business later this year. In addition, the Group's self-developed mid-size bus, commercial vehicle and public bus series were launched. The Company has reached important milestones in design, R&D and production capacity. Through acquisitions and cooperation, the Group has integrated its business and optimized resource allocation, strengthening the collaborative development of electric vehicle business and battery business. The Group aims to improve its electric vehicle design techniques and R&D capability and to expand its overseas distribution channels through international cooperation in order to enhance its competitiveness in the development of electric vehicle business, and to improve the cost-effectiveness, safety and quality of its products.

Production plant in Kunming commenced production and sales of pure electric public buses will begin soon

In May 2014, the Company completed the acquisition of Hong Kong Southwest Electric Vehicles Limited, which held 50% of the registered capital of Yunnan Meidi Coach Manufacturing Co., Ltd. ("Yunnan Meidi"). Yunnan Meidi was engaged in the business of manufacture, sales and maintenance of coaches, electric vehicles as well as assembling parts and components. It also held a vehicle manufacturing license and a vehicle operating license in Kunming, Yunnan, the PRC. The production plant in Kunming, which is now known as Yunnan FDG Automobile Co., Limited ("Yunnan FDG"), started production in November 2014.

The electric vehicle production plant in Kunming has an annual production capacity of 10,000 units of electric public buses and mid-size buses/commercial vehicles. The first batch of pure electric vehicles includes two models from the FDE6120 series for 12-meter pure electric public buses, two models from the FDE6750 series for pure electric luxury mid-size buses, two models from the FDE6810 series for pure electric luxury commercial vehicles. The three series are developed with the characteristics of pure electric vehicle has adopted technology with international standard. We aim at establishing an industrialized production plant for electric vehicles with optimal scale and advanced technology in the Yunnan Province. The mid-size bus, commercial vehicle and public bus series, which are developed solely by the Group, have been listed as new products in the announcement published by the Ministry of Industry and Information Technology. These products comply with the conditions and regulations for public sales.

During the year under review, the Company achieved breakthrough results in sales with its electric vehicle business development strategy. In March 2015, Yunnan FDG signed a cooperation framework agreement with Kunming General Bus Company ("Kunming General Bus"). Kunming General Bus planned to replace its public buses in phases, and signed agreements to purchase the pure electric public buses from Yunnan FDG. Yunnan FDG will provide after-sales service and acquire the subsidies for purchasing new energy vehicles from the national government, while Kunming General Bus will be responsible for planning parking areas, stops and routes. With nearly 5,000 operating vehicles, Kunming General Bus is one of the biggest state-owned public mass transport companies in Yunnan Province. Kunming Municipal Government released the *"Implementation Plan for the Promotion and Application of New Energy Vehicles and its Development"* at the end of 2014. The plan shows that, by the end of 2015, Kunming will implement and promote the use of 3,400 new energy vehicles, including 1,000 new energy public buses, and constructing 3,700 charging piles.

Further integration in Hangzhou EV project, core EV production plant will commence operation this year

The electric vehicles business (the vehicle design centre and the Hangzhou production plant) development of Agnita Limited ("Agnita") achieves a rapid growth since the Group acquired a 58.5% stake in Agnita on 7 March 2014. The synergy effect with the Group's battery business is also becoming more apparent. Thus, on 2 November 2014, the Group acquired the issued shares of CIAM Group Limited ("CGL"), which held 41.5% of shares of Agnita, through the issue of convertible bonds, and also acquire CGL's 41.5% stake in Agnita through the Group's wholly-owned subsidiary. The transaction was completed in February 2015. CGL is an investment holding company listed on the Main Board of The Stock Exchange of Hong Kong Limited and focuses on investments in fields of energy conservation, environmental protection and developing clean energy. The Group will further utilize this listed platform for developing electric vehicle related businesses which will also match CGL's investment objective of environmental protection.

The production plant in Hangzhou will be in operation by September this year, which will provide more electric vehicle types to cope with the strong demand in the domestic market, and further enhance the Company's competitiveness in the industry. The Group's fully automated production plant in Hangzhou is one of the biggest pure electric vehicles production plant in the PRC, mainly focuses on manufacturing of electric mid-size buses, commercial vehicles and passenger vehicles with an annual production capacity of 100,000 units. This collaboration will further strengthen the Group's vertically-integrated business model, which is comprised of electric vehicle manufacturing, electric vehicle leasing and battery manufacturing businesses, enabling the Group to secure a better control on the production cost, optimize the integration and design of electric vehicles and battery, and to obtain a competitive edge over its competitors in the ever-changing electric vehicle industry.

FINANCIAL REVIEW

During the year under review, the Group recorded a turnover of approximately HK$307.4 million, representing an increase of approximately 266.0% as compared with the turnover of approximately HK$84.0 million of the last financial year. The substantial increase was due to a better recognition of the Group's lithium-ion batteries and its related products in the market. The battery products business constituted approximately 96.9% (2014: approximately 96.1%) of the Group's total turnover.

Gross profit increased to approximately HK$74.3 million of the current financial year from approximately HK$6.9 million of the last financial year, representing an increase of approximately 976.8%. Gross profit ratio was at approximately 24.2% of the current financial year as compared with approximately 8.3% of last financial year, representing an increase of approximately 15.9%. Such increase was mainly attributable to a better economy of scale in the battery production.

The Group has narrowed its net loss after tax to approximately HK$508.7 million from approximately HK$911.9 million of the last financial year, which is principally attributable to:

(i) the increase in turnover and gross profit as per the above mentioned;

(ii) the other income of approximately HK$21.8 million, an increase of approximately HK$6.3 million comparing with the last financial year of approximately HK$15.5 million, was mainly attributable to the increase in net exchange gains and interest income;

(iii) the selling and distribution costs of approximately HK$28.4 million, an increase of approximately HK$9.4 million comparing with the last financial year of approximately HK$19.0 million, was mainly attributable to the increase in the sales of lithium-ion batteries;

(iv) the general and administrative expenses of approximately HK$235.4 million, an increase of approximately HK$91.5 million comparing with the last financial year of approximately HK$143.9 million, was mainly attributable to the additional expenditures incurred by the Group's vehicle design and electric vehicle production segment which was acquired in March 2014;

(v) the research and development expenses of approximately HK$16.7 million, an increase of approximately HK$4.3 million comparing with the last financial year of approximately HK$12.4 million;

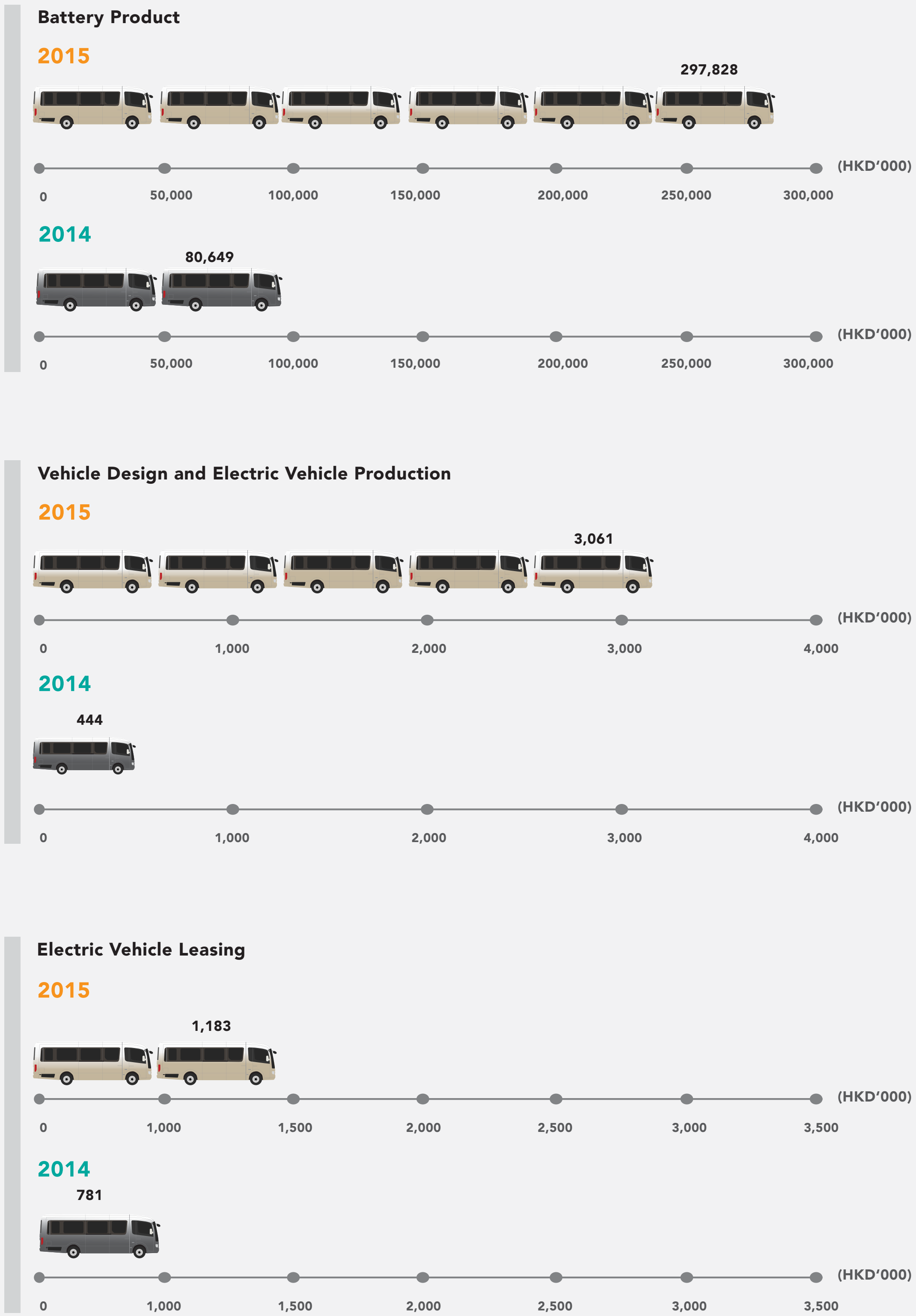
(vi) the finance costs of approximately HK$125.7 million, an increase of approximately HK$106.4 million comparing with the last financial year of approximately HK$19.3 million, was mainly attributable to the increase of bank loans and other borrowings and the issuance of convertible bonds of the Group;

(vii) the other operating expenses of approximately HK$74.6 million was attributable to the production and output costs incurred in the trial stage of the Group's electric vehicle production base in Yunnan, which did not incur in the last financial year;

(viii) the one-off goodwill impairment of approximately HK$665.4 million of the last financial year, which did not incur during the current financial year; and

(ix) the amortisation of intangible assets of approximately HK$181.5 million, an increase of approximately HK$82.4 million comparing with the last financial year of approximately HK$99.1 million, was mainly attributable to the full year amortisation of the intangible assets in respect of the Group's vehicle design and electric vehicle production segment during the current financial year.

Turnover of main business segment



Excluding the non-cash impairment on goodwill, the Group recorded the loss before interest, tax, depreciation and amortisation ("LBITDA") of approximately HK$206.2 million for the current financial year, an increase of approximately HK$95.1 million, comparing with approximately HK$111.1 million in the last financial year. Such increase was mainly attributable to the additional general and administrative expenses incurred by the Group's vehicle design and electric vehicle production segment and the production and output costs incurred in the trial stage of the Group's electric vehicle production base in Yunnan.

Segment Information

Battery products business

The turnover from battery products business of approximately HK$297.8 million, represents an increase of approximately 269.5% as compared with approximately HK$80.6 million of the last financial year. The increase is attributed to a better recognition of the Group's lithium-ion batteries and its related products in the market and an increase in lithium-ion batteries' demand. The gross profit ratio from the battery products business increased from approximately 6.3% of the last financial year to approximately 22.9% of the current financial year. Such increase was mainly attributable to a better economy of scale for the battery production and therefore a decrease in unit cost per battery product.

The battery products business recorded a segment loss before tax of approximately HK$142.6 million, an improvement of approximately 33.2% as comparing with approximately HK$213.4 million of the last financial year, as all the battery factories of the Group commenced commercial production and the Group continues to strive for high efficiency in operations. The battery products business recorded an earnings before interest, tax, depreciation and amortisation for the first time at approximately HK$3.7 million for the current financial year.

Vehicle design and electric vehicle production business

During the year under review, service income from vehicle design business was approximately HK$3.1 million (2014: approximately HK$0.4 million) as vehicle design and electric vehicle production business segment was only consolidated into the Group in March 2014 and contributed less than a month in the last financial year. The electric vehicle production segment was yet generated revenue to the Group. The segment loss before tax for the year was approximately HK$245.1 million (2014: approximately HK$677.4 million) that mainly represents the general and administrative expenses and the amortisation of intangible assets. Excluding the non-cash impairment on goodwill, the vehicle design and electric vehicle production business recorded a LBITDA of approximately HK$125.9 million for the current financial year, an increase of approximately HK$123.0 million, comparing with approximately HK$2.9 million of the last financial year.

Electric vehicle leasing business

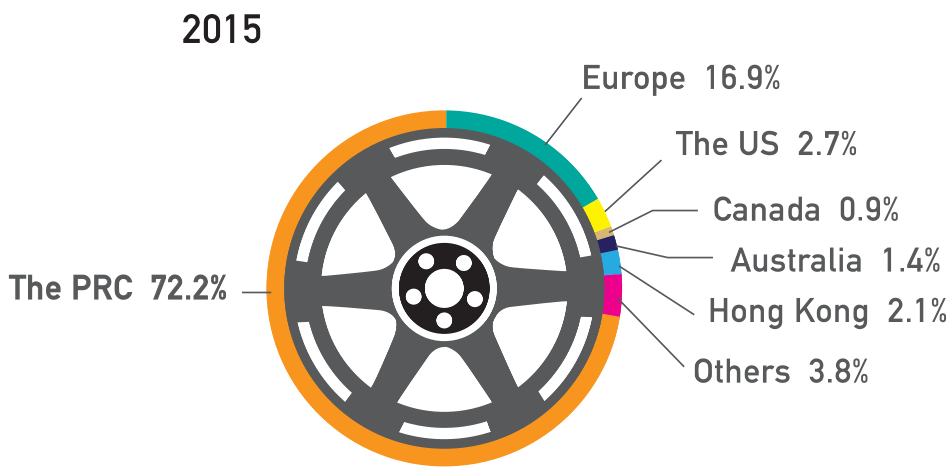
The rental income from electric vehicle leasing business was approximately HK$1.2 million for the current financial year, representing an increase of approximately HK$0.4 million as compared with approximately HK$0.8 million of the last financial year. The segment loss before tax for the current financial year was approximately HK$3.6 million (2014: approximately HK$3.1 million).

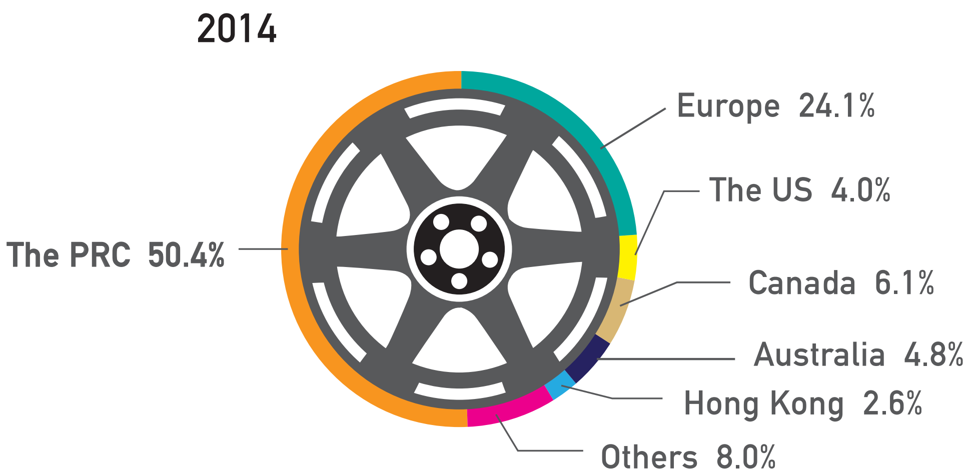
Direct investments business

The Group completed the acquisition of CGL by the end of February 2015. CGL is principally engaged in the investments in energy conservation, environmental protection and clean energy sectors. The income from direct investments and the segment loss before tax for the current financial year were approximately HK$1.5 million and approximately HK$3.0 million respectively.

Geographical Analysis of Turnover

During the year under review, the Group made progress in developing its business world-wide and most of the international electric vehicles and energy storage companies acknowledged the quality of our lithium-ion battery products. In addition, electric vehicles market in the PRC continues to grow and thus creating more demand for lithium-ion battery products. European countries, the PRC, the US, Canada, Australia, Hong Kong and others contributed approximately 16.9% (2014: 24.1%), 72.2% (2014: 50.4%), 2.7% (2014: 4.0%), 0.9% (2014: 6.1%), 1.4% (2014: 4.8%), 2.1% (2014: 2.6%) and 3.8% (2014: 8.0%) to the Group's total turnover respectively.





Liquidity and Financial Resources

As of 31 March 2015, the Group had (i) non-current assets of approximately HK$4,359.7 million (31 March 2014: approximately HK$2,419.6 million), which comprised of goodwill, intangible assets, property, plant and equipment, interest in leasehold land held for own use under operating lease, interests in joint ventures, available-for-sale investments, financial assets at fair value through profit or loss, deposits paid for non-current assets, loan receivable, and other non-current assets; and (ii) current assets of approximately HK$1,664.8 million (31 March 2014: approximately HK$1,457.2 million), which comprised of inventories, trade, bills, loan and other receivables, financial assets at fair value through profit or loss, derivative financial instruments, pledged bank deposits which were secured for all bills payable of the Group and issuance of letter of credit, deposit in a security account and cash and cash equivalents.

The Group had current liabilities of approximately HK$2,286.4 million (31 March 2014: approximately HK$1,504.4 million), which mainly comprised of bank loans and other borrowings, trade and bills payables, accruals and other payables, tax payable, and obligations under redeemed convertible bonds of approximately HK$760.8 million (the "Redemption Amount"). In accordance with a judgment given by the High Court of Hong Kong, the Company has been given an unconditional leave to defend to the extent of the set-off portion of the damages to be claimed by the Group against the Redemption Amount in the legal proceedings against the holder of such redeemed convertible bonds and its associates, and based on which, the Company is entitled to a stay of execution of payment for the Redemption Amount before the conclusion of the relevant legal proceedings. If the Redemption Amount is excluded from the calculation of the net current assets, the Group will have net current assets of approximately HK$139.1 million (31 March 2014: approximately HK$713.5 million).

The bank loans and other borrowings included (i) the bank loans of approximately HK$190.6 million (31 March 2014: approximately HK$107.4 million) were secured by certain land and buildings of the Group with a carrying value of approximately HK$315.2 million (31 March 2014: approximately HK$206.1 million), denominated in Renminbi ("RMB"), bear interest at prevailing market interest rates and repayable within one year; (ii) the other borrowings of approximately HK$689.6 million (31 March 2014: nil) were secured by, inter alia, the debentures in favour of the lender by way of the first fixed and floating charges over all the undertaking, property and assets of the Company and two wholly-owned subsidiaries of the Company. Such borrowings were denominated in Hong Kong dollars, bear fixed interest rate and repayable within one year; and (iii) unsecured bank loans and other borrowings of approximately HK$264.8 million as at 31 March 2014. The Group's bank loans and other borrowings are mostly event driven, with little seasonality.

The Group's total non-current liabilities (comprised of other non-current liability, liability components of convertible bonds of approximately HK$1,156.0 million and deferred tax liabilities) increased from approximately HK$309.5 million as at 31 March 2014 to approximately HK$1,423.8 million as at 31 March 2015, which mainly attributable to the issuance of convertible bonds by the Company.

As at 31 March 2015, the Group's gearing ratio, without taking into account the obligations under redeemed convertible bonds of approximately HK$760.8 million (31 March 2014: approximately HK$760.8 million) and the liability components of convertible bonds of approximately HK$1,156.0 million (31 March 2014: nil), was approximately 42.5% (31 March 2014: approximately 30.1%) calculated on the basis of bank loans and other borrowings and loan from a holder of non-controlling interests of totally approximately HK$880.2 million (31 March 2014: approximately HK$522.2 million) to total equity attributable to owners of the Company of approximately HK$2,071.1 million (31 March 2014: approximately HK$1,733.8 million) as at 31 March 2015.

Foreign Exchange Exposure

The Group's transactions were mainly denominated in RMB, Hong Kong dollars and US dollars. Exchange rates between US dollars and Hong Kong dollars were pegged with fixed rates and relatively stable during the year under review. The Group has transactional currency exposures in RMB. The Group has not entered into any foreign currency exchange forward contracts for hedging purposes during the year. The Board will closely monitor the foreign exchange exposure and considers appropriate hedging instruments when necessary.

Material Acquisitions and Disposal

During the year under review and up to the date of this report, the following transactions were carried out which were considered as material acquisitions and disposal of the Company:

Transaction 1: On 15 April 2014, a sale and purchase agreement was entered into between Preferred Market Limited ("Preferred Market", a direct wholly-owned subsidiary of the Company) as purchaser, Mr. Kam Chi Yip (the "Vendor") as vendor and Mr. Huang Jianmeng as guarantor of the Vendor, pursuant to which Preferred Market purchased from the Vendor the entire issued share capital of Giant Industry Holdings Limited ("Giant Industry") at the consideration of HK$190,000,000 to be settled by the issue of 380,000,000 new shares of the Company to the Vendor at the issue price of HK$0.50 per share. The acquisition of Giant Industry was completed on 7 May 2014 and Giant Industry was accounted for as a subsidiary of the Company after completion. The acquisition of Giant Industry provides an immediate platform for the Group to engage in the manufacture of electric vehicles and will be a furtherance of the Company's initiative to develop its electric vehicle manufacturing capability. Details of the sale and purchase agreement are disclosed in the announcement of the Company dated 15 April 2014 and note 18(a) of the financial statements.

Transaction 2: On 2 November 2014, Sinopoly Strategic Investment Limited ("Sinopoly Strategic", a wholly-owned subsidiary of the Company) proposed to make an offer to acquire all the issued shares and share options of CGL (stock code: 378) in exchange for convertible bonds which are convertible into new shares of the Company at an initial conversion price of HK$0.50 (the "Exchange CBs") issued by the Company (the "Offer"). The Offer was approved at the special general meeting of the Company held on 29 December 2014. Pursuant to the Offer, an Exchange CB in the principal amount of HK$1.70 and HK$0.70 would be issued by the Company in exchange for every one share and one share option of CGL respectively. At the close of the Offer on 23 February 2015, valid acceptances of the Offer were received in respect of 840,106,498 shares (representing approximately 89.54% of the issued share capital of CGL) and 5,700,000 share options of CGL respectively, and the Company issued Exchange CBs in the total principal amount of HK$1,432,171,046.60. CGL became an indirect subsidiary of the Company at the close of the Offer. Details of the Offer and the Exchange CBs are disclosed in the joint announcements of the Company and CGL dated 2 November 2014, 2 February 2015, 6 February 2015 and 23 February 2015 respectively, the circular of the Company dated 10 December 2014, the composite document issued jointly by the Company and CGL dated 30 January 2015 and notes 18(b) and 39(b) of the financial statements.

On 29 April 2015, a placing agreement was entered into between Sinopoly Strategic and VMS Securities Limited ("VMS") pursuant to which VMS would, on best-effort basis, place up to 150,000,000 shares in CGL held by Sinopoly Strategic to parties independent from and not a connected person with Sinopoly Strategic at a placing price of HK$1.70 per share (the "Placing"). Completion of the Placing took place on 7 May 2015 and the number of shares in CGL held by Sinopoly Strategic decreased from 840,106,498 shares to 690,106,498 shares, representing a decrease of shareholding from approximately 89.54% to approximately 73.55%. Details of the placing agreement are disclosed in note 48(b) of the financial statements.

Transaction 3: On 31 October 2014, a sale and purchase agreement was entered into between Preferred Market and CIAM Investment (BVI) Limited ("CIAM BVI") pursuant to which Preferred Market conditionally agreed to purchase 41.5% of the issued share capital of Agnita Limited ("Agnita") and all rights and benefits in the shareholder's loan in the principal amount of HK$150,000,000 extended by CIAM BVI to Agnita, and to cancel the call option previously granted by Preferred Market to CIAM BVI in respect of 8.5% of Agnita's issued share capital at a consideration of HK$520,000,000, which would be settled by HK$150,000,000 in cash and the balance of HK$370,000,000 by the issuance of 8% non-convertible bonds with a tenor of three years to be issued by the Company to CIAM BVI (the "Agnita Transaction"). The Agnita Transaction was completed on 27 February 2015 and upon completion, Agnita became an indirect wholly-owned subsidiary of the Company. Details of the Agnita Transaction are disclosed in the joint announcements of the Company and CGL dated 2 November 2014 and 27 February 2015 respectively, the circular of the Company dated 10 December 2014, the composite document issued jointly by the Company and CGL dated 30 January 2015 and note 18(c) of the financial statements.

Transaction 4: On 4 May 2015, a joint venture, namely Orng EV Solutions, Inc. (the "JV"), was formed by the Company with Smith Electric Vehicles Corp ("Smith") to sell electric vehicles in the US. Each of the Company and Smith entered into their respective contribution agreements with the joint venture on 4 May 2015, known as the FDG Contribution Agreement and the Smith Contribution Agreement. Pursuant to the FDG Contribution Agreement, the Company conditionally agreed to provide, inter alia, the Group's current design specifications for electric vehicles and a contribution of a total of US$15,000,000 in cash to the JV, whereas the JV conditionally agreed to issue an aggregate of 22,500,000 newly issued common stock of the JV to the Company. Pursuant to the Smith Contribution Agreement, Smith conditionally agreed to provide, inter alia, its technologies, know-how and sales network to the JV, whereas the JV conditionally agreed to issue 20,000,000 newly issued common stock of the JV to Smith.

The formation of the JV will combine the electric vehicle designs, battery and the semi knock down kits manufacturing capacity of the Group, with the existing sales network, after-sales services and software technologies of Smith. The combined competitive advantages of the parties will result in a more cost-effective, enhanced-safety and better-quality product. Furthermore, it will allow the respective technical teams to work in a closer and more effective manner that will help fostering more synergies in the future. In addition, this will not only promote the sales of the Group's lithium-ion batteries and semi knock down kits but will also accelerate the growth of the Group's brand name and products into the US and international markets.

The Group will become the single largest shareholder of the JV, holding approximately 45.45% of the issued share capital of the JV upon completion of all the transactions contemplated under the FDG Contribution Agreement and the Smith Contribution Agreement.

Details of the formation of the JV are disclosed in the announcement of the Company dated 4 May 2015 and note 48(c) of the financial statements.

Save as disclosed above, the Group had no material acquisitions or disposals of subsidiaries or associated companies during the year ended 31 March 2015 and up to the date of this annual report.

Capital Structure

During the year ended 31 March 2015, the number of shares of the Company in issue increased from 16,976,891,626 to 17,866,170,734 as a result of the following transactions:

Transaction (i): On 14 April 2014, the Company issued 8% convertible bonds due 2017 in the principal amount of HK$400,000,000 to VMS Investment Group Limited pursuant to a convertible bonds agreement dated 20 March 2014. Based on the initial conversion price of HK$0.60, the convertible bonds will be convertible into 666,666,666 new shares of the Company under the general mandate to issue shares granted at the Company's annual general meeting held on 27 August 2013 upon full conversion. No conversion of the convertible bonds has been made during the year under review. Details of the convertible bonds agreement are disclosed in the announcements of the Company dated 20 March 2014 and 14 April 2014 respectively and note 39(a) of the financial statements.

Transaction (ii): As disclosed in Transaction 1 under the section headed "Material Acquisitions and Disposal" above, on 7 May 2014, a total of 380,000,000 new shares of the Company were issued and allotted at a price of HK$0.50 per share pursuant to a sale and purchase agreement.

Transaction (iii): As disclosed in Transaction 2 under the section headed "Material Acquisitions and Disposal" above, as at the close of the Offer on 23 February 2015, the Company issued Exchange CBs in the total principal amount of HK$1,432,171,046.60 pursuant to the Offer which were convertible into a maximum of 2,864,342,091 new shares of the Company under the specific mandate to issue shares granted at the Company's special general meeting held on 29 December 2014 upon full conversion, based on the initial conversion price of HK$0.50. During the year under review, 509,279,108 new shares of the Company were allotted and issued upon conversion of the Exchange CBs. As at 31 March 2015, a maximum of 2,355,062,983 new shares of the Company will be issued upon conversion of the outstanding Exchange CBs, based on the initial conversion price of HK$0.50.

Transaction (iv): As disclosed in Transaction 3 under the section headed "Material Acquisitions and Disposal" above, on 27 February 2015, the Company issued 8% non-convertible bonds due 2018 in the principal amount of HK$370,000,000 to CIAM BVI pursuant to a sale and purchase agreement. Details of the non-convertible bonds due 2018 are disclosed in note 39(b) of the financial statements.

As at 31 March 2015, the Company has outstanding share options entitling holders to subscribe a total of 481,600,000 shares of the Company.

Save as disclosed above, the Group had no other debt securities or other capital instruments as at 31 March 2015.

Pledge of Assets and Contingent Liabilities

There are pledges of assets as at 31 March 2015 and 2014 with details disclosed under the section heading "Liquidity and Financial Resources". In addition, pledged bank deposits of approximately HK$128.9 million (31 March 2014: approximately HK$11.3 million) were pledged to secure mainly for bills payables and letter of credit issued by the Group.

The Group had no significant contingent liabilities as at 31 March 2015 (31 March 2014: nil).

Capital Commitment

Details of the capital commitments of the Group are set out in note 45(b) on page 142 of this annual report.

Employees and Remuneration Policies

As of 31 March 2015, the Group had 47 employees (31 March 2014: 43 employees) in Hong Kong and 2,119 employees (31 March 2014: 848 employees) in the PRC. Total staff costs (including directors' emoluments and equity-settled share-based payments) during the current financial year amounted to approximately HK$190.0 million (2014: approximately HK$69.1 million). The remuneration policies are determined with reference to market conditions and individual performance of staff. The Group participates in Mandatory Provident Fund Scheme in Hong Kong and state-managed retirement benefit schemes in the PRC. The Group has a share option scheme for the benefit of its directors and eligible participants.

On 29 June 2015, the Company has adopted an employees' share award scheme in which any employee, director or advisor/consultant of any member of the Group or any employee of such advisor or consultant will be entitled to participate. Details of the employees' share award scheme are disclosed in the announcement of the Company dated 29 June 2015.

FUTURE DEVELOPMENT

While the production plant in Kunming was officially put into operation and the production plant in Hangzhou completed its construction and electric vehicles including mid-size bus, commercial vehicle and public bus series, which are self-developed by the Group, passed all kinds of tests and acquired qualifications for sales, the Group will actively expand its distribution channels in domestic and overseas markets.

Realizing electrification of the vehicles used in civil aviation industry

The Group signed a strategic cooperative agreement with CEA Development Co. Ltd Company ("CEA Development") in this May. The Agreement involves the upgrade and electrification of the new energy special purpose vehicles for use in the civil aviation industry, including the application, joint development and manufacture of the chassis, as well as the promotion of FDG's electric vehicles in the civil aviation industry and the charging battery facilities for electric vehicles at airports. Such cooperation will be the key strategic cooperative projects for FDG to expand in the new energy vehicle market, which symbolizes that the Group has been further expanding electric vehicles' sales in domestic market.

International cooperation to expand overseas distribution channels

To accelerate the development of the Group's brand name and products in the international market, FDG partnered with Smith Electric Vehicles Corp.("Smith"), a world-renowned electric vehicles manufacturer, to establish a joint venture in the US. Upon completion of the transactions, the joint venture will become an electric vehicle supplier which incorporates robust electric vehicle designs, high-quality battery and electric vehicles' SKD kits, advanced electric vehicle software and a world-renown customer base.

The electric vehicles sold by the joint venture in the future will adopt the vehicle models designed by FDG as well as the electric vehicles' SKD kits and power batteries produced by FDG, its customers include well-known enterprises such as Pepsi Cola/Frito Lay, FedEx, Coca Cola, etc. The Group's electric vehicle products will be used widely by world-renown brands in the global market, which not only enhances FDG's brand image, but also proves the quality of FDG's electric vehicle products matched the international standard. Establishing the joint venture not only advances FDG's design techniques and R&D capability of electric vehicles, but also enhances its competiveness in the business and improves cost-effectiveness, safety and quality of its products by taking advantage of Smith's current distribution network and software technology. The joint venture will reinforce the cooperation between FDG and Smith's technical teams to bring out the synergy effect that strengthens the Group's development in the future.

China strives to transform from a large local supplier to a powerful global supplier in the world's automobile industry, and developing new energy vehicles is the key to success. Developing new energy vehicles, being highlighted as national strategy, will be a key industry supported by the state continuously. However, there are still many obstacles in the popularization of electric vehicles, such as lack of supporting infrastructure, relatively high production cost, limitation on battery technology and the slow changing consumption behavior of consumers. Although it takes a period of time for the electric vehicles to replace the traditional automobiles, certain markets are ready for it, such as inter-city logistic market and short distance transit market. These are the target markets of the Group's first series of electric vehicles launched. With the progress in cost-effectiveness, as well as the development in supporting facilities such as charging stations, electric vehicles will gradually be popularized and will replace traditional automobiles. In the future, with the long established experience in the industry, the Group will use its accumulated competitive advantages to strive to become one of the leading electric vehicles manufacturers in the transformation of automobile industry.

Mr. Cao Zhong
Chairman, Executive Director & Chief Executive Officer

Mr. Cao, aged 55, is the Chairman, executive director and Chief Executive Officer of the Company. He was appointed as a non-executive director and Chairman of the Company on 11 March 2014 and re-designated as an executive director of the Company on 15 April 2014. On 28 May 2014, Mr. Cao was appointed as the Chief Executive Officer of the Company. He is also a member and chairman of the Nomination Committee and Executive Committee of the Company and a member of the Remuneration Committee of the Company. He also holds directorships in various subsidiaries of the Company. Mr. Cao was graduated from Zhejiang University and the Graduate School of the Chinese Academy of Social Sciences with a bachelor degree in engineering and a master degree in economics, respectively. Since 1988, Mr. Cao had served in various institutions, including the National Development and Reform Commission (the "NDRC") of the People's Republic of China (the "PRC"), Guangdong Province Huizhou Municipal People's Government, Beijing International Trust and Investment Company Limited, Shougang Corporation and the Development Research Centre of the State Council of China. Mr. Cao is currently an executive director and chairman of China Resources and Transportation Group Limited (Stock Code: 269) and an executive director and vice-chairman of CIAM Group Limited ("CGL") (Stock Code: 378, a subsidiary of the Company in which the Company indirectly owns approximately 73.55% equity interest), companies whose shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He was the non-executive director and vice chairman of Shougang Concord International Enterprises Company Limited (Stock Code: 697), a company listed on the Stock Exchange, from May 2010 to December 2012. Mr. Miao Zhenguo, the Deputy Chairman and executive director of the Company, is the brother-in-law of Mr. Cao. Mr. Cao was appointed to the board of directors of the Company (the "Board") on 11 March 2014.

Mr. Miao Zhenguo
Deputy Chairman & Executive Director

Mr. Miao, aged 55, is the Deputy Chairman and an executive director of the Company, and the authorised representative of the Company for accepting service of process and notices in Hong Kong on behalf of the Company under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). Mr. Miao has been appointed as Deputy Chairman of the Company with effect from 8 March 2011. He is also a member of the Executive Committee, Remuneration Committee and Nomination Committee of the Company, respectively. Mr. Miao was the Chief Operating Officer of the Company from May 2010 to March 2011 and the Chief Executive Officer of the Company from August 2010 to May 2014. He was an authorised representative of the Company required under rule 3.05 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange from August 2010 to April 2011 and was again appointed in May 2012. He holds directorships in various subsidiaries of the Company. Mr. Miao is currently an executive director of CGL. Mr. Miao graduated from Zhejiang University with a 化學工程學士學位 (bachelor degree in chemical engineering*). He has over 10 years of experience in project management, sales and marketing and product development. He is the brother-in-law of Mr. Cao, the Chairman, executive director and Chief Executive Officer of the Company. Mr. Miao was appointed to the Board on 25 May 2010.

* *For identification only*

Dr. Chen Yanping
Executive Director & Chief Operating Officer

Dr. Chen, aged 52, is an executive director and Chief Operating Officer of the Company. He is also a member of the Executive Committee of the Company and holds directorships in various subsidiaries of the Company. He is currently a non-executive director of CGL. Dr. Chen has over 30 years' vast experience in automobile design, development and manufacturing and is the special automobile technology expert of the China International Engineering Consulting Corporation of the NDRC of the PRC and the Ministry of Science and Technology of the PRC, respectively. Dr. Chen obtained a bachelor degree in engineering from Hefei University of Technology in 1983, a master degree in automobile engineering from Dalian University of Technology in 2002 and a doctorate degree in management science from Wuhan University of Technology in 2010. He was awarded with the second prize in Beijing science and technology award in 2003 and the third prize in the PRC automobile science technology award in 2004, and was a young technology expert receiving special subsidies from the State Council of the PRC. Dr. Chen has worked as an officer for the technical centre of the China National Heavy Duty Truck Group and a dean of the research institute and deputy technical general manager of Beiqi Foton Motor Co. Ltd of the BAIC Group. He has also received training and studies at major international automobile brands including Steyr, Mercedes Benz and Volvo. Dr. Chen was appointed to the Board on 28 May 2014.

Mr. Lo Wing Yat
Executive Director

Mr. Lo, aged 56, is an executive director of the Company and a member of the Executive Committee of the Company. Mr. Lo also holds directorships in various subsidiaries of the Company. He is currently an executive director, Executive Vice-chairman and Chief Executive Officer of CGL and an independent non-executive director of China Traditional Chinese Medicine Co. Limited (Stock Code: 570) (the shares of both companies are listed on the Stock Exchange). He is also a director and Chief Executive Officer of CITIC International Assets Management Limited and a director and a Managing Director of CITIC International Financial Holdings Limited. He was an independent non-executive director of Winteam Pharmaceutical Group Limited (Stock Code: 570, now renamed as China Traditional Chinese Medicine Co. Limited), a company whose shares are listed on the Stock Exchange, from February 2009 to February 2013. Mr. Lo graduated from the University of Hong Kong with a bachelor's degree in Laws. He was admitted as a solicitor of the Supreme Court of Hong Kong (as it was then known) in 1984 and a solicitor of the Supreme Court of England and Wales in 1989. He served as an in-house counsel of Bank of China Hong Kong-Macau Regional Office and was a partner of Linklaters. Mr. Lo was appointed to the Board on 22 November 2006.

Mr. Jaime Che
Executive Director & Vice President

Mr. Jaime Che, aged 34, is an executive director of the Company and a member of the Executive Committee and Nomination Committee of the Company, respectively. He has been appointed as an authorised representative of the Company required under rule 3.05 of the Listing Rules with effect from 15 April 2011. Mr. Jaime Che holds directorships in various subsidiaries of the Company. He joined the Company in June 2010 and is the Vice President of the Company responsible for strategic planning, investor relationship, corporate transaction and corporate finance work of the Company. Mr. Jaime Che is currently an executive director of CGL. Mr. Jaime Che has extensive experience in investor relations and corporate finance. Prior to joining the Company, he was the Assistant to Managing Director/Investor Relations Manager of Fushan International Energy Group Limited (Stock Code: 639, now renamed as Shougang Fushan Resources Group Limited), a company listed on the Stock Exchange, from November 2009 to June 2010, and was the Investment & Corporate Manager of APAC Resources Limited (Stock Code: 1104), another company listed on the Stock Exchange, from June 2007 to October 2009. He studied commerce at the University of New South Wales. Mr. Jaime Che was appointed to the Board on 8 March 2011.

Professor Chen Guohua
Non-executive Director

Professor Chen, aged 51, is a non-executive director of the Company. He has been a member of the Academic Committee of Sinopoly Battery Research Center operated by a wholly-owned subsidiary of the Company since December 2011. He is a professor and the Head in the Department of Chemical and Biomolecular Engineering at the Hong Kong University of Science and Technology ("HKUST"). He obtained his Bachelor of Engineering in Chemical Engineering from Dalian University of Technology in 1984, Master of Engineering and Doctor of Philosophy in Chemical Engineering from McGill University in 1989 and 1994, respectively. Professor Chen is a Fellow of the Chemical Engineering Discipline in the Hong Kong Institution of Engineers, Senior Member of American Institute of Chemical Engineers, Member of International Society of Electrochemistry, and Vice President of the Asian Pacific Confederation of Chemical Engineering. He was a member of the International Advisory Committee of the 8th World Congress of Chemical Engineering. Professor Chen's research interests are electrochemical technologies in wastewater treatment, drying of solids, electrochemical energy storage, and green processes and products. Professor Chen received the Certificate of Excellence in 2007 from World Forum for Crystallization Filtration and Drying for his outstanding contributions to research and development in the area of drying technology and sustainable development. He received the Research Excellence Award from School of Engineering, HKUST, in 2011. Professor Chen was appointed to the Board on 1 March 2012.

Mr. Chan Yuk Tong
Independent Non-executive Director

Mr. Chan, aged 53, is an independent non-executive director of the Company. He is also a member and chairman of the Audit Committee and Remuneration Committee of the Company and a member of the Nomination Committee of the Company. He is currently an independent non-executive director of Global Sweeteners Holdings Limited (Stock Code: 3889), Kam Hing International Holdings Limited (Stock Code: 2307) and Ground Properties Company Limited (formerly known as China Motion Telecom International Limited) (Stock Code: 989), all being companies whose shares are listed on the Stock Exchange. He was a non-executive director of Golden Shield Holdings (Industrial) Limited (Stock Code: 2123) from June 2014 to December 2014, and an independent non-executive director of each of Ausnutria Dairy Corporation Ltd (Stock Code: 1717) from September 2009 to January 2015, Xinhua Winshare Publishing and Media Co., Ltd. (Stock Code: 811) from April 2006 to July 2013, Anhui Conch Cement Company Limited (Stock Code: 914, a company whose shares are also listed on the Shanghai Stock Exchange) from June 2006 to May 2012, BYD Electronic (International) Company Limited (Stock Code: 285) from November 2007 to June 2013 and Daisho Microline Holdings Limited (Stock Code: 567) from September 2004 to August 2013, all being companies whose shares are listed on the Stock Exchange. He is also a director of Trauson Holdings Company Limited (Stock Code: 325) whose shares have been withdrawn from listing on the Stock Exchange since 15 July 2013. Mr. Chan obtained a bachelor's degree in Commerce from the University of Newcastle in Australia and a master's degree in Business Administration from the Chinese University of Hong Kong. He joined Ernst & Young in 1988 and was appointed as an audit principal in 1994. Mr. Chan is a practising fellow member of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. He has over 25 years of experience in auditing, accounting, management consultancy and financial advisory services. Mr. Chan was appointed to the Board on 22 November 2006.

Mr. Fei Tai Hung
Independent Non-executive Director

Mr. Fei, aged 67, is an independent non-executive director of the Company and a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. He obtained a bachelor's degree in Applied Science from the Queen's University in Canada and a master's degree from Imperial College London in the United Kingdom. Mr. Fei started his banking career at the Royal Bank of Canada in 1980. He has also worked for Bankers Trust Company and Credit Agricole Indosuez. Mr. Fei is also a co-founder of United Capital Ltd., a company specialising in providing financial advisory services to clients in both Hong Kong and the PRC. Mr. Fei has been appointed as a director of Vision Credit Limited, a privately-held company registered in Hong Kong and engaging in consumer financing business in the PRC. He has over 20 years of experience in investment and finance. Mr. Fei was appointed to the Board on 22 June 2007.

Mr. Tse Kam Fow
Independent Non-executive Director

Mr. Tse Kam Fow, aged 55, is an independent non-executive director of the Company and a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. Mr. Tse Kam Fow is currently an executive director of DeTeam Company Limited (Stock Code: 65, now renamed as Grand Ocean Advanced Resources Company Limited), a company whose shares are listed on the Stock Exchange. Mr. Tse Kam Fow graduated from The Hong Kong Polytechnic University and is a fellow member of the Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and The Taxation Institute of Hong Kong. He is a certified public accountant and certified tax advisor practising in Hong Kong with wide experience in most areas of accounting, taxation and audit. Mr. Tse Kam Fow's practice also includes corporate consulting and investment advisory work, specialising in management consulting, business restructuring, corporate mergers and acquisitions, leveraged buyouts, direct investments and joint ventures and advising on projects throughout the PRC, Hong Kong, Taiwan and Singapore. He retired on 22 May 2013 as a non-executive director of Mainland Headwear Holdings Limited (Stock Code: 1100), a company whose shares are listed on the Stock Exchange. Mr. Tse Kam Fow has worked at senior positions for over 10 years in several Hong Kong-listed companies and was mainly responsible for the overall corporate management and control and the strategic formulation and implementation of corporate development and financing plan. Mr. Tse Kam Fow was appointed to the Board on 22 June 2007.

The directors' interests in shares or underlying shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as at 31 March 2015 are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" in the Directors' Report contained in this annual report on pages 27 to 28.

Save as disclosed above, the directors (a) do not hold any other positions with the Company or any of its subsidiaries; (b) did not hold any other directorships in the last three years in public companies, the securities of which are listed on any securities market in Hong Kong or overseas; and (c) do not have any other relationships with any directors, senior management or substantial or controlling shareholders of the Company.

The emoluments of each director of the Company have been determined with reference to his duties and responsibilities, the Company's performance and the prevailing market conditions.

The details of the directors' emoluments for the year ended 31 March 2015 on a named basis are disclosed in Note 17 to the financial statements.

The directors present their report and the audited consolidated financial statements of the Group for the year ended 31 March 2015.

CHANGE OF COMPANY NAME

The English name of the Company has been changed from "Sinopoly Battery Limited" to "FDG Electric Vehicles Limited" and the Company has adopted the Chinese name of "五龍電動車(集團)有限公司" as the secondary name of the Company in place of the Chinese name "中聚電池有限公司", with effect from 13 May 2014.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is mainly engaged in (i) the research and development, production, distribution and sale of Lithium-ion batteries and related products; (ii) the design, production and sale of electric vehicles; and (iii) the electric vehicle leasing business. Such electric battery products of the Group are mainly used for electric vehicles and energy storage.

The principal activities and particulars of the Company's principal subsidiaries as at 31 March 2015 are set out in Note 22 to the financial statements.

SEGMENT INFORMATION

An analysis of the Group's revenue and contribution to the operating results for the year ended 31 March 2015 is set out in Note 8 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2015 are set out in the consolidated statement of profit or loss on page 46 of this annual report.

The directors of the Company do not recommend the payment of any dividend for the year ended 31 March 2015.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 4 of this annual report.

FIXED ASSETS

During the year, the Group spent approximately HK$1,393,230,000 on acquisition of fixed assets.

Details of the movements in the fixed assets of the Group during the year are set out in Note 21 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The largest supplier of the Group by itself and together with the other four largest suppliers accounted for approximately 22.3% and 52.6% of the Group's total purchases for the year respectively.

The largest customer of the Group by itself and together with the other four largest customers accounted for approximately 55.0% and 71.4% of the Group's total turnover for the year respectively.

Save as disclosed above and to the best of the directors' knowledge, none of the directors, their associates, or any shareholder (which to the knowledge of the directors own more than 5% of the Company's share capital) had beneficial interests in the Group's five largest suppliers or customers.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in Note 42 to the financial statements.

ISSUANCE OF NEW SHARES UNDER GENERAL MANDATE

On 7 May 2014, 380,000,000 new shares were issued at an issue price of HK$0.50 per share as consideration for the acquisition of Giant Industry Holdings Limited, a company incorporated in the British Virgin Islands with limited liability.

Details of the above transaction are disclosed in the Company's announcement dated 15 April 2014 and Transaction 1 under the section headed "Material Acquisitions and Disposal" on page 16 of this annual report.

RESERVES AND DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in Note 43 to the financial statements.

The Company had no reserves available for distribution as at 31 March 2015.

DIRECTORS

The directors of the Company during the year and up to the date of this report are:

Executive directors:

Mr. Cao Zhong *(Chairman and Chief Executive Officer)*	*(re-designated from a non-executive director to an executive director on 15 April 2014 and appointed as Chief Executive Officer on 28 May 2014)*
Mr. Miao Zhenguo *(Deputy Chairman)*	*(resigned as Chief Executive Officer on 28 May 2014)*
Dr. Chen Yanping *(Chief Operating Officer)*	*(appointed on 28 May 2014)*
Mr. Lo Wing Yat	
Mr. Jaime Che *(Vice President)*	
Mr. Xu Donghui *(Chief Operating Officer)*	*(resigned on 28 May 2014)*

Non-executive director:
Professor Chen Guohua

Independent non-executive directors:
Mr. Chan Yuk Tong
Mr. Fei Tai Hung
Mr. Tse Kam Fow

In accordance with Bye-law 84(2) of the Company's Bye-laws, Mr. Lo Wing Yat, Mr. Jaime Che and Professor Chen Guohua will retire from office by rotation at the forthcoming annual general meeting of the Company and, being eligible, have offered themselves for re-election.

No director proposed for re-election at the forthcoming annual general meeting of the Company has a service contract with the Company, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

The Company has received from each of its independent non-executive directors an annual confirmation of his independence pursuant to rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company considers that all the independent non-executive directors to be independent.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2015, the interests and short positions of the directors and chief executives of the Company or their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

Name of directors	Capacity	Number of ordinary shares of the Company	Number of underlying shares (unlisted and physically settled equity derivatives) of the Company	Total number of ordinary shares and underlying shares of the Company	Approximate percentage of issued ordinary share capital of the Company
Mr. Cao Zhong	Interest of controlled corporation	2,311,059,998 *(Note 1)*	–	2,311,059,998	12.94%
	Interest of controlled corporation	–	340,000,000 *(Notes 1 and 6)*	340,000,000	1.90%
	Beneficial owner	–	16,800,000 *(Notes 1, 5 and 6)*	16,800,000	0.09%
Mr. Miao Zhenguo	Interest of controlled corporation	2,606,301,043 *(Note 2)*	–	2,606,301,043	14.59%
	Interest of controlled corporation	164,250,000 *(Note 2)*	–	164,250,000	0.92%
	Beneficial owner	–	15,000,000 *(Notes 2 and 5)*	15,000,000	0.08%
Dr. Chen Yanping	Interest of controlled corporation	658,125,000 *(Note 3)*	–	658,125,000	3.68%
	Beneficial owner	–	12,000,000 *(Notes 3 and 5)*	12,000,000	0.07%
Mr. Lo Wing Yat	Beneficial owner	–	49,379,000 *(Notes 4, 5 and 6)*	49,379,000	0.28%
Mr. Jaime Che	Beneficial owner	1,000,000	16,000,000 *(Note 5)*	17,000,000	0.10%
Professor Chen Guohua	Beneficial owner	–	10,000,000 *(Note 5)*	10,000,000	0.06%

Name of directors	Capacity	Number of ordinary shares of the Company	Number of underlying shares (unlisted and physically settled equity derivatives) of the Company	Total number of ordinary shares and underlying shares of the Company	Approximate percentage of issued ordinary share capital of the Company
Mr. Chan Yuk Tong	Beneficial owner	–	12,900,000 *(Note 5)*	12,900,000	0.07%
Mr. Fei Tai Hung	Beneficial owner	–	12,900,000 *(Note 5)*	12,900,000	0.07%
Mr. Tse Kam Fow	Beneficial owner	–	12,900,000 *(Note 5)*	12,900,000	0.07%

Notes:

1. Mr. Cao Zhong is interested or deemed to be interested in a total of 2,667,859,998 shares of the Company including: (i) 2,311,059,998 shares held by Long Hing International Limited which is wholly owned by Mr. Cao who is a director; (ii) 340,000,000 shares upon conversion of the convertible bonds*(note 6)* held by Champion Rise International Limited which is wholly owned by Mr. Cao who is a director; and (iii) 16,800,000 underlying shares including 10,000,000 share options*(note 5)* and 6,800,000 shares upon conversion of the convertible bonds*(note 6)*.

2. Mr. Miao Zhenguo is interested or deemed to be interested in a total of 2,785,551,043 shares of the Company including: (i) 2,606,301,043 shares held by Union Ever Holdings Limited which is wholly owned by Mr. Miao who is a director; (ii) 164,250,000 shares held by Infinity Wealth International Limited which is wholly owned by Mr. Miao who is a director; and (iii) 15,000,000 share options*(note 5)*.

3. Dr. Chen Yanping is interested or deemed to be interested in a total of 670,125,000 shares of the Company including: (i) 658,125,000 shares held by Captain Century Limited which is owned as to 60% by Dr. Chen and 40% by his spouse, Ms. Zhang Lu; and (ii) 12,000,000 share options*(note 5)*.

4. Mr. Lo Wing Yat is interested in a total of 49,379,000 underlying shares of the Company including: (i) 42,800,000 share options*(note 5)*; and (ii) 6,579,000 shares upon conversion of the convertible bonds*(note 6)*.

5. The interests in underlying shares of the Company represent interests in options granted to the directors named above to subscribe for shares of the Company, further details of which are set out in Note 44 to the financial statements.

6. The interests in underlying shares of the Company represent interests in the Company's shares which will be allotted and issued to the relevant director or his wholly-owned company upon conversion of the zero coupon convertible bonds issued by the Company due 2018 that he/it holds at the initial conversion price of HK$0.50 per share of the Company.

Save as disclosed above, as at 31 March 2015, none of the directors or chief executives of the Company or their respective associates had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been recorded in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

Details of the share option scheme adopted by the Company on 28 February 2014 and movements of the options during the year are set out in Note 44 to the financial statements.

EMPLOYEES' SHARE AWARD SCHEME

On 29 June 2015, the Company has adopted an employees' share award scheme in which any employee, director or advisor/consultant of any member of the Group or any employee of such advisor or consultant will be entitled to participate. Details of the employees' share award scheme are disclosed in the announcement of the Company dated 29 June 2015.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, the section headed "Share Option Scheme" as set out in Note 44 to the financial statements, the convertible bonds due 2017 issued by the Company on 14 April 2014 as detailed in its announcements dated 20 March 2014 and 14 April 2014 respectively and the convertible bonds due 2018 issued by the Company pursuant to the Offer as detailed in Transaction 2 under "Material Acquisitions and Disposal" on page 16 of this annual report, at no time during the year was the Company or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangements to enable the directors or the chief executives of the Company or their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate nor had exercised any such right.

EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES

Details of the emoluments of the directors and the five highest paid employees are set out in Note 17 to the financial statements.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2015, the persons, other than the directors or chief executives of the Company, who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of substantial shareholders	Capacity	Number of ordinary shares of the Company	Number of underlying shares (unlisted and physically settled equity derivatives) of the Company	Total number of ordinary shares and underlying shares of the Company	Approximate percentage of issued ordinary share capital of the Company
Union Ever Holdings Limited *(Note 1)*	Beneficial owner	2,606,301,043	–	2,606,301,043	14.59%
Long Hing International Limited *(Note 2)*	Beneficial owner	2,311,059,998	–	2,311,059,998	12.94%
CITIC Group Corporation *(Note 3)*	Interest of controlled corporations	448,780,000	1,026,116,124	1,474,896,124	8.26%
Silver Ride Group Limited *(Note 4)*	Beneficial owner	1,033,060,001	–	1,033,060,001	5.78%
Mr. Chen Jian *(Note 4)*	Interest of controlled corporation	1,033,060,001	–	1,033,060,001	5.78%
	Beneficial owner	–	7,000,000	7,000,000	0.04%
Mr. Li Ka-shing *(Note 5)*	Interest of controlled corporations	977,500,000	–	977,500,000	5.47%

Notes:

1. Union Ever Holdings Limited ("Union Ever") is wholly owned by Mr. Miao, a director of the Company. The 2,606,301,043 shares of the Company held by Union Ever are deemed to be owned by Mr. Miao. Mr. Miao is also a director of Union Ever.

2. Long Hing International Limited ("Long Hing") is wholly owned by Mr. Cao, a director of the Company. The 2,311,059,998 shares of the Company held by Long Hing are deemed to be owned by Mr. Cao. Mr. Cao is also a director of Long Hing.

3. For the purpose of SFO, CITIC Group Corporation is deemed to be interested in a total of 448,780,000 shares of the Company and 1,026,116,124 underlying shares of the Company, of which (i) 448,780,000 shares are held by CITIC International Assets Management Limited; (ii) 3,128,000 underlying shares of the Company are held by CITIC International Assets Management Limited and 1,022,988,124 underlying shares are held by Right Precious Limited. These interests in the underlying shares of the Company are in connection with interests in the convertible bonds due 2018 of the Company that they hold.

   Right Precious Limited is a wholly-owned subsidiary of CITIC International Assets Management Limited of which CITIC International Financial Holdings Limited owns 40%. CITIC International Financial Holdings Limited is 70.32% owned by China CITIC Bank Corporation Limited which, in turn, is 67.13% owned by CITIC Limited through its wholly-owned subsidiary, CITIC Corporation Limited. CITIC Group Corporation owns 77.90% of CITIC Limited through its wholly-owned subsidiaries, CITIC Polaris Limited and CITIC Glory Limited.

4. Silver Ride Group Limited ("Silver Ride") is wholly owned by Mr. Chen, a director of certain subsidiaries of the Company. The 1,033,060,001 shares of the Company held by Silver Ride are deemed to be owned by Mr. Chen. Mr. Chen was also interested in 7,000,000 underlying shares of the Company which represent interests in the options granted to him on 4 September 2013 at a total consideration of HK$1 to subscribe for 7,000,000 shares of the Company at an exercise price of HK$0.45 per share (subject to adjustments). 50% of these options is exercisable from 4 September 2015 to 3 September 2023 while the remaining 50% of these options is exercisable from 4 September 2018 to 3 September 2023.

5. For the purpose of the SFO, Mr. Li Ka-shing is deemed to be interested in a total of 977,500,000 shares of the Company, of which 127,500,000 shares are held by CEF Holdings Limited ("CEF"), 141,660,000 shares are held by Lion Cosmos Limited ("Lion Cosmos") and 708,340,000 shares are held by Li Ka Shing (Canada) Foundation ("LKSCF").

   Li Ka-Shing Unity Holdings Limited ("Unity Holdco"), of which Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor are respectively interested in one-third and two-third of the entire issued share capital, owns the entire issued share capital of Li Ka-Shing Unity Trustee Company Limited ("TUT1"). TUT1 as trustee of The Li Ka-Shing Unity Trust ("UT1"), together with certain companies which TUT1 as trustee of UT1 is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings, holds more than one-third of the issued share capital of CK Hutchson Holdings Limited ("CKH Holdings"). CEF is indirectly owned as to 50% by CKH Holdings.

   In addition, Unity Holdco also owns the entire issued share capital of Li Ka-Shing Unity Trustee Corporation Limited ("TDT1") as trustee of The Li Ka-Shing Unity Discretionary Trust ("DT1") and Li Ka-Shing Unity Trustcorp Limited ("TDT2") as trustee of another discretionary trust ("DT2"). Each of TDT1 and TDT2 holds units in UT1. By virtue of the SFO, Mr. Li Ka-shing, being the settlor of DT1 and DT2, may be regarded as a founder of DT1 and DT2.

   Lion Cosmos is a wholly-owned subsidiary of Li Ka Shing (Overseas) Foundation ("LKSOF"). By virtue of the terms of the constituent documents of LKSOF and LKSCF, Mr. Li Ka-shing may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of LKSOF and LKSCF respectively.

Save as disclosed above, as at 31 March 2015, the Company has not been notified of any interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register kept by the Company under Section 336 of the SFO.

DIRECTORS' INTEREST IN COMPETING BUSINESSES

As at 31 March 2015, none of the directors of the Company or their respective associates was interested in any business apart from the Group's businesses, which competes or is likely to compete, either directly or indirectly, with the Group's businesses pursuant to rule 8.10(2) of the Listing Rules.

Orng EV Solutions, Inc., a joint venture owned by the Company as to 46.67% as at the date of this annual report, is engaged in the business of sales and distribution of electric vehicles in the U.S., in which Mr. Cao Zhong acts as Chairman and Mr. Jaime Che is a director, both appointed on 4 May 2015.

DIRECTORS' INTEREST IN CONTRACTS

Apart from the agreements disclosed in the section headed "Connected Transactions" below, there were no contracts of significance to which the Company or any of its subsidiaries, holding companies or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS

There were no contracts of significance between the Company or its subsidiaries and a controlling shareholder or any of its subsidiaries subsisted at the end of the year or at any time during the year.

Furthermore, there were no contracts of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries.

MANAGEMENT CONTRACTS

No contracts of significance concerning the management and administration of the whole or any substantial part of the business of the Company or any of its subsidiaries, holding companies or fellow subsidiaries were entered into or subsisted during the year.

CONNECTED TRANSACTIONS

For the year ended 31 March 2015, the Company entered into the following transactions which constituted connected transactions under Chapter 14A of the Listing Rules. Details of which are summarised below:

Transaction I: The Offer, details of which are disclosed in Transaction 2 under "Material Acquisitions and Disposal" on page 16 of this annual report, constituted a major transaction for the Company which also involved the following connected transactions:

(1) an irrevocable undertaking to accept as to the 100,000,000 shares of CGL provided by Champion Rise International Limited as a shareholder of CGL, which is wholly-owned by Mr. Cao Zhong who is a director and a substantial shareholder owning 13.31% shareholding (before completion of the Offer) of the Company.

(2) an irrevocable undertaking to accept as to the 2,000,000 shares of CGL provided by Mr. Cao Zhong as a shareholder of CGL who is a director and a substantial shareholder owning 13.31% shareholding (before completion of the Offer) of the Company.

(3) an irrevocable undertaking to accept as to the 35,000,000 shares of CGL provided by Fame Depot Investments Limited ("Fame Depot") as a shareholder of CGL, which is a wholly-owned subsidiary of China Innovation Foundation Limited, a charitable organisation. Mr. Cao Zhong is the sole director of Fame Depot.

(4) an irrevocable undertaking to accept as to the 62,940,000 shares of CGL provided by Silvanus Enterprises Limited as a shareholder of CGL, which is wholly-owned by an associate of Mr. Jaime Che who is a director of the Company.

(5) an irrevocable undertaking to accept as to the 35,000 shares of CGL and 1,900,000 share options of CGL provided by Mr. Lo Wing Yat as a shareholder and a holder of share options of CGL. Mr. Lo Wing Yat is a director of the Company, CGL and CITIC International Assets Management Limited.

The Offer was approved at the special general meeting of the Company held on 29 December 2014.

Transaction II: The Agnita Transaction, details of which are disclosed in Transaction 3 under "Material Acquisitions and Disposal" on page 17 of this annual report, constituted a discloseable transaction for the Company. The Agnita Transaction also constituted a connected transaction by virtue of CIAM Investment (BVI) Limited being a substantial shareholder of a subsidiary of the Company (before completion of the Offer). The Agnita Transaction was therefore a connected transaction with a connected person at the subsidiary level, and accordingly was exempted from the circular, independent financial advice and shareholders' approval requirements.

The directors of the Company (except Mr. Lo Wing Yat who had abstained from voting but including the independent non-executive directors of the Company) confirmed that the terms and conditions of the Agnita Transaction were fair and reasonable and had been negotiated on an arm's length basis upon normal commercial terms. The directors of the Company (except Mr. Lo Wing Yat who had abstained from voting but including the independent non-executive directors of the Company) further confirmed that the Agnita Transaction was in the interests of the Company and the shareholders as a whole.

Details of other related party transactions undertaken by the Group in the normal course of business during the year which do not constitute connected transactions nor continuing connected transactions of the Company required to be disclosed under the Listing Rules are provided in Note 47 to the financial statements.

Save as disclosed above, there are no other related party transactions which constituted connected transactions or continuing connected transactions of the Group or were required to be disclosed pursuant to Chapter 14A of the Listing Rules.

BORROWINGS AND CONVERTIBLE BONDS

Details of the Group's borrowings and convertible bonds as at the end of the reporting period are set out in Notes 33, 34 and 39 to the financial statements.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is established by the executive directors of the Company on the basis of their performance, experience and prevailing industry practice.

The emolument of the directors of the Company is determined with regards to the duties and responsibilities of individual directors, the Company's performance and the prevailing market conditions.

The Company has adopted the Share Option Scheme as incentive to selected participants, including the directors and eligible employees of the Company. Details of the Share Option Scheme are set out in Note 44 to the financial statements.

On 29 June 2015, the Company has adopted an employees' share award scheme in which any employee, director or advisor/consultant of any member of the Group or any employee of such advisor or consultant will be entitled to participate. Details of the employees' share award scheme are disclosed in the announcement of the Company dated 29 June 2015.

RETIREMENT BENEFIT SCHEMES

Information on the Group's retirement benefit schemes is set out in Note 12 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the applicable laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company did not redeem any of its listed securities during the year ended 31 March 2015.

Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities during the year ended 31 March 2015.

DONATIONS

During the year, the Group made donations amounting to approximately HK$32,000.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the best knowledge of the directors of the Company, the Company maintained throughout the year a sufficient public float as required under the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

On 29 June 2015, the Company announced that:

(1) an employees' share award scheme has been adopted in which any employee, director or advisor/consultant of any member of the Group or any employee of such advisor or consultant will be entitled to participate. Details of the employees' share award scheme are disclosed in the announcement of the Company dated 29 June 2015.

(2) the board lot size of the shares of HK$0.01 each in the share capital of the Company for trading on the Stock Exchange will be changed from 20,000 shares to 5,000 shares effective from 28 July 2015. Details of the change in board lot size are disclosed in the announcement of the Company dated 29 June 2015.

(3) a share premium reduction (the "Share Premium Reduction") will be implemented which will involve the reduction of the entire amount standing to the credit of the share premium account of the Company to nil and the transfer of such amount to the contributed surplus account of the Company where it will be applied to offset the entire amount of the accumulated losses of the Company. The Share Premium Reduction is conditional upon, inter alia, the passing of a special resolution by the shareholders at the annual general meeting of the Company to be held on 28 August 2015. Details of the Share Premium Reduction are disclosed in the announcement of the Company dated 29 June 2015 and the circular of the Company dated 23 July 2015.

Details of other significant events occurring after the reporting period are set out in Note 48 to the financial statements.

AUDITOR

Crowe Horwath (HK) CPA Limited ("Crowe Horwath") will retire and a resolution to re-appoint Crowe Horwath as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

By order of the Board

Cao Zhong
Chairman and Chief Executive Officer

Hong Kong, 29 June 2015

The Company is committed to maintaining a high standard of corporate governance. The board of directors of the Company (the "Board") believes that sound corporate governance principles, increased transparency and independency of corporate operation, and an effective shareholder communication mechanism will promote the healthy growth of the Company and enhance the shareholders' value.

CORPORATE GOVERNANCE

The Company applied the principles of and complied with all the code provisions of the Corporate Governance Code and Corporate Governance Report (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31 March 2015 and up to the date of this report except for the following deviation.

Code provision A.2.1

From 11 March 2014 to 27 May 2014, the roles of the Chairman and Chief Executive Officer of the Company were segregated by Mr. Cao Zhong being the Chairman and Mr. Miao Zhenguo being the Chief Executive Officer.

On 28 May 2014, Mr. Cao Zhong was appointed as the Chief Executive Officer of the Company while Mr. Miao Zhenguo resigned as the Chief Executive Officer of the Company. Since then, both the roles of Chairman and Chief Executive Officer are vested in Mr. Cao Zhong. This constitutes a deviation from code provision A.2.1 of the Code. The Board considers that it will be more effective in implementing the Company's business strategies under this arrangement as the Group is expanding into the electric vehicle sector and that a balance of power and authority is maintained at all times as the Board comprises experienced and high calibre individuals including sufficient number of independent non-executive directors as required under the Listing Rules.

Code provision A.5.1

The Nomination Committee currently consists of three executive directors and three independent non-executive directors which constitutes a deviation from code provision A.5.1 of the Code which requires a nomination committee should comprise a majority of independent non-executive directors. The Board will review the composition of the Nomination Committee to comply with this code provision.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code for securities transactions by directors (the "Securities Code"), which is largely based on the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. The Securities Code is on terms no less exacting than the required standard set out in the Model Code. All directors of the Company have confirmed, following specific enquiry by the Company, their compliance with the required standard set out in the Model Code and the Securities Code throughout the year ended 31 March 2015.

BOARD OF DIRECTORS

Composition

The Board currently comprises the following nine directors:

Executive directors:
Mr. Cao Zhong *(Chairman and Chief Executive Officer)*
Mr. Miao Zhenguo *(Deputy Chairman)*
Dr. Chen Yanping *(Chief Operating Officer)*
Mr. Lo Wing Yat
Mr. Jaime Che *(Vice President)*

Non-executive director:
Professor Chen Guohua

Independent non-executive directors:
Mr. Chan Yuk Tong
Mr. Fei Tai Hung
Mr. Tse Kam Fow

The biographical details of the existing directors are set out in the "Directors' Biographies" on pages 21 to 24 of this annual report.

Board Diversity

The Board has adopted a board diversity policy (the "Policy") effective from 1 September 2013. Under the Policy, the selection of candidates for Board appointment will be based on a range of diversity perspectives, including but without limitation to gender, age, cultural and education background, professional and industry experience, skills, knowledge and length of service. The Nomination Committee has considered that the current Board composition has the appropriate skills, experience and diversity of perspectives that are required to support the execution of the business strategies of the Company and achieve the effective running of the Board.

The Nomination Committee will monitor the implementation of the Policy and assess the Board composition on an annual basis.

Role and Function

The Board has reserved for its decision or consideration matters covering mainly the overall strategy of the Group; annual and interim results; material acquisition, disposal or investments; directors' appointment or re-appointment; and other significant business, financial or legal matters.

The Board has delegated the day-to-day operations of the Group to the management and the management has been providing the Board with monthly reports, which contain, inter alia, business information, financial summary including cash and bank balances and key events of the Group (if any).

The Board is responsible for overseeing corporate governance practices of the Group and will assign certain functions to other board committee(s) as and when appropriate.

Chairman and Chief Executive Officer

This is detailed under the section headed "Corporate Governance – Code provision A.2.1".

Non-executive Director and Independent Non-executive Directors

The Company has one non-executive director and three independent non-executive directors.

The term of appointment of the non-executive director and the independent non-executive directors of the Company is two years.

All the non-executive director and independent non-executive directors are subject to retirement by rotation and re-election at the annual general meetings pursuant to the Bye-laws of the Company.

Throughout the year ended 31 March 2015, the Company complied with rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive directors, at least one independent non-executive director with appropriate professional qualifications, or accounting or related financial management expertise, and a sufficient number of independent non-executive directors representing at least one–third of the board, respectively.

The Board has received from each independent non-executive director an annual confirmation of his independence and considers that all the independent non-executive directors are independent under the guidelines set out in rule 3.13 of the Listing Rules.

Relationship

Mr. Miao Zhenguo, the Deputy Chairman of the Company, is the brother-in-law of Mr. Cao Zhong, the Chairman and Chief Executive Officer of the Company.

Save as disclosed above, there is no financial, business, family or other material relationship among the members of the Board.

Meetings and Attendance

The Board held four regular meetings and seven additional meetings during the year ended 31 March 2015. The individual attendance records of the directors at the Board meetings are as follows:

Name of directors	Number of meetings attended/held
Executive directors:	
Mr. Cao Zhong	10/11
Mr. Miao Zhenguo	11[a]/11
Dr. Chen Yanping *(appointed on 28 May 2014)*	9/9
Mr. Lo Wing Yat	7[c]/11
Mr. Jaime Che	11/11
Mr. Xu Donghui *(resigned on 28 May 2014)*	2/2
Non-executive director:	
Professor Chen Guohua	10[b]/11
Independent non-executive directors:	
Mr. Chan Yuk Tong	11[a]/11
Mr. Fei Tai Hung	11[b]/11
Mr. Tse Kam Fow	11[a]/11

Notes:

a. Including one meeting having another director acted as his representative.

b. Including two meetings having another directors acted as his representatives.

c. Including three meetings having another directors acted as his representatives

Time Commitment

The Board has reviewed the contribution required from all directors to perform their responsibilities to the Company and considered that each of the directors has been spending sufficient time and attention to the Company's affairs.

Training

The Company recognises the importance of continuous professional development of directors so as to ensure their contribution to the Board remains informed and relevant. As part of the training programme put in place by the Company, the Company engaged an external organisation to provide a seminar on ESG Issues and Corporate Sustainability for Directors to the Board on 3 September 2014.

All directors have also been actively participating in different aspects of professional training to develop and refresh their knowledge and skills. A summary of the training received by the directors for the year ended 31 March 2015 is as follows:

Name of directors	Physical visit to the Company's facilities	Type of training *(Notes)*
Executive directors:		
Mr. Cao Zhong	✓	–
Mr. Miao Zhenguo	✓	1
Dr. Chen Yanping *(appointed on 28 May 2014)*	✓	–
Mr. Lo Wing Yat	–	1
Mr. Jaime Che	✓	1 and 2
Mr. Xu Donghui *(resigned on 28 May 2014)*	✓	–
Non-executive director:		
Professor Chen Guohua	✓	2
Independent non-executive directors:		
Mr. Chan Yuk Tong	✓	2 and 3
Mr. Fei Tai Hung	✓	1
Mr. Tse Kam Fow	✓	1

Notes:

1. Attended a seminar on ESG Issues and Corporate Sustainability provided by an external organisation.

2. Attended seminar(s) relating to corporate governance, regulatory and legal aspects, technical knowledge and Listing Rules updates.

3. Attended various seminars and reading materials relating to audit aspects, directors' responsibilities, boardroom practices and Listing Rules updates.

Insurance

The Company has arranged appropriate insurance cover in respect of legal action against its directors and senior management.

BOARD COMMITTEES

The Board has established six committees, namely the Remuneration Committee, the Nomination Committee, the Audit Committee, the Executive Committee, the Technical Advisory Committee and the Special Board Committee. Each committee reports back to the Board on its decisions or recommendations, unless there are legal or regulatory restrictions on its ability to do so.

Remuneration Committee

The terms of reference of the Remuneration Committee are in compliance with the code provisions set out in the Code. The Remuneration Committee currently comprises three independent non-executive directors, namely Mr. Chan Yuk Tong (Chairman of the Remuneration Committee), Mr. Fei Tai Hung and Mr. Tse Kam Fow, and two executive directors, namely Mr. Cao Zhong and Mr. Miao Zhenguo.

The principal duties of the Remuneration Committee include (i) to make recommendations to the Board on the Company's policy and structure for all directors' and senior management remuneration; (ii) to make recommendations to the Board on the remuneration packages of individual executive directors and senior management; (iii) to make recommendations to the Board on the remuneration of non-executive directors; (iv) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives; and (v) to ensure that no director or any of his associates is involved in deciding his own remuneration. The full version of the terms of reference of the Remuneration Committee is available on the Stock Exchange's website and the Company's website at www.fdgev.com.

The Remuneration Committee held three meetings during the year ended 31 March 2015. The individual attendance records of the committee members are as follows:

Name of committee members	Number of meetings attended/held
Mr. Chan Yuk Tong *(Chairman)*	3/3
Mr. Fei Tai Hung	3/3
Mr. Tse Kam Fow	3/3
Mr. Cao Zhong	3/3
Mr. Miao Zhenguo	3/3

In these three meetings, the Remuneration Committee considered and recommended to the Board (i) the remuneration of an executive director after his re-designation from a non-executive director; (ii) the remuneration of an executive director with the designation of Chief Operating Officer after his appointment; (iii) salary adjustments of two executive directors; and (iv) the proposal for the Board to fix the directors' remuneration to be put forward at the 2014 annual general meeting for shareholders' approval of the Company.

The primary objective of the director remuneration policy is to attract, retain and motivate the Board members by providing fair reward for their contribution to the Group's performance. The directors' remuneration packages are determined with reference to the duties and responsibilities of individual directors, the Company's performance and the prevailing market conditions. The Company has adopted a share option scheme for the purposes of providing incentives or rewards to eligible participants, including the directors of the Company (i) in recognition of their contribution to the Group; (ii) to attract and retain or otherwise maintain an on-going relationship with them for the benefit of the Group; and (iii) to align their interests with the shareholders of the Company, thereby encouraging them to work towards enhancing the value of the shares of the Company.

During the year ended 31 March 2015, no director was involved in deciding his own remuneration.

Nomination Committee

The terms of reference of the Nomination Committee are in compliance with the code provisions set out in the Code. The Nomination Committee currently comprises three executive directors, namely Mr. Cao Zhong (Chairman of the Nomination Committee), Mr. Miao Zhenguo and Mr. Jaime Che, and three independent non-executive directors, namely Mr. Chan Yuk Tong, Mr. Fei Tai Hung and Mr. Tse Kam Fow.

The principal duties of the Nomination Committee include (i) to review the structure, size and diversity (including but without limitation to gender, age, cultural and education background, professional and industry experience, skills, knowledge and length of service) of the Board and make recommendations on any proposed changes to the Board to complement the Group's business strategy; (ii) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; (iii) to assess the independence of independent non-executive directors; and (iv) to make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive. The full version of the terms of reference of the Nomination Committee is available on the Stock Exchange's website and the Company's website at www.fdgev.com.

The Nomination Committee held three meetings during the year ended 31 March 2015. The individual attendance records of the committee members are as follows:

Name of committee members	Number of meetings attended/held
Mr. Cao Zhong *(Chairman)*	3/3
Mr. Chan Yuk Tong	3/3
Mr. Fei Tai Hung	3/3
Mr. Tse Kam Fow	3/3
Mr. Miao Zhenguo	3/3
Mr. Jaime Che	3/3

In these three meetings, the Nomination Committee (i) considered and recommended to the Board the re-designation of a director from non-executive director to executive director; (ii) considered and recommended to the Board the appointment of an executive director with the designation of Chief Operating Officer; and (iii) considered and recommended to the Board the re-election of directors who were subject to retirement by rotation at the 2014 annual general meeting of the Company; (iv) reviewed the structure, size and composition of the Board; and (v) assessed the independence of the independent non-executive directors.

With respect to the board composition, the Nomination Committee will ensure that the Board (i) comprises members with mixed skills, knowledge and experience with appropriate weights necessary to accomplish the Group's business development, strategies, operation and opportunities; and (ii) has a strong independent element which can exercise independent judgement effectively.

The Nomination Committee carries out the process of selecting and recommending candidates for directorship including the consideration of referral, promotion and engagement of recruitment firms, whenever necessary; and considers the suitability of a candidate to act as a director on the basis of his qualifications, experience and background.

Audit Committee

The terms of reference of the Audit Committee are in compliance with the code provisions set out in the Code. The Audit Committee currently comprises three independent non-executive directors, namely Mr. Chan Yuk Tong (Chairman of the Audit Committee), Mr. Fei Tai Hung and Mr. Tse Kam Fow.

The principal duties of the Audit Committee include (i) to oversee the relationship with the auditor of the Company (the "Auditor"); (ii) to review the annual and interim results before publication; (iii) to oversee the Group's financial reporting system and internal control procedures; and (iv) to review arrangements employees of the Company can use, in confidence, to raise concerns about improprieties in financial reporting, internal control or other matters. Besides, the Audit Committee is delegated by the Board with certain corporate governance duties, namely: (a) to develop and review the Company's policies and practices on corporate governance; and (b) to review the Company's compliance with the Code and disclosure of this report. The full version of the terms of reference of the Audit Committee is available on the Stock Exchange's website and the Company's website at www.fdgev.com.

The Audit Committee held two meetings during the year ended 31 March 2015. The individual attendance records of the committee members are as follows:

Name of committee members	Number of meetings attended/held
Mr. Chan Yuk Tong *(Chairman)*	2/2
Mr. Fei Tai Hung	2[a]/2
Mr. Tse Kam Fow	2[a]/2

Note:

a. Including one meeting having another director acted as his representative.

During the year ended 31 March 2015, the Audit Committee (i) reviewed the accounting policies and practices adopted by the Group; (ii) reviewed the Company's results for the year ended 31 March 2014 and six months ended 30 September 2014 and recommended the same to the Board for approval; (iii) recommended to the Board the re-appointment of the Auditor; (iv) reviewed the effectiveness of the Group's internal control system, inter alia, the financial, operational and compliance controls and risk management functions of the Group; (v) reviewed the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget; and (vi) reviewed corporate governance compliance and disclosure of the Group.

During the year ended 31 March 2015, the Audit Committee held two meetings with the Auditor to discuss the pre-audit planning of the Group and the Company's results for the year ended 31 March 2014, respectively.

The Audit Committee has reviewed with the management and the Auditor the audited results of the Group for the year ended 31 March 2015.

Executive Committee

The Executive Committee currently comprises five executive directors of the Company, namely Mr. Cao Zhong (Chairman of the Executive Committee), Mr. Miao Zhenguo, Dr. Chen Yanping, Mr. Lo Wing Yat and Mr. Jaime Che. It meets as and when necessary and operates as a general management committee under the direct authority of the Board.

Technical Advisory Committee

The Board has set up the Technical Advisory Committee since 8 March 2011 with a view to affording the Board expert advice in relation to strategic planning in the field of Lithium-ion battery and electric vehicle, and enhancing the Group's capability in research and development. The Technical Advisory Committee with well-defined terms of reference currently comprises Professors Ma Zifeng, Xie Kai, Wang Rongshun and Wu Feng who are all distinguished industry experts.

Special Board Committee

The Board established the Special Board Committee in March 2013, in view of Mr. Chung Winston's bankruptcy, with delegated authority to deal with all matters relating to, inter alia, the legal proceedings and legal claims against Mr. Chung Winston and/or companies which are controlled and/or owned by him. It currently comprises Mr. Chan Yuk Tong (Chairman of the Special Board Committee), Mr. Lo Wing Yat, Professor Chen Guohua, Mr. Fei Tai Hung and Mr. Tse Kam Fow.

AUDITOR'S REMUNERATION

For the year ended 31 March 2015, the Auditor received approximately HK$2,580,000 for audit service and approximately HK$410,000 for non-audit service regarding interim review and service for major transaction in relation to acquisition of subsidiaries.

FINANCIAL REPORTING

The directors acknowledge their responsibility for preparing the financial statements of the Group.

The statement of the Auditor about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 44 to 45 of this annual report.

At 31 March 2015, the Group had net current liabilities of approximately HK$621,644,000, including obligations under redeemed convertible bonds of approximately HK$760,752,000 (the "Redemption Amount"). The directors are of the view that the net current liabilities resulting from the Redemption Amount may not cast significant doubt upon the Company's ability to continue as a going concern, reasons of which are set out in Note 3 "Basis of Preparation" and Note 37 "Obligations under Redeemed Convertible Bonds" to the financial statements of this annual report. In addition, the Auditor does not consider necessary to qualify their opinion on the consolidated financial statements of the Group as at 31 March 2015.

INTERNAL CONTROL

The Board has overall responsibility for establishing and maintaining an adequate and effective system of internal control of the Group to safeguard the shareholders' investments and the Group's assets.

The Group's internal control system includes a management structure with defined lines of responsibility and limits of authority. It aims to provide reasonable, but not absolute, assurance that assets are safeguarded against misappropriations, transactions are executed in accordance with the management's authorisation, and accounting records are reliable and proper for preparing financial information and are not materially misstated. The system is designed to identify, evaluate and manage effectively risks rather than to eliminate all risks of failure.

The Company has an internal audit department to review the effectiveness of the Group's internal control system, inter alia, the financial, operational and compliance controls and risk management functions of the Group. No material deficiencies have been identified during the review. The relevant findings and recommendations have been reported to the Audit Committee and the Board. The management will deal with the areas for improvement which come to the attention of the Board and the Audit Committee. The Board is committed to improving the Group's internal control system on an ongoing basis.

SHAREHOLDERS' RIGHTS

The Company values the views of its shareholders and recognises their interests in the Group's strategy and performance. The Company has formulated the shareholders' communication policy which will be reviewed by the Board from time to time to ensure its effectiveness.

Shareholders' Meetings

The annual general meeting and other general meetings (if any) of the Company are the primary forum for communication by the Company with the shareholders and for shareholders' participation. All shareholders are encouraged to attend the general meetings or to appoint proxies to attend and vote at meetings on their behalf if they are unable to attend the meetings in person.

During the year ended 31 March 2015, the Company has held the annual general meeting on 25 August 2014 (the "AGM") and two special general meetings on 13 May 2014 and 29 December 2014 respectively (the "SGMs"). The individual attendance records of the directors at the AGM and the SGMs are as follows:

Name of directors	AGM attended/held	Number of SGM attended/held
Executive directors:		
Mr. Cao Zhong	1/1	1/2
Mr. Miao Zhenguo	1/1	1/2
Dr. Chen Yanping *(appointed on 28 May 2014)*	1/1	1/1
Mr. Lo Wing Yat	0/1	2/2
Mr. Jaime Che	1/1	2/2
Mr. Xu Donghui *(resigned on 28 May 2014)*	–	0/1
Non-executive director:		
Professor Chen Guohua	0/1	1/2
Independent non-executive directors:		
Mr. Chan Yuk Tong *(Chairman of each of the Audit Committee and Remuneration Committee)*	1[a]/1	1/2
Mr. Fei Tai Hung	1/1	1/2
Mr. Tse Kam Fow	1/1	2/2

Note:

a. Including one meeting having another director acted as his representative.

The Auditor has also attended the AGM to answer questions about the conduct of the audit, the preparation and content of the Independent Auditor's Report, the accounting policies and auditor independence.

Requisition for Special General Meeting

Pursuant to bye-law 58 of the Bye-laws of the Company, shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company (the "Company Secretary"), to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If the Board fails to proceed to convene such meeting within twenty-one days after such deposit, such shareholder(s) may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

During the year ended 31 March 2015, no such requisition(s) has/have been received.

Procedures for Putting Forward Proposals at Shareholders' Meetings

According to Sections 79 and 80 of the Companies Act 1981 of Bermuda, shareholder(s) of the Company, at his/their own expense, holding (i) not less than one-twentieth of the total voting rights of all shareholders having at the date of requisition the right to vote at general meeting; or (ii) of not less than 100 in number, can submit a written request stating the resolution intended to be moved at the next annual general meeting. The requisition signed by the relevant shareholder(s) must be deposited at the head office of the Company at Rooms 3001-3005, 30th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong for the attention to the Company Secretary not less than six weeks before the meeting. The request will be verified with the Hong Kong branch share registrar and transfer office (the "Share Registrar") of the Company and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the resolution in the notice for such general meeting.

As mentioned in the above section headed "Requisition for Special General Meeting", eligible shareholder(s) can make a requisition to convene a special general meeting and move forward a resolution thereat. The requisition signed by the relevant shareholder(s) must be deposited at the head office of the Company in Hong Kong for the attention to the Company Secretary. Only when the request has been verified with the Share Registrar to be proper and in order, the Company Secretary will ask the Board to include the resolution in the notice for such general meeting.

During the year ended 31 March 2015, no such requisition(s) has/have been received.

The procedures as to how shareholder(s) can propose a person for election as a director are detailed in the "Rights and Procedure for Shareholders to Propose a Person for Election as a Director" which is available on the Company's website at www.fdgev.com.

Enquiries

All enquiries to the Board are welcome and can be brought through our investor relations' hotline at (852) 3101 6106, fax at (852) 3104 2801, email at ir@fdgev.com or directly in person through participation in general meetings.

國富浩華(香港)會計師事務所有限公司
Crowe Horwath (HK) CPA Limited
Member Crowe Horwath International

9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
FDG ELECTRIC VEHICLES LIMITED (PREVIOUSLY KNOWN AS "SINOPOLY BATTERY LIMITED")
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of FDG Electric Vehicles Limited (previously known as "Sinopoly Battery Limited") (the "Company") and its subsidiaries (together the "Group") set out on pages 46 to 146, which comprise the consolidated and company statements of financial position as at 31 March 2015, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2015, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Crowe Horwath (HK) CPA Limited
Certified Public Accountants
Hong Kong, 29 June 2015

Yau Hok Hung
Practising Certificate Number P04911

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2015

	Note	2015 HK$'000	2014 HK$'000
Revenue	7	**307,415**	83,956
Cost of sales		**(233,069)**	(77,014)
Gross profit		**74,346**	6,942
Other income	9	**21,769**	15,518
Selling and distribution costs		**(28,396)**	(18,995)
General and administrative expenses		**(235,418)**	(143,866)
Research and development expenses		**(16,728)**	(12,358)
Finance costs	10	**(125,690)**	(19,329)
Other operating expenses	11	**(74,643)**	–
Impairment on goodwill	19	**–**	(665,438)
Amortisation of intangible assets	20	**(181,511)**	(99,055)
Share of loss of joint ventures		**(403)**	–
Loss before tax	11	**(566,674)**	(936,581)
Income tax	13	**57,932**	24,703
Loss for the year		**(508,742)**	(911,878)
Attributable to:			
Owners of the Company		**(409,759)**	(906,389)
Non-controlling interests		**(98,983)**	(5,489)
		(508,742)	(911,878)
		HK cents	HK cents
Loss per share attributable to owners of the Company	16		
– Basic and diluted		**(2.36)**	(6.67)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2015

	2015 HK$'000	2014 HK$'000
Loss for the year	**(508,742)**	(911,878)
Other comprehensive income/(loss) for the year, net of nil tax:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	**4,664**	(80)
Share of other comprehensive income of joint ventures	**2,477**	–
	7,141	(80)
Total comprehensive loss for the year	**(501,601)**	(911,958)
Attributable to:		
Owners of the Company	**(403,301)**	(905,559)
Non-controlling interests	**(98,300)**	(6,399)
Total comprehensive loss for the year	**(501,601)**	(911,958)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2015

	Note	2015 HK$'000	2014 HK$'000
Non-current assets			
Goodwill	19	**871,647**	349,576
Intangible assets	20	**932,447**	982,563
Fixed assets: Property, plant and equipment	21	**1,849,768**	501,527
Fixed assets: Interest in leasehold land held for own use under operating lease	21	**369,622**	372,831
Interests in joint ventures	23	**107,866**	–
Available-for-sale investments	24	**93,634**	–
Financial assets at fair value through profit or loss	25	**48,249**	–
Deposits paid for non-current assets	26	**76,265**	203,249
Loan receivable	30	**467**	–
Other non-current assets	27	**9,731**	9,877
		4,359,696	2,419,623
Current assets			
Inventories	28	**192,715**	123,346
Trade and bills receivables	29	**148,185**	70,298
Loan and other receivables	30	**399,060**	182,630
Financial assets at fair value through profit or loss	25	**10,569**	–
Derivative financial instruments	39	**53,862**	–
Pledged bank deposits	31	**128,871**	11,284
Deposit in a security account	32	**320,019**	–
Cash and cash equivalents	32	**411,478**	1,069,623
		1,664,759	1,457,181
Current liabilities			
Bank loans and other borrowings	33	**(880,203)**	(372,181)
Loan from a holder of non-controlling interests	34	**–**	(150,000)
Trade and bills payables	35	**(139,189)**	(32,687)
Accruals and other payables	36	**(493,158)**	(180,132)
Tax payable		**(13,101)**	(8,695)
Obligations under redeemed convertible bonds	37	**(760,752)**	(760,752)
		(2,286,403)	(1,504,447)
Net current liabilities		**(621,644)**	(47,266)
Total assets less current liabilities		**3,738,052**	2,372,357

	Note	2015 HK$'000	2014 HK$'000
Non-current liabilities			
Other non-current liability	38	**(52,718)**	(52,656)
Liability components of convertible bonds	39	**(1,156,011)**	–
Deferred tax liabilities	41	**(215,118)**	(256,862)
		(1,423,847)	(309,518)
NET ASSETS		**2,314,205**	2,062,839
CAPITAL AND RESERVES			
Issued capital	42	**178,662**	169,769
Reserves	43	**1,892,484**	1,564,031
Total equity attributable to owners of the Company		**2,071,146**	1,733,800
Non-controlling interests		**243,059**	329,039
TOTAL EQUITY		**2,314,205**	2,062,839

Miao Zhenguo
Director

Jaime Che
Director

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2015

	Attributable to owners of the Company										
	Issued capital HK$'000	Share premium HK$'000	Exchange reserve HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Equity component of convertible bonds HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2013	122,545	3,925,882	19,217	15,506	1,868	–	18,361	(3,763,188)	340,191	–	340,191
Loss for the year	–	–	–	–	–	–	–	(906,389)	(906,389)	(5,489)	(911,878)
Other comprehensive income/(loss) for the year – Exchange differences on translation of financial statements of foreign operations	–	–	830	–	–	–	–	–	830	(910)	(80)
Total comprehensive income/(loss) for the year	–	–	830	–	–	–	–	(906,389)	(905,559)	(6,399)	(911,958)
Issue of ordinary shares related to acquisition transaction *(Note 42(a))*	19,013	1,254,825	–	–	–	–	–	–	1,273,838	–	1,273,838
Shares issued pursuant to subscriptions and placement *(Notes 42(c) & (e))*	28,200	1,000,480	–	–	–	–	–	–	1,028,680	–	1,028,680
Shares issued upon exercise of shares options *(Note 42(d))*	11	93	–	–	–	–	(35)	–	69	–	69
Non-controlling interests arising on business combination *(Note 18(d))*	–	–	–	–	–	–	–	–	–	335,438	335,438
Transaction costs attributable to issue of new shares	–	(7,155)	–	–	–	–	–	–	(7,155)	–	(7,155)
Share options lapsed	–	–	–	–	–	–	(223)	223	–	–	–
Equity-settled share-based payments	–	–	–	–	–	–	3,736	–	3,736	–	3,736
At 31 March 2014 and 1 April 2014	169,769	6,174,125	20,047	15,506	1,868	–	21,839	(4,669,354)	1,733,800	329,039	2,062,839
Loss for the year	–	–	–	–	–	–	–	(409,759)	(409,759)	(98,983)	(508,742)
Other comprehensive income for the year – Exchange differences on translation of financial statements of foreign operations	–	–	3,981	–	–	–	–	–	3,981	683	4,664
– Share of other comprehensive income of joint ventures	–	–	2,477	–	–	–	–	–	2,477	–	2,477
Total other comprehensive income for the year	–	–	6,458	–	–	–	–	–	6,458	683	7,141
Total comprehensive income/(loss) for the year	–	–	6,458	–	–	–	–	(409,759)	(403,301)	(98,300)	(501,601)
Issue of ordinary shares related to acquisition transaction *(Note 42(a))*	3,800	178,600	–	–	–	–	–	–	182,400	–	182,400
Non-controlling interests arising on business combinations	–	–	–	–	–	–	–	–	–	165,419	165,419
Issue of convertible bonds	–	–	–	–	–	601,894	–	–	601,894	–	601,894
Conversion of convertible bonds *(Note 42(b))*	5,093	251,536	–	–	–	(90,715)	–	–	165,914	–	165,914
Acquisition of additional interests in subsidiaries *(Note 18(c))*	–	–	–	–	–	–	–	(223,421)	(223,421)	(153,099)	(376,520)
Share options lapsed	–	–	–	–	–	–	(15,076)	15,076	–	–	–
Equity-settled share-based payments	–	–	–	–	–	–	13,860	–	13,860	–	13,860
At 31 March 2015	**178,662**	**6,604,261**	**26,505**	**15,506**	**1,868**	**511,179**	**20,623**	**(5,287,458)**	**2,071,146**	**243,059**	**2,314,205**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2015

	Note	2015 HK$'000	2014 HK$'000
Operating activities			
Loss before tax		**(566,674)**	(936,581)
Adjustments for:			
Interest income	11	**(10,806)**	(3,817)
Finance costs	10	**125,690**	19,329
Gain on disposal of property, plant and equipment	11	**(595)**	(626)
Depreciation of property, plant and equipment	21	**55,524**	39,403
Amortisation of interest in leasehold land held for own use under operating lease	21	**7,854**	2,257
Equity-settled share-based payments	11	**13,860**	3,736
Impairment on goodwill	19	**–**	665,438
Amortisation of intangible assets	20	**181,511**	99,055
Impairment on other receivables	30(b)	**1,491**	–
Impairment on property, plant and equipment	21	**–**	6,973
Write-down of inventories	11	**1,336**	25,954
Warranty provision		**–**	467
Foreign exchange difference		**(521)**	(5,119)
Share of loss of joint ventures		**403**	–
Net loss on held-for-trading investments	11	**37**	–
		(190,890)	(83,531)
Changes in working capital:			
Decrease in other non-current assets		**1,262**	1,260
Increase in inventories		**(65,936)**	(27,757)
Increase in trade, bills, loan and other receivables		**(157,024)**	(90,119)
Increase/(decrease) in trade, bills and other payables		**271,696**	(19,410)
Net cash used in operations		**(140,892)**	(219,557)
Interest received		**9,186**	3,783
Finance costs paid		**(42,193)**	(17,087)
Net cash used in operating activities		**(173,899)**	(232,861)
Investing activities			
Payments for acquisition of intangible assets		**(65,459)**	(2,871)
Payments for acquisition of property, plant and equipment		**(1,261,552)**	(53,425)
Payments for acquisition of interest in leasehold land held for own use under operating lease		**(4,452)**	(4,758)
Payments for available-for-sale investments		**(93,634)**	–
Receipts on disposal of property, plant and equipment		**3,912**	1,700
Proceeds from financial assets at fair value through profit or loss		**1,948**	–
Increase in pledged bank deposits		**(117,587)**	(603)
Increase in deposit in a security account		**(320,019)**	–
Net cash inflows on acquisition of subsidiaries		**378,902**	126,812
Net cash (used in)/generated from investing activities		**(1,477,941)**	66,855

	Note	2015 HK$'000	2014 HK$'000
Financing activities			
Net proceeds from issuance of new shares		**–**	1,021,525
Net proceeds from issuance of convertible bonds		**392,000**	–
Proceeds from shares issued upon exercise of share options		**–**	69
Proceeds from bank loans and other borrowings		**958,973**	183,030
Repayment of bank loans and other borrowings		**(454,959)**	(109,694)
Increase/(decrease) in bills payables		**97,387**	(1,028)
Net cash generated from financing activities		**993,401**	1,093,902
Net (decrease)/increase in cash and cash equivalents		**(658,439)**	927,896
Effect of foreign exchange rate changes		**294**	1,160
Cash and cash equivalents at beginning of the year		**1,069,623**	140,567
Cash and cash equivalents at end of the year		**411,478**	1,069,623

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March 2015

	Note	2015 HK$'000	2014 HK$'000
Non-current assets			
Interests in subsidiaries	22	**4,228,336**	1,155,399
Available-for-sale investments	24	**93,634**	–
		4,321,970	1,155,399
Current assets			
Amounts due from subsidiaries	22	**582,717**	406,778
Loan and other receivables	30	**5,326**	64,331
Derivative financial instruments	39	**53,862**	–
Cash and cash equivalents	32	**112,359**	855,329
		754,264	1,326,438
Current liabilities			
Other borrowings	33	**(689,566)**	–
Accruals and other payables	36	**(42,166)**	(3,848)
Obligations under redeemed convertible bonds	37	**(760,752)**	(760,752)
		(1,492,484)	(764,600)
Net current (liabilities)/assets		**(738,220)**	561,838
Total assets less current liabilities		**3,583,750**	1,717,237
Non-current liabilities			
Liability components of convertible bonds	39	**(1,156,011)**	–
Bonds to a subsidiary	40	**(370,000)**	–
		(1,526,011)	–
NET ASSETS		**2,057,739**	1,717,237
CAPITAL AND RESERVES			
Issued capital	42	**178,662**	169,769
Reserves	43	**1,879,077**	1,547,468
TOTAL EQUITY		**2,057,739**	1,717,237

Miao Zhenguo
Director

Jaime Che
Director

1. GENERAL INFORMATION

FDG Electric Vehicles Limited (previously known as "Sinopoly Battery Limited") (the "Company") is a limited liability company incorporated in Bermuda. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office and principal place of business of the Company are situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and Rooms 3001-3005, 30th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, respectively.

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in (i) research and development, production and sale of lithium-ion batteries and related products; (ii) vehicle design and the design, manufacture and sale of electric vehicles; (iii) leasing of electric vehicles; (iv) treasury investment; and (v) direct investments.

2. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has where applicable adopted the following amendments to Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKASs"), and Interpretation (hereinafter collectively referred to as the "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year's financial statements:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities
Amendment to HKAS 32	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
Amendment to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendment to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

The adoption of the above new and revised HKFRSs has had no material impact on the accounting policies of the Group and the methods of recognition and measurement in the Group's financial statements.

2. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Up to the date of issuance of these financial statements, the HKICPA has issued several amendments and standards which are not yet effective for the year ended 31 March 2015 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[3]
HKFRS 9	Financial Instruments[5]
HKFRS 14	Regulatory Deferral Accounts[3]
HKFRS 15	Revenue from Contracts with Customers[4]
Amendment to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendment to HKAS 1	Disclosure Initiative[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[3]
Amendment to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions[1]
Amendment to HKAS 27	Equity Method in Separate Financial Statements[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[3]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
3 Effective for annual periods beginning on or after 1 January 2016
4 Effective for annual periods beginning on or after 1 January 2017
5 Effective for annual periods beginning on or after 1 January 2018

The Group is in the process of making an assessment of the impact of these amendments and standards in the period of initial application. So far, it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

3. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable HKFRSs and accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period, as permitted by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), continue to be those of the predecessor Companies Ordinance (Cap. 32). These consolidated financial statements also comply with the applicable disclosure provisions of the Listing Rules. A summary of principal accounting policies adopted by the Group is set out in Note 4 below.

The consolidated financial statements have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss and derivative financial instruments which have been measured at fair value.

The consolidated financial statements for the year ended 31 March 2015 comprise the Company and its subsidiaries and the Group's interests in joint ventures.

Each entity in the Group is measured using its functional currency, that is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiaries in Hong Kong is Hong Kong dollar ("HK$") and that of its subsidiaries in The People's Republic of China (excluding Hong Kong) (the "PRC") is Renminbi ("RMB"). For the purposes of presenting the consolidated financial statements, the Group has adopted HK$ as its presentation currency and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of HKFRSs that have a significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 5.

In preparing these consolidated financial statements, the board of directors of the Company (the "Board") has considered the Group's sources of liquidity and believes that adequate funding is available to fulfill the Group's short-term obligations and capital expenditure requirements. As at 31 March 2015, the Group had net current liabilities of approximately HK$621,644,000, which included obligations under redeemed convertible bonds of approximately HK$760,752,000 (the "Redemption Amount") as set out in the consolidated statement of financial position.

3. BASIS OF PREPARATION (CONTINUED)

Notwithstanding the aforesaid conditions, the consolidated financial statements have been prepared on a going concern basis because the Board is of the opinion that the Group can meet its financial obligations as and when they fall due in the coming year, after taking into consideration of the followings:

(1) Based on a court judgment dated 5 March 2013, the Company has been given an unconditional leave to defend to the extent of the set-off portion of the damages to be claimed by the Group against the Redemption Amount in the legal proceedings against the holder of such redeemed convertible bonds and its associates and based on which the Company is entitled to a stay of execution of payment for the Redemption Amount before the conclusion of the relevant legal proceedings. Therefore, the Board considers that it is not likely for the Company to settle the Redemption Amount in cash in the coming year;

(2) Subsequent to the end of the reporting period, as disclosed in Note 48(b), the Group has raised fund of approximately HK$248,600,000 by placing down 150,000,000 ordinary shares of its non-wholly-owned subsidiary, CIAM Group Limited ("CGL"), a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 378);

(3) The directors of the Company have reviewed the cash flow forecast of the Group for the twelve months ending 31 March 2016 and projected to have sufficient cash flows to finance the working capital and capital expenditure requirements of the Group during that period. In preparing the cash flow forecast, the directors have considered historical cash requirements of the Group as well as other key factors;

(4) The directors of the Company are considering various alternatives to support its capital expenditure needs;

(5) Mr. Cao Zhong ("Mr. Cao"), the Chairman, Chief Executive Officer and executive director of the Company, and Long Hing International Limited, a substantial shareholder of the Company and beneficially wholly-owned by Mr. Cao, have jointly provided an irrevocable letter of undertaking pursuant to which they agreed to provide adequate funds to the Group so as to enable it to meet its financial obligations as and when they fall due for the next twelve months from the date of approval of the financial statements; and

(6) Mr. Miao Zhenguo ("Mr. Miao"), the Deputy Chairman and executive director of the Company, and Union Ever Holdings Limited, a substantial shareholder of the Company and beneficially wholly-owned by Mr. Miao, have jointly provided an irrevocable letter of undertaking pursuant to which they agreed to provide adequate funds to the Group so as to enable it to meet its financial obligations as and when they fall due for the next twelve months from the date of approval of the financial statements.

After having taken into account of the Group's projected cash flows, current financial resources and capital expenditure requirements and in light of the measures and arrangements implemented to date, the Board is of the view that the Group has sufficient cash resources to satisfy its working capital and other financial obligations for the next twelve months from the end of the reporting period of these financial statements. Accordingly, the Board is of the view that it is appropriate to prepare these financial statements on a going concern basis.

4. PRINCIPAL ACCOUNTING POLICIES

(a) SUBSIDIARIES AND NON-CONTROLLING INTERESTS

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identified assets. However, the choice of measuring non-controlling interests is limited to those types of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the subsidiary's net assets in the event of liquidation. All other types of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by HKFRSs.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Note 4(m), (n) or (o) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, interests in subsidiaries are carried at cost less any impairment losses (see Note 4(i)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(b) ASSOCIATES AND JOINT VENTURES

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment losses relating to the investment (see Note 4(i)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

When an investment in an associate is held by or is held indirectly through, an entity that is a venture capital organisation, such investment is exempted from applying equity method and is recognised as a financial asset at fair value through profit or loss in the Group's consolidated statement of financial position.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 4(d)).

4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(c) GOODWILL

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 4(i)).

On the disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(d) OTHER INVESTMENTS IN DEBT AND EQUITY SECURITIES

Investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are categorised as follows:

Financial assets at fair value through profit or loss

This category comprises financial assets held for trading, and those designated at fair value through profit or loss upon initial recognition, but excludes those investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured.

Trading financial instruments are financial assets which are acquired or incurred principally for the purpose of trading, or are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Financial instruments are designated at fair value through profit or loss upon initial recognition when:

– the assets are managed, evaluated and reported internally on a fair value basis;

– the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise;

– the asset contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract; or

– the separation of the embedded derivative(s) from the financial instrument is not prohibited.

4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(d) OTHER INVESTMENTS IN DEBT AND EQUITY SECURITIES (CONTINUED)

Financial assets at fair value through profit or loss (Continued)

Financial assets at fair value through profit or loss are measured initially at fair value, which normally will be equal to the transaction price. Transaction costs are expensed immediately.

At the end of each reporting period subsequent to initial recognition, the financial assets at fair value through profit or loss are stated at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. Upon disposal or repurchase, the difference between the net sale proceeds and the carrying value is included in profit or loss.

Available-for-sale financial assets

Investments in securities which do not fall into the above category are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see Note 4(i)). Dividend income from equity securities is recognised in profit or loss.

When the investments are derecognised or impaired (see Note 4(i)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(e) DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period, the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(f) PROPERTY, PLANT AND EQUIPMENT AND INTEREST IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASE

Property, plant and equipment, other than construction in progress, are carried at cost less accumulated depreciation and any accumulated impairment losses (see Note 4(i)). The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(f) PROPERTY, PLANT AND EQUIPMENT AND INTEREST IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASE (CONTINUED)

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as interest in leasehold land held for own use under operating lease and included in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

- Buildings held for own use situated on leasehold land under operating lease are depreciated on a straight-line basis over the shorter of the unexpired term of lease and their estimated useful lives.

- Other property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Leasehold land under finance leases	over the remaining lease terms
Buildings	over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion
Leasehold improvements	20% to 33.3%, or if shorter, the remaining term of the lease
Furniture and equipment	10% to 33.3%
Motor vehicles	10% to 25%
Plant and machinery	10%
Electric vehicles	33.3%

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net proceeds on disposal and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress represents buildings, leasehold improvement and plant and equipment in the course of construction for production and for the Group's own use purposes. Construction in progress is stated at cost less any identified impairment loss. Cost comprises construction expenditure and other direct costs attributable to such projects. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for its intended use.

No depreciation is provided in respect of construction in progress until it is substantially complete and ready for its intended use.

4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(g) INTANGIBLE ASSETS (OTHER THAN GOODWILL)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see Note 4(i)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 4(i)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

–	patents and exclusive patents using rights	10 years
–	Industrial proprietary rights	25 years
–	Technical know-hows	5 years
–	Lease contractual rights	3 years

The period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(h) LEASED ASSETS

Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring leasehold land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property.

4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(i) IMPAIRMENT OF ASSETS

(i) Impairment of investments in equity securities and trade, bills, loan and other receivables

Investments in equity securities and trade, bills, loan and other receivables that are carried at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investments in associates and joint ventures accounted for under the equity method in the consolidated financial statements, the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with Note 4(i)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with Note 4(i)(ii).

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

– For trade, bills, loan and other receivables carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade, bills, loan and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade, bills, loan and other receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(i) IMPAIRMENT OF ASSETS (CONTINUED)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the followings assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased.

- intangible assets;
- goodwill;
- property, plant and equipment;
- interest in leasehold land held for own use under operating lease;
- deposits paid for non-current assets;
- other non-current assets; and
- interests in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less cost of disposal and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (that is a cash-generating unit).

- Recognition of impairment losses

  An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying amount of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

- Reversals of impairment losses

  In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

  A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(i) IMPAIRMENT OF ASSETS (CONTINUED)

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim Financial Reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Notes 4(i)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(j) INVENTORIES

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(k) PROJECT CONTRACTS IN PROGRESS

Project contracts in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date (see Note 4(t)(ii)) less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Project contracts in progress is presented as "Amounts due from customers for contract work" (as part of trade and bills receivables) in the statement of financial position for all contracts in which costs incurred plus recognised profits less recognised losses exceed progress billings. If progress billings exceed costs incurred plus recognised profits less recognised losses, then the difference is presented as "Amounts due to customers for contract work" (as part of trade and bills payables) in the statement of financial position.

(l) TRADE, BILLS, LOAN AND OTHER RECEIVABLES

Trade, bills, loan and other receivables are initially recognised at fair value and thereafter carried at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see Note 4(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are carried at cost less allowance for impairment of doubtful debts.

Loan and other receivables include loans made under an entrusted arrangement granted by a licensed bank incorporated in the PRC on behalf of the Group to one of its external PRC customer which the Group bears the risks and rewards.

4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(m) CONVERTIBLE BONDS

Convertible bonds issued by the Company that contain liability, conversion option, and redemption and mandatory conversion option components are classified separately into liability component, equity component and embedded derivative component (consisting of the redemption and mandatory conversion options of the Company) respectively. A derivative embedded in a non-derivative host contract is treated as a separate derivative when its risks and characteristics are not closely related to those of the host contract. On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible bonds. The derivative component is carried at fair value on the statement of financial position with any changes in fair value being charged or credited to profit or loss in the period in which the change occurs. The difference between the fair value/proceeds of the convertible bonds and the fair values of the liability component and embedded derivative component of the Company is included in equity.

Subsequent to initial recognition, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The difference between the interest so calculated and the interest paid is added to the carrying amount of the liability component. The embedded derivative is re-measured to fair value through profit or loss at subsequent reporting dates. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, remains in equity reserve until the embedded option is exercised (at which time the convertible bonds equity component will be transferred to share capital and share premium). Where the option remains unexercised at the expiry date, the balance remaining in equity reserve is released to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of convertible bonds are allocated to the liability component, embedded derivative and equity component of the convertible bonds in proportion to the allocation of proceeds. Transaction costs relating to the liability component are included in the carrying amount of the liability component and amortised over the period of the convertible bonds using the effective interest method. Transaction costs relating to the embedded derivative are charged directly to profit or loss. Transaction costs relating to the equity component are charged directly to equity.

If the convertible bonds are redeemed by the Company before maturity, the Company will allocate the consideration paid and any transaction costs for the repurchase or redemption to the liability and equity components of the instrument at the date of the transaction. The method used in allocating the consideration paid and transaction costs to the separate components is consistent with that used in the original allocation to the separate components of the proceeds received by the Company when the convertible instrument was issued. Once the consideration is allocated, any resulting gain or loss relating to the liability component is recognised in profit or loss and the amount of consideration relating to the equity component is recognised in equity.

(n) INTEREST-BEARING BORROWINGS

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are carried at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(o) TRADE AND OTHER PAYABLES

Trade and other payables are initially recognised at fair value and subsequently carried at amortised cost unless the effect of discounting would be immaterial, in which case they are carried at cost.

(p) CASH AND CASH EQUIVALENTS AND DEPOSIT IN A SECURITY ACCOUNT

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

Deposit in a security account is restricted as to withdrawal under the terms of certain contractual agreements.

(q) EMPLOYEE BENEFITS

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are carried at their present values.

(ii) Share-based payment transactions

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in share option reserve within equity. The fair value is measured at grant date using the Binomial Option Pricing Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged or credited to profit or loss for the year of the review. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest with a corresponding adjustment to the share option reserve. The equity amount is recognised in the share option reserve until either the option is exercised when it is transferred to the share premium account or the option expires when it is released directly to retained profits.

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(r) INCOME TAX

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary differences, or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(r) INCOME TAX (CONTINUED)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group or the Company has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously;

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either;

  – the same taxable entity; or

  – different taxable entities which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(s) PROVISIONS AND CONTINGENT LIABILITIES

(i) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with Note 4(s)(ii). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with Note 4(s)(ii).

(ii) Other provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(t) REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sales of goods

Sales of goods is recognised when the Group's products are delivered, and when the significant risks and rewards of ownership have been transferred to the buyer. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts and returns.

(ii) Service income

When the outcome of a service contract can be estimated reliably, revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract.

When the outcome of a service contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

(iii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal installments over the lease periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the reporting period in which they are earned.

(iv) Interest income

Interest income is recognised on an accrual basis, using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial assets to the net carrying amounts of the financial assets.

Interest income on all financial assets that are classified as trading or designated at fair value through profit or loss are considered to be incidental and are therefore presented together with all other changes in fair value arising from the portfolio. Net income from financial instruments designated at fair value through profit or loss and net trading income comprises all gains and losses from changes in fair value (net of accrued coupon) of such financial assets and financial liabilities, together with interest income and expenses and foreign exchange differences attributable to those financial instruments.

(v) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(u) TRANSLATIONS OF FOREIGN CURRENCY

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies carried at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Items of statement of financial position are translated into Hong Kong dollars at the foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(v) BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(w) WARRANTIES

Provisions for the expected cost of warranty obligations under the relevant contract for the sale of goods are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

(x) DIVIDENDS AND DISTRIBUTIONS

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(y) RELATED PARTIES

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(z) SEGMENT REPORTING

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Board, the chief operating decision maker, for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Group has made certain key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, as discussed below.

(a) GOING CONCERN

As mentioned in Note 3 to the consolidated financial statements, the directors are satisfied that the Group has sufficient cash resources to satisfy the Group's working capital and other financial obligations for the next twelve months from the end of the reporting period. Under such circumstances, the consolidated financial statements have been prepared on a going concern basis. If the going concern basis is not appropriate, adjustments would have to be made to restate the values of assets to their immediate recoverable amounts, to make provision for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. Such adjustments may have a significant consequential effect on the loss for the year and net assets of the Group.

(b) IMPAIRMENT OF GOODWILL

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units to which the goodwill is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. In the process of estimating expected future cash flow, management makes assumptions about future revenues and profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause a material adjustment to the carrying amount of goodwill within the next financial year. Determining the appropriate discount rate involves estimating the appropriate adjustments for market risk and for asset specific risk factor.

The carrying amount of goodwill at 31 March 2015 was HK$871,647,000 (2014: HK$349,576,000). Further details are given in Note 19.

(c) IMPAIRMENT OF INTANGIBLE ASSETS (OTHER THAN GOODWILL)

Determining whether intangible assets (other than goodwill) are impaired requires an estimation of the value-in-use of the cash-generating units to which intangible assets has been allocated. The value-in-use calculation requires the Group to estimate the future cash flows and profit forecast expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. As the industries of the lithium-ion batteries and related electric vehicles are new and currently at its early stage of development, the cash flow and profit forecast projections involve significant judgments and estimates on the accuracy of the assumptions for the projections and estimates of, including but not limited to, the future growth rates, the extent of the future market competition, market demand and market share, and sales and cost structures of the lithium-ion batteries and the related electric vehicles that the Group will achieve during the forecasting period. Where the actual future cash flows are less than expected, a material impairment loss may arise. The management performed an impairment assessment on intangible assets and no impairment loss (2014: nil) was recognised in the consolidated statement of profit or loss for the year ended 31 March 2015.

(d) IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTEREST IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASE

Property, plant and equipment and interest in leasehold land held for own use under operating lease are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts are determined based on value-in-use calculations. In determining the value-in-use, expected cash flows generated by the asset are discounted to their present values, which require significant judgment relating to such items such as the level of turnover and the amount of operating costs.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(e) IMPAIRMENT OF INTERESTS IN SUBSIDIARIES

Interests in subsidiaries are carried at cost less impairment. Judgment is required when determining whether an impairment existed. In making this judgment, historical data and factors such as industry, sector performance and financial information regarding the subsidiaries are taken into account.

(f) IMPAIRMENT OF RECEIVABLES

The management evaluates whether there is any objective evidence that trade, bills, loan and other receivables are impaired and determines the amount of impairment loss as a result of the inability of the debtors to make the required payments. The management's estimation is based on the ageing of the trade, bills, loan and other receivables balances, credit-worthiness, and historical write-off experience. If the financial conditions of the debtors were to deteriorate, actual write-offs would be higher than estimated.

(g) DEPRECIATION AND AMORTISATION OF PROPERTY, PLANT AND EQUIPMENT AND INTEREST IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASE

Property, plant and equipment are depreciated or amortised on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. Interest in leasehold land held for own use under operating lease is amortised over the lease term on a straight-line basis. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account the anticipated technological changes. The depreciation and amortisation expense for future periods is adjusted if there are significant changes from previous estimates.

(h) USEFUL LIVES AND AMORTISATION OF INTANGIBLE ASSETS

The intangible assets are amortised on a straight-line basis over the estimated useful lives. The management determines the estimated useful life and basis for amortisation taking into account factors including but not limited to, contractual terms of respective contracts, the expected usage of the assets by the Group based on past experience, technical obsolescence arising from changes or improvements in production or from a change in the market demand for the products of the assets. The estimation of the useful life and basis for amortisation is a matter of judgment based on the experience of the Group. Management reviews the useful life and basis for amortisation of intangible asset annually and, if expectations are significantly different from previous estimates of useful economics life, the amortisation rate for future periods will be adjusted accordingly.

Had different amortisation rates been used to calculate the amortisation of the intangible assets, the Group's result of operations and financial position could be materially different.

(i) VALUATION OF INVENTORIES

Inventories are carried at the lower of cost and net realisable value at the end of the reporting period. Net realisable value is determined on the basis of the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The management estimates the net realisable value for inventories based primarily on the latest invoice prices, current market conditions, historical experience on selling similar inventories and physical conditions of the inventories. It could change significantly as a result of changes in market conditions. In addition, the management performs an inventory review at the end of the reporting period and assess the need for write down of inventories.

(j) INCOME TAX

Determining income tax provision involves judgment on the future tax treatment of certain transactions. The management carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations.

6. FINANCIAL INSTRUMENTS

(a) CATEGORIES OF FINANCIAL INSTRUMENTS

Financial assets at the end of the reporting period are as follows:

	Group		Company	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade and bills receivables (excluding amounts due from customers for contract work)	**145,758**	66,648	**–**	–
Loan and other receivables (excluding deposits and prepayments and value-added-tax receivables)	**165,311**	96,841	**3,880**	63,025
Amounts due from subsidiaries	**–**	–	**582,717**	406,778
Pledged bank deposits	**128,871**	11,284	**–**	–
Deposit in a security account	**320,019**	–	**–**	–
Cash and cash equivalents	**411,478**	1,069,623	**112,359**	855,329
Loans and receivables	**1,171,437**	1,244,396	**698,956**	1,325,132
Available-for-sale investments	**93,634**	–	**93,634**	–
Financial assets at fair value through profit or loss				
– designated	**48,249**	–	**–**	–
– held-for-trading				
– trading investment	**10,569**	–	**–**	–
– derivative financial instruments	**53,862**	–	**53,862**	–
Financial assets at fair value through profit or loss	**112,680**	–	**53,862**	–

6. FINANCIAL INSTRUMENTS (CONTINUED)

(a) CATEGORIES OF FINANCIAL INSTRUMENTS (CONTINUED)

Financial liabilities at the end of the reporting period are as follows:

	Group		Company	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank loans and other borrowings	**880,203**	372,181	**689,566**	–
Loan from a holder of non-controlling interests	**–**	150,000	**–**	–
Trade and bills payables	**139,189**	32,687	**–**	–
Accruals and other payables (excluding receipts in advance and warranty provision)	**471,418**	171,484	**42,166**	3,848
Obligations under redeemed convertible bonds	**760,752**	760,752	**760,752**	760,752
Liability components of convertible bonds	**1,156,011**	–	**1,156,011**	–
Bonds to a subsidiary	**–**	–	**370,000**	–
Financial liabilities at amortised cost	**3,407,573**	1,487,104	**3,018,495**	764,600

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk, interest rate risk, currency risk and equity price risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Credit risk

The Group's and the Company's credit risk are primarily attributable to bank deposits, deposit in a security account, trade, bills, loan and other receivables, unlisted debt securities and amounts due from subsidiaries. The management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group's and the Company's cash are deposited with creditworthy banks and other financial institutions with high credit ratings and the Group and the Company have limited exposure to any single financial institution.

In respect of trade, bills, loan and other receivables, in order to minimise its credit risk exposure, credit evaluations are performed for the determination and approval of credit limits granted and other monitoring procedures are implemented to ensure that follow-up actions are taken to recover overdue debts. In addition, regular reviews on ageing and recoverability are performed to ensure that adequate impairment losses are made for irrecoverable amounts.

6. FINANCIAL INSTRUMENTS (CONTINUED)

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(i) Credit risk (Continued)

In respect of trade receivables, credit terms from generally one month to three months may be granted to customers, depending on the credit-worthiness of individual customers. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk. At the end of the reporting period, the Group had a concentration of credit risk of 86.53% (2014: 89.33%) of the total trade receivables due from the Group's five largest debtors as at 31 March 2015.

In respect of loan receivables, the Group holds collateral in the form of second equitable mortgage, share charge, securities over mining license and asset, and guarantees. The Group considers that the credit risk arising from the loan receivables are significantly mitigated by the collaterals, with reference to their estimated market values as at 31 March 2015.

In respect of amounts due from subsidiaries, the Company reviews the recoverable amounts of individual debts at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts, In this regard, the management considers that the Company's credit risk is significantly reduced.

The Group does not provide any other guarantees which would expose the Group to credit risk. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and bills receivables and loan and other receivables are set out in Notes 29 and 30 respectively.

(ii) Liquidity risk

At 31 March 2015, the Group has net current liabilities of approximately HK$621,644,000 (2014: HK$47,266,000) which included the Redemption Amount of approximately HK$760,752,000 (2014: HK$760,752,000). The Group is exposed to liquidity risk of being unable to finance its future working capital and financial requirements when they fall due. To manage liquidity risk, the Group regularly monitors its current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks and financial institutions to meet its liquidity requirements in the short and longer terms. Based on a court judgment dated 5 March 2013, the Group has been given an unconditional leave to defend to the extent of the Set-Off (as defined in Note 37) and, based on which the Group is entitled to a stay of execution of payment for the Redemption Amount before the conclusion of the relevant legal proceedings.

The Board is of the opinion that the Group will be able to finance its future working capital and financial requirements as described in Note 3 to the consolidated financial statements.

6. FINANCIAL INSTRUMENTS (CONTINUED)

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(ii) Liquidity risk (Continued)

The following table details the remaining contractual maturities at the end of the reporting period of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group and the Company can be required to pay.

Group

			2015		
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March HK$'000
Bank loans and other borrowings	956,144	–	–	956,144	880,203
Trade and bills payables	139,189	–	–	139,189	139,189
Accruals and other payables (excluding receipts in advance and warranty provision)	471,418	–	–	471,418	471,418
Obligations under redeemed convertible bonds *(Note)*	760,752	–	–	760,752	760,752
Liability components of convertible bonds	32,000	32,000	1,609,523	1,673,523	1,156,011
	2,359,503	32,000	1,609,523	4,001,026	3,407,573

			2014		
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March HK$'000
Bank loans and other borrowings	390,702	–	–	390,702	372,181
Loan from a holder of non-controlling interests	150,000	–	–	150,000	150,000
Trade and bills payables	32,687	–	–	32,687	32,687
Accruals and other payables (excluding receipts in advance and warranty provision)	171,484	–	–	171,484	171,484
Obligations under redeemed convertible bonds *(Note)*	760,752	–	–	760,752	760,752
	1,505,625	–	–	1,505,625	1,487,104

Note: Based on a court judgment dated 5 March 2013, the Group has been given an unconditional leave to defend to the extent of the Set-Off (as defined in Note 37) and based on which, the Group is entitled to a stay of execution of payment for the obligations under redeemed convertible bonds before the conclusion of the relevant legal proceedings.

6. FINANCIAL INSTRUMENTS (CONTINUED)

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(ii) Liquidity risk (Continued)

Company

	2015				
	Within 1 year or on demand HK$'000	**More than 1 year but less than 2 years HK$'000**	**More than 2 years but less than 5 years HK$'000**	**Total undiscounted cash flows HK$'000**	**Carrying amount at 31 March HK$'000**
Other borrowings	**761,545**	**–**	**–**	**761,545**	**689,566**
Accruals and other payables	**42,166**	**–**	**–**	**42,166**	**42,166**
Obligations under redeemed convertible bonds *(Note)*	**760,752**	**–**	**–**	**760,752**	**760,752**
Liability components of convertible bonds	**32,000**	**32,000**	**1,609,523**	**1,673,523**	**1,156,011**
Bonds to a subsidiary	**29,600**	**29,600**	**399,600**	**458,800**	**370,000**
	1,626,063	**61,600**	**2,009,123**	**3,696,786**	**3,018,495**

	2014				
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March HK$'000
Accruals and other payables	3,848	–	–	3,848	3,848
Obligations under redeemed convertible bonds *(Note)*	760,752	–	–	760,752	760,752
	764,600	–	–	764,600	764,600

Note: Based on a court judgment dated 5 March 2013, the Company has been given an unconditional leave to defend to the extent of the Set-Off (as defined in Note 37) and based on which, the Group is entitled to a stay of execution of payment for the obligations under redeemed convertible bonds before the conclusion of the relevant legal proceedings.

6. FINANCIAL INSTRUMENTS (CONTINUED)

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(iii) Interest rate risk

The Group and the Company are exposed to cash flow interest rate risk in relation to variable rate loans receivables, bank balances, deposit in a security account and bank loan and fair value interest rate risk in relation to fixed rate loan receivables, bank balances, bank loans, other borrowings, bonds to a subsidiary and liability components of convertible bonds.

Group

	2015 Effective interest rate	2015 HK$'000	2014 Effective interest rate	2014 HK$'000
Variable rate loan receivables	6.00%	498	–	–
Fixed rate loan receivables	28.50%	61,677	–	–
Variable rate bank balances	0.001% to 0.46%	116,544	0.01% to 0.39%	188,125
Fixed rate bank balances	0.13% to 3.08%	410,440	0.20% to 3.70%	879,230
Variable rate deposit in a security account	0.05%	320,019	–	–
Variable rate bank loan	6.69% to 7.50%	63,125	–	–
Fixed rate bank loans	7.80%	127,512	7.50% to 7.80%	183,031
Fixed rate other borrowings	21.42% to 21.75%	689,566	7.00% to 20.00%	189,150
Fixed rate liability components of convertible bonds	13.07% to 14.31%	1,156,011	–	–

Company

	2015 Effective interest rate	2015 HK$'000	2014 Effective interest rate	2014 HK$'000
Variable rate bank balances	0.01% to 0.36%	1,518	0.01%	4,169
Fixed rate bank balances	0.14% to 2.50%	103,289	0.20% to 1.20%	844,092
Fixed rate other borrowings	21.42% to 21.75%	689,566	–	–
Fixed rate bonds to a subsidiary	8.00%	370,000	–	–
Fixed rate liability components of convertible bonds	13.07% to 14.31%	1,156,011	–	–

Sensitivity analysis

The fixed rate loan receivables, bank balances, bank loans, other borrowings, bonds to a subsidiary and liability components of convertible bonds of the Group and the Company which are fixed rate instruments and insensitive to any change in interest rates. A change in interest rate at the end of the reporting period would not affect the profit or loss.

At 31 March 2015, it is estimated that a general increase or decrease of 100 basis points in interest rates in respect of variable rate loan receivables, bank balances, deposit in a security account and bank loan, with all other variable held constant, would decrease or increase the Group's and the Company's loss after tax for the year and accumulated losses by approximately HK$3,739,000 (2014: HK$1,881,000) and HK$15,000 (2014: HK$42,000), respectively.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next annual reporting period. The analysis is performed on the same basis for 2014.

6. FINANCIAL INSTRUMENTS (CONTINUED)

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(iv) Currency risk

The Group currently does not have a foreign currency hedging policy. However, the management monitors the relative foreign exchange positions of its assets and liabilities and will consider hedging significant foreign currency exposures should the need arises.

The following table details the Group's and the Company's material exposure at the end of the reporting period to currency risk arising from the following assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the end of the reporting period. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

Group

	2015		2014	
	United States Dollars		United States Dollars	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	**HK$'000**	HK$'000	HK$'000
Cash and cash equivalents	**13,481**	**–**	10,849	–
Trade and bills receivables	**6,681**	**–**	1,305	–
Loan and other receivables	**5,566**	**–**	–	–
Financial assets at fair value through profit or loss	**39,880**	**–**	–	–
Available-for-sale investments	**93,634**	**–**	–	–
Other payables	**–**	**(5,021)**	–	(4,388)
	159,242	**(5,021)**	12,154	(4,388)

Company

	2015		2014	
	United States Dollars		United States Dollars	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	**HK$'000**	HK$'000	HK$'000
Cash and cash equivalents	**165**	**–**	7,084	–
Loan and other receivables	**3,875**	**–**	–	–
Available-for-sale investments	**93,634**	**–**	–	–
	97,674	**–**	7,084	–

As Hong Kong dollars are pegged to United States dollars, the Group and the Company consider the risk of movements in exchange rates between Hong Kong dollars and United States dollars to be insignificant. Therefore, no sensitivity analysis is prepared.

6. FINANCIAL INSTRUMENTS (CONTINUED)

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(v) Equity price risk

The Group is exposed to equity price changes arising from unlisted equity securities and unlisted funds classified as financial assets at fair value through profit or loss (see Note 25).

Equity price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment (stock-specific) or its issuer, or factors affecting all instruments (generic risks) trade in the market.

The Group's unquoted investments are held for strategic purposes. Their performance is assessed at least bi-annually based on the information available to the Group, together with an assessment of their relevance to the Group's strategic plans.

The Group is also exposed to equity price risk arising from changes in the Company's own share price to the extent that the Company's own equity instruments underlie the fair values of derivative financial instruments of the Company. As at the end of the reporting period, the Group is exposed to this risk through the early redemption and mandatory conversion options attached to the convertible bonds issued by the Company as disclosed in Note 39.

At 31 March 2015, it is estimated that an increase/(decrease) of 10% in the Company's own share price, with all other variables held constant, would have increased/(decreased) the Group's and the Company's loss after tax and accumulated losses as follows:

Group and Company

	2015		2014	
	Higher/ (lower) in the Company's own share price	**Increase/ (decrease) on loss after tax and accumulated losses HK$'000**	Higher/ (lower) in the Company's own share price	Increase/ (decrease) on loss after tax and accumulated losses HK$'000
Derivative financial instruments	**10%**	**(14,967)**	10%	–
	(10%)	**14,196**	(10%)	–

The sensitivity analysis indicates the instantaneous change in the Group's loss after tax and accumulated losses that would arise assuming that the changes in the Company's own share price had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period, and that all other variables remain constant.

(c) FAIR VALUE MEASUREMENT

(i) Financial assets and liabilities measured at fair value

(a) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair Value Measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, that is, unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

6. FINANCIAL INSTRUMENTS (CONTINUED)

(c) FAIR VALUE MEASUREMENT (CONTINUED)

(i) Financial assets and liabilities measured at fair value (Continued)

(a) Fair value hierarchy (Continued)

- Level 2 valuations: Fair value measured using Level 2 inputs, that is, observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

The Group has a team performing valuations for the financial instruments, including unlisted debt securities with embedded options and unlisted equity securities which are categorised into Level 3 of the fair value hierarchy. The team reports directly to the management. A valuation report with analysis of changes in fair value measurement is prepared by the team at each financial reporting date, and is reviewed and approved by the management. Discussion of the valuation process and results with the management is held twice a year, to coincide with the reporting dates.

An external independent valuation company, with appropriate recognised professional qualifications, is engaged to value the derivative financial instruments at each financial reporting period. Appropriate valuation methods and assumptions with reference to market conditions existing at each financial reporting period to determine the fair value of the derivative financial instruments are adopted. The basis for determining the fair value is disclosed in Note 39.

The Group and the Company did not have any other financial assets or liabilities measured at fair value as at 31 March 2014.

Group

	2015			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Recurring fair value measurements				
Held-for-trading investment:				
– Unlisted funds	–	10,569	–	10,569
Financial assets designated at fair value through profit or loss:				
– Unlisted debt securities with embedded options	–	–	29,311	29,311
– Unlisted equity securities	–	–	18,938	18,938
Derivative financial instruments:				
– Redemption and mandatory conversion options embedded in convertible bonds	–	–	53,862	53,862
	–	10,569	102,111	112,680

6. FINANCIAL INSTRUMENTS (CONTINUED)

(c) FAIR VALUE MEASUREMENT (CONTINUED)

(i) Financial assets and liabilities measured at fair value (Continued)

(a) Fair value hierarchy (Continued)

Company

	2015			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Recurring fair value measurements				
Derivative financial instruments:				
– Redemption and mandatory conversion options embedded in convertible bonds	**–**	**–**	**53,862**	**53,862**

During the years ended 31 March 2015 and 2014, there were no transfer between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(b) Valuation techniques and inputs used in Level 2 fair value measurements

Fair value of unlisted funds in Level 2 is determined based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs at the end of the reporting period without any deduction for transaction costs. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

(c) Information about Level 3 fair value measurements

The fair value of unlisted debt securities with embedded options and unlisted equity securities are estimated on the basis of an analysis of the investee's financial position and results, risk profile, prospects and other factors, adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 31 March 2015, if the discount for lack of marketability had been 5% higher/lower, with all other variable held constant, the Group's loss after tax for the year would have been HK$2,412,000 (2014: nil) higher/lower.

The fair value of redemption and mandatory conversion options embedded in convertible bonds is determined using binomial pricing model and the significant unobservable input used in the fair value measurement is expected volatility. The fair value measurement is positively correlated to the expected volatility. As at 31 March 2015, it is estimated that with all other variables held constant, an increase/decrease in the expected volatility by 10% would have decreased the Group's and the Company's loss by HK$14,159,000 (2014: nil)/ increased the Group's and the Company's loss by HK$15,966,000 (2014: nil), respectively.

6. FINANCIAL INSTRUMENTS (CONTINUED)

(c) FAIR VALUE MEASUREMENT (CONTINUED)

(i) Financial assets and liabilities measured at fair value (Continued)

(c) Information about Level 3 fair value measurements (Continued)

The movement during the year in the balance of Level 3 fair value measurements is as follows:

	Group	
	2015	2014
	HK$'000	HK$'000
Unlisted debt securities with embedded options		
Additions from acquisition of subsidiaries	**29,087**	–
Exchange adjustment	**224**	–
At 31 March	**29,311**	–
Total gain for the year included in other comprehensive income for assets held at the end of the reporting period	**224**	–

	2015	2014
	HK$'000	HK$'000
Unlisted equity securities		
Additions from acquisition of subsidiaries	**18,743**	–
Exchange adjustment	**195**	–
At 31 March	**18,938**	–
Total gain for the year included in other comprehensive income for assets held at the end of the reporting period	**195**	–

Exchange adjustment of the unlisted debt securities with embedded options and the unlisted equity securities are presented in "Exchange differences on translation of financial statements of foreign operations" in the consolidated statement of profit or loss and other comprehensive income.

6. FINANCIAL INSTRUMENTS (CONTINUED)

(c) FAIR VALUE MEASUREMENT (CONTINUED)

(i) Financial assets and liabilities measured at fair value (Continued)

(c) Information about Level 3 fair value measurements (Continued)

The movement during the year in the balance of Level 3 fair value measurements is as follows: (Continued)

	2015 HK$'000	2014 HK$'000
Derivative financial instruments		
Additions from issue of convertible bonds	**71,480**	–
Transferred to equity upon conversion of convertible bonds	**(7,531)**	–
Changes in fair value recognised in statement of profit or loss during the year	**(10,087)**	–
At 31 March	**53,862**	–
Total loss for the year included in profit or loss for assets held at the end of the reporting period	**(10,087)**	–

The gains or losses arising from the remeasurement of the derivative financial instruments are presented in "Fair value loss on derivative financial instruments" included in "Finance costs" in the consolidated statement of profit or loss.

(ii) Fair value of financial assets and liabilities carried at other than fair value

The directors of the Company consider that the carrying amounts of the Group's and the Company's financial assets and liabilities carried at cost or amortised cost approximate their fair values as at 31 March 2015 and 2014.

7. REVENUE

Revenue, which is also the Group's turnover, represents the aggregate of gross proceeds from sales of lithium-ion batteries and its related products, service income from vehicle design, rental income from leasing of electric vehicles, income from treasury investment which represents interest income on bank deposits and income from direct investments.

	2015 **HK$'000**	2014 HK$'000
Sales of lithium-ion batteries and its related products	**297,828**	80,649
Service income from vehicle design	**3,061**	444
Rental income from leasing of electric vehicles	**1,183**	781
Interest income from treasury investment in cash markets	**3,847**	2,082
Income from direct investments	**1,496**	–
Total	**307,415**	83,956

8. SEGMENT REPORTING

Operating segments are identified on the basis of internal reports which provide information about components of the Group. These information are reported to and reviewed by the Board, the chief operating decision maker of the Group, for the purposes of resource allocation and performance assessment. The Board considers that the Group is organised into business units based on their products and services, and has reportable operating segments as follows:

(a) the battery products segment includes the research and development, manufacture and sales of lithium-ion batteries and its related products;

(b) the vehicle design and electric vehicle production segment includes the vehicle design and the design, manufacture and sales of electric vehicles;

(c) the electric vehicle leasing segment represents the provision of leasing service of electric vehicles;

(d) the treasury investment segment represents investments in bank deposits; and

(e) the direct investments segment represents various direct investments, including financing, securities trading and assets investment (a new business which was acquired during the year ended 31 March 2015).

For the purposes of assessing segment performance and allocating resources between segments, the Board monitors the results, assets and liabilities attributable to each reportable segment on the following basis:

(i) Reportable segment profit/(loss) before tax represents the profit earned by/(loss from) each segment without allocation of central administration costs, central finance costs and other income earned by the central office;

(ii) Revenue and expenses are allocated to each reportable segment with reference to revenue generated by the relevant segments and the expenses incurred by the relevant segments or which otherwise arise from the depreciation and amortisation of assets attributable to the relevant segments. The revenue from external parties reported to the Board is measured in a manner consistent with that in the consolidated statement of profit or loss. Inter-segment transactions are on an arm's length basis in a manner similar to transactions with third parties;

(iii) All assets are allocated to reportable segments other than unallocated corporate assets; and

(iv) All liabilities are allocated to reportable segments other than unallocated corporate liabilities.

8. SEGMENT REPORTING (CONTINUED)

The Group's reportable segments for the years ended 31 March 2015 and 2014 are as follows:

	2015					
	Battery products HK$'000	Vehicle design & electric vehicle production HK$'000	Electric vehicle leasing HK$'000	Treasury investment HK$'000	Direct investments HK$'000	Total HK$'000
Revenue from external customers	297,828	3,061	1,183	3,847	1,496	307,415
Inter-segment revenue	5,952	–	–	–	2,676	8,628
Reportable segment revenue	303,780	3,061	1,183	3,847	4,172	316,043
Reportable segment profit/(loss) before tax	(142,556)	(245,067)	(3,632)	3,847	(2,995)	(390,403)
Other segment information:						
Interest income	2,254	2,200	60	3,847	1,533	9,894
Depreciation of property, plant and equipment	38,972	13,741	1,502	–	21	54,236
Amortisation of interest in leasehold land held for own use under operating lease	2,711	5,143	–	–	–	7,854
Finance costs	12,316	11,041	–	–	–	23,357
Write-down of inventories	1,336	–	–	–	–	1,336
Amortisation of intangible assets	92,231	89,280	–	–	–	181,511
Share of loss of joint ventures	–	–	–	–	403	403
Interests in joint ventures	–	–	–	–	107,866	107,866
Additions to non-current assets	60,962	1,441,861	10	–	537,491	2,040,324
Reportable segment assets	1,501,810	3,018,066	4,487	112,359	1,192,540	5,829,262
Reportable segment liabilities	(1,336,911)	(468,203)	(1,336)	–	(17,328)	(1,823,778)

8. SEGMENT REPORTING (CONTINUED)

	2014					
	Battery products HK$'000	Vehicle design & electric vehicle production HK$'000	Electric vehicle leasing HK$'000	Treasury investment HK$'000	Direct investments HK$'000	Total HK$'000
Revenue from external customers	80,649	444	781	2,082	–	83,956
Inter-segment revenue	727	–	–	–	–	727
Reportable segment revenue	81,376	444	781	2,082	–	84,683
Reportable segment profit/(loss) before tax	(213,401)	(677,380)	(3,095)	2,082	–	(891,794)
Other segment information:						
Interest income	1,047	245	443	2,082	–	3,817
Depreciation of property, plant and equipment	35,772	486	1,594	–	–	37,852
Amortisation of interest in leasehold land held for own use under operating lease	2,161	96	–	–	–	2,257
Finance costs	13,845	1,943	–	–	–	15,788
Write-down of inventories	25,954	–	–	–	–	25,954
Impairment on goodwill	–	665,438	–	–	–	665,438
Impairment on property, plant and equipment	6,973	–	–	–	–	6,973
Amortisation of intangible assets	92,578	6,477	–	–	–	99,055
Additions to non-current assets	34,442	1,967,620	583	–	–	2,002,645
Reportable segment assets	1,584,683	1,402,124	22,932	855,329	–	3,865,068
Reportable segment liabilities	(1,341,023)	(466,849)	(1,050)	–	–	(1,808,922)

8. SEGMENT REPORTING (CONTINUED)

RECONCILIATIONS OF REPORTABLE SEGMENT REVENUE, PROFIT OR LOSS, ASSETS AND LIABILITIES

	2015 HK$'000	2014 HK$'000
Revenue		
Reportable segment revenue	**316,043**	84,683
Elimination of inter-segment revenue	**(8,628)**	(727)
Consolidated revenue	**307,415**	83,956
Loss		
Reportable net segment loss before tax	**(390,403)**	(891,794)
Other income	**1,971**	1,449
Depreciation of property, plant and equipment	**(1,288)**	(1,551)
Finance costs	**(102,333)**	(3,541)
Unallocated corporate expenses	**(74,621)**	(41,144)
Consolidated loss before tax	**(566,674)**	(936,581)
Assets		
Reportable segment assets	**5,829,262**	3,865,068
Unallocated corporate assets:		
Available-for-sale investments	**93,634**	–
Derivative financial instruments	**53,862**	–
Other unallocated corporate assets	**47,697**	11,736
Consolidated total assets	**6,024,455**	3,876,804
Liabilities		
Reportable segment liabilities	**(1,823,778)**	(1,808,922)
Unallocated corporate liabilities:		
Other borrowings	**(689,566)**	–
Liability components of convertible bonds	**(1,156,011)**	–
Other unallocated corporate liabilities	**(40,895)**	(5,043)
Consolidated total liabilities	**(3,710,250)**	(1,813,965)

8. SEGMENT REPORTING (CONTINUED)

GEOGRAPHICAL INFORMATION

(a) ***Revenue from external customers***

	2015 HK$'000	2014 HK$'000
European countries	**51,894**	20,247
The PRC	**221,920**	42,280
The United States of America (the "US")	**8,169**	3,349
Canada	**2,817**	5,100
Australia	**4,407**	4,036
Hong Kong	**6,528**	2,201
Others	**11,680**	6,743
	307,415	83,956

The revenue information is based on the location of the customers, the investees or the borrowers.

(b) ***Non-current assets (other than available-for-sale investments, financial assets at fair value through profit or loss and loan receivable)***

	2015 HK$'000	2014 HK$'000
The PRC	**3,784,826**	2,415,046
Hong Kong	**432,520**	4,577
	4,217,346	2,419,623

The geographical location of the non-current assets is based on the physical location of the assets (in the case of property, plant and equipment, interest in leasehold land held for own use under operating lease, deposits paid for non-current assets and other non-current assets), the location of the operation to which they are allocated (in the case of goodwill and intangible assets), and the location of the operation (in the case of interests in joint ventures).

INFORMATION ABOUT MAJOR CUSTOMERS

Revenue(s) from customer(s) contributing 10% or more of the total revenue of the Group are as follows:

	2015 HK$'000	2014 HK$'000
Customer A – revenue from sales of battery products	**169,194**	N/A
Customer B – revenue from sales of battery products	**N/A**	17,508

9. OTHER INCOME

	2015 HK$'000	2014 HK$'000
Interest income	**5,426**	1,735
Government grants *(Note)*	**916**	4,106
Exchange gains, net	**7,374**	4,871
Consultancy income	**1,096**	407
Gain on disposal of property, plant and equipment	**595**	626
Others	**6,362**	3,773
	21,769	15,518

Note: The government grants were entitled to the Group from the various PRC government organisations in respect of subsidies for research and development of new energy products, development of new energy automotive and strategic emerging industries and other incentives.

10. FINANCE COSTS

	2015 HK$'000	2014 HK$'000
Interest expenses on convertible bonds	**66,558**	–
Interest on bank loans and other borrowings wholly repayable within five years	**49,045**	13,845
Other borrowing costs	**–**	5,484
Total interest expenses on financial liabilities not at fair value through profit or loss	**115,603**	19,329
Fair value loss on derivative financial instruments	**10,087**	–
	125,690	19,329

11. LOSS BEFORE TAX

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

	2015 HK$'000	2014 HK$'000
Interest income	**(10,806)**	(3,817)
Auditor's remuneration	**2,580**	1,650
Cost of inventories recognised as expenses		
– included in cost of sales	**232,631**	74,827
– included in selling and distribution costs	**3,758**	1,907
– included in research and development expenses	**3,542**	4,351
Write-down of inventories	**1,336**	25,954
Amortisation of intangible assets	**181,511**	99,055
Impairment on other receivables	**1,491**	–
Impairment on property, plant and equipment	**–**	6,973
Impairment on goodwill	**–**	665,438
Depreciation of property, plant and equipment	**55,524**	39,403
Amortisation of interest in leasehold land held for own use under operating lease	**7,854**	2,257
Exchange gains, net	**(7,374)**	(4,871)
Gain on disposal of property, plant and equipment	**(595)**	(626)
Net loss on held-for-trading investments	**37**	–
Fair value loss on derivative financial instruments	**10,087**	–
Other operating expenses *(Note)*	**74,643**	–
Minimum lease payments under operating leases in respect of property rentals	**14,123**	10,762
Staff costs (including directors' emoluments)		
– salaries and allowances	**158,714**	57,732
– equity-settled share-based payments	**13,860**	3,736
– contributions to retirement benefits schemes	**17,417**	7,621

Note:

During the year ended 31 March 2015, the other operating expenses of HK$74,643,000 (2014: nil) represented production and output costs incurred in trial run stage of the Group's electric vehicle production base in Kunming, Yunnan Province, the PRC.

12. RETIREMENT BENEFIT SCHEMES

The Group's Hong Kong subsidiaries operate defined contribution retirement benefit schemes under the Hong Kong Mandatory Provident Fund Schemes Ordinance (the "Ordinance"). The Ordinance requires each employer and its employees to contribute 5% of the employees' monthly gross earnings with a ceiling of HK$1,500 (HK$1,250 per month prior to June 2014) per month. The assets of the scheme are held separately from those of the Group in independently administered funds. The contributions payable by the Group to the scheme are immediately vested and charged to the consolidated statement of profit or loss.

The employees of the Group's PRC subsidiaries are members of the retirement schemes operated by the PRC local authorities. The subsidiaries are required to contribute at a rate ranging from 13.5% to 20% of the eligible employees' salaries to these schemes. The only obligation of the Group with respect to these schemes is the required contributions under the schemes.

The Group's total contributions to these schemes charged to the consolidated statement of profit or loss for the year ended 31 March 2015 amounted to HK$17,417,000 (2014: HK$7,621,000).

13. INCOME TAX

	2015 HK$'000	2014 HK$'000
The PRC tax:		
Charge for the year	**–**	–
Deferred *(Note 41)*	**(57,932)**	(24,703)
Total credit for the year	**(57,932)**	(24,703)

No provision for the Hong Kong profits tax or the PRC enterprise income tax has been made as the Group sustained losses for taxation purposes in Hong Kong and the PRC for the years ended 31 March 2015 and 2014. The deferred tax of HK$57,932,000 (2014: HK$24,703,000) that has been credited to the consolidated statement of profit or loss arose from origination and reversal of temporary differences.

The tax credit for the year can be reconciled to the loss per the consolidated statement of profit or loss as follows:

	2015 HK$'000	2014 HK$'000
Loss before tax	**(566,674)**	(936,581)
Notional tax on loss before tax, calculated at the rates applicable to the tax jurisdiction concerned	**(121,659)**	(173,401)
Tax effect of non-deductible expenses	**41,327**	120,062
Tax effect of non-taxable income	**(1,207)**	(545)
Tax effect of unrecognised temporary differences	**(219)**	(313)
Tax losses not recognised	**28,432**	29,494
Tax effect of prior years' tax losses utilised	**(4,606)**	–
Tax credit for the year	**(57,932)**	(24,703)

14. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company for the year includes a loss of approximately HK$623,566,000 (2014: HK$914,123,000) which has been dealt with in the financial statements of the Company.

15. DIVIDEND

No dividend was paid or declared by the Company during the year (2014: nil).

16. LOSS PER SHARE

(a) BASIC LOSS PER SHARE

The basic loss per share is calculated based on (i) the consolidated loss for the year attributable to owners of the Company of HK$409,759,000 (2014: HK$906,389,000) and (ii) the weighted average number of 17,333,781,000 (2014: 13,584,372,000) ordinary shares in issue during the year.

	2015 Weighted average number of ordinary shares '000	2014 Weighted average number of ordinary shares '000
Issued ordinary shares at the beginning of the reporting period	**16,976,891**	12,254,516
Effect of issue of shares upon acquisition transactions *(Note 42(a))*	**342,521**	130,223
Effect of issue of shares upon conversion of convertible bonds *(Note 42(b))*	**14,369**	–
Effect of issue of shares pursuant to share subscriptions *(Note 42(c))*	**–**	1,195,233
Effect of issue of shares upon exercise of share options *(Note 42(d))*	**–**	564
Effect of issue of shares pursuant to share placement *(Note 42(e))*	**–**	3,836
Weighted average number of ordinary shares at the end of the reporting period	**17,333,781**	13,584,372

(b) DILUTED LOSS PER SHARE

The calculation of diluted loss per share does not assume the exercise of the Company's outstanding share options or conversion of outstanding convertible bonds which had an anti-dilutive effect and would result in a reduction in loss per share for the years ended 31 March 2015 and 2014. Therefore, the diluted loss per share is the same as the basic loss per share for both years.

17. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) DIRECTORS' EMOLUMENTS

Directors' remuneration disclosed pursuant to the Listing Rules and section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), are as follows:

	2015				
	Directors' fees HK$'000	Basic salaries, allowances and benefits in kind HK$'000	Equity-settled share-based payments HK$'000	Retirement benefit schemes contributions HK$'000	Total HK$'000
Executive Directors					
Mr. Cao Zhong (Chief Executive Officer and Chairman) *(Note (i))*	12	2,497	432	18	2,959
Mr. Miao Zhenguo *(Note (ii))*	–	2,316	417	18	2,751
Dr. Chen Yanping *(Note (iii))*	–	1,985	518	65	2,568
Mr. Jaime Che	–	1,944	460	18	2,422
Mr. Lo Wing Yat	341	183	365	14	903
Mr. Xu Donghui *(Note (iv))*	–	152	–	2	154
Non-executive Director					
Professor Chen Guohua	320	–	316	–	636
Independent non-executive Directors					
Mr. Chan Yuk Tong	320	–	365	–	685
Mr. Fei Tai Hung	320	–	365	–	685
Mr. Tse Kam Fow	320	–	365	–	685
	1,633	9,077	3,603	135	14,448

17. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

(a) DIRECTORS' EMOLUMENTS (CONTINUED)

	2014				
	Directors' fees HK$'000	Basic salaries, allowances and benefits in kind HK$'000	Equity-settled share-based payments HK$'000	Retirement benefit schemes contributions HK$'000	Total HK$'000
Executive Directors					
Mr. Miao Zhenguo (Chief Executive Officer) *(Note (ii))*	–	1,370	165	15	1,550
Mr. Lo Wing Yat	320	–	109	–	429
Mr. Jaime Che	–	1,047	165	15	1,227
Mr. Xu Donghui *(Note (iv))*	–	1,096	109	15	1,220
Non-executive Directors					
Mr. Cao Zhong (Chairman) *(Note (i))*	19	–	–	–	19
Professor Chen Guohua	320	–	82	–	402
Independent non-executive Directors					
Mr. Chan Yuk Tong	320	–	109	–	429
Mr. Fei Tai Hung	320	–	109	–	429
Mr. Tse Kam Fow	320	–	109	–	429
	1,619	3,513	957	45	6,134

Notes:

(i) Mr. Cao Zhong has been appointed as a non-executive director and Chairman of the Company with effect from 11 March 2014 and re-designated as an executive director of the Company with effect from 15 April 2014. On 28 May 2014, Mr. Cao Zhong has been appointed as the Chief Executive Officer of the Company.

(ii) Mr. Miao Zhenguo has resigned as the Chief Executive Officer of the Company but remained as the Deputy Chairman and executive director of the Company with effect from 28 May 2014.

(iii) Dr. Chen Yanping has been appointed as an executive director and the Chief Operating Officer of the Company with effect from 28 May 2014.

(iv) Mr. Xu Donghui has resigned as an executive director and the Chief Operating Officer of the Company with effect from 28 May 2014 but remains as a senior executive in the Group's battery manufacturing business.

17. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

(a) DIRECTORS' EMOLUMENTS (CONTINUED)

The aggregate amounts of emoluments payable to the Directors during the year are as follows:

	2015 HK$'000	2014 HK$'000
Fees		
Executive Directors	**353**	320
Non-executive Directors	**320**	339
Independent non-executive Director	**960**	960
	1,633	1,619
Other emoluments for Directors		
Basic salaries, allowances and benefits in kind	**9,077**	3,513
Equity-settled share-based payments	**3,603**	957
Retirement benefit scheme contributions	**135**	45
	12,815	4,515
	14,448	6,134

The above emoluments included the fair value of share option granted to certain Directors under the Company's share option scheme. The details are disclosed in Note 44.

No emoluments of the Directors were incurred as an inducement to join or upon joining the Company or as compensation for loss of office during the years ended 31 March 2015 and 2014.

No Director has waived or agreed to waive any remuneration during the years ended 31 March 2015 and 2014.

(b) FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals of the Group include four (2014: three) Directors, details of whose emoluments are set out in Note 17(a) to the financial statements. Details of the emoluments of the remaining one (2014: two) individual for the year are as follows:

	2015 HK$'000	2014 HK$'000
Basic salaries, allowances and benefits in kind	**1,040**	1,900
Equity-settled share-based payments	**345**	219
Retirement benefit schemes contributions	**–**	15
	1,385	2,134

17. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

(b) FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

The emoluments of the one (2014: two) individual with the highest emoluments fell within the following bands:

	Number of Employees	
	2015	2014
Emoluments bands		
Nil – HK$1,000,000	**–**	1
HK$1,000,001 – HK$1,500,000	**1**	1
	1	2

18. ACQUISITION OF SUBSIDIARIES

(a) ACQUISITION OF GIANT INDUSTRY HOLDINGS LIMITED

On 15 April 2014, Preferred Market Limited ("Preferred Market"), a wholly-owned subsidiary of the Company, entered into a sales and purchase agreement (the "GI Acquisition Agreement") with Mr. Kam Chi Yip (the "GI Vendor") and Mr. Huang Jianmeng, as a guarantor for the GI Vendor, both of which are independent third parties to the Company. Pursuant to the GI Acquisition Agreement, the GI Vendor conditionally agreed to sell and Preferred Market conditionally agreed to purchase the entire issued share capital of Giant Industry Holdings Limited ("Giant Industry") for a total consideration of HK$190,000,000 (the "GI Acquisition"). The consideration of the GI Acquisition was settled by the issue of 380,000,000 new ordinary shares of the Company (the "Consideration Shares") to the GI Vendor at the contracted issue price of HK$0.50 per share. Pursuant to the GI Acquisition Agreement, if the net assets value of the Giant Industry and its subsidiaries (collectively, the "GI Group") as determined in accordance with the completion accounts is less than the guaranteed net assets value of HK$88,000,000, the shortfall will be indemnified by the GI Vendor and/or its guarantor. The GI Acquisition was completed on 7 May 2014 (the "GI Completion Date").

Giant Industry owns the entire share capital of Hong Kong Southwest Electric Vehicles Limited ("Southwest EV"), which in turn owns 50% equity interest of Yunnan Meidi Coach Manufacturing Co., Ltd.* (雲南美的客車製造有限公司) (currently known as Yunnan FDG Automobile Co., Limited* (雲南五龍汽車有限公司)), a sino-foreign joint venture established in the PRC (the "PRC Manufacturing Company"). The PRC Manufacturing Company and its subsidiary (collectively, the "PRC Manufacturing Group") are principally engaged in the business of the manufacture and sale of electric vehicles in the PRC.

Southwest EV has the right to nominate and appoint the majority of the directors of the board of the PRC Manufacturing Company, and the PRC Manufacturing Group has therefore become indirect non-wholly-owned subsidiaries of the Company since the GI Completion Date.

Given the Group had completed the acquisition of 58.50% interest in another electric vehicle manufacturing company, Agnita Limited ("Agnita") on 7 March 2014 which represents a combination of the battery production, electric vehicle manufacturing and electric vehicle leasing businesses, the GI Acquisition provides an immediate platform for the Group to engage in the manufacture of electric vehicles and is a furtherance of the Group's initiative to develop its electric vehicle manufacturing capability.

The Group has elected to measure the non-controlling interests in the PRC Manufacturing Group at the non-controlling interests' proportionate share of the PRC Manufacturing Group's identifiable net assets.

18. ACQUISITION OF SUBSIDIARIES (CONTINUED)

(a) ACQUISITION OF GIANT INDUSTRY HOLDINGS LIMITED (CONTINUED)

The fair values of the identifiable assets and liabilities of the GI Group as at the GI Completion Date were as follows:

	Fair value recognised on the GI Acquisition HK$'000
Intangible assets *(Note 20)*	65,217
Property, plant and equipment	14,820
Inventories	4,769
Other receivables	15,890
Cash and cash equivalents	13,534
Trade payables	(910)
Other payables	(809)
Deferred tax liabilities *(Note 41)*	(16,304)
Total identifiable net assets at fair value	96,207
Non-controlling interests	(48,103)
Goodwill arising on the GI Acquisition *(Note 19)*	93,591
	141,695

	HK$'000
Net consideration paid	141,695

Net consideration paid represents the fair value of 380,000,000 Consideration Shares issued amounting to HK$182,400,000 based on HK$0.48 per Consideration Share, being the closing market price of the Company's ordinary share on the GI Completion Date, and less the amount of HK$40,705,000 (included in other receivables as set out in Note 30) to be received from the GI Vendor and/ or the guarantor in relation to the shortfall of the guaranteed net assets value of the GI Group pursuant to the GI Acquisition Agreement.

Goodwill of HK$93,591,000 arising from the GI Acquisition was arisen mainly by the benefit of expected synergies, revenue growth and future market development. None of the goodwill recognised is expected to be deductible for income tax purposes.

The Group incurred transaction costs of HK$550,000 for the GI Acquisition. These transaction costs have been expensed and are included in general and administrative expenses in the consolidated statement of profit or loss for the year ended 31 March 2015.

18. ACQUISITION OF SUBSIDIARIES (CONTINUED)

(a) ACQUISITION OF GIANT INDUSTRY HOLDINGS LIMITED (CONTINUED)

An analysis of the cash flows in respect of the GI Acquisition is as follows:

	HK$'000
Cash and cash equivalents acquired and included in cash flows from investing activities	13,534
Transaction costs of the GI Acquisition included in cash flows from operating activities	(550)
	12,984

Since the completion of the GI Acquisition, the GI Group did not contribute to the Group's revenue and caused a loss of HK$104,026,000 to the consolidated loss for the year ended 31 March 2015.

Had the GI Acquisition taken place at the beginning of the reporting period, the revenue and the loss of the Group for the year ended 31 March 2015 would have been HK$307,415,000 and HK$509,311,000 respectively.

(b) ACQUISITION OF CIAM GROUP LIMITED

On 2 November 2014, Sinopoly Strategic Investment Limited ("Sinopoly"), a wholly-owned subsidiary of the Company, proposed to make a voluntary conditional offer (the "Offer") to acquire all the issued shares and to cancel all the shares options of CGL, in exchange for the convertible bonds to be issued by the Company (the "CGL Acquisition"). On 23 February 2015, the Offer was closed and Sinopoly had acquired approximately 89.54% of the issued shares of CGL. The convertible bonds with principal amount of approximately HK$1,432,171,000 were issued by the Company. CGL has become a non-wholly-owned listed subsidiary of the Company.

Since the Group's acquisition of 58.50% of the issued share capital of Agnita on 7 March 2014 and considering the development of the Group's electric vehicle business segment (including Agnita and its subsidiaries) thereafter, the Board is of the view that it is in the best interest of the Company and its shareholders as a whole to acquire and/or control the remaining 41.50% of the issued share capital of Agnita, which is owned by CGL. This will allow the business of the Agnita to be more effectively managed on a day-to-day basis in terms of monitoring the current construction of the electric vehicle manufacturing facilities in Hangzhou, meeting Agnita's financing requirements and carrying out future planning. Besides, the Group possesses an established lithium-ion battery manufacturing operation. The combination of the electric vehicle and battery operations will bring significant synergy. The acquisition of the remaining 41.50% of the issued share capital will further cement the vertical integration of the Group's electric vehicle operation, enable the Group to secure a closer grip on the total production cost and obtain a competitive edge over its competitors. The management of CGL also saw the value of Agnita, and after detailed discussions between the Company and CGL, both companies have concluded that a reasonable and fair solution for both companies is for the Company to make the Offer instead of solely for the Company to acquire the remaining shareholding in Agnita from CGL. This will allow Agnita's electric vehicle project to be consolidated into one listing platform and at the same time permit the Company's shareholders, the CGL's shareholders and holders of the share options of CGL that accept the Offer to benefit from the synergies of combining Agnita's electric vehicle business and the battery manufacturing business.

Sinopoly would have the right to nominate and appoint the majority of the directors in CGL and all of its subsidiaries, and they would become indirect non-wholly-owned subsidiaries of the Company after the completion of the Offer.

18. ACQUISITION OF SUBSIDIARIES (CONTINUED)

(b) ACQUISITION OF CIAM GROUP LIMITED (CONTINUED)

CGL and its subsidiaries (collectively, the "CGL Group") are principally engaged in investment holding which invest in companies within energy conservation, environmental protection and clean energy sectors.

The Group has elected to measure the non-controlling interests in the CGL Group at the non-controlling interests' proportionate share of the CGL Group's identifiable net assets.

The fair values of the identifiable assets and liabilities of the CGL Group as at the completion date were as follows:

	Fair value recognised on the CGL Acquisition HK$'000
Property, plant and equipment	605
Interests in Agnita	376,520
Loan to Agnita	150,000
Interests in joint ventures	105,792
Other non-current assets	1,104
Financial assets at fair value through profit or loss	60,384
Loan and other receivables	81,036
Cash and cash equivalents	365,368
Other payables	(14,580)
Tax payables	(4,305)
Deferred tax liabilities *(Note 41)*	(353)
Total identifiable net assets at fair value	1,121,571
Non-controlling interests	(117,316)
Goodwill arising on the CGL Acquisition *(Note 19)*	427,916
	1,432,171

	HK$'000
Net consideration paid	1,432,171

The net consideration paid represents the fair value of the convertible bonds issued by the Company in accordance with the Offer.

Goodwill of HK$427,916,000 arising from the CGL Acquisition is attributable to the expected future benefits from the investment decisions planned by the CGL Group and the synergies of the combination. None of the goodwill recognised is expected to be deductible for income tax purposes.

The Group incurred transaction costs of HK$8,866,000 for the CGL Acquisition. These transaction costs have been expensed and are included in general and administrative expenses in the consolidated statement of profit or loss for the year ended 31 March 2015.

18. ACQUISITION OF SUBSIDIARIES (CONTINUED)

(b) ACQUISITION OF CIAM GROUP LIMITED (CONTINUED)

An analysis of the cash flows in respect of the CGL Acquisition is as follows:

	HK$'000
Cash and cash equivalents acquired and included in cash flows from investing activities	365,368
Transaction costs of the CGL Acquisition included in cash flows from operating activities	(8,866)
	356,502

Since the completion of the CGL Acquisition, the CGL Group contributed HK$1,496,000 to the Group's revenue and caused a loss of HK$2,995,000 to the consolidated loss for the year ended 31 March 2015.

Had the CGL Acquisition taken place at the beginning of the reporting period, the revenue and the loss of the Group for the year ended 31 March 2015 would have been HK$329,943,000 and HK$531,803,000 respectively.

(c) ACQUISITION OF ADDITIONAL INTEREST IN SUBSIDIARIES

On 31 October 2014, Preferred Market entered into a sales and purchase agreement (the "Agnita Acquisition Agreement") with CIAM Investment (BVI) Limited ("CBVI"), a wholly-owned subsidiary of CGL, while the Company as a guarantor of Preferred Market and CGL as a guarantor of CBVI. Pursuant to the Agnita Acquisition Agreement, CBVI conditionally agreed to sell and Preferred Market conditionally agreed to purchase 41.50% of the issued share capital of Agnita, all rights and benefits of the shareholder's loan of HK$150,000,000 extended to Agnita by CBVI and to cancel the call option previously granted by Preferred Market to CBVI in respect of 8.50% of Agnita's issued share capital for a total consideration of HK$520,000,000 (the "Agnita Transaction"). The consideration was settled by HK$150,000,000 in cash and the balance of HK$370,000,000 by the issue of 8% bonds due in 2017 by the Company. The closing of the Agnita Transaction is subject to the Offer having become unconditional as to acceptances. The reasons for the Agnita Transaction were described in Note 18(b).

Upon the completion of the CGL Acquisition, the Group's effective equity interest in Agnita increased from 58.50% to 95.66% through CGL. The Agnita Transaction was completed on 27 February 2015 and the Group's effective equity interest in Agnita increased from 95.66% to 100%.

The effect of changes in the ownership interest of the subsidiaries on the equity attributable to owners of the Company during the year is summarised as follows:

	HK$'000
Carrying amount of non-controlling interests of the Agnita Group (as defined in Note 18(d)) acquired	153,099
Consideration paid to the former shareholders of CGL attributable to the acquisition of additional interests in the Agnita Group	(376,520)
Excess of consideration paid recognised within equity	(223,421)

18. ACQUISITION OF SUBSIDIARIES (CONTINUED)

(d) ACQUISITION OF AGNITA LIMITED

On 19 December 2013, Preferred Market, together with the Company as its guarantor, entered into an acquisition agreement (the “Acquisition Agreement”) with Captain Century Limited, Designer Touch Limited, Infinity Wealth International Limited, Super Sleek Limited, Super Engine Limited, Ms. Lam Chiu Che, and Ms. Chong Sok Un, (collectively, the “Agnita Vendors”) and the Agnita Vendors’ five guarantors. Pursuant to the Acquisition Agreement, the Agnita Vendors conditionally agreed to sell and Preferred Market conditionally agreed to purchase 58.50% equity interest in Agnita and its subsidiaries (collectively, the “Agnita Group”) for a total consideration of HK$608,400,000 (the “Agnita Acquisition”). The consideration of the Agnita Acquisition was settled by the issue of 1,901,250,000 new shares of the Company (the “Agnita Consideration Shares”) at the contracted issue price of HK$0.32 per share and the Agnita Acquisition was completed on 7 March 2014 (the “Agnita Completion Date”).

Infinity Wealth International Limited is wholly owned by Mr. Miao Zhenguo, the Deputy Chairman, executive director and substantial shareholder of the Company and is therefore a connected person of the Company for the purpose of the Listing Rules. Ms. Chong Sok Un is an associate of Mr. Jaime Che, an executive director of the Company, and is therefore a connected person of the Company for the purpose of the Listing Rules. Accordingly, the Agnita Acquisition constitutes a connected transaction for the Company.

Preferred Market would have the right to nominate and appoint majority of the directors in Agnita and all of its subsidiaries, and they would become indirect non-wholly-owned subsidiaries of the Company post the Agnita Completion Date.

The Agnita Group was principally engaged in (i) the design, research and development, and testing of electric vehicles, and (ii) selling and licensing auto vehicle designs and associated patents to the automobile manufacturers. The Agnita Group started to construct facilities dedicated to producing pure electric vehicles which are designed and developed by it and will carry out the business of marketing, sales and distribution of those pure electric vehicles.

Given the Group’s experience in the electric vehicle leasing business and being one of the leading lithium-ion battery manufacturers in the PRC for electric vehicles, the Board was of the view that the Agnita Acquisition represents a significant furtherance of the Group’s strategic development of vertical expansion and will be beneficial to the development of the Group’s electric battery products through the synergy formed.

The Group has elected to measure the non-controlling interests in the Agnita Group at the non-controlling interests’ proportionate share of the Agnita Group’s identifiable net assets.

18. ACQUISITION OF SUBSIDIARIES (CONTINUED)

(d) ACQUISITION OF AGNITA LIMITED (CONTINUED)

The fair values of the identifiable assets and liabilities of the Agnita Group as at the Agnita Completion Date were as follows:

	Fair value recognised on the Agnita Acquisition HK$'000
Intangible assets *(Note 20)*	418,193
Property, plant and equipment *(Note 21)*	84,755
Interest in leasehold land held for own use under operating lease *(Note 21)*	245,588
Deposits paid for non-current assets	182,983
Trade and other receivables	30,481
Pledged bank deposits	1,089
Cash and cash equivalents	126,812
Trade and other payables	(40,418)
Other borrowings	(190,170)
Loan from a holder of a non-controlling interests	(150,000)
Deferred tax liabilities *(Note 41)*	(116,935)
Total identifiable net assets at fair value	592,378
Non-controlling interests	(335,438)
Goodwill arising on the Agnita Acquisition *(Note 19)*	1,016,898
	1,273,838

	HK$'000
Consideration for the Agnita Acquisition:	
Issue of 1,901,250,000 Agnita Consideration Shares at fair value	1,273,838

The fair value of each Agnita Consideration Share was calculated at HK$0.67, being the closing market price of the Company's ordinary share on the Agnita Completion Date.

The Group incurred transaction costs of HK$2,425,000 for the Agnita Acquisition. These transaction costs have been expensed and are included in general and administrative expenses in the consolidated statement of profit or loss.

An analysis of the cash flows in respect of the Agnita Acquisition is as follows:

	HK$'000
Cash and cash equivalents acquired and included in cash flows from investing activities	126,812
Transaction costs of the Agnita Acquisition included in cash flows from operating activities	(2,425)
	124,387

18. ACQUISITION OF SUBSIDIARIES (CONTINUED)

(d) ACQUISITION OF AGNITA LIMITED (CONTINUED)

Since the completion of the Agnita Acquisition, the Agnita Group contributed HK$444,000 to the Group's revenue and caused a loss of HK$10,394,000 to the consolidated loss for the year ended 31 March 2014.

Had the Acquisition taken place at the beginning of the year ended 31 March 2014, the revenue of the Group and the loss of the Group for the year ended 31 March 2014 would have been HK$101,971,000 and HK$957,165,000 respectively.

19. GOODWILL

GROUP

Goodwill is allocated to the Group's cash-generating units identified as follows:

	Allocated to battery products HK$'000	Allocated to vehicle design & electric vehicle production in Hangzhou HK$'000	Allocated to vehicle design & electric vehicle production in Yunnan HK$'000	Allocated to direct investments HK$'000	Total HK$'000
Cost					
At 1 April 2013	904,240	–	–	–	904,240
Acquisition of subsidiaries *(Note 18(d))*	–	1,016,898	–	–	1,016,898
Exchange adjustments	–	(5,453)	–	–	(5,453)
At 31 March 2014 and 1 April 2014	904,240	1,011,445	–	–	1,915,685
Acquisition of subsidiaries *(Notes 18(a) & (b))*	–	–	93,591	427,916	521,507
Exchange adjustments	–	1,204	148	–	1,352
At 31 March 2015	**904,240**	**1,012,649**	**93,739**	**427,916**	**2,438,544**
Accumulated impairment					
At 1 April 2013	904,240	–	–	–	904,240
Impairment for the year	–	665,438	–	–	665,438
Exchange adjustments	–	(3,569)	–	–	(3,569)
At 31 March 2014 and 1 April 2014	904,240	661,869	–	–	1,566,109
Exchange adjustments	–	788	–	–	788
At 31 March 2015	**904,240**	**662,657**	**–**	**–**	**1,566,897**
Carrying amount					
At 31 March 2015	**–**	**349,992**	**93,739**	**427,916**	**871,647**
At 31 March 2014	–	349,576	–	–	349,576

19. GOODWILL (CONTINUED)

IMPAIRMENT TESTING OF GOODWILL IN RESPECT OF VEHICLE DESIGN AND ELECTRIC VEHICLE PRODUCTION AND DIRECT INVESTMENTS

Vehicle design and electric vehicle production

The recoverable amount of each of the vehicle design and electric vehicle production units in Hangzhou and Yunnan of the PRC has been determined based on value-in-use calculation. That calculation uses cash flow projection based on financial budgets covering a five-year period approved by management. The discount rate applied to the cash flow projections and the growth rate used to extrapolate the cash flows of these cash-generating units beyond the five-year period are as follows:

	Vehicle design & electric vehicle production in			
	Hangzhou		Yunnan	
	2015	2014	**2015**	2014
Discount rate	**22.41%**	22.71%	**18.45%**	–
Growth rate	**3.00%**	3.00%	**3.00%**	–

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill for these units:

Budgeted gross margins – Budgeted gross margins are based on the average values of the comparables and the expectations for market development.

Discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant units. In determining an appropriate discount rate, consideration has been given to the applicable borrowing interest rates in the year immediately before the projection period.

Growth rate – The growth rate used does not exceed the long-term average growth rate of the relevant market in the PRC.

The values assigned to the key assumptions on market development, gross margins, discount rate and growth rate are consistent with external information sources.

Management believes that any reasonably possible change in any of these key assumptions would not cause the carrying amounts of these units to exceed their recoverable amounts. There was no impairment recognised as the recoverable amounts of these units were higher than their carrying amounts as at 31 March 2015.

During the year ended 31 March 2014, significant portion of the goodwill in connection with the Agnita Acquisition arose from the increase in fair value of the Agnita Consideration Share from the contracted issue price of HK$0.32 per Agnita Consideration Share as stipulated under the Agnita Acquisition to the closing market price of the shares of the Company on the Agnita Completion Date. The closing market price per share of the Company on the Agnita Completion Date was used as the fair value of the issued shares of the Company for the purpose of calculating the fair value of the Agnita Consideration Shares issued for the Agnita Acquisition. The impairment loss of goodwill of approximately HK$665,438,000 was recognised immediately upon completion of the Agnita Acquisition according to the recoverable amount of the cash-generating unit to which goodwill has been allocated (that is, the vehicle design and electric vehicle production in Hangzhou) with reference to the valuation performed by an independent professional valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("Jones Lang LaSalle"). In the opinion of the Board, the impairment loss was mainly attributable to the increase in the fair value of Agnita Consideration Shares of the Company at the Agnita Completion Date. After the recognition of impairment loss, the carrying amount of goodwill was HK$349,576,000 as at 31 March 2014, which was arisen mainly by the benefit of expected synergies, revenue growth and future market development. None of the goodwill recognised is expected to be deductible for income tax purposes.

Direct investments

The recoverable amount of cash-generating unit relating to the direct investments segment has been determined based on a value-in-use calculation. That calculation uses cash flow projection based on financial budgets covering a five-year period approved by management. The discount rate applied to the cash flow projections is approximately 16.77% per annum. The growth rate used to extrapolate the cash flows of this cash-generating unit beyond the five-year period is 3% per annum. Other key assumptions for the value-in-use calculations relate to the estimation of the performance of investment decisions, which are based the past performance of this cash-generating unit and management's expectations for the market development.

19. GOODWILL (CONTINUED)

IMPAIRMENT TESTING OF GOODWILL IN RESPECT OF VEHICLE DESIGN AND ELECTRIC VEHICLE PRODUCTION AND DIRECT INVESTMENTS (CONTINUED)

Direct investments (Continued)

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill for this unit:

Discount rate – The discount rate used is before tax and reflects specific risks relating to this unit.

Growth rate – The growth rate used does not exceed the long-term average growth rate of the relevant business in which this cash-generating unit operates.

The values assigned to the key assumptions on discount rate and growth rate are consistent with external information sources.

Management believes that any reasonably possible change in any of these key assumptions would not cause the carrying amount of this unit to exceed its recoverable amount. There was no impairment recognised as the recoverable amount of this unit was higher than its carrying amount as at 31 March 2015.

20. INTANGIBLE ASSETS

GROUP

	Patents and exclusive patent using rights HK$'000	Industrial proprietary rights HK$'000	Technical know-hows HK$'000	Lease contractual right HK$'000	Total HK$'000
Cost					
At 1 April 2013	3,642,030	–	–	–	3,642,030
Additions through acquisition of subsidiaries *(Note 18(d))*	–	29,594	388,599	–	418,193
Additions from internal developments	24	–	2,847	–	2,871
Exchange adjustments	36	(159)	(65)	–	(188)
At 31 March 2014 and 1 April 2014	3,642,090	29,435	391,381	–	4,062,906
Additions through acquisition of subsidiaries *(Note 18(a))*	–	27,906	–	37,311	65,217
Additions from internal developments	–	–	65,459	–	65,459
Exchange adjustments	2	79	707	60	848
At 31 March 2015	**3,642,092**	**57,420**	**457,547**	**37,371**	**4,194,430**
Accumulated amortisation and impairment losses					
At 1 April 2013	2,981,288	–	–	–	2,981,288
Charge for the year	92,578	–	6,477	–	99,055
At 31 March 2014 and 1 April 2014	3,073,866	–	6,477	–	3,080,343
Charge for the year	92,231	2,014	76,068	11,198	181,511
Exchange adjustments	1	4	104	20	129
At 31 March 2015	**3,166,098**	**2,018**	**82,649**	**11,218**	**3,261,983**
Carrying amount					
At 31 March 2015	**475,994**	**55,402**	**374,898**	**26,153**	**932,447**
At 31 March 2014	568,224	29,435	384,904	–	982,563

20. INTANGIBLE ASSETS (CONTINUED)

Notes:

(a) Intangible assets mainly represent:

(1) the exclusive using rights of certain licensed patents granted to the Group through acquisition in 2010;

(2) the industrial proprietary rights and capitalised development costs of certain technical know-hows relating to the electric vehicle production business acquired through acquisitions in last and current financial years;

(3) the patents generated through acquisitions and internal research and developments and capitalised technical know-hows by the Group; and

(4) the lease contractual right representing the fair value of leasing the land and manufacturing factory from 雲南美的汽車產業控股有限公司 (Yunnan Meidi Vehicle Industry Holdings Co., Ltd.*), a company incorporated in the PRC and 40% owned by the non-controlling shareholder of the PRC Manufacturing Company (as defined in Note 18(a)), for a term of three years from 7 May 2014 at nil consideration.

(b) As at 31 March 2015 and 2014, the recoverable amounts of the cash-generating units involving the intangible assets were assessed by the Board by reference to the professional valuation performed by Jones Lang LaSalle, an independent firm of professionally qualified valuers. The Board is of the opinion that, based on the valuation performed by Jones Lang LaSalle, no impairment losses should be recognised in the Group's consolidated statement of profit or loss for the years ended 31 March 2015 and 2014. The valuation performed by Jones Lang LaSalle is based on value-in-use calculations using cash flow projections which are based on financial forecast approved by the Board. The pre-tax discount rates applied to the cash flow projections ranging from 18.45% to 24.70% (2014: 23.69%) per annum. The patents and exclusive patents using rights were belong to battery products segment, while the other remaining intangible assets were belong to vehicle design and electric vehicle production segment.

21. FIXED ASSETS: PROPERTY, PLANT AND EQUIPMENT AND INTEREST IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASE

GROUP

	Leasehold land under finance leases and buildings HK$'000	Buildings held for own use HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Electric vehicles HK$'000	Construction in progress HK$'000	Property, plant and equipment HK$'000	Interest in leasehold land held for own use under operating lease HK$'000	Total HK$'000
Cost											
1 April 2013	86,326	94,859	8,214	248,221	17,349	9,447	4,633	10,280	479,329	28,704	508,033
Acquisition of subsidiaries *(Note 18(d))*	–	66,781	–	–	17,237	737	–	–	84,755	245,588	330,343
Additions	8,981	190	2,795	4,415	1,664	1,906	–	12,481	32,432	102,691	135,123
Exchange adjustments	1,593	1,376	100	4,552	177	103	85	189	8,175	(502)	7,673
Transfers	10,003	–	–	–	1,582	–	–	(11,585)	–	–	–
Disposals	–	–	(2,769)	(1,196)	(617)	(525)	–	–	(5,107)	–	(5,107)
Reclassification	–	2,972	–	(481)	(3,789)	1,298	–	–	–	–	–
At 31 March 2014 and 1 April 2014	106,903	166,178	8,340	255,511	33,603	12,966	4,718	11,365	599,584	376,481	976,065
Acquisition of subsidiaries	–	–	1,883	12,074	1,244	224	–	–	15,425	–	15,425
Additions	–	2,089	10,534	30,370	26,180	6,963	–	1,312,642	1,388,778	4,452	1,393,230
Exchange adjustments	142	208	29	372	84	17	6	2,289	3,147	223	3,370
Transfers	8,326	–	–	–	–	–	–	(8,326)	–	–	–
Disposals	–	–	–	(2,621)	(661)	(1,357)	–	–	(4,639)	–	(4,639)
At 31 March 2015	**115,371**	**168,475**	**20,786**	**295,706**	**60,450**	**18,813**	**4,724**	**1,317,970**	**2,002,295**	**381,156**	**2,383,451**
Accumulated depreciation and amortisation and impairment losses											
At 1 April 2013	2,181	6,592	2,304	32,967	5,149	5,572	100	–	54,865	1,378	56,243
Charge for the year	1,868	5,448	1,939	23,218	3,164	2,279	1,487	–	39,403	2,257	41,660
Impairment for the year	–	–	–	6,973	–	–	–	–	6,973	–	6,973
Exchange adjustments	41	65	1	621	68	50	3	–	849	15	864
Disposals	–	–	(2,769)	(301)	(610)	(353)	–	–	(4,033)	–	(4,033)
Reclassification	–	94	–	(200)	(101)	207	–	–	–	–	–
At 31 March 2014 and 1 April 2014	4,090	12,199	1,475	63,278	7,670	7,755	1,590	–	98,057	3,650	101,707
Charge for the year	4,380	9,579	2,070	28,034	7,182	2,917	1,362	–	55,524	7,854	63,378
Exchange adjustments	12	94	5	123	23	7	4	–	268	30	298
Disposals	–	–	–	(109)	(61)	(1,152)	–	–	(1,322)	–	(1,322)
At 31 March 2015	**8,482**	**21,872**	**3,550**	**91,326**	**14,814**	**9,527**	**2,956**	**-**	**152,527**	**11,534**	**164,061**
Carrying amount											
At 31 March 2015	**106,889**	**146,603**	**17,236**	**204,380**	**45,636**	**9,286**	**1,768**	**1,317,970**	**1,849,768**	**369,622**	**2,219,390**
At 31 March 2014	102,813	153,979	6,865	192,233	25,933	5,211	3,128	11,365	501,527	372,831	874,358

Notes:

(a) All of the Group's land and buildings are held in the PRC under medium-term leases as at 31 March 2015 and 2014.

(b) As at 31 March 2015, certain land and buildings of the Group with a total carrying amount of HK$315,210,000 (2014: HK$206,138,000) were pledged as securities for the Group's bank loans (Note 33(a)).

22. INTERESTS IN SUBSIDIARIES

COMPANY

	2015 HK$'000	2014 HK$'000
Unlisted shares, at cost	**11**	11
Amounts due from subsidiaries *(Note (b))*	**9,619,473**	5,892,068
	9,619,484	5,892,079
Less: Allowance for impairment losses *(Note (a))*	**(4,808,431)**	(4,329,902)
	4,811,053	1,562,177
Less: Amounts due from subsidiaries under current assets *(Note (b))*	**(582,717)**	(406,778)
Interests in subsidiaries	**4,228,336**	1,155,399

Notes:

(a) Movements in the allowance for impairment losses are as follows:

	2015 HK$'000	2014 HK$'000
Balance at beginning of the year	**4,329,902**	3,436,557
Add: Impairment losses during the year	**478,529**	893,345
Balance at end of the year	**4,808,431**	4,329,902

Impairment losses were recognised during the years ended 31 March 2015 and 2014 after taking into consideration of the financial position and loss making situations of those subsidiaries.

Included in the impairment losses recognised during the year ended 31 March 2015 and as at 31 March 2015, are amounts of HK$38,422,000 (2014: HK$232,818,000) and HK$470,869,000 (2014: HK$432,447,000) respectively, which were provided for amounts due from subsidiaries that are repayable on demand as set out in Note (b) below and classified under current assets.

(b) The amounts due from subsidiaries are unsecured and interest-free. In the opinion of the Board, except for amounts due from subsidiaries of HK$582,717,000 (2014: HK$406,778,000) which are repayable on demand, the remaining balances which will not be demanded for repayment, are considered as quasi-equity investment in subsidiaries.

(c) Particulars of the principal subsidiaries as at 31 March 2015 are as follows:

Name	Place of incorporation and operation	Issued and fully paid capital/ registered capital	Percentage of equity interest held by the Company Directly	Indirectly	Principal activities
Agnita Limited	British Virgin Islands	US$10,000	–	100%	Investment holding
Basland Enterprises Ltd.	British Virgin Islands	US$100	100%	–	Investment holding
CIAM Group Limited#	Bermuda	HK$938,283,217	–	89.54%	Investment holding
Five Dragons Electric Vehicle Limited	Hong Kong	HK$100	–	100%	Investment holding

22. INTERESTS IN SUBSIDIARIES (CONTINUED)

Notes: (Continued)

(c) Particulars of the principal subsidiaries as at 31 March 2015 are as follows: (Continued)

Name	Place of incorporation and operation	Issued and fully paid capital/ registered capital	Percentage of equity interest held by the Company		Principal activities
			Directly	Indirectly	
Glory Era Limited	Hong Kong	HK$10,000	100%	–	Human resources, administrative management and consultancy services
Lucky Metro Trading Ltd.	British Virgin Islands	US$100	–	100%	Investment holding
Preferred Market Limited	British Virgin Islands	US$1	100%	–	Investment holding
Qiyang Limited	British Virgin Islands	US$1	100%	–	Investment holding
Sinopoly Battery Limited (previously named as "ACE Legend Holdings Limited")	Hong Kong	HK$1	–	100%	Investment holding
Sinopoly Battery International Limited	Hong Kong	HK$1	–	100%	Distribution and sale of battery products
Sinopoly Battery Research Center Limited	Hong Kong	HK$1	–	100%	Research and development
Thunder Sky Energy Technology Limited	Hong Kong	HK$1,000,000	–	100%	Investment holding
Union Grace Holdings Limited	British Virgin Islands	US$1,000	–	100%	Investment holding
Sinopoly New Energy Investment Co., Ltd. *(Note 1)*	PRC	HK$350,000,000*	–	100%	Investment holding, purchase of battery raw materials and sale of battery products
Tianjin Sinopoly New Energy Technology Co., Ltd. *(Note 1)*	PRC	HK$818,000,000	–	100%	Manufacture and sale of battery products
吉林中聚新能源科技有限公司 (Jilin Sinopoly New Energy Technology Co., Ltd.) *(Note 1)*	PRC	HK$177,000,000*	–	100%	Manufacture and sale of battery products
北京中聚力佳科技有限公司 (Beijing Sinopoly Li Jia Technology Co., Ltd.) *(Note 1)*	PRC	HK$13,000,000*	–	100%	Research and development, purchase of battery raw materials and sale of battery products

22. INTERESTS IN SUBSIDIARIES (CONTINUED)

Notes: (Continued)

(c) Particulars of the principal subsidiaries as at 31 March 2015 are as follows: (Continued)

Name	Place of incorporation and operation	Issued and fully paid capital/ registered capital	Percentage of equity interest held by the Company Directly	Percentage of equity interest held by the Company Indirectly	Principal activities
深圳中聚電池有限公司 (Shenzhen Sinopoly Battery Co., Ltd.△) *(Note 1)*	PRC	HK$10,000,000*	–	100%	Sale of battery products
天津中聚新能源設備有限公司(Tianjin Sinopoly New Energy Equipment Co., Ltd.△) *(Note 2)*	PRC	RMB10,000,000*	–	100%	Manufacture and sale of battery-related products
上海中聚佳華電池科技有限公司 (Shanghai Sinopoly Jia Hua Battery Technology Co., Ltd.△) *(Note 2)*	PRC	RMB10,000,000*	–	100%	Research and development
簡式國際汽車設計（北京）有限公司 (Jasmin International Auto R&D (Beijing) Co., Ltd.△) *(Note 2)*	PRC	RMB80,000,000*	–	80% *(Note 3)*	Design of electric vehicles
杭州長江汽車有限公司 (Hangzhou Changjiang Automobile Co., Ltd.△) *(Note 2)*	PRC	RMB1,000,000,000	–	49.94% *(Note 4)*	Manufacture and distribution of electric vehicles
雲南五龍汽車有限公司 (Yunnan FDG Automobile Co., Limited△) *(Note 2)*	PRC	RMB69,735,000*	–	50%	Manufacture, design and distribution of electric vehicles

Note 1: These subsidiaries established in the PRC are wholly-foreign-owned enterprises.

Note 2: These subsidiaries established in the PRC are limited liability companies.

Note 3: Jasmin International Auto R&D (Beijing) Co., Ltd. ("Jasmin Beijing") was 80% owned by Agnita Limited ("Agnita") which was 100% owned by the Group. Accordingly, the Group owned 80% effective interest in Jasmin Beijing.

Note 4: Hangzhou Changjiang Automobile Co., Ltd. ("Changjiang") was 49% owned by Agnita and 1.17% owned by Jasmin Beijing which was controlled by the Group through Agnita (Note 3). Accordingly, the Group owned 49.94% effective interest in Changjiang.

Note 5: Yunnan FDG Automobile Co., Limited ("Yunnan FDG") was 50% owned by Southwest EV which was 100% owned by the Group. As Southwest EV has the right to nominate and appoint the majority of the directors of the board of Yunnan FDG, Yunnan FDG was regarded as a subsidiary of the Company.

* The registered capital has been fully paid-up.

△ For identification purpose.

\# CIAM Group Limited is a listed company in Hong Kong and audited by other auditors.

22. INTERESTS IN SUBSIDIARIES (CONTINUED)

The following table lists out the information of the subsidiaries of the Group which have material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination. Since Yunnan FDG and CGL were acquired by the Group during the year ended 31 March 2015, no comparative information was presented accordingly. Information for Agnita was not presented for the year ended 31 March 2015 as it has become wholly-owned subsidiary of the Company during the year ended 31 March 2015.

	2015			
	Jasmin Beijing HK$'000	**Changjiang HK$'000**	**Yunnan FDG HK$'000**	**CGL HK$'000**
NCI percentage	**20%**	**50.06%**	**50%**	**10.46%**
Current assets	**368,317**	**263,720**	**46,640**	**616,134**
Non-current assets	**494,374**	**1,622,526**	**132,994**	**527,685**
Current liabilities	**(295,810)**	**(671,922)**	**(173,857)**	**(16,975)**
Non-current liabilities	**(84,441)**	**(534,007)**	**(13,316)**	**(353)**
Net assets/(liabilities)	**482,440**	**680,317**	**(7,539)**	**1,126,491**
Carrying amount of NCI	**96,488**	**32,510**	**(3,770)**	**117,831**
Revenue	**97,584**	**–**	**–**	**4,172**
(Loss)/profit for the year	**(52,729)**	**(2,101)**	**(103,719)**	**1,092**
(Loss)/profit allocated to NCI	**(10,550)**	**(1,115)**	**(51,860)**	**114**
Total comprehensive (loss)/income	**(53,789)**	**834**	**(103,747)**	**4,921**
Dividend paid to NCI	**–**	**–**	**–**	**–**
Cash flows used in operating activities	**(268,168)**	**(1,709,709)**	**(53,990)**	**(19,340)**
Cash flows from/(used in) investing activities	**297,570**	**318,972**	**(50,357)**	**151,946**
Cash flows from/(used in) financing activities	**(72,259)**	**1,406,988**	**91,372**	**–**

	2014 Agnita HK$'000
NCI percentage	41.50%
Current assets	111,566
Non-current assets	956,192
Current liabilities	(356,880)
Non-current liabilities	(115,268)
Net assets	595,610
Carrying amount of NCI	189,106
Revenue	444
Loss for the year	(10,394)
Loss attributable to NCI of Agnita's subsidiaries	(2,009)
Loss allocated to NCI	(3,480)
Total comprehensive loss	(12,059)
Dividend paid to NCI	–
Cash flows used in operating activities	(13,516)
Cash flows used in investing activities	(44,080)
Cash flows used in financing activities	–

23. INTERESTS IN JOINT VENTURES

GROUP

	2015 HK$'000	2014 HK$'000
Share of net assets	**107,866**	–

These interests in joint ventures were acquired through the acquisition of CGL, a non-wholly-owned subsidiary.

Particulars of the principal joint venture at 31 March 2015 is as follows:

Name	Place of incorporation and operation	Issued and fully paid capital/registered capital	Proportion of ownership interest Group's effective interest	Held by a subsidiary	Principal activities
華能壽光風力發電有限公司 ("華能壽光")	The PRC	RMB186,730,000	40%	45%	Investment, construction and operation of wind power electricity facility, development, generation and sale of wind power electricity; provision of consultancy and relate services in respect of electricity projects

華能壽光, the principal joint venture in which the Group participates, is an unlisted corporate entity whose quoted market price is not available.

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2015 HK$'000	2014 HK$'000
Aggregate carrying amount of individually immaterial joint ventures in the consolidated statement of financial position	**107,866**	–

	From 24 February 2015 to 31 March 2015 HK$'000
Aggregate amounts of the Group's share of the joint ventures'	
– Loss from continuing operations	(403)
– Other comprehensive income	2,477
– Total comprehensive income	2,074

24. AVAILABLE-FOR-SALE INVESTMENTS

GROUP AND COMPANY

	2015 HK$'000	2014 HK$'000
Unlisted investments, at cost:		
– Equity securities	**93,634**	–

As at 31 March 2015, the Group's and Company's unlisted equity securities were stated at cost because the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

GROUP

	2015 HK$'000	2014 HK$'000
Non-current		
Securities designated at fair value through profit or loss:		
Unlisted debt securities with embedded options	**29,311**	–
Unlisted equity securities	**18,938**	–
	48,249	–
Current		
Held-for-trading investment:		
Unlisted funds	**10,569**	–

All unlisted securities classified as financial assets at fair value through profit or loss are issued by corporate entities. The fair value changes of these securities are recognised as "Income from direct investments" included in "Revenue".

As at 31 March 2015, the Group's unlisted equity securities amounting to a fair value of HK$18,938,000 (2014: nil) was an investment in an associate, 天津銘度科技有限公司. According to the accounting policy as set out in Note 4(b), this investment was exempted from applying the equity method and was recognised as financial assets at fair value through profit or loss.

Particulars of the associate at 31 March 2015 are as follows:

Name	Place of incorporation and operation	Registered capital	Proportion of ownership interest Group's effective interest	Held by a subsidiary	Principal activities
天津銘度科技有限公司	The PRC	RMB12,500,000	18%	20%	Development, manufacturing and sale of electric bike driving units

26. DEPOSITS PAID FOR NON-CURRENT ASSETS

As at 31 March 2015, the deposits of HK$76,265,000 (2014: HK$203,249,000) were mainly for the purchase of machineries and equipment and moulding for the Group's production plants.

27. OTHER NON-CURRENT ASSETS

GROUP

	2015 HK$'000	2014 HK$'000
Prepaid rentals	**8,627**	9,877
Club debentures	**1,104**	–
	9,731	9,877

28. INVENTORIES

GROUP

	2015 HK$'000	2014 HK$'000
Raw materials	**44,644**	13,135
Work in progress	**22,476**	9,495
Finished goods	**125,595**	100,716
	192,715	123,346

29. TRADE AND BILLS RECEIVABLES

GROUP

	2015 HK$'000	2014 HK$'000
Trade receivables	**131,207**	66,648
Bills receivable	**14,551**	–
Trade and bills receivables *(Notes (a) & (b))*	**145,758**	66,648
Amounts due from customers for contract work *(Note (c))*	**2,427**	3,650
	148,185	70,298

Notes:

(a) An ageing analysis of trade and bills receivables based on the invoice date (or date of revenue recognition, if earlier) is as follows:

	2015 HK$'000	2014 HK$'000
Within 1 month	**7,523**	10,131
Between 1 and 3 months	**49,843**	943
Over 3 months	**88,392**	55,574
	145,758	66,648

Trading terms with customers are either on a cash basis or on credit. For those customers who trade on credit, a credit period generally ranging from 30 days to 90 days is allowed. Credit limits are set for those customers. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. Overdue balances are regularly reviewed by senior management. The carrying amounts of the receivables approximate their fair values.

29. TRADE AND BILLS RECEIVABLES (CONTINUED)

Notes: (Continued)

(b) The ageing analysis of trade and bills receivables that are neither individually nor collectively considered to be impaired is as follows:

Group

	2015 HK$'000	2014 HK$'000
Neither past due nor impaired	**16,661**	11,584
Less than 1 month past due	**329**	827
Between 1 and 3 months past due	**85,881**	1,006
More than 3 months past due	**42,887**	53,231
Past due but not impaired	**129,097**	55,064
	145,758	66,648

Receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group and/or sound financial background. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. As at 31 March 2015 and 2014, the Group does not hold any collateral over these balances.

(c) As at 31 March 2015, the aggregate amount of costs incurred plus recognised profits less recognised losses to date, included in the amounts due from customers for contract work, was approximately HK$9,476,000 (2014: HK$12,384,000) less progress billing of HK$7,049,000 (2014: HK$8,734,000). The amounts due from customers for contract work are expected to be recovered within one year.

30. LOAN AND OTHER RECEIVABLES

	Group		**Company**	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
Loan receivables *(Note (a))*	**66,050**	–	**3,875**	–
Other receivables *(Note (b))*	**129,537**	125,626	**5**	63,025
Less: Allowance for doubtful debts for other receivables *(Note (b))*	**(30,276)**	(28,785)	**–**	–
Deposits and prepayments	**33,556**	19,578	**1,446**	1,306
Value-added-tax receivables	**200,660**	66,211	**–**	–
	399,527	182,630	**5,326**	64,331
Presented by:				
Non-current assets	**467**	–	**–**	–
Current assets	**399,060**	182,630	**5,326**	64,331
	399,527	182,630	**5,326**	64,331

30. LOAN AND OTHER RECEIVABLES (CONTINUED)

Notes:

(a) A secured loan of HK$61,677,000 (2014: nil) which the borrower pledges a mining right of an iron ore as collateral, was acquired through the acquisition of CGL and was past due for over one year as at 31 March 2015. Taking into account the value of the collateral, the latest business development of the borrower, the execution risk and the timing of recovery for different repayment or recovery options, the management considered that there is no recoverability problem on the loan amount. The remaining loans of HK$4,373,000 (2014: nil) was neither past due nor impaired.

(b) Movement in allowance for doubtful debts for other receivables is as follows:

Group

	2015 **HK$'000**	2014 HK$'000
At 1 April	**28,785**	28,785
Impairment loss charged to profit or loss	**1,491**	–
At 31 March	**30,276**	28,785

Included in other receivables is an amount of HK$28,785,000 (2014: HK$28,785,000) due from certain Chung Parties (as defined in Note 46), in respect of the receipt of trade sales amounts receivable by the Group as reduced by the amount of payments made for purchases payable by the Group to the Chung Parties. However, the Chung Parties have failed and refused to remit such amount to the Group. Impairment losses in respect of the other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against the other receivables directly.

Included in other receivables is a gross amount of HK$19,714,000 (2014: nil), was acquired through the acquisition of CGL and representing accrued interest and consultancy fee income receivables in respect of the secured loan as described in Note 30 (a). Based on the impairment assessment on the interest and consultancy fee income receivables performed by management, an individually assessed impairment allowance of HK$1,491,000 was provided for the year ended 31 March 2015. As at 31 March 2015, accumulated impairment allowance amounted to HK$1,491,000.

Except for loan receivables of HK$467,000 (2014: nil) which are expected not to be recovered within one year, all of the loan and other receivables (net of allowance for doubtful debts) are expected to be recovered or recognised as expense within one year.

31. PLEDGED BANK DEPOSITS

As at 31 March 2015, the pledged bank deposits of nil (2014: HK$311,000), HK$126,125,000 (2014: HK$8,259,000) and HK$2,746,000 (2014: HK$2,714,000) were pledged as security for a sale contract, the issuance of bills payables and letters of credit by the Group, respectively.

As at 31 March 2015 and 2014, all pledged bank deposits relating to the PRC subsidiaries were denominated in RMB. RMB is not freely convertible into other currencies and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

32. CASH AND CASH EQUIVALENTS/DEPOSIT IN A SECURITY ACCOUNT

	Group		Company	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**127,163**	198,652	**9,070**	11,237
Short-term bank deposits	**284,315**	870,971	**103,289**	844,092
Cash and cash equivalents	**411,478**	1,069,623	**112,359**	855,329
Deposit in a security account *(Note 33(c))*	**320,019**	–	**–**	–
Total	**731,497**	1,069,623	**112,359**	855,329

At the end of the reporting period, the cash and cash equivalents of the PRC subsidiaries denominated in RMB amounted to HK$93,259,000 (2014: HK$152,291,000). RMB is not freely convertible into other currencies and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

Deposit in a security account is restricted as to withdrawal under the term of certain contractual agreements.

33. BANK LOANS AND OTHER BORROWINGS

	Group		Company	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Secured bank loans repayable within one year *(Note (a))*	**190,637**	107,371	**–**	–
Unsecured bank loans repayable within one year *(Note (b))*	**–**	75,660	**–**	–
Secured other borrowings repayable within one year *(Note (c))*	**689,566**	–	**689,566**	–
Unsecured other borrowings repayable within one year	**–**	189,150	**–**	–
	880,203	372,181	**689,566**	–

Notes:

(a) As at 31 March 2015 and 2014, the bank loans were secured by certain land and buildings of the Group (Note 21(b)).

(b) As at 31 March 2014, the bank loan was granted under a corporate guarantee given by an independent third party.

(c) As at 31 March 2015, the secured other borrowings are secured by debentures incorporating first fixed and floating charges over all the undertaking, property and assets of the Company and two wholly-owned subsidiaries of the Company, namely Preferred Market and Union Grace Holdings Limited.

When any events of default under the borrowing agreement has occurred and is continuing, the lender will be entitled to sell 53.68% of the issued shares of a non-wholly-owned subsidiary of the Group, CGL, and to apply the deposit of HK$320,019,000 (see Note 32) maintained with the lender's group companies, to satisfy any sum due and payable but unpaid to the lender.

34. LOAN FROM A HOLDER OF NON-CONTROLLING INTERESTS

As at 31 March 2014, a loan obtained from CBVI, being a holder of non-controlling interests of the Group's subsidiaries as at that date, was non-interest-bearing, unsecured and repayable within one year. The amount was fully eliminated upon the acquisition of CGL during the year ended 31 March 2015.

35. TRADE AND BILLS PAYABLES

GROUP

	2015 HK$'000	2014 HK$'000
Trade payables	**111,459**	25,437
Bills payable	**27,730**	7,250
	139,189	32,687

An ageing analysis of trade and bills payables, based on the invoice date, is as follows:

	2015 HK$'000	2014 HK$'000
Within 1 month	**37,659**	10,017
Between 1 and 3 months	**39,474**	10,409
Over 3 months	**62,056**	12,261
	139,189	32,687

The carrying amounts of trade and bills payables approximate their fair values. As at 31 March 2015, bills payable of HK$27,730,000 (2014: HK$7,250,000) were secured by an equivalent amount of bank deposits.

36. ACCRUALS AND OTHER PAYABLES

	Group		**Company**	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
Bills and other payables for acquisition of non-current assets	**339,285**	66,126	**–**	–
Other payables and accrued expenses	**132,133**	105,358	**42,166**	3,848
Receipts in advance	**20,320**	7,228	**–**	–
Warranty provision *(Note)*	**1,420**	1,420	**–**	–
	493,158	180,132	**42,166**	3,848

As at 31 March 2015, the bills payable for acquisition of non-current assets of HK$98,395,000 (2014: HK$1,009,000) were secured by an equivalent amount of bank deposits.

36. ACCRUALS AND OTHER PAYABLES (CONTINUED)

Note:

Warranty provision

Group

	HK$'000
At 1 April 2014 and 31 March 2015	1,420

The Group generally provides one to three years warranties to its customers on certain of its battery products, under which faulty products are repaired or replaced. The amount of the provision for the warranties is estimated based on sales volumes and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

37. OBLIGATIONS UNDER REDEEMED CONVERTIBLE BONDS

On 8 March 2011, the Company issued a redemption notice to Mei Li New Energy Limited ("Mei Li") which was beneficially wholly-owned by Mr. Winston Chung (formerly known as Chung Hing Ka) ("Mr. Chung") for the redemption of convertible bonds at face value of approximately HK$760,752,000 held by Mei Li (the "Redemption Amount") for the protection of the Company. Further, in the legal proceedings against Mr. Chung and/or companies which are controlled and/or owned by him, the damages claimed (the "Claim Amount") by the Group, as supported by an independent forensic accountant report commissioned by the Group, are estimated to be substantially larger than the Redemption Amount. The Group has sought to set off portion of the Claim Amount against the Redemption Amount (the "Set-Off").

On 5 March 2013, the High Court of Hong Kong (the "HK Court") issued a judgment in favour of the Company. The Company has been given an unconditional leave to defend to the extent of the Set-Off, based on which the Company is entitled to a stay of execution of payment for obligation under the redeemed convertible bonds.

On 27 February 2013, the HK Court has made an order for bankruptcy against Mr. Chung (the "Bankruptcy"). As a result, all litigations involving Mr. Chung have been stayed. The Company is currently awaiting the trustee (the "Trustee") in Mr. Chung's bankruptcy to wind up his assets and take over the litigations involving Mr. Chung (the "Winding Up"). Despite Mr. Chung was adjudged bankrupt on 27 February 2013, Mr. Chung neither submitted a substantive statement of affairs, an annual report of his earnings and acquisitions nor delivered any substantial property to the Trustee as required by the Bankruptcy Ordinance. The Company has consequently filed a complaint with the Trustee and the Official Receiver and urged them to take immediate actions to expedite the Winding Up. Further details are set out in Note 46.

38. OTHER NON-CURRENT LIABILITY

The Group had received a grant of HK$52,718,000 (2014: HK$52,656,000) from the PRC government authority for subsidising the Group's acquisition of a land for constructing the lithium-ion batteries production plant. The grant is subject to certain conditions to be complied by the Group. Since the related conditions were not yet fulfilled, there was no recognition of such grant as income in the consolidated statement of profit or loss for the years ended 31 March 2015 and 2014.

39. CONVERTIBLE BONDS

GROUP AND COMPANY

	2015		2014	
	Liability component HK$'000	**Derivative financial instruments HK$'000**	Liability component HK$'000	Derivative financial instruments HK$'000
Convertible bonds due in 2017 *(Note (a))*	**351,240**	**(19,383)**	–	–
Convertible bonds due in 2018 *(Note (b))*	**804,771**	**(34,479)**	–	–
	1,156,011	**(53,862)**	–	–

Notes:

(a) Convertible bonds due in 2017

On 14 April 2014, the Company issued convertible bonds with an aggregated principal amount of HK$400,000,000 (the "2017 Due CB") pursuant to the agreement dated 20 March 2014 entered between the Company and a subscriber, which is an independent third party to the Company. The 2017 Due CB are interest bearing at 8% per annum, with a maturity date on the third anniversary of the date of their issue (that is, 14 April 2017) and entitle the holder to convert them, in whole or in part, into ordinary shares of the Company at a conversion price of HK$0.60 per share (subject to adjustments) at any time on or after the issue date of the 2017 Due CB up to the maturity date. The Company may at any time up to (and excluding) the commencement of the seven calendar day period ending on (and including) the maturity date, by written notice to the holder of the 2017 Due CB, elect to redeem the whole or part of the then outstanding principal amount of the 2017 Due CB at an amount equal to the sum of (a) 100% of the principal amount of the 2017 Due CB sought to be redeemed and (b) all unpaid interest thereon. In addition, at any time prior to the maturity date, if the average of the closing prices of the ordinary shares of the Company for the five consecutive trading days ending on and including the trading day last preceding such date is more than HK$1.20 (subject to adjustments) for ten consecutive trading days, the Company may give not less than seven business days' notice to the holder of the 2017 Due CB to mandatorily convert all or any part of the 2017 Due CB.

At initial recognition, the liability component of the 2017 Due CB is measured as the present value of the future interest and principal payments, discounted at the market rate for equivalent non-convertible bonds that do not have a conversion option. The derivative component of the 2017 Due CB, which are early redemption and mandatory conversion options held by the Company, are measured at fair value and presented as derivative financial instruments in current assets. Such derivative financial instruments are re-measured to fair value at the end of each reporting period. The equity component was the residual amount after deducting the fair values of the liability and derivative components from the consideration received for the 2017 Due CB. The effective interest rate of the liability component of the 2017 Due CB is 14.31% per annum. The valuations of the 2017 Due CB were performed by Asset Appraisal Limited, an independent firm of professional qualified valuers.

The following assumptions are used to calculate the fair values of the derivative component of the 2017 Due CB:

	At 31 March 2015	**At issue date**
Closing share price	HK$0.47	HK$0.55
Conversion price	HK$0.60	HK$0.60
Expected remaining life of the convertible bonds	2.04 years	3 years
Expected volatility	46.65%	52.15%
Risk free rate	0.43%	0.72%
Expected dividend yield	0%	0%
Discount rate	14.79%	14.66%

39. CONVERTIBLE BONDS (CONTINUED)

Notes: (Continued)

(a) Convertible bonds due in 2017 (Continued)

The 2017 Due CB have been split as follows:

	Liability component HK$'000	Equity component HK$'000	Derivative financial instruments HK$'000	Total HK$'000
Issued during the year	338,747	87,755	(26,502)	400,000
Less: Transaction costs	(6,320)	(1,680)	–	(8,000)
Add: Interest expenses	49,673	–	–	49,673
Less: Interest payable	(30,860)	–	–	(30,860)
Less: Fair value loss on derivative financial instruments	–	–	7,119	7,119
At 31 March 2015	**351,240**	**86,075**	**(19,383)**	**417,932**

None of the 2017 Due CB was exercised during the year ended 31 March 2015.

(b) Convertible bonds due in 2018

On 23 February 2015, the Offer made by VMS Securities Limited on behalf of Sinopoly to acquire all the issued ordinary shares of CGL and to cancel the options which are outstanding under the share option scheme adopted by CGL was closed and the total amount of approximately HK$1,432,171,000 convertible bonds (the "2018 Due CB") was issued by the Company. The 2018 Due CB are non-interest bearing with a maturity date falling on the third anniversary of the date of the commencement of the Offer (that is, 30 January 2018) and entitle the holder to convert them, in whole or in part (in an amount of HK$1,000,000 or integral multiples thereof or an amount representing in aggregate the entire outstanding principal amount of the 2018 Due CB) in accordance with terms and conditions, into ordinary shares of the Company at a conversion price of HK$0.50 per share (subject to adjustments), at any time on or after the issue date of the 2018 Due CB up to the maturity date. The Company may at any time after the second anniversary of the date of commencement of the Offer (that is, 30 January 2017) redeem the whole or any part of the then outstanding principal amount of the 2018 Due CB. The Company may also give not less than seven business days' notice to any holder of the 2018 Due CB to mandatorily convert all or any part of the 2018 Due CB, if at any time after the issue date up to the maturity date of the 2018 Due CB, the closing price of the Company's shares as quoted on the Stock Exchange is more than HK$1.00 (subject to subdivision or consolidation of the Company's shares) for fifteen consecutive trading days, unless the mandatorily conversion will trigger a mandatory general offer or change in control under the Code on Takeovers and Mergers and Share Buy-backs.

At initial recognition, the liability component of the 2018 Due CB is measured as the present value of the future interest and principal payments, discounted at the market rate for equivalent non-convertible bonds that do not have a conversion option. The derivative component of the 2018 Due CB, which are early redemption and mandatory conversion options held by the Company, are measured at fair value and presented as derivative financial instruments in current assets. Such derivative financial instruments are re-measured to fair value at the end of each reporting period. The equity component was the residual amount after deducting the fair values of the liability and derivative components from the fair value of the 2018 Due CB. The effective interest rate of the liability component of the 2018 Due CB are ranged from 13.07% to 13.64% per annum. The valuations of the 2018 Due CB were performed by Asset Appraisal Limited, an independent firm of professional qualified valuers.

39. CONVERTIBLE BONDS (CONTINUED)

Notes: (Continued)

(b) Convertible bonds due in 2018 (Continued)

The following assumptions are used to calculate the fair values of the derivative component of the 2018 Due CB:

	At 31 March 2015	At issue dates
Closing share price	HK$0.470	HK$0.445 – HK$0.490
Conversion price	HK$0.50	HK$0.50
Expected remaining life of the convertible bonds	2.83 years	2.93 – 2.99 years
Expected volatility	44.66%	44.04% – 44.36%
Risk free rate	0.59%	0.58% – 0.62%
Expected dividend yield	0%	0%
Discount rate	14.95%	13.90% – 14.51%

The 2018 Due CB have been split as follows:

	Liability component HK$'000	Equity component HK$'000	Derivative financial instruments HK$'000	Total HK$'000
Issued during the year	961,330	515,819	(44,978)	1,432,171
Add: Interest expenses	16,885	–	–	16,885
Less: Converted during the year	(173,444)	(90,715)	7,531	(256,628)
Less: Fair value loss on derivative financial instruments	–	–	2,968	2,968
At 31 March 2015	**804,771**	**425,104**	**(34,479)**	**1,195,396**

During the current year, the 2018 Due CB with principal amount of approximately HK$254,640,000 were converted into 509,279,000 ordinary shares of the Company at the conversion price of HK$0.50 per share (Note 42(b)).

40. BONDS TO A SUBSIDIARY

During the year ended 31 March 2015, the Company issued fixed rate bonds in an aggregated principal amount of HK$370,000,000 to a non-wholly-owned subsidiary, CGL, for the acquisition of 41.50% of the issued share capital of Agnita (Note 18(c)), which carry a coupon rate of 8% per annum and a maturity term of three years.

41. DEFERRED TAX LIABILITIES

GROUP

The following are the major deferred tax balances recognised and movements thereon during the years ended 31 March 2015 and 2014:

	Property, plant and equipment and interest in leasehold land held for own use under operating lease HK$'000	Intangible assets HK$'000	Others HK$'000	Total HK$'000
At 1 April 2013	–	164,678	–	164,678
Acquisition of subsidiaries *(Note 18(d))*	22,918	94,017	–	116,935
Credit to profit or loss *(Note 13)*	–	(24,703)	–	(24,703)
Exchange adjustments	(9)	(39)	–	(48)
At 31 March 2014 and 1 April 2014	22,909	233,953	–	256,862
Acquisition of subsidiaries *(Notes 18(a) & (b))*	–	16,304	353	16,657
Credit to profit or loss *(Note 13)*	(476)	(57,456)	–	(57,932)
Exchange adjustments	(49)	(420)	–	(469)
At 31 March 2015	**22,384**	**192,381**	**353**	**215,118**

At 31 March 2015, the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK$1,123,465,000 (2014: HK$427,311,000), as it is not probable that future taxable profits against which the tax losses can be utilised will be available in the relevant taxation authority of the relevant taxable entity. The tax losses do not expire under current tax legislation, except for amounts of HK$329,378,000 (2014: HK$251,420,000) that will expire in the coming one to five years.

At 31 March 2015, the Company has not recognised deferred tax assets in respect of cumulative tax losses of HK$122,301,000 (2014: HK$42,655,000), as it is not probable that future taxable profits against which the tax losses can be utilised will be available in the relevant taxation authority. The tax losses do not expire under current tax legislation.

42. SHARE CAPITAL

	2015 No. of shares '000	2015 HK$'000	2014 No. of shares '000	2014 HK$'000
Authorised:				
At beginning and at end of the reporting period				
Ordinary shares of HK$0.01 each	**50,000,000**	**500,000**	50,000,000	500,000
Issued and fully paid:				
At beginning of the reporting period				
Ordinary shares of HK$0.01 each	**16,976,891**	**169,769**	12,254,516	122,545
Issue of new shares:				
– pursuant to acquisition transaction *(Note (a))*	**380,000**	**3,800**	1,901,250	19,013
– upon conversion of convertible bonds *(Note (b))*	**509,279**	**5,093**	–	–
– pursuant to share subscriptions *(Note (c))*	**–**	**–**	1,420,000	14,200
– upon exercise of share options *(Note (d))*	**–**	**–**	1,125	11
– pursuant to share placement *(Note (e))*	**–**	**–**	1,400,000	14,000
At end of the reporting period				
Ordinary shares of HK$0.01 each	**17,866,170**	**178,662**	16,976,891	169,769

Notes:

(a) On 7 May 2014, 380,000,000 new ordinary shares of the Company of HK$0.01 each were issued at an issue price of HK$0.50 per share as consideration for the acquisition of Giant Industry, a company incorporated in the British Virgin Islands with limited liability. The fair value of the issued shares is calculated based on the closing market price of the ordinary share of the Company of HK$0.48 on 7 May 2014, the date of completion of the acquisition.

On 7 March 2014, 1,901,250,000 new ordinary shares of the Company of HK$0.01 each were issued at an issue price of HK$0.32 per share as consideration for the acquisition of 58.50% equity interest in Agnita, a company incorporated in the British Virgin Islands with limited liability. The fair value of the issued shares is calculated based on the closing market price of the ordinary share of the Company of HK$0.67 on 7 March 2014, the date of completion of the acquisition.

(b) During the year ended 31 March 2015, the convertible bonds with principal amount of approximately HK$254,640,000 were converted at a conversion price of HK$0.50 per share, resulting in approximately 509,279,000 ordinary shares of HK$0.01 each being issued by the Company (Note 39(b)).

(c) During the year ended 31 March 2014, the Company issued a total of 1,420,000,000 ordinary shares pursuant to the following subscription agreements:

- on 30 September 2013, the Company issued 220,000,000 ordinary shares of HK$0.01 each at the subscription price of HK$0.294 per share pursuant to the subscription agreement dated 19 September 2013.
- on 6 May 2013, the Company issued 1,200,000,000 ordinary shares of HK$0.01 each at the subscription price of HK$0.22 per share to five subscribers pursuant to the subscription agreements dated 23 April 2013.

(d) During the year ended 31 March 2014, share options to subscribe for 1,125,000 ordinary shares of the Company were exercised. The net consideration was HK$69,000 of which HK$11,000 was credited to share capital account and the balance of HK$58,000 was credited to the share premium account. The amount of HK$35,000 was transferred from share option reserve account to share premium account upon exercise of share options.

(e) On 31 March 2014, the Company issued 1,400,000,000 ordinary shares of HK$0.01 each at the price of HK$0.50 per share pursuant to the placing agreement dated 20 March 2014.

All the new ordinary shares issued and allotted during the year rank pari passu in all respects with the then existing ordinary shares of the Company.

43. RESERVES

The reconciliation between the opening and closing balances of each component of the Group's consolidated reserves is set out in the consolidated statement of changes in equity. Details of changes in the Company's individual components of reserves between the beginning and the end of the reporting period are set out below:

COMPANY

	Share premium HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Equity component of convertible bonds HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2013	3,925,882	15,506	1,868	–	18,361	(3,751,970)	209,647
Issue of ordinary shares related to acquisition transaction *(Note 42(a))*	1,254,825	–	–	–	–	–	1,254,825
Shares issued pursuant to subscriptions and placement *(Notes 42(c) &(e))*	1,000,480	–	–	–	–	–	1,000,480
Shares issued upon exercise of share options *(Note 42(d))*	93	–	–	–	(35)	–	58
Transaction costs attributable to issue of new shares	(7,155)	–	–	–	–	–	(7,155)
Share options lapsed	–	–	–	–	(223)	223	–
Equity-settled share-based payments	–	–	–	–	3,736	–	3,736
Loss and total comprehensive loss for the year	–	–	–	–	–	(914,123)	(914,123)
At 31 March 2014 and 1 April 2014	6,174,125	15,506	1,868	–	21,839	(4,665,870)	1,547,468
Issue of ordinary shares related to acquisition transaction *(Note 42(a))*	178,600	–	–	–	–	–	178,600
Issue of convertible bonds	–	–	–	601,894	–	–	601,894
Issue of ordinary shares related to conversion of convertible bonds *(Note 42(b))*	251,536	–	–	(90,715)	–	–	160,821
Share options lapsed	–	–	–	–	(15,076)	15,076	–
Equity-settled share-based payments	–	–	–	–	13,860	–	13,860
Loss and total comprehensive loss for the year	–	–	–	–	–	(623,566)	(623,566)
At 31 March 2015	**6,604,261**	**15,506**	**1,868**	**511,179**	**20,623**	**(5,274,360)**	**1,879,077**

43. RESERVES (CONTINUED)

Notes:

(a) Share premium

The application of share premium account is governed by the relevant provisions set out in the Company's Bye-laws and the Companies Act 1981 of Bermuda.

(b) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(c) Contributed surplus

The contributed surplus represents the surplus arising from capital reductions pursuant to the Group's reorganisation in 2004 and 2005.

(d) Capital redemption reserve

In prior years, the Company repurchased its own shares. The capital redemption reserve represents the amount equivalent to the nominal value of the shares cancelled from repurchases of own shares transferred from retained profits.

(e) Equity component of convertible bonds

The reserve comprises the value of the unexercised equity component of convertible bonds issued by the Group recognised in accordance with the accounting policy adopted for convertible bonds in Note 4(m).

(f) Share option reserve

The share option reserve comprises the fair value of unexercised share options granted by the Company.

(g) Accumulated losses

Accumulated losses comprises i) an accumulated amount of profit or loss for the current and prior years exclude amounts distributed to shareholders as dividend; and ii) reserves arose from the acquisition of additional interests in subsidiaries that do not result in a change of control by the Group, and represents any differences between the amount by which the non-controlling interests are adjusted (to reflect the changes in the interests in the subsidiaries) and the fair value of the consideration paid or received.

(h) Distributability of reserve

The Company had no reserves available for distribution as at 31 March 2015 and 2014. Under the Companies Act 1981 of Bermuda, contributed surplus is available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if the Company is, or would after the payment be, unable to pay its liabilities as they become due; or the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

44. SHARE OPTION SCHEME

Pursuant to the approval by the shareholders of the Company at the special general meeting held on 28 February 2014, the previous share option scheme adopted by the Company on 30 March 2004 was terminated and a share option scheme (the "Scheme") which was in compliance with the requirements set out in the Listing Rules was adopted by the Company, both effective on 28 February 2014. No further options can be granted under the previous share option scheme. Howsoever, the options granted before 28 February 2014 remains exercisable under the Scheme.

A summary of the principal terms of the Scheme is set out below:

PURPOSE

The purpose of the Scheme is to enable the Group to grant option(s) to the Eligible Participants (as defined below) to subscribe for shares of the Company (i) in recognition of their contribution to the Group; (ii) to attract and retain or otherwise maintain an on-going relationship with them for the benefit of the Group; and (iii) to align their interests with the shareholders of the Company, thereby encouraging them to work towards enhancing the value of the shares of the Company.

PARTICIPANTS

The Board may, at its absolute discretion, invite any persons belonging to any of the following classes of participants (the "Eligible Participants") to take up options to subscribe for shares of the Company:

(a) any employee (whether full-time or part-time) of, or any individual for the time being seconded to work for, the Company, or any of its subsidiaries, or any entity in which any member of the Group holds an equity interest (the "Invested Entity") (the persons are collectively referred to as "Eligible Employees");

(b) any directors (including executive, non-executive and independent non-executive directors) of the Company, or any directors of any of its subsidiaries or any Invested Entity;

(c) any supplier of goods or services to any member of the Group or any Invested Entity;

(d) any customer, agent or distributor of any member of the Group or any Invested Entity;

(e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;

(f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity who has contributed or may contribute to the Group or the applicable Invested Entity;

(g) any adviser (professional or otherwise) or consultant to any member of the Group or any Invested Entity; and

(h) any joint venture or business partner of any member of the Group or any Invested Entity who has contributed or may contribute to the Group or the applicable Invested Entity,

and, for the purposes of the Scheme, an offer for the grant of an option may be made to any company wholly owned by one or more Eligible Participants.

TOTAL NUMBER OF SHARES AVAILABLE FOR ISSUE

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes must not in aggregate exceed 30% of the share capital of the Company in issue from time to time.

44. SHARE OPTION SCHEME (CONTINUED)

TOTAL NUMBER OF SHARES AVAILABLE FOR ISSUE (CONTINUED)

The total number of shares which may be issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Scheme and any other share option schemes) to be granted under the Scheme and any other share option schemes must not in aggregate exceed 10% of the shares of the Company in issue as at the date of refreshment of share option mandates from time to time.

As at the date of approval of the financial statements, the total number of shares of the Company that may be issued upon exercise of all options granted and vested but not yet exercised was 40,700,000, which represented approximately 0.22% of the issued share capital of the Company on that date.

MAXIMUM ENTITLEMENT OF EACH PARTICIPANT

An offer for the grant of an option to any director, chief executive or substantial shareholder of the Company, or any of their respective associates must be approved by the independent non-executive directors (excluding any independent non-executive director who or whose associate is the proposed grantee of an option). Where any grant of options to a substantial shareholder of the Company or an independent non-executive director, or any of their respective associates, would result in the shares issued and to be issued upon the exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) under the Scheme and any other share option schemes to such person in the 12-month period up to and including the date of such grant:

(a) representing in aggregate over 0.1% of the shares in issue; and

(b) having an aggregate value, based on the closing price of the shares at the offer date of each offer for the grant of an option, in excess of HK$5 million,

such further grant of options must be approved by the shareholders in general meeting of the Company.

Subject to the aforesaid, the total number of shares issued and which may fall to be issued upon the exercise of any options granted under the Scheme and any other share option schemes (including both exercised or outstanding options) to each grantee in any 12-month period must not in aggregate exceed 1% of the issued share capital of the Company for the time being. Any further grant of options to a grantee in excess of such limit must be separately approved by shareholders in general meeting of the Company with such grantee and his associates abstaining from voting.

OPTION PERIOD

The period within which the shares must be taken up under an option shall be determined and notified by the Board to the grantee thereof, but such period shall end in any event not later than 10 years from the date of offer of the option subject to the provisions for early termination thereof.

MINIMUM PERIOD FOR WHICH AN OPTION MUST BE HELD BEFORE IT CAN BE EXERCISED

Unless otherwise determined by the Board and stated in the offer for the grant of an option to a grantee, a grantee is not required to hold an option for any minimum period before the exercise of an option granted to him.

AMOUNT PAYABLE UPON ACCEPTANCE OF OPTION

A nominal consideration of HK$1 is payable on acceptance of the offer of an option, which shall not be later than 21 days from the offer date.

SUBSCRIPTION PRICE FOR SHARES

The subscription price for shares under the Scheme will be a price determined by the Board, but shall not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the offer date, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of a share.

REMAINING LIFE OF THE SCHEME

The Scheme commenced on 28 February 2014 and shall continue in force until the tenth anniversary of such date.

44. SHARE OPTION SCHEME (CONTINUED)

Details of the options and movements in such holdings during the year ended 31 March 2015 are as follows:

Category of participants	Date of grant	Number of options						Exercise period	Exercise price per option	Weighted average closing price of the shares immediately before the dates on which the options were exercised
		Outstanding as at 1.4.2014	Granted during the year *(Note 2)*	Exercised during the year	Lapsed during the year	Re-classified during the year	Outstanding as at 31.3.2015		*HK$*	*HK$*
Directors & Substantial Shareholders										
Mr. Cao Zhong	28.4.2014	–	10,000,000	–	–	–	10,000,000	28.4.2016 – 27.4.2024 *(Note 3)*	0.630	–
Mr. Miao Zhenguo	21.4.2011	10,000,000	–	–	(10,000,000)	–	–	21.4.2012 – 20.4.2014 *(Note 4)*	0.810	–
	4.9.2013	12,000,000	–	–	–	–	12,000,000	4.9.2015 – 3.9.2023 *(Note 3)*	0.450	–
	28.4.2014	–	3,000,000	–	–	–	3,000,000	28.4.2016 – 27.4.2024 *(Note 3)*	0.630	–
Directors										
Dr. Chen Yanping	28.4.2014	–	–	–	–	12,000,000 *(Note 5)*	12,000,000	28.4.2016 – 27.4.2024 *(Note 3)*	0.630	–
Mr. Lo Wing Yat	23.8.2007	14,600,000	–	–	–	–	14,600,000	23.8.2008 – 22.8.2017 *(Note 6)*	0.230	–
	8.5.2009	16,200,000	–	–	–	–	16,200,000	8.5.2010 – 7.5.2019 *(Note 6)*	0.061	–
	21.4.2011	20,000,000	–	–	(20,000,000)	–	–	21.4.2012 – 20.4.2014 *(Note 4)*	0.810	–
	4.9.2013	8,000,000	–	–	–	–	8,000,000	4.9.2015 – 3.9.2023 *(Note 3)*	0.450	–
	28.4.2014	–	4,000,000	–	–	–	4,000,000	28.4.2016 – 27.4.2024 *(Note 3)*	0.630	–

44. SHARE OPTION SCHEME (CONTINUED)

Details of the options and movements in such holdings during the year ended 31 March 2015 are as follows: (Continued)

Category of participants	Date of grant	Number of options						Exercise period	Exercise price per option	Weighted average closing price of the shares immediately before the dates on which the options were exercised
		Outstanding as at 1.4.2014	Granted during the year *(Note 2)*	Exercised during the year	Lapsed during the year	Re-classified during the year	Outstanding as at 31.3.2015		*HK$*	*HK$*
Mr. Xu Donghui	21.4.2011	20,000,000	–	–	(20,000,000)	–	–	21.4.2012 – 20.4.2014 *(Note 4)*	0.810	–
	4.9.2013	8,000,000	–	–	–	(8,000,000) *(Note 7)*	–	4.9.2015 – 3.9.2023 *(Note 3)*	0.450	–
Mr. Jaime Che	21.4.2011	20,000,000	–	–	(20,000,000)	–	–	21.4.2012 – 20.4.2014 *(Note 4)*	0.810	–
	4.9.2013	12,000,000	–	–	–	–	12,000,000	4.9.2015 – 3.9.2023 *(Note 3)*	0.450	–
	28.4.2014	–	4,000,000	–	–	–	4,000,000	28.4.2016 – 27.4.2024 *(Note 3)*	0.630	–
Professor Chen Guohua	4.9.2013	6,000,000	–	–	–	–	6,000,000	4.9.2015– 3.9.2023 *(Note 3)*	0.450	–
	28.4.2014	–	4,000,000	–	–	–	4,000,000	28.4.2016 – 27.4.2024 *(Note 3)*	0.630	–
Mr. Chan Yuk Tong	8.5.2009	900,000	–	–	–	–	900,000	8.11.2010 – 7.5.2019 *(Note 8)*	0.061	–
	21.4.2011	10,000,000	–	–	(10,000,000)	–	–	21.4.2012 – 20.4.2014 *(Note 4)*	0.810	–
	4.9.2013	8,000,000	–	–	–	–	8,000,000	4.9.2015 – 3.9.2023 *(Note 3)*	0.450	–
	28.4.2014	–	4,000,000	–	–	–	4,000,000	28.4.2016 – 27.4.2024 *(Note 3)*	0.630	–

44. SHARE OPTION SCHEME (CONTINUED)

Details of the options and movements in such holdings during the year ended 31 March 2015 are as follows: (Continued)

		Number of options								
Category of participants	Date of grant	Outstanding as at 1.4.2014	Granted during the year *(Note 2)*	Exercised during the year	Lapsed during the year	Re-classified during the year	Outstanding as at 31.3.2015	Exercise period	Exercise price per option *HK$*	Weighted average closing price of the shares immediately before the dates on which the options were exercised *HK$*
Mr. Fei Tai Hung	8.5.2009	900,000	–	–	–	–	900,000	8.11.2010 – 7.5.2019 *(Note 8)*	0.061	–
	21.4.2011	10,000,000	–	–	(10,000,000)	–	–	21.4.2012 – 20.4.2014 *(Note 4)*	0.810	–
	4.9.2013	8,000,000	–	–	–	–	8,000,000	4.9.2015 – 3.9.2023 *(Note 3)*	0.450	–
	28.4.2014	–	4,000,000	–	–	–	4,000,000	28.4.2016 – 27.4.2024 *(Note 3)*	0.630	–
Mr. Tse Kam Fow	8.5.2009	900,000	–	–	–	–	900,000	8.11.2010 – 7.5.2019 *(Note 8)*	0.061	–
	21.4.2011	10,000,000	–	–	(10,000,000)	–	–	21.4.2012 – 20.4.2014 *(Note 4)*	0.810	–
	4.9.2013	8,000,000	–	–	–	–	8,000,000	4.9.2015 – 3.9.2023 *(Note 3)*	0.450	–
	28.4.2014	–	4,000,000	–	–	–	4,000,000	28.4.2016 – 27.4.2024 *(Note 3)*	0.630	–
Employees	21.4.2011	50,300,000	–	–	(50,300,000)	–	–	21.4.2012 – 20.4.2014 *(Note 4)*	0.810	–
	21.4.2011	13,400,000	–	–	(13,400,000)	–	–	21.4.2013 – 20.4.2014 *(Note 9)*	0.810	–
	4.9.2013	193,300,000	–	–	(12,200,000) *(Note 10)*	8,000,000 *(Note 7)*	189,100,000	4.9.2015 – 3.9.2023 *(Note 3)*	0.450	–
	28.4.2014	–	138,200,000	–	(3,400,000) *(Note 10)*	(12,000,000) *(Note 5)*	122,800,000	28.4.2016 – 27.4.2024 *(Note 3)*	0.630	–

44. SHARE OPTION SCHEME (CONTINUED)

Details of the options and movements in such holdings during the year ended 31 March 2015 are as follows: (Continued)

		Number of options								
Category of participants	Date of grant	Outstanding as at 1.4.2014	Granted during the year *(Note 2)*	Exercised during the year	Lapsed during the year	Re-classified during the year	Outstanding as at 31.3.2015	Exercise period	Exercise price per option *HK$*	Weighted average closing price of the shares immediately before the dates on which the options were exercised *HK$*
Others	23.8.2007	7,200,000	–	–	–	–	7,200,000	23.8.2008 – 22.8.2017 *(Note 6)*	0.230	–
	21.4.2011	101,000,000	–	–	(101,000,000)	–	–	21.4.2012 – 20.4.2014 *(Note 4)*	0.810	–
	4.9.2013	10,000,000	–	–	–	–	10,000,000	4.9.2015 – 3.9.2023 *(Note 3)*	0.450	–
	28.4.2014	–	8,000,000	–	–	–	8,000,000	28.4.2016 – 27.4.2024 *(Note 3)*	0.630	–
		578,700,000	183,200,000	–	(280,300,000)	–	481,600,000			
Weighted average exercise price (HK$)		0.594	0.630	–	0.792	–	0.492			
Exercisable as at 31.3.2015							21,800,000 18,900,000		0.230 0.061	

44. SHARE OPTION SCHEME (CONTINUED)

Details of the options and movements in such holdings during the year ended 31 March 2014 are as follows:

		Number of options								
Category of participants	Date of grant	Outstanding as at 1.4.2013	Granted during the year *(Note 2)*	Exercised during the year	Lapsed during the year	Re-classified during the year	Outstanding as at 31.3.2014	Exercise period	Exercise price per option *HK$*	Weighted average closing price of the shares immediately before the dates on which the options were exercised *HK$*
Director & Substantial Shareholder										
Mr. Miao Zhenguo	21.4.2011	10,000,000	–	–	–	–	10,000,000	21.4.2012 – 20.4.2014 *(Note 4)*	0.810	–
	4.9.2013	–	12,000,000	–	–	–	12,000,000	4.9.2015 – 3.9.2023 *(Note 3)*	0.450	–
Directors										
Mr. Lo Wing Yat	23.8.2007	14,600,000	–	–	–	–	14,600,000	23.8.2008 – 22.8.2017 *(Note 6)*	0.230	–
	8.5.2009	16,200,000	–	–	–	–	16,200,000	8.5.2010 – 7.5.2019 *(Note 6)*	0.061	–
	21.4.2011	20,000,000	–	–	–	–	20,000,000	21.4.2012 – 20.4.2014 *(Note 4)*	0.810	–
	4.9.2013	–	8,000,000	–	–	–	8,000,000	4.9.2015 – 3.9.2023 *(Note 3)*	0.450	–

44. SHARE OPTION SCHEME (CONTINUED)

Details of the options and movements in such holdings during the year ended 31 March 2014 are as follows: (Continued)

		Number of options								
Category of participants	Date of grant	Outstanding as at 1.4.2013	Granted during the year *(Note 2)*	Exercised during the year	Lapsed during the year	Re-classified during the year	Outstanding as at 31.3.2014	Exercise period	Exercise price per option *HK$*	Weighted average closing price of the shares immediately before the dates on which the options were exercised *HK$*
Mr. Xu Donghui	21.4.2011	20,000,000	–	–	–	–	20,000,000	21.4.2012 – 20.4.2014 *(Note 4)*	0.810	–
	4.9.2013	–	8,000,000	–	–	–	8,000,000	4.9.2015 – 3.9.2023 *(Note 3)*	0.450	–
Mr. Jaime Che	21.4.2011	20,000,000	–	–	–	–	20,000,000	21.4.2012 – 20.4.2014 *(Note 4)*	0.810	–
	4.9.2013	–	12,000,000	–	–	–	12,000,000	4.9.2015 – 3.9.2023 *(Note 3)*	0.450	–
Professor Chen Guohua	4.9.2013	–	6,000,000	–	–	–	6,000,000	4.9.2015– 3.9.2023 *(Note 3)*	0.450	–
Mr. Chan Yuk Tong	8.5.2009	900,000	–	–	–	–	900,000	8.11.2010 – 7.5.2019 *(Note 8)*	0.061	–
	21.4.2011	10,000,000	–	–	–	–	10,000,000	21.4.2012 – 20.4.2014 *(Note 4)*	0.810	–
	4.9.2013	–	8,000,000	–	–	–	8,000,000	4.9.2015 – 3.9.2023 *(Note 3)*	0.450	–
Mr. Fei Tai Hung	8.5.2009	900,000	–	–	–	–	900,000	8.11.2010 – 7.5.2019 *(Note 8)*	0.061	–
	21.4.2011	10,000,000	–	–	–	–	10,000,000	21.4.2012 – 20.4.2014 *(Note 4)*	0.810	–
	4.9.2013	–	8,000,000	–	–	–	8,000,000	4.9.2015 – 3.9.2023 *(Note 3)*	0.450	–

44. SHARE OPTION SCHEME (CONTINUED)

Details of the options and movements in such holdings during the year ended 31 March 2014 are as follows: (Continued)

		Number of options								
Category of participants	Date of grant	Outstanding as at 1.4.2013	Granted during the year *(Note 2)*	Exercised during the year	Lapsed during the year	Re-classified during the year	Outstanding as at 31.3.2014	Exercise period	Exercise price per option *HK$*	Weighted average closing price of the shares immediately before the dates on which the options were exercised *HK$*
Mr. Tse Kam Fow	8.5.2009	900,000	–	–	–	–	900,000	8.11.2010 – 7.5.2019 *(Note 8)*	0.061	–
	21.4.2011	10,000,000	–	–	–	–	10,000,000	21.4.2012 – 20.4.2014 *(Note 4)*	0.810	–
	4.9.2013	–	8,000,000	–	–	–	8,000,000	4.9.2015 – 3.9.2023 *(Note 3)*	0.450	–
Employees	8.5.2009	1,125,000	–	(1,125,000)	–	–	–	8.5.2011 – 7.5.2019 *(Note 13)*	0.061	0.310
	21.4.2011	50,300,000	–	–	–	–	50,300,000	21.4.2012 – 20.4.2014 *(Note 4)*	0.810	–
	21.4.2011	15,200,000	–	–	(1,800,000) *(Note 14)*	–	13,400,000	21.4.2013 – 20.4.2014 *(Note 9)*	0.810	–
	4.9.2013	–	197,400,000	–	(4,100,000) *(Note 14)*	–	193,300,000	4.9.2015 – 3.9.2023 *(Note 3)*	0.450	–

44. SHARE OPTION SCHEME (CONTINUED)

Details of the options and movements in such holdings during the year ended 31 March 2014 are as follows: (Continued)

Category of participants	Date of grant	Number of options						Exercise period	Exercise price per option *HK$*	Weighted average closing price of the shares immediately before the dates on which the options were exercised *HK$*
		Outstanding as at 1.4.2013	Granted during the year *(Note 2)*	Exercised during the year	Lapsed during the year	Re-classified during the year	Outstanding as at 31.3.2014			
Others	23.8.2007	7,200,000	–	–	–	–	7,200,000	23.8.2008 – 22.8.2017 *(Note 6)*	0.230	–
	21.4.2011	101,000,000	–	–	–	–	101,000,000	21.4.2012 – 20.4.2014 *(Note 4)*	0.810	–
	4.9.2013	–	10,000,000	–	–	–	10,000,000	4.9.2015 – 3.9.2023 *(Note 3)*	0.450	–
		308,325,000	277,400,000	(1,125,000)	(5,900,000)	–	578,700,000			
Weighted average exercise price (HK$)		0.720	0.450	0.061	0.560	–	0.594			
Exercisable as at 31.3.2014							21,800,000 18,900,000 264,700,000		0.230 0.061 0.810	

Notes:

1. Number of options refers to the number of underlying shares of the Company covered by the options under the Scheme.

2. Options to subscribe for 183,200,000 shares of the Company were granted on 28 April 2014. The Company received an aggregate consideration of HK$95 for the grant of these options. The closing price of the shares of the Company on the trading day immediately before the date on which these options were granted was HK$0.520.

3. Options granted are subject to a vesting period up to five years with half of the options becoming exercisable 24 months after the relevant date of grant and the remainder becoming exercisable 60 months after the relevant date of grant.

4. Options granted are subject to a vesting period of one year and are exercisable 12 months after the relevant date of grant. These options were lapsed on 21 April 2014 upon the expiry of the exercise period concerned.

5. Dr. Chen Yanping was an employee of the Company prior to his appointment as a director of the Company on 28 May 2014. His outstanding options entitling him to subscribe for a total of 12,000,000 shares of the Company were therefore re-classified from the category of "Employees" to the category of "Directors" during the year ended 31 March 2015.

44. SHARE OPTION SCHEME (CONTINUED)

Notes: (Continued)

6. Options granted are subject to a vesting period up to two years with 50%, 25% and 25% of the options becoming exercisable 12 months, 18 months and 24 months after the date of grant respectively.

7. Mr. Xu Donghui resigned as a director of the Company on 28 May 2014 but remained as an employee of the Company. His outstanding options entitling him to subscribe for a total of 8,000,000 shares of the Company were therefore re-classified from the category of "Directors" to the category of "Employees" during the year ended 31 March 2015.

8. Options granted are subject to a vesting period of two years with half of the options becoming exercisable 18 months after the date of grant and the remainder becoming exercisable 24 months after the date of grant.

9. Options granted are subject to a vesting period up to two years and are exercisable 24 months after the relevant date of grant. These options were lapsed on 21 April 2014 upon the expiry of the exercise period concerned.

10. A total of 15,600,000 unvested options lapsed during the year ended 31 March 2015 following the cessation of optionholders to be employees of the Company or eligible participants of the Scheme.

11. The weighted average fair values of the options granted during the years ended 31 March 2015 and 2014 calculated using the Binomial Option-Pricing Model and the inputs into such model were as follows:

	2015		2014	
	Options granted on 28 April 2014 with vesting period of two years	Options granted on 28 April 2014 with vesting period of five years	Options granted on 4 September 2013 with vesting period of two years	Options granted on 4 September 2013 with vesting period of five years
Weighted average fair value	HK$0.098	HK$0.223	HK$0.045	HK$0.128
Share price on grant date	HK$0.480	HK$0.480	HK$0.295	HK$0.295
Exercise price	HK$0.630	HK$0.630	HK$0.450	HK$0.450
Expected volatility	53.58%	62.26%	52.62%	63.99%
Option life	10 years	10 years	10 years	10 years
Risk free rate	0.37%	1.42%	0.38%	1.39%
Expected dividend yield	0%	0%	0%	0%

Expected volatility was determined by using the annualised standard deviations of the continuously compounded rates of return on the share prices of three other comparable companies. The result of the Binomial Option-Pricing Model can be materially affected by changes in these variables and assumptions. Therefore, an option's actual value may differ from the estimated fair value of the options due to limitations of the Binomial Option-Pricing Model.

12. No options were exercised or cancelled during the year ended 31 March 2015, and no options were cancelled during the year ended 31 March 2014.

13. Options granted are subject to a vesting period of two years and are exercisable 24 months after the relevant date of grant.

14. A total of 1,800,000 vested options and 4,100,000 unvested options lapsed during the year ended 31 March 2014 following the cessation of optionholders to be employees of the Company or eligible participants of the Old Scheme.

15. The Group recognised total expenses of approximately HK$13,860,000 for the year ended 31 March 2015 (2014: HK$3,736,000) in relation to the options granted by the Company. The options outstanding as at 31 March 2015 had a weighted average remaining contractual life of 8.2 years (2014: 4.8 years). As at 31 March 2015, a total of 40,700,000 (2014: 305,400,000) options were exercisable with weighted-average exercise price of HK$0.152 (2014: HK$0.722) per option.

45. COMMITMENTS

(a) COMMITMENTS UNDER OPERATING LEASES

At the end of the reporting period, the Group and the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of rental premises falling due as follows:

	Group		Company	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**12,854**	9,985	**7,367**	7,367
In the second to fifth year inclusive	**14,133**	20,702	**12,053**	19,420
	26,987	30,687	**19,420**	26,787

Leases are negotiated for terms from one to four years with a fixed monthly rental over the terms of the leases. None of the leases include contingent rentals.

(b) CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2015	2014
	HK$'000	HK$'000
Capital commitments in respect of capital expenditure of the Group's factories in the PRC		
Contracted, but not provided for	**2,103,739**	899,878
Authorised, but not contracted for	**1,340,103**	14,045
	3,443,842	913,923

The Company did not have any material capital commitments at the end of the reporting period (2014: nil).

46. LITIGATIONS

The Company and two of its subsidiaries are currently involved in several litigations with Mr. Winston Chung (formerly known as Chung Hing Ka) ("Mr. Chung") and companies which are controlled and/or owned by him (together with Mr. Chung, the "Chung Parties"). The summaries of litigations are as follows:

– The Company and two of its subsidiaries have instituted legal proceedings against the Chung Parties in the HK Court for, inter alia, breaches of various agreements in relation to the acquisition completed by the Group on 25 May 2010. The Chung Parties has made a counterclaim based on certain documents.

– The Chung Parties has filed a lawsuit against a subsidiary of the Company in the HK Court and alleged that the Company's subsidiary is not entitled to use certain patents.

– The Chung Parties has filed a lawsuit against a subsidiary of the Company in the Shenzhen Intermediate Court of the PRC (the "SZ Court") for breaches of various agreements in relation to the production of battery products (the "SZ Case").

In these litigations, the allegations and defenses of the Chung Parties are primarily based on certain documents (the "Questioned Documents") which the Group denied that they are the versions executed by the Group and the Chung Parties. The Group has strong reasons to believe that the Questioned Documents are fraudulently altered and/or completely fabricated. On 2 June 2015, the SZ Court has ruled that the Questioned Documents are not the bona fide agreements the parties have entered into and thus, there are no sufficient evidence to support the Chung Parties' claims. The SZ Court has dismissed the SZ Case and ordered the Chung Parties to pay the SZ Court's cost.

On 27 February 2013, the HK Court has made an order for bankruptcy against Mr. Chung (the "Bankruptcy"). Despite Mr. Chung was adjudged bankrupt over two years, Mr. Chung neither submitted a substantive statement of affairs, an annual report of his earnings and acquisitions nor delivered any substantial property to the Trustee as required by the Bankruptcy Ordinance. Subsequently, on 4 September 2014, the HK Court issued a warrant of arrest to apprehend Mr. Chung.

The litigations involving Mr. Chung were stayed as a result of his Bankruptcy. On 29 January 2015, the Group has re-commenced the litigation in Hong Kong and the Group is of the view that the Company and two of its subsidiaries, as the plaintiffs of such litigation, can start pursuing it in a more straight-forward and efficient manner.

Based on legal advice and the latest SZ Court's order, the directors of the Company are of the view that the allegations and defenses of the Chung Parties are frivolous, vexations and based on unsubstantiated and invalid grounds, and the directors of the Company do not believe it is probable that the courts will find against them. No provision has therefore been made in respect of these litigations.

47. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

KEY MANAGEMENT PERSONNEL REMUNERATION

Remuneration of key management personnel, including amounts paid to the Company's directors as disclosed in Note 17(a) and certain of the highest paid employees as disclosed in Note 17(b), is as follows:

	2015 **HK$'000**	2014 HK$'000
Short-term employee benefits	**11,750**	5,911
Retirement benefit schemes contributions	**135**	60
Equity-settled share-based payments	**3,948**	1,067
	15,833	7,038

48. EVENTS AFTER THE REPORTING PERIOD

The Group had the following material events subsequent to the end of the reporting period and up to the date of approval of these financial statements:

(a) On 20 April 2015, Union Grace Holdings Limited ("Union Grace"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Cherrylink Investments Limited ("Cherrylink"), a wholly-owned subsidiary of CGL, pursuant to which Union Grace conditionally agreed to sell and Cherrylink conditionally agreed to purchase 25% of the issued share capital of Synergy Dragon Limited ("SDL"), an indirect wholly-owned subsidiary of the Company. In accordance with the terms and conditions thereof, the consideration for the transaction is HK$750,000,000, which shall be satisfied by convertible bonds with 8% coupon per annum to be issued by CGL to Union Grace (or its nominee) on the completion date. As at the date of this report, the transaction has not yet completed. Following completion, the issued shares of SDL will be owned as to 25% by CGL and as to 75% by Union Grace. SDL and its subsidiaries are principally engaged in research and development, production and sales of lithium-ion batteries and its related products.

(b) On 29 April 2015, the Company entered into a placing agreement with the placing agent to place up to 150,000,000 shares of CGL, representing approximately 15.99% of issued share capital of CGL, held indirectly by the Company to parties independent from and not a connected person to the Company at a placing price of HK$1.70 per share. On 7 May 2015, 150,000,000 shares of CGL held indirectly by the Company had been placed through the placing agent to not less than six placees who are neither connected persons of the Company nor parties acting in concert with the Company, at the placing price of HK$1.70 per share. The net amount of approximately HK$248,600,000 was raised by the Group. After the placing, the shareholding of the Group in CGL decreased from approximately 89.54% to approximately 73.55%.

48. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

(c) On 4 May 2015, the Company announced that it has formed a joint venture, Orng EV Solutions, Inc., (the "JV") with Smith Electric Vehicles Corp. ("Smith") in the US to sell electric vehicles by leveraging the Group's electric vehicle designs and combining it with Smith's technologies and sales network.

Accordingly, the Company and Smith entered into the FDG contribution agreement and the Smith contribution agreement with the JV respectively. Pursuant to the FDG contribution agreement, the Company has conditionally agreed to (i) enter into the licence agreement pursuant to which the Company will contribute, convey, assign, transfer and deliver the exclusive right to use the Group's current design specifications for passenger van, mini bus, panel van and cab/chassis and their respective variations in the US (including 50 states, the District of Columbia, Puerto Rico, Guam and the American Virgin Islands) (collectively, the "Territory") and provide relevant engineering access and support to the JV in accordance with the terms and conditions therein; (ii) enter into a battery supply agreement no later than 30 June 2015; (iii) enter into the semi knock down kit (the "SKD Kit") supply agreement no later than 30 June 2015 with an expected demand for the SKD Kits of 3,000, 5,000, 10,000 units in the calendar year 2016, 2017 and 2018, respectively; (iv) contribute US$5,000,000 in cash to the JV; and (v) contribute an additional US$10,000,000 in cash to the JV upon, inter alia, the execution of the battery supply agreement and the SKD Kit supply agreement (collectively, the "FDG Contributed Assets"), and the JV has conditionally agreed to issue an aggregate of 22,500,000 shares to the Company (or its nominee) upon the closing of the contributions of the FDG Contributed Assets and/or the Smith Contributed Assets (as defined below) as specified in the FDG contribution agreement and/or the Smith contribution agreement (the "Effective Time"). Pursuant to the Smith contribution agreement, Smith has conditionally agreed to contribute, convey, assign, transfer and deliver to the JV (i) an exclusive licence for the use of the Smith intellectual property (including all know-hows and trade secrets) in the Territory; (ii) an exclusive licence for the use of the brand "Smith" and all related goodwill in the Territory; (iii) the executed original equipment manufacturing supply agreement no later than 30 June 2015; (iv) the exclusive sales and distribution rights of electric vehicles in the Territory; (v) the exclusive rights to form a battery rental business in the Territory; (vi) goodwill including but not limited to Smith's customers; and (vii) executed offer letters from certain employees (collectively, the "Smith Contributed Assets"), and the JV has conditionally agreed to issue 20,000,000 shares to Smith upon the Effective Time.

Up to the date of this report, the JV has been formed in the US and contributions of the FDG Contributed Assets were completed save for the contribution of the additional US$10,000,000 in cash, and the execution of the battery supply agreement and the SKD Kit supply agreement between the Company and the JV. The agreements are still under negotiations and the signing deadlines of which have been extended. In addition, the contributions of the Smith Contributed Assets were completed save for the execution of the original equipment manufacturing supply agreement between the JV and Smith. It is still under negotiations and the signing deadline of which has been extended.

(d) On 29 June 2015, the Board proposed to reduce the entire amount standing to the credit of the share premium account of the Company to nil (the "Share Premium Reduction") and part of the credit arising from the Share Premium Reduction will be applied to offset the entire amount of the accumulated losses of the Company and the remaining balance will be credited to the contributed surplus account of the Company. The Share Premium Reduction is conditional upon, inter alia, the passing of a special resolution by the shareholders at the coming annual general meeting and compliance with the relevant law and regulations. Further details are set out in the Company's announcement dated 29 June 2015.

49. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances.

The management of the Group reviews the capital structure and considers the cost of capital regularly. The Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, issue new shares as well as the raising of debts and bank borrowings. No material changes were made in the objectives, policies or processes during the years ended 31 March 2015 and 2014.

Neither the Company nor any other subsidiary is subject to externally imposed capital requirements.

The Group monitors its capital structure on the basis of net debt to equity ratio, which is net debt divided by capital. Net debt includes the Group's total borrowings (including bank loans and other borrowings, loan from a holder of non-controlling interests and obligations under redeemed convertible bonds) less cash and cash equivalents and deposit in a security account as shown in consolidated statement of financial position. Total capital includes all components of equity attributable to owners of the Company and the liability components of convertible bonds. The net debt to equity ratio as at end of the reporting period is as follows:

	2015 **HK$'000**	2014 HK$'000
Bank loans and other borrowings	**880,203**	372,181
Loan from a holder of non-controlling interests	**–**	150,000
Obligations under redeemed convertible bonds *(Note)*	**760,752**	760,752
Total borrowings	**1,640,955**	1,282,933
Less: Cash and cash equivalents	**(411,478)**	(1,069,623)
Deposit in a security account	**(320,019)**	–
Net debt	**909,458**	213,310
Total equity attributable to owners of the Company	**2,071,146**	1,733,800
Liability components of convertible bonds	**1,156,011**	–
Adjusted capital	**3,227,157**	1,733,800
Net debt to equity ratio	**28%**	12%

Note: Based on a court judgment dated 5 March 2013, the Group has been given an unconditional leave to defend to the extent of the Set-Off (as defined in Note 37) and based on which, the Group is entitled to a stay of execution of payment for the obligations under the redeemed convertible bonds before the conclusion of relevant legal proceedings.

50. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation.

51. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board on 29 June 2015.