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

（Incorporated in Bermuda with limited liability）

（Stock Code : 729）

Annual Report 2015/16

CONTENTS

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)*

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. 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

AUTHORISED REPRESENTATIVES

Mr. Jaime Che
Ms. Fung Sam Ming Samantha

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 Jilin
Bank of Tianjin
Tianjin Binhai Rural Commercial Bank
China Minsheng Bank
China Zheshang Bank
China CITIC Bank International Limited

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
Suites 3301-04, 33/F.
Two Chinachem Exchange Square
338 King's Road, North Point
Hong Kong

STOCK CODE

729

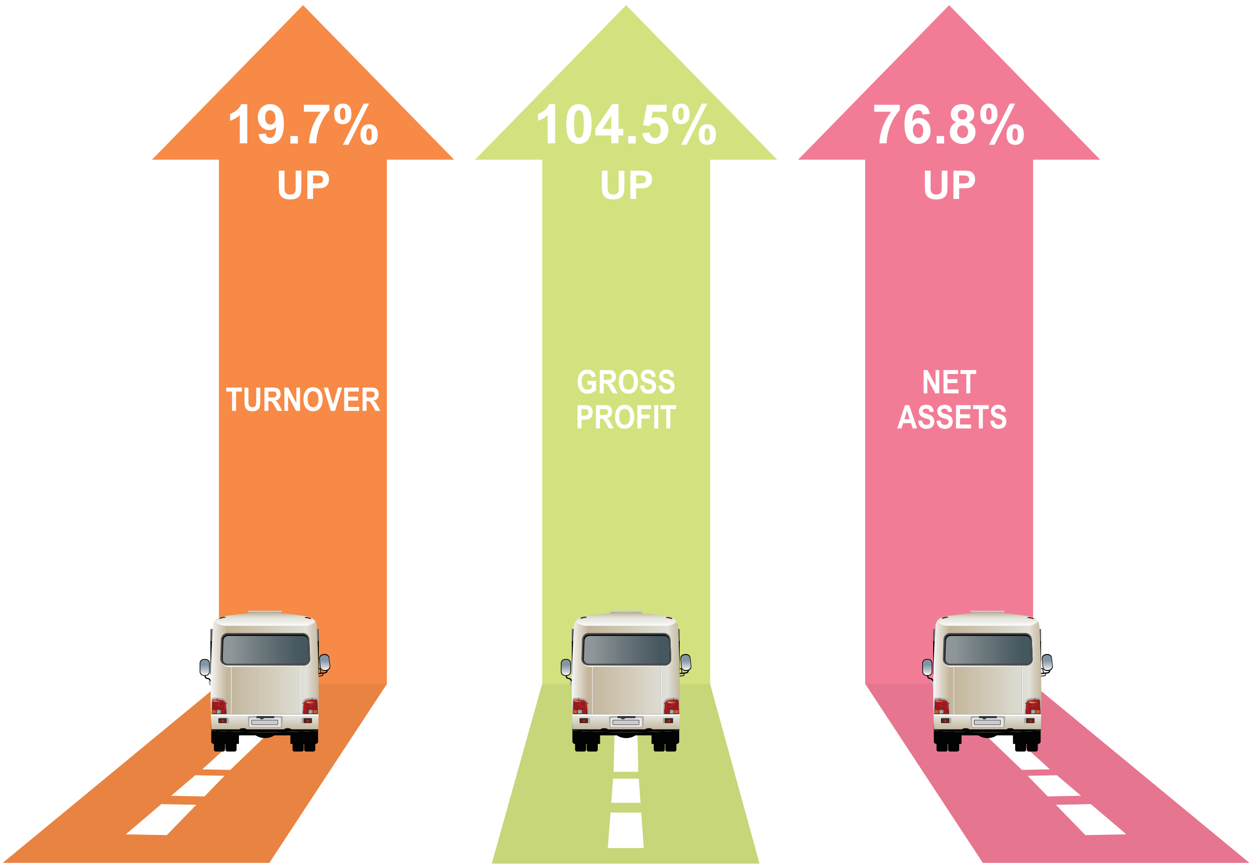
WEBSITE

www.fdgev.com

GROUP FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of FDG Electric Vehicles Limited (the "Company") and its subsidiaries (collectively the "Group") for the five financial years ended 31 March 2016, as extracted from the published audited consolidated financial statements and reclassified and restated as appropriate, is set out below:

	2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000	2012 HK$'000
Loss attributable to owners of the Company	**(228,154)**	(409,759)	(906,389)	(324,447)	(442,334)
Total assets	**8,689,001**	6,024,455	3,876,804	1,628,244	1,774,048
Total liabilities	**(4,597,192)**	(3,710,250)	(1,813,965)	(1,288,053)	(1,244,800)
Net assets	**4,091,809**	2,314,205	2,062,839	340,191	529,248
Non-controlling interests	**729,282**	243,059	329,039	–	–
Total equity attributable to owners of the Company	**3,362,527**	2,071,146	1,733,800	340,191	529,248



CHAIRMAN'S STATEMENT

Dear Shareholders,

I hereby present the annual results of FDG Electric Vehicles Limited ("FDG" or "the Company") and its subsidiaries (collectively, "the Group") for the financial year ended 31 March 2016 on behalf of the Board of Directors of the Group.

Looking back at 2015, the instability and uncertainty of the global economy has been brought to a new level, mainly caused by slow economic growth around the world and economic differentiation across regions. Undergoing an economic transformation, the PRC has seen a decelerating growth coupled with a structural change. The macro environment is unsatisfactory, but thanks to a series of preferential policies introduced by the PRC Government including tax incentives and financial subsidies, and consumers who are increasingly environmentally conscious, the New Energy Vehicles ("NEVs") market in China has been developing rapidly. According to the statistics from the PRC's Ministry of Industry and Information Technology, the production of NEVs in the PRC in 2015 jumped fourfold year-on-year to 379,000, making it one of the world's key NEV markets. 331,100 units of NEVs were sold in 2015, marking an increase of 3.4 times, among which 247,500 units of pure electric vehicles and 83,600 units of plug-in hybrids (collectively, "EVs") were sold, representing a year-on-year growth of 4.5 times and 1.8 times respectively.

Since 2015, the PRC Government has given tremendous support to the NEV industry and has continuously rolled out pro-NEV policies, creating a favorable environment to foster growth in the industry. The National Energy Administration issued the "Guiding Opinions on Energy Development for 2016" to effectively promote the construction of charging facilities for NEVs. In 2016, with a total investment of RMB30 billion, there are plans to construct more than 2,000 charging stations, 100,000 distributed public charging piles, and 860,000 private charging piles. Provinces have also implemented preferential measures with some local authorities offering subsidies 100% matching that of the Central Government's. Other preferential measures include exemption from driving restrictions and purchase restrictions, waive of toll fees and parking fees, and permission to drive in lanes designated for public transport. These undoubtedly fueled the growth of NEV industry and allowed further industry expansion.

FDG eyed and seized the opportunities amid the rapid development of the NEV industry. FDG will officially sell electric vehicles in the upcoming 2016-2017 financial year, entering a new era in the Group's history. The commencement of operation of the Group's EV plant in Hangzhou in April 2016 would bring more revenue for the Group and marked a significant milestone for the Group, which not only strengthens the Group's position in the market as a vertically integrated EV manufacturer, but also proves the Group's strong capacity to meet market demands. Actively expanding its businesses, the Group and Guian New Area Management Committee have entered into a cooperation agreement in forming a strategic collaboration to build pure EV production facilities and turn the project into a modern NEV production base in Guian New Area, integrating sales and production of NEVs and their core components. The production base in Guian, together with those in Hangzhou and Yunnan, reflects the Group's strategic geographical development across China. FDG has also been granted the permission to manufacture pure electric passenger vehicles in May 2016. The small SUV model, "e.Cool" (逸酷), is going to be officially launched in the fourth quarter of this year. The Group will develop a more comprehensive product portfolio by offering diversified car models in the future.

During the period under review, FDG participated in the 14th Beijing International Automotive Exhibition with the theme "Innovation and Transformation", and gained industry-wide recognition. The Group showcased the products developed with its Independent-Forward-Engineering ("正向開發"), including the pure electric mid-size bus "e.Boss" (奕閣), pure electric commercial vehicle "e.Glory" (奕勝) and pure electric passenger vehicle "e.Cool" (逸酷) as well as its latest technologies such as EV intranet, Intra-Vehicle information system and smart driving, etc. FDG also showcased its Forward-Engineering-developed electric commercial vehicles in Advanced Clean Transportation Expo in the United States ("U.S."), demonstrating the Group's research and development ("R&D"), design and production capacity at the international standards, bringing FDG's EV products to the U.S. and international markets. Besides, the Group has formed a strategic partnership with Dah Chong Hong, Ltd., a subsidiary of Dah Chong Hong Holdings Limited ("DCH", stock code: 1828). DCH would provide sales and marketing, after-sales and maintenance services for a range of FDG electric vehicles including coach, mid-size bus and commercial vehicle models in key regions of mainland China and Hong Kong, further expanding the Group's markets.

The Group strives to expand its upstream and downstream businesses, to strengthen its comprehensive integrated businesses and become one of the leading vertically integrated EV manufacturers in the world. Through mergers and acquisitions with enterprises with excellent business performance or great market value, the Group has strengthened its businesses and expanded its global markets. Over the past year, the Group has entered into a strategic cooperation with Advanced Lithium Electrochemistry (Cayman) Co., Ltd (listed on the Taipei Exchange, "ALEEES", stock code: 5227), one of the world's largest suppliers of lithium-ferrous-phosphate ("LFP") battery cathode materials, and also acquired SK (Chongqing) Lithium Ion Battery Materials Co., Ltd (later renamed as FDG Kinetic (Chongqing) Lithium Ion Battery Materials Co., Ltd, "FDG Kinetic (Chongqing)"), a subsidiary of the members of SK Group in Korea, which manufactures cathode materials for Nickel-Cobalt-Manganese ("NCM") lithium-ion batteries, enriching the Group's product portfolio in battery business. In addition, we have leveraged foreign partners to boost the Group's competitive advantage in overseas markets by providing electric commercial vehicles in the U.S. FDG gains strong supports to its business development from these mergers and acquisitions as well as cross-strait advantages, including the huge market demands in China, mature scientific research technologies in Taiwan, and a sturdy financial structure in Hong Kong. The commitment to environmental management and protection in the PRC's 13th Five-Year Plan also benefits the Group's long-term developments.

During the period under review, there were ongoing challenges obstructing the development of the NEV industry, including subsidy fraud, scale-down of subsidies, limited members in the government recommendation catalog, as well as an unclear path of battery development. As an investigation of subsidy fraud was launched by the government, the NEV industry is expected to the experience an adjustment period with fewer subsidies. EV manufacturers will have a short-term stress on profits, but in the long run, the elimination of unqualified EV manufacturers will encourage the healthy development of the NEV industry.

In the first year of the 13th Five-Year Plan, China maintains its growth under the "New Normal" economy and the PRC Government encourages and supports the development of new energy industry with various policies. With energy saving and conservation becoming global trends, NEVs will become a key part of the mainstream global automotive industry in the future. Striving to become a world-class EV enterprise that will create greater returns for shareholders, the Group will continue to develop and manufacture EVs with its Independent-Forward-Engineering, strengthen its brand and improve its whole business chain.

Last but not least, on behalf of the Board, I would like to express my heartfelt appreciations to the management and the employees of the Group for their hard work and remarkable contributions during the year. I would also like to extend my sincere gratitude to our shareholders, suppliers and business partners for their continuous supports. With our vision to "Promote Science & Technology, Stay Innovative, Pursue Green Life, Nurture Humanities", FDG will continue to develop as an outstanding EV enterprise, and generate a greater investment return for shareholders with sustainable business growth.

Cao Zhong
Chairman
Hong Kong, 29 June 2016

DIRECTORS' BIOGRAPHIES

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

Mr. Cao, aged 56, 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 the 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 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 the chairman of China Resources and Transportation Group Limited (Stock Code: 269) and an executive director and the chairman of FDG Kinetic Limited ("FKL") (Stock Code: 378, formerly known as CIAM Group Limited, a subsidiary of the Company in which the Company indirectly owns approximately 67.19% equity interest), companies whose shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). 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 56, 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. 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 holds directorships in various subsidiaries of the Company. Mr. Miao is currently an executive director and the chief executive officer of FKL. 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 53, 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 FKL. 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 had 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 BAIC Group. He had 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 57, 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 independent non-executive director of China Traditional Chinese Medicine Co. Limited (Stock Code: 570), a company whose shares are listed on the Stock Exchange. He is also a director and the chief executive officer of CITIC International Assets Management Limited and a director and the chief executive officer of CITIC International Financial Holdings Limited. He was an executive director of FKL from April 2008 to March 2016 and an independent non-executive director of Winteam Pharmaceutical Group Limited (Stock Code: 570, now renamed as China Traditional Chinese Medicine Co. Limited) from February 2009 to February 2013, the shares of both companies are listed on the Stock Exchange. 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 35, is an executive director of the Company and a member of the Executive Committee of the Company. 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 FKL. 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.

Mr. Chan Yuk Tong
Independent Non-executive Director

Mr. Chan, aged 54, is an independent non-executive director of the Company. He is also the 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 Kam Hing International Holdings Limited (Stock Code: 2307), Ground Properties Company Limited (Stock Code: 989) and Xinhua Winshare Publishing and Media Co., Ltd. (Stock Code: 811), 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, BYD Electronic (International) Company Limited (Stock Code: 285) from November 2007 to June 2013, Daisho Microline Holdings Limited (Stock Code: 567) from September 2004 to August 2013 and Global Sweeteners Holdings Limited (Stock Code: 3889) from June 2008 to December 2015, all being companies whose shares are listed on the Stock Exchange. He was 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 68, 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 56, 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 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 was an executive director of Grand Ocean Advanced Resources Company Limited (Stock Code: 65) from February 2015 to February 2016 and a non-executive director of Mainland Headwear Holdings Limited (Stock Code: 1100) from September 2007 to May 2013, the shares of both companies 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 2016 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 13 to 14.

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 2016 on a named basis are disclosed in Note 16 to the financial statements.

DIRECTORS' REPORT

The directors present their report and the audited consolidated financial statements of the Group for the year ended 31 March 2016.

PRINCIPAL ACTIVITIES

The Group is 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) research and development, manufacture and sale of cathode materials for nickel-cobalt-manganese lithium-ion batteries; and (v) direct investments.

The principal activities and particulars of the Company's principal subsidiaries as at 31 March 2016 are set out in Note 21 to the financial statements.

BUSINESS REVIEW

Details of the Group's business review are set out in the "Management Discussion and Analysis" section on pages 24 to 28 of this annual report, the discussion thereof form part of this Directors' Report.

SEGMENT INFORMATION

An analysis of the Group's revenue and contribution to the operating results for the year ended 31 March 2016 is set out in Note 8 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2016 are set out in the consolidated statement of profit or loss on page 50 of this annual report.

The directors of the Company do not recommend the payment of any dividend for the year ended 31 March 2016.

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.

MAJOR CUSTOMERS AND SUPPLIERS

The largest supplier of the Group by itself and together with the other four largest suppliers accounted for approximately 10.5% and 28.6% 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 37.7% and 71.1% 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 close associates, or any shareholder (which to the knowledge of the directors owned more than 5% of the number of issued shares of the Company) 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 41 to the financial statements.

ISSUANCE OF NEW SHARES UNDER GENERAL MANDATE

On 5 November 2015, 1,000,000,000 new shares were issued and allotted at a price of HK$0.50 per share pursuant to a placing agreement dated 22 October 2015.

Details of the above transaction are disclosed in the Company's announcements dated 22 October 2015 and 5 November 2015 respectively and the section headed "Capital Structure" on page 34 of this annual report.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 54 of this annual report and Note 42 to the financial statements respectively.

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)*
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 *(resigned on 29 October 2015)*

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

In accordance with Bye-law 84 of the Company's Bye-laws, Mr. Miao Zhenguo, Mr. Chan Yuk Tong and Mr. Fei Tai Hung 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 2016, the interests and short positions of the directors and chief executives of the Company or their respective close 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 *(Note 6)*	Total number of ordinary shares and underlying shares of the Company	Approximate percentage of issued ordinary share capital of the Company *(Note 7)*
Mr. Cao Zhong	Beneficial owner	6,800,000	10,000,000	16,800,000	0.08%
	Interest of controlled corporations	2,651,059,998	–	2,651,059,998 *(Note 1)*	12.07%
	Interest of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	5,104,572,167	43,000,000	5,147,572,167 *(Notes 1 and 5)*	23.43%
Mr. Miao Zhenguo	Beneficial owner	–	15,000,000	15,000,000	0.07%
	Interest of controlled corporations	1,970,551,043	–	1,970,551,043 *(Note 2)*	8.97%
	Interest of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	5,791,881,122	38,000,000	5,829,881,122 *(Notes 2 and 5)*	26.54%
Dr. Chen Yanping	Beneficial owner	–	12,000,000	12,000,000 *(Notes 3 and 6)*	0.05%
	Interest of controlled corporation	658,125,000	–	658,125,000 *(Note 3)*	3.00%
	Interest of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	7,104,307,165	41,000,000	7,145,307,165 *(Notes 3 and 5)*	32.53%
Mr. Lo Wing Yat	Beneficial owner	6,579,000	42,800,000	49,379,000	0.22%

Name of directors	Capacity	Number of ordinary shares of the Company	Number of underlying shares (unlisted and physically settled equity derivatives) of the Company *(Note 6)*	Total number of ordinary shares and underlying shares of the Company	Approximate percentage of issued ordinary share capital of the Company *(Note 7)*
Mr. Jaime Che	Beneficial owner	1,000,000	16,000,000	17,000,000	0.08%
	Interest of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	7,761,432,165	37,000,000	7,798,432,165 *(Notes 4 and 5)*	35.50%
Mr. Chan Yuk Tong	Beneficial owner	–	12,900,000	12,900,000	0.06%
Mr. Fei Tai Hung	Beneficial owner	–	12,900,000	12,900,000	0.06%
Mr. Tse Kam Fow	Beneficial owner	–	12,900,000	12,900,000	0.06%
Professor Chen Guohua *(resigned on 29 October 2015)*	Beneficial owner	–	10,000,000	10,000,000	0.05%

Notes:

1. Mr. Cao Zhong is interested or deemed to be interested in a total of 7,815,432,165 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 held by Champion Rise International Limited which is wholly owned by Mr. Cao who is a director; (iii) 6,800,000 shares and 10,000,000 share options*(note 6)* held by Mr. Cao and (iv) 5,104,572,167 shares and 43,000,000 share options*(note 6)* held by the other parties to the Undertaking*(note 5)*.

2. Mr. Miao Zhenguo is interested or deemed to be interested in a total of 7,815,432,165 shares of the Company including: (i) 1,806,301,043 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; (iii) 15,000,000 share options*(note 6)* held by Mr. Miao and (iv) 5,791,881,122 shares and 38,000,000 share options*(note 6)* held by the other parties to the Undertaking*(note 5)*.

3. Dr. Chen Yanping is interested or deemed to be interested in a total of 7,815,432,165 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; (ii) 12,000,000 share options*(note 6)* held by Dr. Chen and (iii) 7,104,307,165 shares and 41,000,000 share options*(note 6)* held by the other parties to the Undertaking*(note 5)*.

4. Mr. Jaime Che is interested or deemed to be interested in a total of 7,815,432,165 shares of the Company including: (i) 1,000,000 shares and 16,000,000 share options*(note 6)* held by Mr. Che and (ii) 7,761,432,165 shares and 37,000,000 share options*(note 6)* held by the other parties to the Undertaking*(note 5)*.

5. On 26 February 2016, CITIC International Assets Management Limited, Star Mercury Investments Ltd., Mr. Cao Zhong, Mr. Miao Zhenguo, Mr. Jaime Che, Dr. Chen Yanping and CITIC Pacific Limited entered into a concert party undertaking to regulate their dealings in the shares of the Company (the "Undertaking"). As such, each party to the Undertaking was deemed to have interests in the shares and/or underlying shares held by the other parties to the Undertaking under Section 317(1)(a) of the SFO.

6. 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 43 to the financial statements.

7. These percentages are calculated on the basis of 21,963,581,108 shares of the Company as at 31 March 2016.

Save as disclosed above, as at 31 March 2016, none of the directors or chief executives of the Company or their respective close 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 43 to the financial statements.

FDG Kinetic Limited ("FKL"), an indirectly non-wholly owned subsidiary of the Company, operates a share option scheme (the "FKL Scheme") which was approved and adopted by its shareholders at the special general meeting on 12 October 2007 for the primary purpose of providing incentives or rewards to its directors, eligible employees and other participants for their contribution to FKL and its subsidiaries (collectively the "FKL Group"). The FKL Scheme will remain in force for 10 years from the date of its adoption, unless otherwise cancelled or amended.

Under the FKL Scheme, the board of directors of FKL (the "FKL Board") may, at their absolute discretion, grant options to the following classes of participants to subscribe for shares of FKL subject to the terms and conditions stipulated therein:

(i) any employees or proposed employees (whether full-time or part-time and including any executive directors), consultants or advisers of or to FKL, any of its subsidiaries or any entity in which the FKL Group holds an equity interest (the "Invested Entity");

(ii) any non-executive directors (including independent non-executive directors) of FKL, any of its subsidiaries or any Invested Entity;

(iii) any suppliers of goods or services to any members of the FKL Group or any Invested Entity;

(iv) any customers of the FKL Group or any Invested Entity;

(v) any person or entities that provides research, development, or other technological support to the FKL Group or any Invested Entity; and

(vi) any shareholders of any members of the FKL Group or any Invested Entity, or any holders of any securities issued by any members of the FKL Group or any Invested Entity.

The total number of shares which may be issued upon exercise of all share options to be granted under the FKL Scheme must not in aggregate exceed 10% of the total number of shares of FKL in issue as at the date of approval of the FKL Scheme. As at 31 March 2016, there were no share options granted under the FKL Scheme and yet to be exercised. The total number of shares issued and to be issued upon exercise of all share options granted by FKL to each participant in any 12-month period shall not exceed 1% of the shares of FKL then in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval at a general meeting of FKL.

The period within which a share option may be exercised under the FKL Scheme will be determined by the FKL Board at its absolute discretion, such that it shall end in any event not later than 10 years from the date of grant of the share option (the "Offer Date") subject to the provisions for early termination.

The exercise price in respect of the share option shall be at the discretion of the FKL Board, save that it must be at least the highest of (i) the closing price of FKL's shares as stated in the Stock Exchange's daily quotations sheet on the Offer Date, (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the Offer Date; and (iii) the nominal value of FKL's share. A consideration of HK$1.00 is payable within 28 days from the Offer Date on acceptance of each offer of share options.

There were no share options outstanding under the FKL Scheme during the fifteen months ended 31 March 2016 nor any share option was granted, exercised, cancelled or lapsed under the FKL Scheme during the period.

No expenses were recognised in the FKL Group's financial statements as a result of granting share options for the fifteen months ended 31 March 2016 (year ended 31 December 2014: HK$767,000).

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 43 to the financial statements and the convertible bonds due 2018 issued by the Company, details of which are set out in the composite document issued jointly by the Company and FKL dated 30 January 2015, 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 16 to the financial statements.

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

As at 31 March 2016, 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 *(Note 8)*	Total number of ordinary shares and underlying shares of the Company	Approximate percentage of issued ordinary share capital of the Company *(Note 9)*
CITIC International Assets Management Limited *(Notes 1 and 2)*	Beneficial owner	451,908,000	–	451,908,000	2.06%
	Interest of controlled corporations	1,022,988,124	–	1,022,988,124	4.66%
	Interests of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	6,287,536,041	53,000,000	6,340,536,041	28.86%

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 *(Note 8)*	Total number of ordinary shares and underlying shares of the Company	Approximate percentage of issued ordinary share capital of the Company *(Note 9)*
CITIC International Financial Holdings Limited *(Notes 1 and 2)*	Interest of controlled corporations	1,474,896,124	–	1,474,896,124	6.72%
	Interests of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	6,287,536,041	53,000,000	6,340,536,041	28.86%
China CITIC Bank Corporation Limited *(Notes 1 and 2)*	Interest of controlled corporations	1,474,896,124	–	1,474,896,124	6.72%
	Interests of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	6,287,536,041	53,000,000	6,340,536,041	28.86%
Star Mercury Investments Ltd *(Notes 1 and 3)*	Beneficial owner	1,000,000,000	–	1,000,000,000	4.55%
	Interests of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	6,762,432,165	53,000,000	6,815,432,165	31.03%
Smooth Way Holdings Inc. *(Notes 1 and 3)*	Interest of controlled corporations	1,000,000,000	–	1,000,000,000	4.55%
	Interests of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	6,762,432,165	53,000,000	6,815,432,165	31.03%
CITIC Pacific Limited *(Notes 1 and 3)*	Interest of controlled corporations	1,000,000,000	–	1,000,000,000	4.55%
	Interests of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	6,762,432,165	53,000,000	6,815,432,165	31.03%

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 *(Note 8)*	Total number of ordinary shares and underlying shares of the Company	Approximate percentage of issued ordinary share capital of the Company *(Note 9)*
CITIC Limited *(Notes 1 and 4)*	Interest of controlled corporations	2,474,896,124	–	2,474,896,124	11.27%
	Interests of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	5,287,536,041	53,000,000	5,340,536,041	24.31%
CITIC Group Corporation *(Notes 1 and 4)*	Interest of controlled corporations	2,474,896,124	–	2,474,896,124	11.27%
	Interests of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	5,287,536,041	53,000,000	5,340,536,041	24.31%
Long Hing International Limited *(Note 5)*	Beneficial owner	2,311,059,998	–	2,311,059,998	10.52%
Union Ever Holdings Limited *(Note 6)*	Beneficial owner	1,806,301,043	–	1,806,301,043	9.87%
Mr. Li Ka-shing *(Note 7)*	Interest of controlled corporations	1,456,810,000	–	1,456,810,000	6.63%

Notes:

1. On 26 February 2016, an undertaking was made between CITIC International Assets Management Limited, Star Mercury Investments Ltd., Mr. Cao Zhong, Mr. Miao Zhenguo, Mr. Jaime Che, Dr. Chen Yanping and CITIC Pacific Limited (collectively referred to as "Concert Parties") to regulate their dealings in the shares of the Company (the "Undertaking") as a result of the whitewash waiver of the requirement under Rule 26.1(b) of the Code on Takeovers and Mergers upon completion of the subscription agreement dated 9 December 2015 made between the Company as issuer and Star Mercury Investments Ltd. as subscriber for the subscription of 1,000,000,000 shares of the Company, and the conversion of the convertible bonds due 2018 issued by the Company held by any of the Concert Parties and/or persons acting in concert with any of them. As such, each party to the Undertaking was deemed to have interests in the shares and/or underlying shares held by the other parties to the Undertaking under Section 317(1)(a) of the SFO. As at 31 March 2016, the parties to the Undertaking are deemed to be interested in a total of 7,815,432,165 shares/underlying shares.

2. For the purpose of the SFO, CITIC International Assets Management Limited is interested or deemed to be interested in (i) 1,474,896,124 shares of the Company including 451,908,000 shares held by it and 1,022,988,124 shares held by Right Precious Limited; and (ii) 6,340,536,041 shares and underlying shares of the Company held by other parties to the Undertaking*(Note 1)*.

   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 wholly-owned by China CITIC Bank Corporation Limited.

3. For the purpose of the SFO, Star Mercury Investments Ltd. is interested or deemed to be interested in (i) 1,000,000,000 shares of the Company held by it; and (ii) 6,815,432,165 shares and underlying shares of the Company held by other parties to the Undertaking*(Note 1)*.

   Star Mercury Investments Ltd. is a wholly-owned subsidiary of Smooth Way Holdings Inc. which, in turn, is a wholly-owned subsidiary of CITIC Pacific Limited.

4. For the purpose of the SFO, CITIC Limited is deemed to be interested in (i) 2,474,896,124 shares of the Company including 1,474,896,124 shares deemed interest of China CITIC Bank Corporation Limited*(Note 2)*, which is 64.29% owned by CITIC Limited through its wholly-owned subsidiaries, and 1,000,000,000 shares deemed interest of CITIC Pacific Limited*(Note 3)*, which is a wholly-owned subsidiary of CITIC Limited, and (ii) 5,340,536,041 shares and underlying shares of the Company held by other parties to the Undertaking*(Note 1)*.

   CITIC Limited is owned by CITIC Group Corporation as to 58.13% through its wholly-owned subsidiaries, CITIC Polaris Limited and CITIC Glory Limited.

5. Long Hing International Limited ("Long Hing") is wholly owned by Mr. Cao Zhong, 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 who is also a director of Long Hing.

6. Union Ever Holdings Limited ("Union Ever") is wholly owned by Mr. Miao Zhenguo, a director of the Company. The 1,806,301,043 shares of the Company held by Union Ever are deemed to be owned by Mr. Miao who is also a director of Union Ever.

7. For the purpose of the SFO, Mr. Li Ka-shing is deemed to be interested in a total of 1,456,810,000 shares of the Company, of which 6,660,000 shares are held by Lion Cosmos Limited ("Lion Cosmos"), 707,150,000 shares are held by Li Ka Shing (Canada) Foundation ("LKSCF") and 743,000,000 shares are held by Lucky River Holdings Limited ("Lucky River").

   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.

   Lucky River is a wholly-owned subsidiary of Mayspin Management Limited, which in turn is wholly owned by Mr. Li Ka-shing.

8. The interests in the underlying shares of the Company represent interests in options granted under the share option scheme of the Company to the directors of the Company who are also parties to the Undertaking.

9. These percentages are calculated on the basis of 21,963,581,108 shares of the Company as at 31 March 2016.

Save as disclosed above, as at 31 March 2016, the Company had 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 2016, none of the directors of the Company or their respective close 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 53.55% 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.

PERMITTED INDEMNITY PROVISIONS

During the year ended 31 March 2016, the Company has in force indemnity provisions as permitted under the relevant statutes for the benefit of the directors and officers of the Company and its subsidiaries. The permitted indemnity provisions are provided for in the Company's bye-laws and in the directors and officers liability insurance maintained for the Group in respect of potential liability and costs associated with legal proceedings that may be brought against such persons.

DIRECTORS' INTEREST IN CONTRACTS

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.

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 and 38 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 43 to the financial statements.

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 2016.

Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities during the year ended 31 March 2016.

DONATIONS

During the year, the Group made donations amounting to approximately HK$169,500.

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 14 April 2016, the Company and FKL jointly announced, inter alia, that a subscription agreement was entered into between the Company and Advanced Lithium Electrochemistry (Cayman) Co., Ltd ("ALEEES") pursuant to which the Company conditionally agreed to allot and issue and ALEEES conditionally agreed to subscribe for (a) 430,000,000 new ordinary shares of the Company at the subscription price of HK$0.50 per new share of the Company; and (b) the unlisted zero coupon convertible bonds due 2021 in the principal amount of HK$275 million to be issued by the Company in favour of ALEEES pursuant to the terms and conditions of the subscription agreement.

Upon completion of the subscription, the net proceeds of approximately HK$488.5 million will be used to repay some of the Group's debts to strengthen the capital structure of the Group, support the development of FKL (if required) and as general working capital of the Group.

The subscription agreement above was inter-conditional with the ALEEES Share Subscription Agreement, Cooperation Agreement, the Ark Cayman Sale and Purchase Agreement, the Ark Taiwan Asset Purchase Agreement, the R&D Service Agreement and the Loan Agreement which are more described in the joint announcement of the Company and FKL dated 14 April 2016 and Note 47(a) to the financial statements.

ALEEES is principally engaged in the business of production, research and development and sales and marketing of cathode materials for lithium ferrous phosphate batteries. It is one of the major suppliers of cathode materials for Sinopoly Battery Limited, a lithium-ion battery manufacturer within the Group which is 75% owned by the Company and 25% owned by FKL. The cooperation agreement secures long-term access to the quality cathode materials and provides Sinopoly Battery Limited steady supply of raw materials for the manufacturing of lithium-ion batteries. The acquisition of 21.85% stake in ALEEES diversifies FKL's portfolio while remaining committed in the battery related businesses. The steady supply of cathode materials serves as an important factor in enabling the Group's electric vehicle production to reach its designed production capacity and further strengthen the Group's position as a vertically integrated electric vehicle manufacturer. The acquisition of Ark Cayman and the asset and equipment of Art Taiwan represent the acquisition of ALEEES' research and development capabilities in connection with electric vehicle and battery technology which will be synergetic to the Company's existing research and development.

Details of other significant events occurring after the reporting period are set out in Note 47 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 2016

The Company, together with its subsidiaries, is an integrated electric vehicle manufacturer, the core business includes: (i) research and development ("R&D"), design and production of electric vehicles such as public buses, mid-size buses, commercial vehicles, trucks, passenger vehicles and other models, and other relative products; (ii) R&D, production, distribution and sale of lithium-ion batteries, cathode materials for lithium-ion batteries and other relative products; and (iii) provision of leasing service of electric vehicles. The Company has an indirect non-wholly-owned subsidiary, FDG Kinetic Limited ("FKL", stock code: 378). FKL's business includes: (i) technology development, production and sales of lithium-ion batteries, and (ii) direct investments including financing, securities trading and asset management.

MARKET OVERVIEW

Amid the global economic slowdown in 2015, the United States ("U.S.") made a steady recovery after the long-term quantitative easing policy, while the economy in Europe and Japan remained sluggish. There was a considerable divergence of economic performance across regions. More recently, the United Kingdom withdrew from the European Union after holding its European Union Membership referendum, whilst the impact of Brexit is hard to quantify, but there is no doubt that there will be increased uncertainty and instability in the global socio-economic environment. Despite a deceleration in economic growth with a series of mild stimulus measures, according to the National Bureau of Statistics of the PRC, China recorded a GDP growth of 6.9% in 2015 and 6.7% in the first quarter of 2016, maintaining a balanced development under the "new normal" economy. The automotive industry of China also had a stable growth in 2015. According to the statistics from the Traffic Management Bureau of the Ministry of Public Security of the PRC, the national vehicle population reached 279 million, of which 172 million units are automobiles. 24,503,300 units of automobiles in China were produced and 24,597,600 units were sold in 2015, representing a year-on-year increase of 3.25% and 4.68%, respectively.

In recent years, countries have been targeting at new energy in formulating economic development strategies and policies. Alongside the development of global economies, the improvement of living standards and the increasing concerns on climate changes and carbon emission reductions, many developed countries such as the U.S., Germany and Japan are introducing preferential policies and providing subsidies to support the development of new energy vehicles. The sales of global pure electric and plug-in hybrid electric passenger vehicles ("EV") reached 549,000 units in 2015, increasing by 70% year-on-year.

At the same time, the PRC's new energy vehicle ("NEV") industry is also growing rapidly. According to statistics from the China Association of Automobile Manufacturers, 379,000 units of NEVs were produced and 331,100 units were sold in 2015, with year-on-year growth of 4 times and 3.4 times respectively. The production and sales volume of pure EVs was 254,600 units and 247,500 units respectively, both marking a growth of over 4 times compared to last year. In 2015, the sales volume of NEVs in China has surpassed that in the U.S., making China one of the major NEV markets in the world.

In addition, according to the statistics from the Traffic Management Bureau of the Ministry of Public Security of the PRC, the vehicle population of NEVs in China in 2015 grew 169.48% compared to 2014, hitting 583,200 units, among which, 332,000 units were pure EVs, accounting for 56.93% of the total number of NEVs. This 317.06% surge compared with last year reflects the huge market demands for NEVs.

The State Council of the PRC unveiled the plan "Made in China 2025" in May 2015, listing NEV industry as one of the top ten key sectors. The "Circular on Financial Support Policies on Promotion and Application of New Energy Vehicles (2016–2020)", issued by Ministry of Finance of the PRC in April 2015, clearly stated that the subsidy for promotion and application of NEVs will be extended to 2020. Both the PRC Government and local authorities rolled out a series of supporting policies for NEVs. All these demonstrated the government's efforts and determinations in facilitating the development of NEV industry. Besides, the PRC Government has also launched measures such as "Plan for Government Offices and Public Institutions' Purchases of New Energy Vehicles" and "Opinions on the Implementation of Hastening the Promotion and Usage of New Energy Vehicles Within the Transportation Sector" to increase the ratio of NEVs in Government vehicles, public transport and taxis as well as to popularize the use of NEVs. This thus speeds up the development of NEVs industry and boosts the demand and development of the upstream lithium-ion batteries business.

BUSINESS REVIEW

Electric Vehicles Business

Permission for Manufacture of Pure Electric New Energy Passenger Vehicles

The Group has obtained the permission for manufacture of pure electric new energy passenger vehicles on 16 May 2016. This is important to the Group as a recognition to the Group's capability in R&D, product design and specifications, and production capacity. The pure electric passenger vehicle of the Group "e.Cool" (逸酷) will be officially launched in the fourth quarter of this year.

Cooperation Agreement with Guian New Area Management Committee to Establish Strategic Geographical Development Across China

In May 2016, the Group entered into a cooperation agreement with Guian New Area Management Committee to invest and establish a pure EV production base with an annual design production capacity of 150,000 units. This facilitates the Group's EV business development in Guizhou and the expansion of products portfolio, thus achieving product diversification. The Group will increase its market share by offering different product types and models. The production base in Guian New Area, together with that in Hangzhou and Yunnan, reflects the Group's strategic geographical development across China, strengthening its production capacity and enabling it to develop its EV business nationwide, to build "FDG" brand in the EV industry.

Hangzhou Plant Officially Commenced Production

Mass production has officially commenced at the Group's EV production base in Hangzhou Yuhang Economic and Technological Development Zone in April 2016. The Hangzhou production base covers an area of 1,150 mu, with an annual pure EV production design capacity of 100,000 units, including mid-size buses, commercial vehicles, delivery vehicles and passenger vehicles, etc. Commencement of the Hangzhou production base marks a milestone for the Group, as it proves the Group's strong capacity to meet market demands in China. The Group also strives to provide best quality EVs with the production base that houses the best manufacturing facilities. The Group's EVs are developed with Independent-Forward-Engineering ("正向開發"), fitted and structurally designed according to the particular features of EVs, and this brings a strong competitive advantage to the Group.

Strategic Partnership Agreement with Dah Chong Hong, Ltd.

In March 2016, the Group had signed a strategic partnership agreement with Dah Chong Hong, Ltd., a subsidiary of Dah Chong Hong Holdings Limited ("DCH", stock code: 1828). DCH officially becomes the Group's strategic partner in key regions of mainland China and Hong Kong to provide sales and marketing, after-sales and maintenance services for a range of FDG electric vehicles including coach, mid-size bus and commercial vehicle models.

Entering the mainland China market in the early 70s, DCH is now a prominent motor conglomerates in the greater China region and the largest motor group in Hong Kong in terms of the number of brands it represents. DCH has the largest market share in EV industry in Hong Kong, with extensive sales network and professional sales and after-sales team. The rich experience and expertise of DCH will provide strong supports to the Group's business developments. Through DCH's comprehensive automotive business value chain platform, the Group will be able to strengthen its brand awareness, in turn boosting the sales of the Group's product, enhancing its profitability and promoting further development.

Gained Industry Recognitions in Auto Exhibitions

During the year under review, the Group had participated in many automotive exhibitions, including the 14th Beijing International Automotive Exhibition, International Electric Vehicle Expo (IEVE) in Jeju of South Korea, the 28th Electric Vehicle Symposium and Exhibition (EVS28) in Seoul of South Korea, and the 6th Global New Energy Vehicle Conference (GNEV6). The Group showcased a series of EV products developed with Independent-Forward-Engineering, as well as its latest technologies such as EV intranet, Intra-Vehicle Information system and smart driving etc., gaining industry recognitions for the Group. The Group believes that attending exhibitions will help building the Group's reputation and getting the latest market information.

Batteries Business

Strategic Cooperation with FKL and Advanced Lithium Electrochemistry (Cayman) Co., Ltd. ("ALEEES") through Equity Restructuring

The Company, FKL and ALEEES (listed on the Taipei Exchange, stock code: 5227) announced entering into a long-term strategic cooperation through equity restructuring in April 2016. Upon completion, FKL will hold 21.85% equity interest of ALEEES, while ALEEES will hold 4.27% equity interest in the Company (if all convertible bonds converted to shares of the Company). The transaction is estimated to be completed in the second half of 2016.

ALEEES is one of the world's largest suppliers of LFP battery cathode materials, with annual design production capacity of 3,000 tons. It is also a primary supplier of cathode materials for Sinopoly Battery Limited ("Sinopoly Battery", a wholly-owned subsidiary of Synergy Dragon Limited, which is 75% owned by the Company and 25% owned by FKL and a lithium-ion battery manufacturer within the Group). Apart from diversifying the Group's battery product portfolio, the strategic cooperation will ensure Sinopoly Battery has a stable LFP cathode material supply when the domestic demand for LFP batteries is expected to be boosted up, as the public electric buses will primarily use LFP batteries because the PRC Government is forbidding public electric buses from using NCM lithium-ion battery until it has passed the safety certification. After completion of the transaction, FKL will become the single largest shareholder of ALEEES, with an expected decrease in ALEEES's expenses, bringing positive financial impact to FKL's financial positions.

By acquiring Aleees Eco Ark (Cayman) Co., Ltd and the assets and equipment from Aleees Eco Ark Co., Ltd., the Group will get the assets and equipment, technologies and intellectual properties in electric bus designs, battery-swapping and power battery (more than 10 registered patents and 80 patents under applications), as well as Japanese battery soft-casing technology, and combine with the Group's own EV and battery technologies, further enhancing the Group's position as a vertically integrated EV manufacturer.

Acquisition of Nickel-Cobalt-Manganese Lithium-ion Battery Cathode Material Business of SK Group

In September 2015, FKL acquired SK (Chongqing) Lithium Ion Battery Materials Co., Ltd (subsequently renamed to FDG Kinetic (Chongqing) Lithium Ion Battery Materials Co., Ltd), a subsidiary of the members of the SK Group. It is principally engaged in the manufacturing of the cathode materials for NCM lithium-ion battery which can be used in EVs, energy storage systems and telecommunication devices, with a current annual design production capacity of 2,400 tons. The production capacity can be increased to 9,600 tons per year through further expansion. SK Group is one of the largest conglomerates in the Republic of Korea, with near 10 years of proven track record in battery business. The acquisition is to diversify the Group's battery and EV business, strengthen the upstream battery business and also the EV business, thus to enhance the Group's competitiveness through synergy.

RISK FACTORS

Policies Risk

Development of the NEV industry has become a national strategy in China. And the Group's business benefits from the PRC Government's preferential policies and subsidies, but at the same time is likely to be affected by policy changes. In order to reduce its sensitivity to policy measures, FDG will optimize cost control through improving technology, expand market presence and strengthen existing businesses to achieve better economies of scale.

Market Risk

The growth of traditional automobile market in the PRC is expected to slow down, and many automobile manufacturers are shifting from producing cars with combustion engines to developing NEVs, thus intensifying the market competition. The Group, different from traditional automobile manufacturers which produce EVs by modifying traditional automobiles, is the only EV manufacturer that focuses on designing and producing pure EVs. The design, production of core components and assembling of the Group's EVs are developed with Independent-Forward-Engineering, giving us advantages in terms of functions and structure of its EVs and this will be the Group's strongest competitive edge in facing the stiff market competition.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group believes new energy industry is important to environmental protection, which is one of the key drives for sustainable development in the future. Being listed in the third group of the "Catalogue of Recommended Models for New Energy Automobile Demonstration, Popularization and Application" issued by the Ministry of Industry and Information Technology of the PRC Government, the Group's products are government-approved and are developed on the premise of environmental protection and energy saving.

Battery Product Business

The Group's lithium-ion batteries, produced with modern production technology in accordance with the international standards of environmental protection, are internationally known as the "green batteries". Using quality LFP lithium-ion battery cathode materials and environment-friendly water-based adhesive as raw materials, the Group's lithium-ion battery products provide superior and long lasting performance at a low cost. They do not consist of hazardous substance and thus will not cause pollution.

Vehicle Design and Electric Vehicle Production Business

The Group's EVs are designed and produced with the Group's Independent-Forward-Engineering, and are equipped with lithium-ion batteries, which effectively reduce vehicle energy consumption and avoid exhaust emissions. In addition, a photovoltaic energy storage system is constructed in the Hangzhou plant, and upon its completion, photovoltaic power can provide 30% of the electricity needed by the plant, in turn reducing the consumption of coal power nationwide.

EV Leasing Business

FDG offers EV leasing service in support to the Government's promotion and usage of NEVs. Financial leasing also facilitates the promotion of NEVs, and is beneficial to the development of the NEV industry in the long run.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group provides a good working environment to employees, including a comprehensive employee welfare system, excellent advancement opportunities and on-the-job training, and equity incentive plans as rewards for employees. With internal monitoring and assessments, the Group offers advancement opportunities to employees when appropriate. The Group also provides different types of training to equip employees with necessary knowledge at work.

The Group provides excellent after-sales services to customers and maintains a good customer relationship. Before being delivered to the customers, all of FDG's products have passed rigorous tests, including driving in extreme weather, speed test, and test of driving uphill to ensure quality, safe and qualified EVs are sold to customers.

To select its suppliers carefully, the Group tends to choose leading enterprises within the industry or suppliers with advanced technology and products as partners to ensure the high quality of raw materials. The Group also stabilizes the supply of raw materials and ensures the use of related technology through mergers and acquisitions.

RELEVANT LAWS AND REGULATIONS

The Group complies with the requirements under the Companies Ordinance, the Listing Rules and the Securities and Futures Ordinance for the disclosure of information and corporate governance. The Group also complies with the requirements of Employment Ordinance and ordinances relating to occupational safety for the interest of employees of the Group.

Products and Specifications

FDG's power battery has been listed in the catalogue of "Standardized Requirements for the Automobile Power Storage Battery Industry", with qualified capacity, energy, power, efficiency, standard life cycle and working life cycle. The Group's EVs have been listed in the "Catalogue of Recommended Models for New Energy Automobile Demonstration, Popularization and Application", proving the quality of the Group's EVs and the eligibility to obtain the government subsidies. The Group's EVs have also been granted the permission according to the "Provisions on the Administration of Newly Established Pure Electric Passenger Vehicle Enterprises", showing that the Group's production technology, R&D and design are all conformed to strict standards.

FUTURE DEVELOPMENT

Looking forward, building on the popularization of energy saving and inclusion of new energy into the PRC Government's future development plan as a key strategy, NEVs have great growth potential and will be the key development trend of the automotive industry. China has been seeing robust growth in NEV industry despite having a relatively slow start, with the production and sales of NEVs in China had recorded a year-on-year growth of over 3 times in 2015, making it the biggest EV market in the world. Meanwhile, the growing number of charging facilities makes it much more convenient to use NEVs, which will in turn stimulate the sales of NEVs and open up a brighter prospect.

The Group's Hangzhou production base has commenced mass production on 17 April 2016, with a design annual capacity of 20,000 units of mid-size bus and 80,000 units of passenger vehicle. Based on our production and sales progress, the Group plans to produce approximately 5,000 to 10,000 units of mid-size bus in the new financial year. By mid-July 2016, the Group has orders on hand amounted to 1,000 units of mid-size bus. Besides, our passenger vehicle will be launched at the end of this year as planned.

Moreover, in order to seize the market opportunities, the Group is committed to the R&D of EV design and production, and continuous strengthening of the Group's own Independent-Forward-Engineering technology. The Group has continued to look for other suitable production bases to raise capacity and meet market demands after the Hangzhou production base has commenced operation. The construction of Guian production base is about to commence, not only will it increase the Group's production capacity but also expand the Group's market share, which in turn establishes its strategic geographical development across China.

The advancement of China's R&D technology of NEVs enables the Group to promote the development of industry, quality will be more important than quantity as a key to success in the future market. The improvement in quality is thus vital to the future development of new energy vehicles industry. The production of high quality NEVs will enhance the competitiveness of China's automotive enterprises over the peers in the world, promote the transformation of China's automotive industry and also pave the way for transformation in economic structure of China.

Dedicated to producing world-class EVs, the Group has cooperated with ALEEES, one of the world's largest suppliers of LFP battery cathode materials, to obtain the advanced technologies and supports. The Group will continue exploring potential overseas markets, seeking to establish strategic partnership, building an integrated EV business and producing internationally-recognized EVs and EV products, to become one of the leading EV manufacturers in the world.

FINANCIAL REVIEW

During the year under review, the Group's revenue is analysed as follows:

	2016 **HK$'000**	2015 HK$'000
Revenue from external customers	**363,384**	303,605
Inter-segment revenue	**338,556**	8,628
Total revenue before inter-segment elimination	**701,940**	312,233

The Group recorded a revenue before inter-segment elimination of approximately HK$701.9 million during the current financial year, representing an increase of approximately 124.8% as compared with the revenue before inter-segment elimination of approximately HK$312.2 million of the last financial year. Such huge increase was mainly due to the increase in demand of the lithium-ion batteries from the electric vehicle production subsidiaries of the Group, which are still at its initial manufacturing stage and the sales of electric vehicles would not be reflected in the current financial year. Excluding the inter-segment transactions, the Group recorded a revenue of approximately HK$363.4 million and compared with the revenue of approximately HK$303.6 million of the last financial year, an increase of approximately 19.7%.

Gross profit increased double to approximately HK$144.2 million of the current financial year from approximately HK$70.5 million of the last financial year. Gross profit ratio was at approximately 39.7% of the current financial year as compared with approximately 23.2% of the last financial year, representing an increase of approximately 16.5%. Such increase was mainly attributable to the increase of production volume of the battery products to cope with the strong demand of electric vehicles production resulted in a better economy of scale in the battery production to achieve a substantial decrease in unit cost per battery product; and the contribution of interest income from direct investments segment which was acquired in February 2015.

The Group has widened its loss for the year to approximately HK$887.8 million from approximately HK$508.7 million of the last financial year, which is principally attributable to the Group's electric vehicle production business in its final stage of preparation before the commencement of mass production, and there are increases in the following expenses:

(i) the selling and distribution costs of approximately HK$36.7 million, an increase of approximately HK$8.3 million comparing with the last financial year of approximately HK$28.4 million, was mainly attributable to the increase of marketing expenses in launching the electric vehicles;

(ii) the general and administrative expenses of approximately HK$350.3 million, an increase of approximately HK$117.7 million comparing with the last financial year of approximately HK$232.6 million, was mainly attributable to the additional expenditures incurred by the Group's electric vehicle production segment of the Hangzhou production plant, which is in the initial stage of production process during the year under review;

(iii) the research and development expenses of approximately HK$62.8 million, an increase of approximately HK$46.1 million comparing with the last financial year of approximately HK$16.7 million, was mainly attributable to the increase in the research and development on electric vehicles and battery products;

(iv) the finance costs of approximately HK$304.8 million, an increase of approximately HK$179.1 million comparing with the last financial year of approximately HK$125.7 million, was mainly attributable to interest expenses from the increase in the Group's bank loans and other borrowings and the increase of imputed interest incurred from the convertible bonds;

(v) the other operating expenses of approximately HK$87.4 million during the year under review was attributable to the production and output costs incurred in the trial stage of the Group's electric vehicle production base in Hangzhou; and

(vi) the loss for the year was partly offset by the technology transfer income of approximately HK$82.9 million which represented the one-off gain on disposal of the certain technical know-hows in the current financial year, which did not incur in the last financial year. The technology transfer income represented the excess (the "Excess") of the agreed consideration of such intangible assets contributed by the Group carried at fair value upon transfer to a joint venture over the carrying amount of such intangible assets after eliminating the Group's interest in the Excess.

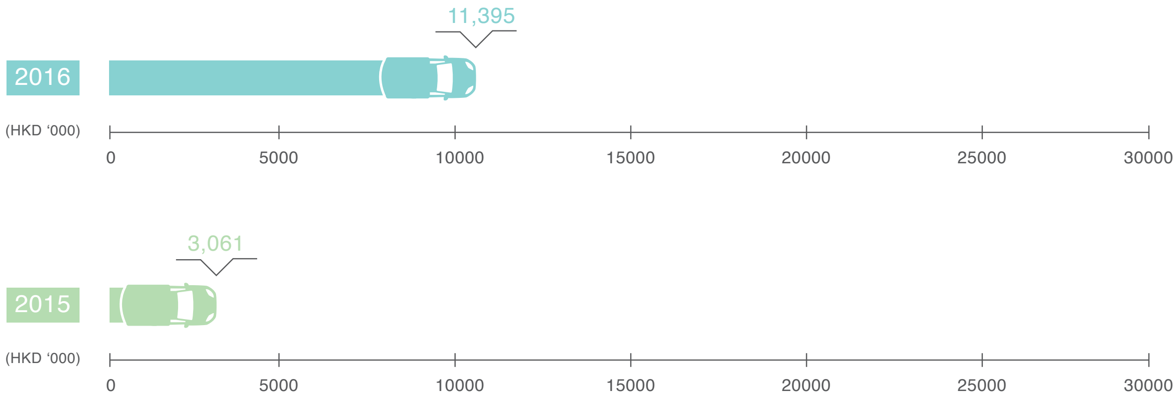
The Group recorded the loss before interest, tax, depreciation and amortisation ("LBITDA") of approximately HK$329.0 million for the current financial year, an increase of approximately HK$122.8 million, comparing with approximately HK$206.2 million in the last financial year. Such increase was mainly attributable to the additional research and development expenses, general and administrative expenses and trial run costs incurred by the Group's electric vehicle production segment that is in the initial stage of production process during the year under review.

During the year under review, the Group narrowed the loss attributable to owners of the Company at approximately HK$228.2 million, comparing with the last financial year of approximately HK$409.7 million while the loss attributable to non-controlling interests amount to approximately HK$659.6 million (2015: approximately HK$99.0 million). Such substantial decrease in loss attributable to owners of the Company are primarily due to (i) the technology transfer income of approximately HK$82.9 million which is only attributable to the owners of the Company; and (ii) the loss arising from the acquisition of interest in an associate of approximately HK$1,693.1 million recorded in FDG Kinetic Limited ("FKL", a non-wholly-owned listed subsidiary of the Company), such loss is proportionally shared by the non-controlling interests of FKL, amounted to approximately HK$447.8 million. The details of such loss are set out in the announcement of FKL dated 27 November 2015.

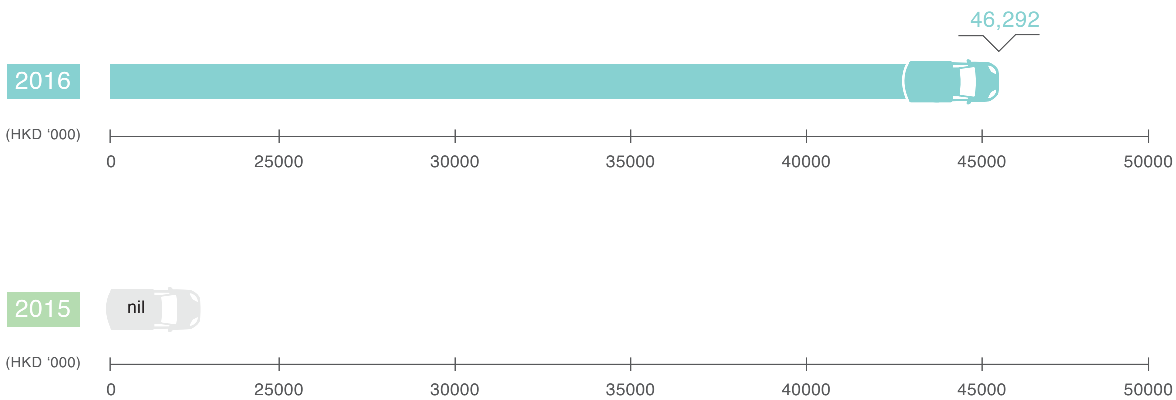
Turnover of main business segment

Battery Product Business

Vehicle Design and Sales of Electric Vehicles



Cathode Materials for NCM lithium-ion Batteries Business



Segment Information

Battery products business

To cope with the Group's electric vehicle production business, the revenue from battery products business increased from approximately HK$303.8 million of last year to approximately HK$592.7 million of the current year before inter-segment elimination, an increase of approximately 95.1%. The gross profit ratio from the battery products business increased from approximately 22.9% of the last financial year to approximately 46.1% of the current financial year. Such increase was mainly attributable to a better economies of scale that strive for efficiency for the battery production which resulted in a decrease in unit cost of battery product.

The battery products business recorded a segment loss before tax of approximately HK$110.0 million, an improvement of approximately 22.9% as comparing with approximately HK$142.6 million of the last financial year. The battery products business recorded an earnings before interest, tax, depreciation and amortisation ("EBITDA") at approximately HK$36.1 million for the current year comparing with the EBITDA of approximately HK$3.7 million for the last financial year. Such improvement was mainly attributable to the improved efficiency in operations and the increase of outputs in the battery factories of the Group.

Vehicle design and electric vehicle production business

During the year under review, service income from vehicle design and sales of electric vehicles were totally approximately HK$11.4 million represents an increase of approximately HK$8.3 million as compared with approximately HK$3.1 million of the last financial year. Such increase was mainly attributable to the trial sale of electric vehicles in the first quarter of 2016.

The segment loss before tax for the year was approximately HK$225.8 million. Excluding the technology transfer income of approximately HK$82.9 million, the segment loss before tax would be approximately HK$308.7 million, an increase of approximately 25.9% as comparing with approximately HK$245.1 million of the last financial year, which was mainly attributable to additional research and development expenses, administrative expenses and trial run costs incurred by the Group's electric vehicle production segment that is in the initial stage of production process during the year under review. The Group will achieve better economies of scale with its business model covering the lithium-ion batteries, the design and production of electric vehicles. This enables the Group to have a better control of the production cost and to optimise the design of electric vehicles and batteries, resulting in a synergistic effect for an advantage overs its competitors.

Electric vehicle leasing business

The rental income from electric vehicle leasing business was approximately HK$0.7 million for the current financial year, representing a decrease of approximately HK$0.5 million as compared with approximately HK$1.2 million of the last financial year. Such decrease was mainly due to the change of operation model that the Group will deploy its own electric vehicles for leasing and provide different leasing services through its vertical integration business model covering the Group's battery production, electric vehicle manufacturing and electric vehicle leasing. The segment loss before tax for the current financial year was approximately HK$3.4 million (2015: approximately HK$3.6 million).

Battery materials production business

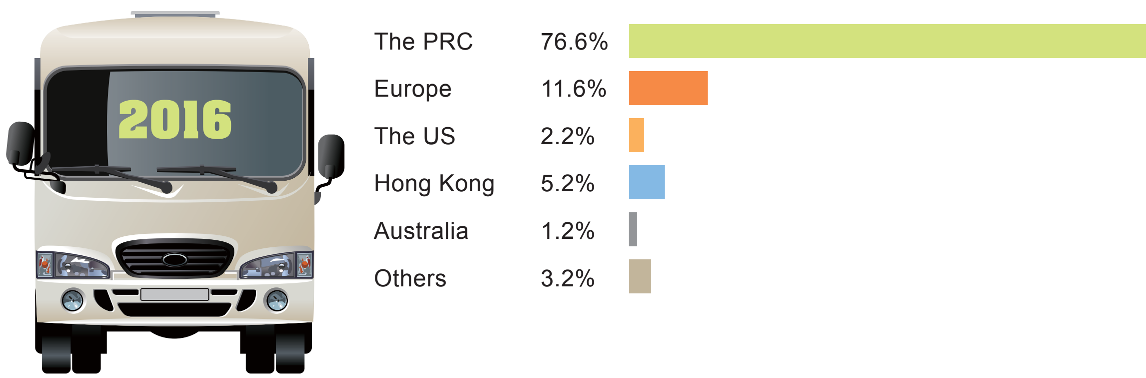
During the year under review, the Group extended its business to sales of cathode materials for NCM lithium-ion batteries through an acquisition completed in October 2015. This new business segment contributed to the Group's revenue of approximately HK$46.3 million and incurred a segment loss before tax of approximately HK$30.4 million during the year under review. The NCM lithium-ion batteries can be widely used in the telecommunication devices, electric vehicle and energy storage system. The demand for cathode materials are expected to remain strong in the future to cope with the continuous favorable government policies in the development of new energy vehicle industry.

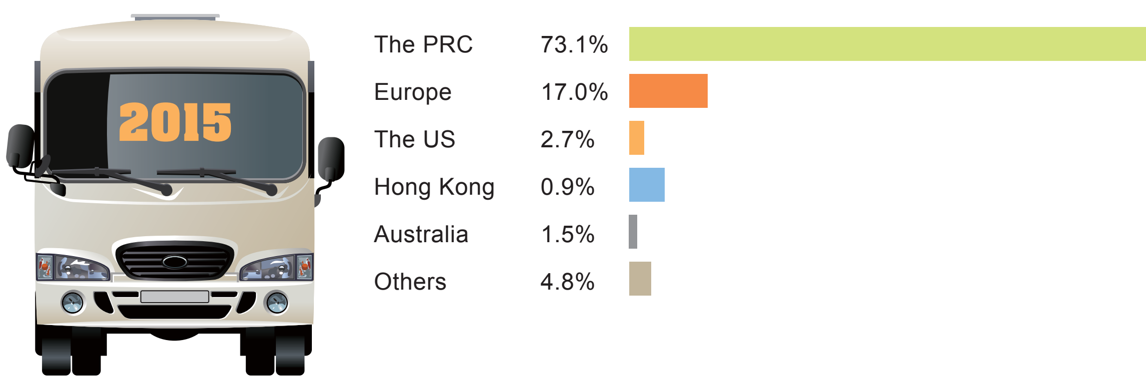
Direct investments business

The interest income from direct investments covering loan financing activities for the current financial year of approximately HK$19.3 million (2015: approximately HK$1.5 million), was mainly accrued for the loan to an external customer that secured by a mining right of an iron ore mine in the PRC (the "Loan"). During the year under review, the Group entered into a service agreement with an agent to collect the Loan on behalf of the Group. The segment loss before tax for the current financial year was approximately HK$24.5 million (2015: approximately HK$3.0 million).

Geographical Analysis of Turnover

During the year under review, the Group made progress in developing its business world-wide and most of international electric vehicles and energy storage companies acknowledged the quality of our lithium-ion batteries products. In addition, electric vehicles market in the PRC continue to grow and thus creating more demand for lithium-ion battery products. European countries, the PRC, the US, Australia, Hong Kong and others contributed approximately 11.6% (2015: 17.0%), 76.6% (2015: 73.1%), 2.2% (2015: 2.7%), 1.2% (2015: 1.5%), 5.2% (2015: 0.9%) and 3.2% (2015: 4.8%) to the Group's total turnover respectively.





Liquidity and Financial Resources

As of 31 March 2016, the Group had (i) non-current assets of approximately HK$6,035.0 million (31 March 2015: approximately HK$4,359.7 million), which comprised of goodwill, intangible assets, property, plant and equipment, interest in leasehold land held for own use under operating lease, interests in associates, interests in joint ventures, available-for-sale investments, deposits paid for non-current assets, loan receivable, and other non-current assets; and (ii) current assets of approximately HK$2,654.0 million (31 March 2015: approximately HK$1,664.8 million), which mainly comprised of inventories, trade, bills, loan and other receivables, financial assets at fair value through profit and loss, derivative financial instruments, pledged bank deposits which were secured for all bills payable of the Group, a bank loan of the Group and issuance of letter of credit, and cash and cash equivalents.

The Group had current liabilities of approximately HK$2,891.3 million (31 March 2015: approximately HK$2,286.4 million), which mainly comprised of bank loans and other borrowings, trade and bills payables, accruals and other payables, tax payables, 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$523.5 million (31 March 2015: approximately HK$139.1 million). The Board is of the view that it is appropriate to prepare these financial statements on a going concern basis with details set out in Note 3 to the financial statements.

The Group's total non-current liabilities (comprised of other non-current liability, deferred income, bank loans and other borrowings, liability components of convertible bonds of approximately HK$476.6 million and deferred tax liabilities) increased from approximately HK$1,423.8 million as at 31 March 2015 to approximately HK$1,705.9 million as at 31 March 2016, which mainly attributable to the combination effect of the increase in bank and other borrowings and partly set-off by the large amount of conversion of convertible bonds during the year under review.

Total bank loans and other borrowings as at 31 March 2016 were approximately HK$1,983.0 million (31 March 2015: approximately HK$880.2 million), including (i) the bank loans of approximately HK$1,255.8 million (31 March 2015: approximately HK$190.6 million) were secured by certain land and buildings, construction in progress and plant and machineries of the Group with a total carrying value of approximately HK$2,176.9 million (31 March 2015: approximately HK$315.2 million), a bank deposit and share mortgages over certain shares of subsidiaries of the Group, denominated in Renminbi ("RMB"), bear interest at prevailing market interest rates; (ii) the other borrowings of approximately HK$694.6 million (31 March 2015: approximately HK$689.6 million) 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 and a share mortgage over certain shares of FKL. Such borrowings were denominated in Hong Kong dollars and bear fixed interest rate; and (iii) unsecured other borrowings of approximately HK$32.6 million as at 31 March 2016 (31 March 2015: nil) were denominated in US dollars, unsecured and bear fixed interest rate. The maturity profile of the bank loans and other borrowings included approximately HK$1,102.2 million (31 March 2015: approximately HK$880.2 million) repayable within one year, approximately HK$169.8 million (31 March 2015: nil) repayable within one to two years and approximately HK$711.0 million (31 March 2015: nil) repayable within three to five years respectively. The Group's bank loans and other borrowings are mostly event driven, with little seasonality.

The net assets of the Group increased from approximately HK$2,314.2 million as at 31 March 2015 to approximately HK$4,091.8 million as at 31 March 2016. At 31 March 2016, the net assets attributable to owners of the Company per share was approximately HK$0.15 (31 March 2015: approximately HK$0.12).

As at 31 March 2016, the Group's gearing ratio, without taking into account the obligations under redeemed convertible bonds of approximately HK$760.8 million (31 March 2015: approximately HK$760.8 million) and the liability components of convertible bonds of approximately HK$476.6 million (31 March 2015: approximately HK$1,156.0 million), was approximately 59.0% (31 March 2015: approximately 42.5%) calculated on the basis of bank loans and other borrowings of approximately HK$1,983.0 million (31 March 2015: approximately HK$880.2 million) to total equity attributable to owners of the Company of approximately HK$3,362.5 million (31 March 2015: approximately HK$2,071.1 million) as at 31 March 2016.

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.

Capital Structure

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 of Hong Kong Limited had been changed from 20,000 shares to 5,000 shares with effect from 28 July 2015.

The reduction of the entire amount standing to the credit of the share premium account of the Company to nil had been approved at the annual general meeting of the Company held on 28 August 2015 and became effective with effect from 31 August 2015.

On 5 November 2015, a total of 1,000,000,000 new shares of the Company were issued and allotted at a price of HK$0.50 per share pursuant to a placing agreement entered into between the Company and VMS Securities Limited as the placing agent on 22 October 2015 under the general mandate to issue shares granted at the Company's annual general meeting held on 28 August 2015. The net proceeds of approximately HK$491.5 million are intended to be applied in and towards the operational cash flow required for the scale production of electric vehicles in the manufacturing plant in Hangzhou and other general working capital purposes.

On 26 February 2016, a total of 1,000,000,000 new shares of the Company were issued and allotted at a price of HK$0.465 per share pursuant to a subscription agreement entered into between the Company and Star Mercury Investments Ltd. on 9 December 2015 under the specific mandate granted at the Company's special general meeting held on 19 February 2016. The net proceeds of approximately HK$463 million are intended to be used for the remaining capital expenditure required for the scale production of electric vehicles in the manufacturing plant in Hangzhou.

As at 31 March 2016, a total net proceeds of approximately HK$954.5 million from the above placing agreement and subscription agreement was received by the Group of which approximately HK$100 million was applied for the operation and production in the electric vehicle manufacturing plant in Hangzhou, approximately HK$459.5 million was used for general working capital purposes (including operational and capital expenditure expenses for battery manufacturing business and repayment of certain borrowings and interest), and approximately HK$395 million will be used for the remaining capital expenditure required for the scale production of electric vehicles in the Hangzhou manufacturing plant and the general working capital of the Group.

During the year ended 31 March 2016, (i) a total of 2,091,410,374 new shares of the Company were issued and allotted upon the conversion of the 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 in the offer to acquire all the issued shares and share options of FKL; and (ii) a total of 6,000,000 new shares of the Company were issued and allotted upon exercise of the share options granted under the Company's share option scheme.

As a result of the above, the number of shares of the Company in issue increased from 17,866,170,734 as at 1 April 2015 to 21,963,581,108 as at 31 March 2016.

As at 31 March 2016, the Company has (i) outstanding Exchange CBs in the amount of HK$131,826,304.80 which could be convertible into 263,652,609 shares of the Company based on the initial conversion price of HK$0.50; (ii) outstanding share options entitling holders to subscribe for a total of 451,800,000 shares of the Company; and (iii) outstanding 8% convertible bonds due 2017 in the principal amount of HK$400,000,000 held by VMS Investment Group Limited which could be convertible into 666,666,666 shares of the Company based on the initial conversion price of HK$0.60.

Save as disclosed above, the Group had no other debt securities or other capital instruments as at 31 March 2016.

Material Acquisitions and Disposals

During the year under review, the following transactions were carried out which were considered as material acquisitions and disposals of the Company:

Transaction 1: On 29 April 2015, a placing agreement was entered into between Sinopoly Strategic Investment Limited ("Sinopoly Strategic", a wholly-owned subsidiary of the Company) and VMS Securities Limited ("VMS") pursuant to which VMS would, on best-effort basis, place up to 150,000,000 shares in FKL 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. Completion of the placing took place on 7 May 2015 and 150,000,000 shares in FKL have been placed out successfully. The number of shares in FKL held by Sinopoly Strategic decreased from 840,106,498 shares to 690,106,498 shares, representing a decrease of shareholding in FKL from approximately 89.54% to approximately 73.55%.

Transaction 2: 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. Upon completion of all the transactions contemplated under the FDG Contribution Agreement and the Smith Contribution Agreement, the Group will become the single largest shareholder of the JV, holding approximately 45.45% of the issued share capital of the JV.

Details of the formation of the JV are disclosed in the announcement of the Company dated 4 May 2015.

Transaction 3: On 23 July 2015, Sinopoly Strategic (as vendor), FKL and Guotai Junan Securities (Hong Kong) Limited (the "Placing Agent") entered into a placing and top-up subscription agreement pursuant to which (i) the Placing Agent agreed to procure the placing of up to 35,000,000 shares of FKL held by Sinopoly Strategic at the placing price of HK$7.73 per placing share; and (ii) Sinopoly Strategic agreed to subscribe for up to 35,000,000 new shares of FKL at the subscription price of HK$7.73 per subscription share (the "Top-up Subscription"). Completion of the placing and the Top-up Subscription took place on 28 July 2015 and 5 August 2015 respectively and, as a result, the equity interest of FKL held by the Company reduced from approximately 73.55% to approximately 70.91%. Details of the placing and Top-up Subscription are disclosed in the joint announcement of the Company and FKL dated 23 July 2015.

Transaction 4: On 5 September 2015, the Company and FKL jointly announced that Kingspark Group Limited ("Kingspark", a direct wholly-owned subsidiary of FKL, as purchaser), SK China Company Limited (the "First Vendor") and SKC Co., Ltd. (the "Second Vendor") entered into a sale and purchase agreement (the "Sale and Purchase Agreement") pursuant to which (i) Kingspark conditionally agreed to purchase and the First Vendor conditionally agreed to sell 39,291,010 shares of Premier Property Management Limited ("Premier Property"), which represent approximately 90.91% of the issued shares of Premier Property; and (ii) Kingspark conditionally agreed to purchase and the Second Vendor conditionally agreed to sell 3,929,000 shares of Premier Property, which represent approximately 9.09% of the issued shares of Premier Property. The total consideration was HK$722,000,000, which was satisfied by FKL on 29 October 2015 through (i) the payment of HK$338,182,608 in cash and the issuance of 244,755,815 shares in FKL to the First Vendor; and (ii) the payment of HK$33,817,392 in cash and the issuance of 24,474,955 shares in FKL to the Second Vendor. The Sale and Purchase Agreement constituted a discloseable transaction of the Company under the Listing Rules. Upon its completion, (i) Premier Property has become an indirect subsidiary of the Company and (ii) the equity interest of FKL held by the Company reduced from approximately 70.91% to approximately 67.19% and FKL remained as a subsidiary of the Company.

Premier Property's group is principally engaged in the manufacturing of the cathode materials for nickel-cobalt-manganese lithium-ion battery which is another type of battery that the Company is exploring for the applications in its electric vehicles. Thus, the acquisition of Premier Property represents a diversification of the Company's current battery business and is an entry point for the Company to enter into the nickel-cobalt-manganese lithium-ion battery market.

Details of the Sale and Purchase Agreement are disclosed in the joint announcements of the Company and FKL dated 5 September 2015, 8 September 2015 and 29 October 2015, and Note 17(a) 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 2016.

Pledge of Assets and Contingent Liabilities

There are pledges of assets as at 31 March 2016 and 2015 with details disclosed under the section headed "Liquidity and Financial Resources". In addition, pledged bank deposits of approximately HK$212.6 million (31 March 2015: approximately HK$128.9 million) were pledged to secure mainly for bills payables, a bank loan and letter of credit issued by the Group.

The Group had no significant contingent liabilities as at 31 March 2016 (31 March 2015: nil).

Capital Commitment

Details of the capital commitments of the Group are set out in Note 44(b) on page 150 of this report.

Employees and Remuneration Policies

As of 31 March 2016, the Group had 65 employees (31 March 2015: 47 employees) in Hong Kong and 2,663 employees (31 March 2015: 2,119 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$315.6 million (2015: approximately HK$190.0 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.

CORPORATE GOVERNANCE REPORT

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 2016 and up to the date of this report except for the following deviations.

Code provision A.2.1

Since 28 May 2014, both the roles of Chairman and Chief Executive Officer are vested in Mr. Cao Zhong which constitutes a deviation from code provision A.2.1 of the Code which requires the roles of the chairman and chief executive officer to be separated and performed by different individuals. The Board considers that it will be more effective in implementing the Company's business strategies under the current arrangement as the Group has expanded 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

During the period from 1 April 2015 to 26 November 2015, the Nomination Committee consisted of three executive directors and three independent non-executive directors which constituted a deviation from code provision A.5.1 of the Code which requires a nomination committee to comprise a majority of independent non-executive directors. At the Board meeting held on 27 November 2015, this deviation has been rectified and the Nomination Committee currently comprises a majority of independent non-executive directors in compliance 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 2016.

BOARD OF DIRECTORS

Composition

The Board currently comprises the following eight 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)*

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 7 to 10 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".

Independent Non-executive Directors

The Company has three independent non-executive directors.

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

All the 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 2016, 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 three additional meetings during the year ended 31 March 2016. 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	7/7
Mr. Miao Zhenguo	5/7
Dr. Chen Yanping	6[d]/7
Mr. Lo Wing Yat	6[c]/7
Mr. Jaime Che	7/7
Non-executive director:	
Professor Chen Guohua *(resigned on 29 October 2015)*	3[a]/3
Independent non-executive directors:	
Mr. Chan Yuk Tong	7[b]/7
Mr. Fei Tai Hung	7[a]/7
Mr. Tse Kam Fow	7/7

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.

d Including five 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. For the year ended 31 March 2016, the Company arranged a seminar provided by an external organisation for all the directors, namely, Mr. Cao Zhong, Mr. Miao Zhenguo, Dr. Chen Yanping, Mr. Lo Wing Yat, Mr. Jaime Che, Mr. Chan Yuk Tong, Mr. Fei Tai Hung and Mr. Tse Kam Fow, as continuing professional training. Some directors also participated in other seminars at their own choice.

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 five committees, namely the Remuneration Committee, the Nomination Committee, the Audit Committee, the Executive 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 is 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 one meeting during the year ended 31 March 2016. 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)*	1/1
Mr. Fei Tai Hung	1[a]/1
Mr. Tse Kam Fow	1/1
Mr. Cao Zhong	1/1
Mr. Miao Zhenguo	1/1

Note:

a. having another director acted as his representative.

In the meeting, the Remuneration Committee considered and recommended to the Board (i) the renewal of the term of appointment of two independent non-executive directors; (ii) salary adjustments of all directors; and (iii) the proposal for the Board to fix the directors' remuneration to be put forward at the 2015 annual general meeting of the Company for shareholders' approval.

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 2016, no director was involved in deciding his own remuneration.

Nomination Committee

The terms of reference of the Nomination Committee is in compliance with the code provisions set out in the Code. The Nomination Committee currently comprises two executive directors, namely Mr. Cao Zhong (Chairman of the Nomination Committee) and Mr. Miao Zhenguo, 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 one meeting during the year ended 31 March 2016. The individual attendance records of the committee members are as follows:

Name of committee members	Number of meetings attended/held
Mr. Cao Zhong *(Chairman)*	1/1
Mr. Miao Zhenguo	1/1
Mr. Chan Yuk Tong	1/1
Mr. Fei Tai Hung	1[a]/1
Mr. Tse Kam Fow	1/1
Mr. Jaime Che *(resigned as a member on 27 November 2015)*	1/1

Note:

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

In the meeting, the Nomination Committee (i) considered and recommended to the Board the renewal of the term of appointment of two independent non-executive directors; (ii) reviewed the structure, size and composition of the Board; (iii) considered and recommended to the Board the re-election of directors who were subject to retirement by rotation at the 2015 annual general meeting of the Company; and (iv) assessed the independence of the independent non-executive directors.

With respect to the board composition, the Nomination Committee ensures 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 is 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, risk management and internal control systems; and (iv) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible 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 2016. 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 2016, 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 2015 and six months ended 30 September 2015 and recommended the same to the Board for approval; (iii) recommended to the Board the reappointment 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 2016, 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 2015, respectively.

The Audit Committee has reviewed with the management and the Auditor the audited results of the Group for the year ended 31 March 2016.

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.

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, Mr. Fei Tai Hung and Mr. Tse Kam Fow.

AUDITOR'S REMUNERATION

For the year ended 31 March 2016, the Auditor received approximately HK$2,500,000 for audit service and approximately HK$930,000 for non-audit service regarding interim review, due diligence review and service for major transaction in relation to acquisition transactions.

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 48 to 49 of this annual report.

At 31 March 2016, the Group had net current liabilities of approximately HK$237,246,000 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 36 "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 2016.

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 2016, the Company held the annual general meeting on 28 August 2015 (the "AGM") and one special general meeting on 19 February 2016 (the "SGM"). The individual attendance records of the directors at the AGM and the SGM are as follows:

Name of directors	Number of AGM attended/held	Number of SGM attended/held
Executive directors:		
Mr. Cao Zhong	1/1	1/1
Mr. Miao Zhenguo	0/1	0/1
Dr. Chen Yanping	0/1	0/1
Mr. Lo Wing Yat	0/1	1/1
Mr. Jaime Che	1/1	1/1
Non-executive director:		
Professor Chen Guohua *(resigned on 29 October 2015)*	1/1	–
Independent non-executive directors:		
Mr. Chan Yuk Tong	0/1	1/1
Mr. Fei Tai Hung	0/1	1/1
Mr. Tse Kam Fow	1/1	1/1

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 2016, 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 2016, 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 6104, 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

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Causeway Bay, Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FDG ELECTRIC VEHICLES LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of FDG Electric Vehicles Limited (the "Company") and its subsidiaries set out on pages 50 to 156 which comprise the consolidated statement of financial position as at 31 March 2016, 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 in compliance with 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 financial position of the Company and its subsidiaries as at 31 March 2016, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Crowe Horwath (HK) CPA Limited
Certified Public Accountants
Hong Kong, 29 June 2016

Leung Chun Wa
Practising Certificate Number P04963

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2016

	Note	2016 HK$'000	2015 HK$'000 (Restated)
Revenue	7	**363,384**	303,605
Cost of sales		**(219,141)**	(233,069)
Gross profit		**144,243**	70,536
Other income	9	**27,332**	25,616
Other gains and losses	9	**(35,859)**	(2,864)
Selling and distribution costs		**(36,747)**	(28,396)
General and administrative expenses		**(350,329)**	(232,591)
Research and development expenses		**(62,797)**	(16,728)
Finance costs	10	**(304,801)**	(125,690)
Other operating expenses	11	**(87,381)**	(74,643)
Amortisation of intangible assets	19	**(171,010)**	(181,511)
Share of results of associates		**(547)**	–
Share of results of joint ventures		**(10,771)**	(403)
Loss before tax	11	**(888,667)**	(566,674)
Income tax	13	**865**	57,932
Loss for the year		**(887,802)**	(508,742)
Attributable to:			
Owners of the Company		**(228,154)**	(409,759)
Non-controlling interests		**(659,648)**	(98,983)
		(887,802)	(508,742)
		HK cents	HK cents
Loss per share attributable to owners of the Company	15		
– Basic and diluted		**(1.21)**	(2.36)

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 2016

	2016 HK$'000	2015 HK$'000
Loss for the year	**(887,802)**	(508,742)
Other comprehensive (loss)/income 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	**(165,911)**	4,664
Share of other comprehensive (loss)/income of joint ventures	**(5,411)**	2,477
	(171,322)	7,141
Total comprehensive loss for the year	**(1,059,124)**	(501,601)
Attributable to:		
Owners of the Company	**(355,032)**	(403,301)
Non-controlling interests	**(704,092)**	(98,300)
Total comprehensive loss for the year	**(1,059,124)**	(501,601)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

	Note	2016 HK$'000	2015 HK$'000
Non-current assets			
Goodwill	18	**1,319,800**	871,647
Intangible assets	19	**854,080**	932,447
Fixed assets: Property, plant and equipment	20	**2,833,613**	1,849,768
Fixed assets: Interest in leasehold land held for own use under operating lease	20	**362,137**	369,622
Interests in associates	22	**3,186**	–
Interests in joint ventures	23	**342,936**	107,866
Available-for-sale investments	24	**23,884**	93,634
Financial assets at fair value through profit or loss	25	**–**	48,249
Deposits paid for non-current assets	26	**285,966**	76,265
Loan receivable	30	**434**	467
Other non-current assets	27	**8,950**	9,731
		6,034,986	4,359,696
Current assets			
Inventories	28	**613,349**	192,715
Trade and bills receivables	29	**153,576**	148,185
Loan and other receivables	30	**629,154**	399,060
Financial assets at fair value through profit or loss	25	**69,221**	10,569
Derivative financial instruments	38	**34,141**	53,862
Pledged bank deposits	31	**212,559**	128,871
Deposit in a security account	32	**–**	320,019
Cash and cash equivalents	32	**942,015**	411,478
		2,654,015	1,664,759
Current liabilities			
Bank loans and other borrowings	33	**(1,102,153)**	(880,203)
Trade and bills payables	34	**(410,954)**	(139,189)
Accruals and other payables	35	**(604,152)**	(493,158)
Tax payables		**(13,250)**	(13,101)
Obligations under redeemed convertible bonds	36	**(760,752)**	(760,752)
		(2,891,261)	(2,286,403)
Net current liabilities		**(237,246)**	(621,644)
Total assets less current liabilities		**5,797,740**	3,738,052

	Note	**2016 HK$'000**	2015 HK$'000
Non-current liabilities			
Other non-current liability	*37*	**(50,113)**	(52,718)
Deferred income	*40*	**(72,006)**	–
Bank loans and other borrowings	*33*	**(880,802)**	–
Liability components of convertible bonds	*38*	**(476,611)**	(1,156,011)
Deferred tax liabilities	*39*	**(226,399)**	(215,118)
		(1,705,931)	(1,423,847)
NET ASSETS		**4,091,809**	2,314,205
CAPITAL AND RESERVES			
Issued capital	*41*	**219,636**	178,662
Reserves	*42*	**3,142,891**	1,892,484
Total equity attributable to owners of the Company		**3,362,527**	2,071,146
Non-controlling interests		**729,282**	243,059
TOTAL EQUITY		**4,091,809**	2,314,205

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 2016

	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 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 41(d))*	3,800	178,600	–	–	–	–	–	–	182,400	–	182,400
Non-controlling interests arising on business combinations	–	–	–	–	–	–	–	–	–	165,419	165,419
Issue of convertible bonds *(Note 38)*	–	–	–	–	–	601,894	–	–	601,894	–	601,894
Conversion of convertible bonds *(Note 41(b))*	5,093	251,536	–	–	–	(90,715)	–	–	165,914	–	165,914
Acquisition of additional interests in subsidiaries *(Note 17(d))*	–	–	–	–	–	–	–	(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 and 1 April 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
Loss for the year	–	–	–	–	–	–	–	(228,154)	(228,154)	(659,648)	(887,802)
Other comprehensive loss for the year											
– Exchange differences on translation of financial statements of foreign operations	–	–	(121,467)	–	–	–	–	–	(121,467)	(44,444)	(165,911)
– Share of other comprehensive loss of joint ventures	–	–	(5,411)	–	–	–	–	–	(5,411)	–	(5,411)
Total other comprehensive loss for the year	–	–	(126,878)	–	–	–	–	–	(126,878)	(44,444)	(171,322)
Total comprehensive loss for the year	–	–	(126,878)	–	–	–	–	(228,154)	(355,032)	(704,092)	(1,059,124)
Issue of new shares *(Note 41(a))*	20,000	937,462	–	–	–	–	–	–	957,462	–	957,462
Proceeds from shares issued upon exercise of share options	60	2,910	–	–	–	–	(270)	–	2,700	–	2,700
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	230,220	230,220
Changes in ownership interests in subsidiaries without change of control *(Note 17(b)(ii))*	–	–	–	–	–	–	–	(92,148)	(92,148)	960,095	867,947
Conversion of convertible bonds *(Note 41(b))*	20,914	1,123,808	–	–	–	(377,580)	–	–	767,142	–	767,142
Cancellation of share premium *(Note 42(a))*	–	(6,824,625)	–	6,824,625	–	–	–	–	–	–	–
Transfer *(Note 42(a))*	–	–	–	(5,420,546)	–	–	–	5,420,546	–	–	–
Share options lapsed	–	–	–	–	–	–	(58)	58	–	–	–
Equity-settled share-based payments	–	–	–	–	–	–	11,257	–	11,257	–	11,257
At 31 March 2016	**219,636**	**1,843,816**	**(100,373)**	**1,419,585**	**1,868**	**133,599**	**31,552**	**(187,156)**	**3,362,527**	**729,282**	**4,091,809**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2016

	Note	2016 HK$'000	2015 HK$'000
Operating activities			
Loss before tax		**(888,667)**	(566,674)
Adjustments for:			
Interest income	*11*	**(23,765)**	(10,806)
Finance costs	*10*	**304,801**	125,690
Loss/(gain) on disposal of property, plant and equipment	*11*	**709**	(595)
Gain on disposal of subsidiaries	*9*	**(7,300)**	–
Loss on disposal of associates and joint ventures	*9*	**226**	–
Technology transfer income	*9*	**(82,948)**	–
Depreciation of property, plant and equipment	*20*	**69,158**	55,524
Amortisation of interest in leasehold land held for own use under operating lease	*20*	**8,494**	7,854
Equity-settled share-based payments	*11*	**11,257**	13,860
Amortisation of intangible assets	*19*	**171,010**	181,511
Impairment on trade and bills receivables	*29(d)*	**16,235**	–
Impairment on loan and other receivables	*30(b)*	**34,558**	1,491
Impairment on available-for-sale investments	*9*	**69,750**	–
Write-down of inventories	*9*	**4,755**	1,336
Warranty provision	*35*	**2,467**	–
Foreign exchange difference		**(7,535)**	(521)
Share of results of associates and joint ventures		**11,318**	403
Net loss on held-for-trading investments	*9*	**19,344**	37
Negative goodwill arising from the acquisition of additional interest in a joint venture	*9*	**(18,761)**	–
Changes in working capital:			
(Increase)/decrease in other non-current assets		**(355)**	1,262
Increase in inventories		**(389,970)**	(65,936)
Increase in trade, bills, loan and other receivables		**(235,986)**	(157,024)
Increase in trade, bills, accruals and other payables		**277,414**	271,696
Net cash used in operations		**(653,791)**	(140,892)
Income tax paid		**(590)**	–
Interest received		**8,327**	9,186
Finance costs paid		**(168,329)**	(42,193)
Net cash used in operating activities		**(814,383)**	(173,899)

	Note	**2016 HK$'000**	2015 HK$'000
Investing activities			
Payments for developments of intangible assets		**(83,526)**	(65,459)
Payments for acquisition of property, plant and equipment		**(1,132,018)**	(1,261,552)
Payments for acquisition of financial assets at fair value through profit or loss		**(48,922)**	–
Payments for acquisition of interest in leasehold land held for own use under operating lease		**–**	(4,452)
Payments for investments in associates and joint ventures		**(61,845)**	–
Payments for available-for-sale investments		**–**	(93,634)
Proceeds from disposal of interest in a joint venture		**695**	–
Receipts on disposal of property, plant and equipment		**454**	3,912
Receipts from government grants		**73,674**	–
Proceeds from financial assets at fair value through profit or loss		**17,834**	1,948
Increase in pledged bank deposits		**(85,405)**	(117,587)
Decrease/(increase) in deposit in a security account		**320,019**	(320,019)
Net cash (outflows)/inflows on acquisition of subsidiaries		**(369,944)**	378,902
Net proceeds from disposal of subsidiaries		**8,000**	–
Net cash used in investing activities		**(1,360,984)**	(1,477,941)
Financing activities			
Net proceeds from issuance of new shares		**957,462**	–
Capital contribution from non-controlling interests		**230,220**	–
Net proceeds from issuance of new shares by a subsidiary		**264,191**	–
Net proceeds from partial disposal of interest in a subsidiary		**248,372**	–
Net proceeds from shares issued upon exercise of share options		**2,700**	–
Net proceeds from issuance of convertible bonds		**–**	392,000
Proceeds from bank loans and other borrowings		**1,304,412**	958,973
Repayment of bank loans and other borrowings		**(285,869)**	(454,959)
Increase in bills payable		**–**	97,387
Net cash generated from financing activities		**2,721,488**	993,401
Net increase/(decrease) in cash and cash equivalents		**546,121**	(658,439)
Effect of foreign exchange rate changes		**(15,584)**	294
Cash and cash equivalents at beginning of the year		**411,478**	1,069,623
Cash and cash equivalents at end of the year	*32*	**942,015**	411,478

The accompanying notes form part of these financial statements.

1. GENERAL INFORMATION

FDG Electric Vehicles 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) research and development, manufacture and sale of cathode materials for nickel-cobalt-manganese ("NCM") lithium-ion batteries; and (v) direct investments.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has where applicable adopted the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKASs"), and Interpretations (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 HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or the disclosures set out in these financial statements.

In addition, the Group has adopted the amendments to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

Up to the date of issuance of these financial statements, the HKICPA has issued several amendments and new standards which are not yet effective for the year ended 31 March 2016 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 2012-2014 Cycle[1]
HKFRS 9	Financial Instruments[3]
HKFRS 15	Revenue from Contracts with Customers[3]
HKFRS 16	Leases[4]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
Amendments to HKFRS 15	Clarifications to HKFRS 15 "Revenue from Contracts with Customers"[3]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 7	Disclosure Initiative[2]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[2]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[1]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2017
3 Effective for annual periods beginning on or after 1 January 2018
4 Effective for annual periods beginning on or after 1 January 2019
5 Effective for annual periods beginning on or after a date to be determined

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be 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 consolidated financial statements.

3. BASIS OF PREPARATION

These financial statements have been prepared in accordance with all applicable HKFRSs, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These 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 2016 comprise the Company and its subsidiaries and the Group's interests in joint ventures and associates.

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, the British Virgin Islands and Bermuda 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 judgements, 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 judgements 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.

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

In preparing these financial statements, the board of directors of the Company (the "Board") has considered the Group's future liquidity and believes that adequate funding is available to fulfill the Group's short-term obligations and capital expenditure requirements. As at 31 March 2016, the Group had net current liabilities of approximately HK$237,246,000, 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 granted unconditional leave to defend against the holder's claim for payment against the redeemed convertible bonds to the extent that the Redemption Amount can arguably be set-off against a portion of the damages that are claimed by the Group in the legal proceedings. Further, payment of the Redemption Amount is effectively subject to a stay of execution pending resolution of the relevant legal proceedings. On 26 May 2016, the High Court of Hong Kong (the "HK Court") refused a subsequent application for leave to appeal the 5 March 2013 Judgment (as defined in Note 36) and ordered Mei Li New Energy Limited ("Mei Li") to pay costs to the Company on an indemnity basis. Therefore, the Board considers that it is not likely that the Company will be required to settle the Redemption Amount in cash in the coming year;

(2) The directors of the Company have reviewed the cash flow forecast of the Group for the twelve months ending 31 March 2017 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;

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

(4) 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

(5) Mr. Miao Zhenguo ("Mr. Miao"), the Deputy Chairman and executive director of the Company, and Union Ever Holdings Limited, a 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 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 Notes 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 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 reduced 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.

The Group recognises the financial asset on the date it become a party to the contractual provisions of the instrument. A regular way purchase or sale of the financial asset is recognised using trade date accounting. From this date, any gains and losses arising from changes in fair value of the financial assets are recorded. 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 categories 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 calculated using the effective interest method are recognised in profit or loss. Foreign exchange gains and losses resulting from changes in the amortised cost of debt securities are also 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 interests in leasehold lands held for own use under operating leases 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 account 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 improvements 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, and the expenditure attributable to the development can be measured reliably. 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. 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 to 7 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 receivables, loan receivables and other receivables included within trade and bills receivables, and 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 debtors 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; 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 (i)(ii)).

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities 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. Consequently, if the fair value of available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

(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 consolidated 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 consolidated statement of financial position.

4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(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 (see Note 4(i)).

Loans 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 customers for which the Group bears the risks and rewards.

(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 proceeds of the issue 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.

4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(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.

(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 or use 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

Service income is recognised 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 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 credited to a deferred income account and is released to the consolidated statement of profit or loss over the expected useful life of the relevant asset to match with the depreciation of the relevant asset.

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 directly 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.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

(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

Dividends and distributions to the Company's shareholders are recognised as a liability in the Group's consolidated financial statements in the period in which the dividends and distributions have been approved by the Company's shareholders.

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).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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 JUDGEMENTS

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 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 2016 was HK$1,319,800,000 (2015: HK$871,647,000). Further details are given in Note 18.

(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 judgements 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 (2015: nil) was recognised in the consolidated statement of profit or loss for the year ended 31 March 2016.

(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 judgement relating to such items such as the level of turnover and the amount of operating costs.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(e) IMPAIRMENT OF INTERESTS IN SUBSIDIARIES

Interests in subsidiaries are carried at cost less impairment. Judgement is required when determining whether an impairment existed. In making this judgement, 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 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 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 OF PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation 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 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 judgement 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 economic 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 judgement 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:

	2016 HK$'000	2015 HK$'000
Trade and bills receivables (excluding amounts due from customers for contract work)	**152,397**	145,758
Loan and other receivables (excluding deposits and prepayments and value-added-tax receivables)	**275,695**	165,311
Pledged bank deposits	**212,559**	128,871
Deposit in a security account	**–**	320,019
Cash and cash equivalents	**942,015**	411,478
Loans and receivables	**1,582,666**	1,171,437
Available-for-sale investments	**23,884**	93,634
Financial assets at fair value through profit or loss		
– designated	**29,074**	48,249
– held-for-trading		
– trading investments	**40,147**	10,569
– derivative financial instruments	**34,141**	53,862
Financial assets at fair value through profit or loss	**103,362**	112,680

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

	2016 HK$'000	2015 HK$'000
Bank loans and other borrowings	**1,982,955**	880,203
Trade and bills payables	**410,954**	139,189
Accruals and other payables (excluding value-added-tax payables, receipts in advance and warranty provision)	**535,081**	471,418
Obligations under redeemed convertible bonds	**760,752**	760,752
Liability components of convertible bonds	**476,611**	1,156,011
Financial liabilities at amortised cost	**4,166,353**	3,407,573

6. FINANCIAL INSTRUMENTS (CONTINUED)

(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 credit risk is primarily attributable to bank deposits, trade, bills, loan and other receivables and unlisted debt securities. The management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group's cash are deposited with creditworthy banks and other financial institutions with high credit ratings and the Group has 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 aging and recoverability are performed to ensure that adequate impairment losses are made for irrecoverable amounts.

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. The Group had a concentration of credit risk of 78.01% (2015: 86.53%) of the total trade receivables due from the Group's five largest trade debtors as at 31 March 2016.

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 2016. The Group had a concentration of credit risk of 54.27% (2015: 93.38%) of the total loan receivables due from the Group's largest loan debtor as at 31 March 2016.

The Group does not provide any guarantee 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 2016, the Group has net current liabilities of approximately HK$237,246,000 (2015: HK$621,644,000) which included the Redemption Amount of approximately HK$760,752,000 (2015: 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 36) 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.

6. FINANCIAL INSTRUMENTS (CONTINUED)

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

(ii) Liquidity risk (Continued)

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 financial statements.

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

	2016				
	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	**1,218,077**	**219,928**	**762,409**	**2,200,414**	**1,982,955**
Trade and bills payables	**410,954**	**–**	**–**	**410,954**	**410,954**
Accruals and other payables (excluding value-added-tax payables, receipts in advance and warranty provision)	**535,081**	**–**	**–**	**535,081**	**535,081**
Obligations under redeemed convertible bonds *(Note)*	**760,752**	**–**	**–**	**760,752**	**760,752**
Liability components of convertible bonds	**1,140**	**563,826**	**–**	**564,966**	**476,611**
	2,926,004	**783,754**	**762,409**	**4,472,167**	**4,166,353**

	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

Note: Based on the 5 March 2013 Judgment, the Group has been given an unconditional leave to defend to the extent of the Set-Off (as defined in Note 36) 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 is exposed to cash flow interest rate risk in relation to variable rate loan receivables, bank balances, deposit in a security account and bank loans and fair value interest rate risk in relation to fixed rate loan receivables, bank balances, bank loans, other borrowings and liability components of convertible bonds.

	2016 Effective interest rate	**HK$'000**	2015 Effective interest rate	HK$'000
Variable rate loan receivables	**6.00%**	**467**	6.00%	498
Fixed rate loan receivables	**6.00% to 28.50%**	**198,406**	28.50%	61,677
Variable rate bank balances	**0.001% to 0.42%**	**658,720**	0.001% to 0.46%	116,544
Fixed rate bank balances	**0.08% to 1.70%**	**329,981**	0.13% to 3.08%	410,440
Variable rate deposit in a security account	**N/A**	**–**	0.05%	320,019
Variable rate bank loans	**4.75% to 6.18%**	**(952,808)**	6.69%	(63,125)
Fixed rate bank loans	**5.00% to 6.75%**	**(303,025)**	7.80%	(127,512)
Fixed rate other borrowings	**2.23% to 20.61%**	**(727,122)**	21.42% to 21.75%	(689,566)
Fixed rate liability components of convertible bonds	**13.07% to 14.31%**	**(476,611)**	13.07% to 14.31%	(1,156,011)

Sensitivity analysis

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

At 31 March 2016, 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 loans, with all other variable held constant, would increase or decrease the Group's loss after tax for the year and accumulated losses by approximately HK$2,936,000 (2015: decrease or increase by HK$3,739,000).

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 2015.

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 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.

	2016 United States Dollars		2015 United States Dollars	
	Assets HK$'000	**Liabilities HK$'000**	Assets HK$'000	Liabilities HK$'000
Cash and cash equivalents	**10,327**	**–**	13,481	–
Trade and bills receivables	**10,651**	**–**	6,681	–
Loan and other receivables	**16,440**	**–**	5,566	–
Financial assets at fair value through profit or loss	**38,299**	**–**	39,880	–
Available-for-sale investments	**23,884**	**–**	93,634	–
Bank loans and other borrowings	**–**	**(32,550)**	–	–
Other payables	**–**	**(7,204)**	–	(5,021)
	99,601	**(39,754)**	159,242	(5,021)

As Hong Kong dollars are pegged to United States dollars, the Group considers 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 investments in equity securities 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 factor affecting all instruments (generic risks) traded 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's listed investments are listed on the Stock Exchange. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the other listed investments in the Stock Exchange and other industry indicators, as well as the Group's liquidity needs.

At 31 March 2016, it is estimated that an increase/(decrease) of 10% (2015: 10%) in the relevant share market price with all other variables held constant would have (decreased)/increased the Group's loss after tax and accumulated losses as follows:

	2016		2015	
	Higher/ (lower) in the relevant share market price	**(Decrease)/ increase on loss after tax and accumulated losses HK$'000**	Higher/ (lower) in the relevant share market price	(Decrease)/ increase on loss after tax and accumulated losses HK$'000
Held-for-trading investments				
– listed equity securities	**10%**	**(3,092)**	10%	–
	(10%)	**3,092**	(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 share market 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. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant share market price, and that all other variables remain constant.

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 38.

6. FINANCIAL INSTRUMENTS (CONTINUED)

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

(v) Equity price risk (Continued)

At 31 March 2016, it is estimated that an increase/(decrease) of 10% in the Company's own share price, with all other variables held constant, would have (decrease)/increase the Group's loss after tax and accumulated losses as follows:

	2016		2015	
	Higher/ (lower) in the Company's own share price	**(Decrease)/ increase on loss after tax and accumulated losses HK$'000**	Higher/ (lower) in the Company's own share price	(Decrease)/ increase on loss after tax and accumulated losses HK$'000
Derivative financial instruments	**10%**	**(4,401)**	10%	(14,967)
	(10%)	**17,311**	(10%)	14,196

The sensitivity analysis indicate 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 market 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. The analysis is performed on the same basis for 2015.

(c) FAIR VALUE MEASUREMENT

(i) Financial assets 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.

- 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.

6. FINANCIAL INSTRUMENTS (CONTINUED)

(c) FAIR VALUE MEASUREMENT (CONTINUED)

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

(a) Fair value hierarchy (Continued)

The Group has a team performing valuations for the financial instruments, including unlisted debt securities with embedded option 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 38.

	2016			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Recurring fair value measurements				
Held-for-trading investments:				
– Listed equity securities	**30,922**	**–**	**–**	**30,922**
– Unlisted funds	**–**	**9,225**	**–**	**9,225**
Financial assets designated at fair value through profit or loss:				
– Unlisted debt securities with embedded options	**–**	**–**	**29,074**	**29,074**
Derivative financial instruments:				
– Redemption and mandatory conversion options embedded in convertible bonds	**–**	**–**	**34,141**	**34,141**
	30,922	**9,225**	**63,215**	**103,362**

6. FINANCIAL INSTRUMENTS (CONTINUED)

(c) FAIR VALUE MEASUREMENT (CONTINUED)

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

(a) Fair value hierarchy (Continued)

	2015			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Recurring fair value measurements				
Held-for-trading investments:				
– 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

During the years ended 31 March 2016 and 2015, there were no transfer between Level 1 and Level 2, or transfers into or out of Level 3.

(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 2016, 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$1,454,000 (2015: HK$2,412,000) higher/lower.

6. FINANCIAL INSTRUMENTS (CONTINUED)

(c) FAIR VALUE MEASUREMENT (CONTINUED)

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

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

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 2016, 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 loss by HK$5,702,000 (2015: HK$14,159,000)/ increased the Group's loss by HK$7,783,000 (2015: HK$15,966,000), respectively.

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

	2016 HK$'000	2015 HK$'000
Unlisted debt securities with embedded options		
At 1 April	**29,311**	–
Additions from acquisition of subsidiaries	**–**	29,087
Exchange adjustment	**(237)**	224
At 31 March	**29,074**	29,311
Total (loss)/gain for the year included in profit or loss for assets held at the end of the reporting period	**(237)**	224

	2016 HK$'000	2015 HK$'000
Unlisted equity securities		
At 1 April	**18,938**	–
Additions from acquisition of subsidiaries	**–**	18,743
Proceed from disposals	**(17,834)**	–
Exchange adjustment	**(1,104)**	195
At 31 March	**–**	18,938

Exchange adjustment of 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 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)

	2016 HK$'000	2015 HK$'000
Derivative financial instruments		
At 1 April	**53,862**	–
Additions from issue of convertible bonds	**–**	71,480
Transferred to equity upon conversion of convertible bonds	**(25,890)**	(7,531)
Changes in fair value recognised in profit or loss during the year	**6,169**	(10,087)
At 31 March	**34,141**	53,862
Total gain/(loss) for the year included in profit or loss for assets held at the end of the reporting period	**6,169**	(10,087)

The gains or losses arising from the remeasurement of the derivative financial instruments are presented in "Fair value gain/(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 financial assets and liabilities carried at cost or amortised cost approximate their fair values as at 31 March 2016 and 2015.

7. REVENUE

Revenue represents the aggregate of gross proceeds from sales of lithium-ion batteries and its related products, service income from vehicle design, sales of electric vehicles, rental income from leasing of electric vehicles, gross proceeds from sales of cathode materials for NCM lithium-ion batteries, and income from direct investments which includes loan financing, securities trading and asset investment.

	2016 HK$'000	2015 HK$'000 (Restated)
Sales of lithium-ion batteries and its related products	**285,777**	297,828
Service income from vehicle design	**1,611**	3,061
Sales of electric vehicles	**9,784**	–
Rental income from leasing of electric vehicles	**668**	1,183
Sales of cathode materials for NCM lithium-ion batteries	**46,292**	–
Income from direct investments	**19,252**	1,533
	363,384	303,605

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 resources allocation and performance assessment. During the year, the Board considered that the treasury investment segment is no longer as a reportable operating segment for the Group, some of the comparative figures of this segment and financial information are restated accordingly to reflect such changes. 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 research and development, manufacture and sales of electric vehicles;

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

(d) the battery materials production segment includes research and development, manufacture and sales of cathode materials for NCM lithium-ion batteries (a new business segment which was acquired by a listed subsidiary of the Company during the year ended 31 March 2016); and

(e) the direct investments segment represents various direct investments, including loan financing, securities trading and asset investment.

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 which is not attributable to any reportable segment;

(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 on terms similar to transactions with third parties;

8. SEGMENT REPORTING (CONTINUED)

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: (Continued)

(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.

The Group's reportable segments for the years ended 31 March 2016 and 2015 are as follows:

	2016					
	Battery products HK$'000	Vehicle design & electric vehicle production HK$'000	Electric vehicle leasing HK$'000	Battery materials production HK$'000	Direct investments HK$'000	Total HK$'000
Revenue from external customers	285,777	11,395	668	46,292	19,252	363,384
Inter-segment revenue	306,962	–	–	–	31,594	338,556
Reportable segment revenue	592,739	11,395	668	46,292	50,846	701,940
Reportable segment loss before tax	(110,039)	(225,825)	(3,411)	(30,402)	(24,538)	(394,215)
Other segment information:						
Interest income	1,158	2,493	75	23	19,252	23,001
Depreciation and amortisation	(134,610)	(96,917)	(1,479)	(14,253)	–	(247,259)
Finance costs	(11,562)	(318)	–	(2,240)	–	(14,120)
Share of results of joint ventures	–	(12,684)	–	–	1,913	(10,771)
Interests in joint ventures	–	239,264	–	–	103,672	342,936
Share of results of associates	(547)	–	–	–	–	(547)
Interests in associates	3,186	–	–	–	–	3,186
Impairment on trade and bills receivables	(13,652)	–	–	(2,583)	–	(16,235)
Impairment on loan and other receivables	–	(37)	–	–	(28,708)	(28,745)
Technology transfer income	–	82,948	–	–	–	82,948
Negative goodwill arising from the acquisition of additional interest in a joint venture	–	18,761	–	–	–	18,761
Additions to non-current assets	200,955	1,303,968	527	831,672	59	2,337,181
Reportable segment assets	1,434,452	4,836,191	5,474	936,726	826,940	8,039,783
Reportable segment liabilities	(1,329,736)	(1,805,185)	(1,176)	(196,637)	(48,232)	(3,380,966)

8. SEGMENT REPORTING (CONTINUED)

The Group's reportable segments for the years ended 31 March 2016 and 2015 are as follows: (Continued)

	2015 (Restated)					
	Battery products HK$'000	Vehicle design & electric vehicle production HK$'000	Electric vehicle leasing HK$'000	Battery materials production HK$'000	Direct investments HK$'000	Total HK$'000
Revenue from external customers	297,828	3,061	1,183	–	1,533	303,605
Inter-segment revenue	5,952	–	–	–	2,676	8,628
Reportable segment revenue	303,780	3,061	1,183	–	4,209	312,233
Reportable segment loss before tax	(142,556)	(245,067)	(3,632)	–	(2,995)	(394,250)
Other segment information:						
Interest income	2,254	2,200	60	–	1,533	6,047
Depreciation and amortisation	(133,914)	(108,164)	(1,502)	–	(21)	(243,601)
Finance costs	(12,316)	(11,041)	–	–	–	(23,357)
Share of results of joint ventures	–	–	–	–	(403)	(403)
Impairment on other receivables	–	–	–	–	(1,491)	(1,491)
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	–	1,192,540	5,716,903
Reportable segment liabilities	(1,336,911)	(468,203)	(1,336)	–	(17,328)	(1,823,778)

8. SEGMENT REPORTING (CONTINUED)

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

	2016 HK$'000	2015 HK$'000 (Restated)
Revenue		
Reportable segment revenue	**701,940**	312,233
Elimination of inter-segment revenue	**(338,556)**	(8,628)
Consolidated revenue	**363,384**	303,605
Loss		
Reportable segment loss derived from the Group's external customers	**(394,215)**	(394,250)
Other income	**5,002**	5,818
Depreciation	**(1,403)**	(1,288)
Finance costs	**(290,681)**	(102,333)
Impairment on available-for-sale investments	**(69,750)**	–
Unallocated corporate expenses	**(137,620)**	(74,621)
Consolidated loss before tax	**(888,667)**	(566,674)
Assets		
Reportable segment assets	**8,039,783**	5,716,903
Unallocated corporate assets:		
Available-for-sale investments	**23,884**	93,634
Derivative financial instruments	**34,141**	53,862
Cash and cash equivalents	**502,024**	147,632
Other unallocated corporate assets	**89,169**	12,424
Consolidated total assets	**8,689,001**	6,024,455
Liabilities		
Reportable segment liabilities	**(3,380,966)**	(1,823,778)
Unallocated corporate liabilities:		
Other borrowings	**(694,572)**	(689,566)
Liability components of convertible bonds	**(476,611)**	(1,156,011)
Other unallocated corporate liabilities	**(45,043)**	(40,895)
Consolidated total liabilities	**(4,597,192)**	(3,710,250)

8. SEGMENT REPORTING (CONTINUED)

GEOGRAPHICAL INFORMATION

(a) Revenue from external customers

	2016 HK$'000	2015 HK$'000 (Restated)
European countries	**42,085**	51,894
The PRC	**278,312**	221,920
The United States of America (the "US")	**8,115**	8,169
Australia	**4,439**	4,407
Hong Kong	**18,896**	2,718
Others	**11,537**	14,497
	363,384	303,605

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)

	2016 HK$'000	2015 HK$'000
The PRC	**5,337,564**	3,784,826
The US	**239,264**	–
Hong Kong	**433,840**	432,520
	6,010,668	4,217,346

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 associates and 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:

	2016 HK$'000	2015 HK$'000
Customer A – revenue from sales of battery products	**137,015**	N/A*
Customer B – revenue from sales of battery products	**75,358**	N/A*
Customer C – revenue from sales of battery products	**N/A***	169,194

* The transactions with these customers did not contribute over 10% of total revenue of the Group during the years ended 31 March 2016 and 2015.

9. OTHER INCOME/OTHER GAINS AND LOSSES

	2016 HK$'000	2015 HK$'000 (Restated)
Other income		
Interest income	**4,513**	9,273
Government grants *(Note (a))*	**15,151**	916
Exchange gain, net	**–**	7,374
Consultancy income	**4,237**	1,096
Gain on disposal of property, plant and equipment	**–**	595
Gain on disposal of scraps	**1,009**	1,154
Others	**2,422**	5,208
	27,332	25,616

	2016 HK$'000	2015 HK$'000 (Restated)
Other gains and losses		
Gain on disposal of subsidiaries *(Note (b))*	**7,300**	–
Loss on disposal of associates and joint ventures	**(226)**	–
Net loss on held-for-trading investments	**(19,344)**	(37)
Impairment on available-for-sale investments	**(69,750)**	–
Impairment on trade and bills receivables *(Note 29(d))*	**(16,235)**	–
Impairment on loan and other receivables *(Note 30(b))*	**(34,558)**	(1,491)
Write-down of inventories	**(4,755)**	(1,336)
Technology transfer income *(Note (c))*	**82,948**	–
Negative goodwill arising from the acquisition of additional interest in a joint venture *(Note (d))*	**18,761**	–
	(35,859)	(2,864)

Notes:

(a) The Group is entitled to government grants from various PRC government organisations in respect of estate levy relief, subsidies for research and development of new energy products, development of new energy automotive and strategic emerging industries and other incentives.

(b) Gain on disposal of subsidiaries mainly resulted from the Group's disposal of two subsidiaries that held club memberships (included in other non-current assets).

(c) Technology transfer income represented the excess (the "Excess") of the agreed consideration of such intangible assets contributed by the Group carried at fair value upon transfer to a joint venture (the "JV") over the carrying amount of such intangible assets after eliminating the Group's interests in the Excess.

(d) On 25 November 2015, the Group and the JV partner, Smith Electric Vehicles Corp. ("Smith") entered into a debt conversion agreement, pursuant to which the Group agreed to discharge and cancel Smith's debt obligations with respect to debenture judgments in the amount of approximately US$2 million and, in consideration therefore, Smith agreed to transfer and assign 2,000,000 common stocks of the JV to the Group. Following completion of the debt conversion agreement, the JV was owned as to approximately 52% by the Group and as to approximately 48% by Smith. A negative goodwill arising from the acquisition of additional interest in a joint venture of HK$18,761,000 was contributed from the transaction to the Group.

10. FINANCE COSTS

	2016 HK$'000	2015 HK$'000
Interest expenses on convertible bonds	**145,634**	66,558
Interest on bank loans and other borrowings wholly repayable within five years	**179,360**	49,045
Total interest expenses on financial liabilities not at fair value through profit or loss	**324,994**	115,603
Less: Interest expenses capitalised into construction in progress *(Note)*	**(14,024)**	–
	310,970	115,603
Fair value (gain)/loss on derivative financial instruments	**(6,169)**	10,087
	304,801	125,690

Note: Borrowing costs attributable to the purchase of qualifying assets were capitalised at a rate of 6.18% per annum (2015: nil).

11. LOSS BEFORE TAX

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

	2016 HK$'000	2015 HK$'000
Interest income	**(23,765)**	(10,806)
Auditor's remuneration *(Note (a))*		
– audit service	**2,500**	2,580
– non-audit service	**930**	410
Cost of inventories recognised as expenses		
– included in cost of sales	**216,579**	232,631
– included in selling and distribution costs	**1,114**	3,758
– included in research and development expenses	**13,630**	3,542
– included in other gains and losses	**4,755**	1,336
Amortisation of intangible assets	**171,010**	181,511
Depreciation of property, plant and equipment	**69,158**	55,524
Amortisation of interest in leasehold land held for own use under operating lease	**8,494**	7,854
Exchange losses/(gains), net	**8,394**	(7,374)
Loss/(gain) on disposal of property, plant and equipment	**709**	(595)
Other operating expenses *(Note (b))*	**87,381**	74,643
Minimum lease payments under operating leases in respect of property rentals	**16,853**	14,123
Staff costs (including directors' emoluments)		
– salaries and allowances	**278,640**	158,714
– equity-settled share-based payments	**11,257**	13,860
– contributions to retirement benefits schemes	**25,682**	17,417

Notes:

(a) Excluding remuneration paid to other auditors of certain subsidiaries, amounting to HK$2,080,000 (2015: HK$300,000) and HK$1,986,000 (2015: nil) for audit and non-audit services, respectively.

(b) During the year, the other operating expenses of HK$87,381,000 (2015: HK$74,643,000) represented production and output costs incurred in trial run stage of the Group's electric vehicle production base in Hangzhou (2015: Kunming), 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 ("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% 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 2016 amounted to HK$25,682,000 (2015: HK$17,417,000).

13. INCOME TAX

	2016 **HK$'000**	2015 HK$'000
Current tax charge for the year:		
– PRC Enterprise Income Tax ("EIT")	**590**	–
– Overseas	**367**	–
	957	–
Deferred tax credit *(Note 39)*	**(1,822)**	(57,932)
Total tax credit for the year	**(865)**	(57,932)

No provision for the Hong Kong profits tax has been made as the Group sustained losses for taxation purposes in Hong Kong for the years ended 31 March 2016 and 2015. The provision for PRC EIT is calculated on the estimated assessable profits of the Group's PRC subsidiaries at 25% (except for certain subsidiaries which are subject to a preferential tax rate of 15%) for the years ended 31 March 2016 and 2015. Taxes on overseas profits have been calculated at the rates of taxation prevailing in the jurisdictions in which the Group operates. The deferred tax of HK$1,822,000 (2015: HK$57,932,000) that has been credited to the consolidated statement of profit or loss arose from origination and reversal of temporary differences.

13. INCOME TAX (CONTINUED)

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

	2016 **HK$'000**	2015 HK$'000
Loss before tax	**(888,667)**	(566,674)
Notional tax on loss before tax, calculated at the rates applicable to the tax jurisdiction concerned	**(165,283)**	(121,659)
Tax effect of non-deductible expenses	**53,302**	41,327
Tax effect of non-taxable income	**(56,164)**	(1,207)
Tax effect of unrecognised temporary differences	**31,706**	(219)
Tax losses not recognised	**149,817**	28,432
Tax effect of prior years' tax losses utilised	**(18,236)**	(4,606)
Tax effect of share of results of joint ventures and associates	**3,626**	–
Withholding tax	**367**	–
Tax credit for the year	**(865)**	(57,932)

14. DIVIDEND

No dividend was paid or declared by the Company during the year (2015: nil).

15. 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$228,154,000 (2015: HK$409,759,000) and (ii) the weighted average number of 18,889,285,000 (2015: 17,333,781,000) ordinary shares in issue during the year.

	2016 Weighted average number of ordinary shares ’000	2015 Weighted average number of ordinary shares ’000
Issued ordinary shares at the beginning of the reporting period	**17,866,170**	16,976,891
Effect of issue of shares upon conversion of convertible bonds *(Note 41(b))*	**520,779**	14,369
Effect of issue of shares pursuant to share placing *(Note 41(a))*	**404,372**	–
Effect of issue of shares pursuant to share subscriptions *(Note 41(a))*	**95,628**	–
Effect of issue of shares upon exercise of share options *(Note 41(c))*	**2,336**	–
Effect of issue of shares upon acquisition transactions *(Note 41(d))*	**–**	342,521
Weighted average number of ordinary shares at the end of the reporting period	**18,889,285**	17,333,781

(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 2016 and 2015. Therefore, the diluted loss per share is the same as the basic loss per share for both years.

16. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

	2016				
	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'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))*	3,174	4,600	469	30	8,273
Mr. Miao Zhenguo *(Note (ii))*	1,899	3,540	352	30	5,821
Dr. Chen Yanping *(Note (iii))*	1,434	3,419	563	87	5,503
Mr. Jaime Che	1,899	2,980	399	30	5,308
Mr. Lo Wing Yat	3,242	–	329	–	3,571
Non-executive Director					
Professor Chen Guohua *(Note (iv))*	240	–	–	–	240
Independent non-executive Directors					
Mr. Chan Yuk Tong	440	–	328	–	768
Mr. Fei Tai Hung	440	–	328	–	768
Mr. Tse Kam Fow	440	–	328	–	768
	13,208	14,539	3,096	177	31,020

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

(a) DIRECTORS' EMOLUMENTS (CONTINUED)

	2015				
	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'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 (v))*	–	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

Notes:

(i) Mr. Cao Zhong has been appointed as a non-executive director 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 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) Professor Chen Guohua resigned as a non-executive director of the Company with effect from 29 October 2015.

(v) Mr. Xu Donghui 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.

16. 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:

	2016 **HK$'000**	2015 HK$'000
Fees		
Executive Directors	**11,648**	353
Non-executive Directors	**240**	320
Independent non-executive Director	**1,320**	960
	13,208	1,633
Other emoluments for Directors and senior management		
Basic salaries, allowances and benefit in kind	**14,539**	9,077
Equity-settled share-based payments	**3,096**	3,603
Retirement benefit scheme contributions	**177**	135
	17,812	12,815
	31,020	14,448

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 43.

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 2016 and 2015.

No Directors has waived or agreed to waive any emolument during the years ended 31 March 2016 and 2015.

(b) FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals of the Group include five (2015: four) Directors, details of whose emoluments are set out in Note 16(a) to the financial statements. Details of the emoluments of the remaining nil (2015: one) individual for the year are as follows:

	2016 **HK$'000**	2015 HK$'000
Salaries, allowances and benefits in kind	**–**	1,040
Equity-settled share-based payments	**–**	345
	–	1,385

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

(b) FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

The emoluments of the nil (2015: one) individual with the highest emoluments fell within the following bands:

	Number of Employees	
	2016	2015
Emoluments bands		
HK$1,000,001 to HK$1,500,000	–	1

17. ACQUISITION OF SUBSIDIARIES

(a) ACQUISITION OF PREMIER PROPERTY MANAGEMENT LIMITED

For the year ended 31 March 2016

On 5 September 2015, Kingspark Group Limited ("Kingspark"), an indirect non-wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "PPM Sale & Purchase Agreement") with SKC Co., Ltd. ("SKC Korea") and SK China Company Limited ("SK China") (SKC Korea and SK China collectively referred to as the "PPM Vendors"), both of which are independent third parties to the Company. Pursuant to the PPM Sale & Purchase Agreement, the PPM Vendors conditionally agreed to sell and Kingspark conditionally agreed to purchase 100% equity interests in Premier Property Management Limited ("PPM") and its subsidiary (collectively, the "PPM Group") for a cash consideration of HK$372,000,000 and a share consideration by the issuance of 269,230,770 new ordinary shares of FDG Kinetic Limited ("FKL"), a non-wholly-owned listed subsidiary of the Company (the "PPM Acquisition"). The PPM Acquisition was completed on 29 October 2015 (the "Completion Date").

PPM is the sole legal and beneficial owner of 愛思開(重慶)鋰電材料有限公司 (SK (Chongqing) Lithium Ion Battery Materials Co., Ltd[Δ]), currently known as 五龍動力(重慶)鋰電材料有限公司 (FDG Kinetic (Chongqing) Lithium Ion Battery Materials Co., Ltd[Δ]) ("FDG Chongqing"), which is a foreign enterprise established in Chongqing, the PRC. FDG Chongqing mainly manufactures cathode materials for NCM lithium-ion batteries with an annual designed production capacity of 2,400 tonnes. The PPM Acquisition represented 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.

Δ *For identification purpose*

17. ACQUISITION OF SUBSIDIARIES (CONTINUED)

(a) ACQUISITION OF PREMIER PROPERTY MANAGEMENT LIMITED (CONTINUED)

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

	Fair value recognised on the PPM Group HK$'000
Intangible assets *(Note 19)*	106,983
Property, plant and equipment *(Note 20)*	220,023
Interest in leasehold land held for own use under operating lease *(Note 20)*	19,411
Inventories	35,419
Trade and bills receivables *(Note 17(a)(i))*	20,543
Other receivables *(Note 17(a)(i))*	29,316
Pledged bank deposits	6,739
Cash and cash equivalents	2,056
Trade and bills payables	(52,494)
Bank loans and other borrowings	(113,037)
Accruals and other payables	(8,319)
Deferred tax liabilities *(Note 39)*	(24,277)
Total identifiable net assets at fair value	242,363
Goodwill *(Notes 17(a)(ii) and 18)*	485,021
	727,384

	HK$'000
Consideration was satisfied by:	
Cash consideration	372,000
Share consideration at fair value *(Note 17(a)(iii))*	355,384
	727,384

Notes:

(i) The fair value of trade and bills and other receivables at the date of acquisition amounted to HK$49,859,000. The gross contractual amounts of those trade and bills and other receivables acquired amounted to HK$65,124,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to HK$15,265,000.

(ii) Goodwill arose in the acquisition of the PPM Group because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of the PPM Group. These benefits are not recognised separately from the goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising from the PPM Acquisition is expected to be deductible for tax purposes.

(iii) The share consideration was satisfied by an issuance of 269,230,770 new ordinary shares of FKL with a par value of HK$0.20 each, for approximately HK$355,384,000. The fair value of each consideration share was calculated at HK$1.32, being the closing market price of FKL's ordinary share on the Completion Date.

The Group incurred transaction costs of HK$1,490,000 for the PPM 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 2016.

17. ACQUISITION OF SUBSIDIARIES (CONTINUED)

(a) ACQUISITION OF PREMIER PROPERTY MANAGEMENT LIMITED (CONTINUED)

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

	HK$'000
Cash consideration paid and included in cash flows from investing activities	(372,000)
Cash and cash equivalents acquired and included in cash flows from investing activities	2,056
Net cash outflows included in investing activities	(369,944)
Transaction costs of the PPM Acquisition included in cash flows from operating activities	(1,490)

The PPM Acquisition was partly settled by the share consideration by the issuance of new shares of FKL, which had no cashflow impact to the Group.

Since the completion of the PPM Acquisition, the PPM Group contributed HK$46,292,000 to the Group's revenue and caused a loss of HK$29,615,000 to the consolidated statement of profit or loss for the year ended 31 March 2016.

Had the PPM Acquisition took place at the beginning of the reporting period, the revenue and the loss of the Group for the year ended 31 March 2016 would have been HK$401,379,000 and HK$930,684,000 respectively.

(b)(i) ACQUISITION OF CIAM GROUP LIMITED (CURRENTLY KNOWN AS FDG KINETIC LIMITED)

For the year ended 31 March 2015

On 2 November 2014, Sinopoly Strategic Investment Limited ("Sinopoly"), a direct 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 CIAM Group Limited ("CGL") (currently known as FDG Kinetic Limited), 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), 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. CGL became 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 of directors of the Company 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% issued share capital of Agnita. This will allow the business of Agnita and its subsidiaries 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 Company 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 of Agnita will further cement the vertical integration of the Company's electric vehicle operation, and enable the Company 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 discussion 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 would 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.

17. ACQUISITION OF SUBSIDIARIES (CONTINUED)

(b)(i) ACQUISITION OF CIAM GROUP LIMITED (CURRENTLY KNOWN AS FDG KINETIC LIMITED) (CONTINUED)

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

CGL and its subsidiaries (collectively, the "CGL Group") were principally engaged in investments holdings which invested 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 39)*	(353)
Total identifiable net assets at fair value	1,121,571
Non-controlling interests	(117,316)
Goodwill arising on the CGL Acquisition *(Note 18)*	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 arising from the CGL Acquisition 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.

17. ACQUISITION OF SUBSIDIARIES (CONTINUED)

(b)(i) ACQUISITION OF CIAM GROUP LIMITED (CURRENTLY KNOWN AS FDG KINETIC 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 last 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.

(b)(ii) CHANGES IN OWNERSHIP INTERESTS IN FDG KINETIC LIMITED WITHOUT CHANGE OF CONTROL

For the year ended 31 March 2016

The changes in ownership interests in subsidiaries without change of control in the current period mainly arise from (i) a completion of placing of 150,000,000 shares of FKL held by a wholly-owned subsidiary of the Company on 7 May 2015, at a placing price of HK$1.70 per share, with net proceeds of approximately HK$248,372,000 (net off direct costs), which changed the shareholdings of FKL held by the Company from approximately 89.54% to approximately 73.55%; (ii) a completion of top-up placing of 35,000,000 new shares of FKL on 5 August 2015 at a placing price of HK$7.73 per share, with net proceeds of approximately HK$264,191,000 (net off direct costs), which changed the shareholdings of FKL held by the Company from approximately 73.55% to approximately 70.91%; and (iii) a completion of the PPM Acquisition by FKL by an issuance of 269,230,770 new ordinary shares of FKL which changed the shareholdings of FKL held by the Company from approximately 70.91% to approximately 67.19%.

The Group accounted for the partial disposal of interests in subsidiaries without loss of control as equity transactions and the difference of HK$92,148,000 between the changes in the carrying amount of the non-controlling interests and the fair value of the consideration paid or received was recognised in equity as set out in the consolidated statement of changes in equity.

17. ACQUISITION OF SUBSIDIARIES (CONTINUED)

(c) ACQUISITION OF GIANT INDUSTRY HOLDINGS LIMITED

For the year ended 31 March 2015

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 guarantor for the GI Vendor, both 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 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 interests of Yunnan Meidi Coach Manufacturing Co., Ltd.$^{\Delta}$ (雲南美的客車製造有限公司) (currently known as Yunnan FDG Automobile Co., Limited$^{\Delta}$ (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 in the board of the PRC Manufacturing Company, and the PRC Manufacturing Group would therefore become indirect non-wholly-owned subsidiaries of the Company upon the GI Completion Date.

Given the Group had completed the acquisition of a 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.

$^{\Delta}$ *For identification purpose*

17. ACQUISITION OF SUBSIDIARIES (CONTINUED)

(c) 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 19)*	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 39)*	(16,304)
Total identifiable net assets at fair value	96,207
Non-controlling interests	(48,103)
Goodwill arising on the GI Acquisition *(Note 18)*	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 shares on the GI Completion Date, and less the amounts of HK$40,705,000 to be received from the GI Vendor and/or the guarantor being the shortfall of the audited net assets value of the GI Group as at the GI Completion Date, from 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.

17. ACQUISITION OF SUBSIDIARIES (CONTINUED)

(c) 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 but incurred a loss of HK$104,026,000 which is included in the consolidated loss for the year ended 31 March 2015.

Had the GI Acquisition took place at the beginning of the last 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.

(d) ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES

For the year ended 31 March 2015

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 17(b)(i).

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 interests in Agnita and its subsidiaries on the equity attributable to owners of the Company during the year ended 31 March 2015 is summarised as follows:

	HK$'000
Carrying amount of non-controlling interests of Agnita and its subsidiaries (collectively, the "Agnita Group") 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. GOODWILL

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

	Allocated to battery products segment HK$'000	Allocated to vehicle design & electric vehicle production in Hangzhou HK$'000	Allocated to vehicle design & electric vehicle production in Yunnan HK$'000	Allocated to direct investments segment HK$'000	Allocated to battery materials production segment HK$'000	Total HK$'000
Cost						
At 1 April 2014	904,240	1,011,445	–	–	–	1,915,685
Acquisition of subsidiaries *(Notes 17(b)(i) & (c))*	–	–	93,591	427,916	–	521,507
Exchange adjustments	–	1,204	148	–	–	1,352
At 31 March 2015 and 1 April 2015	904,240	1,012,649	93,739	427,916	–	2,438,544
Acquisition of subsidiaries *(Note 17(a))*	–	–	–	–	485,021	485,021
Exchange adjustments	–	(50,053)	(4,633)	–	(14,936)	(69,622)
At 31 March 2016	**904,240**	**962,596**	**89,106**	**427,916**	**470,085**	**2,853,943**
Accumulated impairment						
At 1 April 2014	904,240	661,869	–	–	–	1,566,109
Exchange adjustments	–	788	–	–	–	788
At 31 March 2015 and 1 April 2015	904,240	662,657	–	–	–	1,566,897
Exchange adjustments	–	(32,754)	–	–	–	(32,754)
At 31 March 2016	**904,240**	**629,903**	**–**	**–**	**–**	**1,534,143**
Carrying amount						
At 31 March 2016	**–**	**332,693**	**89,106**	**427,916**	**470,085**	**1,319,800**
At 31 March 2015	–	349,992	93,739	427,916	–	871,647

18. GOODWILL (CONTINUED)

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

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	
	2016	2015	**2016**	2015
Discount rate	**23.31%**	22.41%	**24.72%**	18.45%
Growth rate	**3.00%**	3.00%	**3.00%**	3.00%

The following describes each key assumption on which management has based their 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 and discount rate are consistent with information from external sources.

Management believes that any reasonably possible change in any of these key assumptions would not cause the aggregate 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 2016 (2015: nil).

Direct investments

The recoverable amount of cash-generating unit relating to the direct investments 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 20.01% (2015: 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% (2015: 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 on the past performance of this cash-generating unit and management's expectations for the market development.

18. GOODWILL (CONTINUED)

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

Direct investments (Continued)

The following describes each key assumption on which management has based their 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. 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 business in which this cash-generating unit operates.

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

Management believes that any reasonably possible change in any of these key assumptions would not cause the aggregate 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 2016 (2015: nil).

Battery materials production

The recoverable amount of the battery materials production unit 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 is approximately 19.52% 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.

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

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 and discount rate are consistent with external information sources.

Management believes that any reasonably possible change in any of these key assumptions would not cause the aggregate 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 2016.

19. INTANGIBLE ASSETS

	Patents and 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 2014	3,642,090	29,435	391,381	–	4,062,906
Additions through acquisition of subsidiaries *(Note 17(c))*	–	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 and 1 April 2015	3,642,092	57,420	457,547	37,371	4,194,430
Additions through acquisition of subsidiaries *(Note 17(a))*	–	–	106,983	–	106,983
Additions from internal developments	16	–	83,510	–	83,526
Disposals *(Note (c))*	–	–	(96,155)	–	(96,155)
Exchange adjustments	(100)	(2,838)	(21,636)	(1,847)	(26,421)
At 31 March 2016	**3,642,008**	**54,582**	**530,249**	**35,524**	**4,262,363**
Accumulated amortisation and impairment losses					
At 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 and 1 April 2015	3,166,098	2,018	82,649	11,218	3,261,983
Charge for the year	92,509	2,055	64,331	12,115	171,010
Disposals *(Note (c))*	–	–	(19,116)	–	(19,116)
Exchange adjustments	(23)	(147)	(4,596)	(828)	(5,594)
At 31 March 2016	**3,258,584**	**3,926**	**123,268**	**22,505**	**3,408,283**
Carrying amount					
At 31 March 2016	**383,424**	**50,656**	**406,981**	**13,019**	**854,080**
At 31 March 2015	475,994	55,402	374,898	26,153	932,447

19. 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 previous financial years;

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

(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 being the fair value of leasing the land and manufacturing factory from Yunnan Meidi Vehicle Industry Holdings Co., Ltd.$^{\Delta}$ (雲南美的汽車產業控股有限公司), a company incorporated in the PRC and 40% owned by the non-controlling shareholder of the PRC Manufacturing Company (as defined in Note 17(c)), for a term of three years from 7 May 2014 at nil consideration.

(b) As at 31 March 2016 and 2015, the recoverable amount of the intangible assets was assessed by the Board by reference to the professional valuation performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("Jones Lang LaSalle"), an independent firm of professionally qualified valuers, using multi-period excess earnings method under the income approach. The Board is of the opinion that, based on the valuation performed by Jones Lang LaSalle, no impairment losses (2015: nil) should be recognised in the Group's consolidated statement of profit or loss for the year ended 31 March 2016. 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 range from 19.52% to 24.72% (2015: 18.45% to 24.70%) per annum.

(c) During the year ended 31 March 2016, certain technical know-hows were disposed of as contributions to a foreign joint venture (Note 9(c)).

$^{\Delta}$ *For identification purpose*

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

	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											
At 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 and 1 April 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
Acquisition of subsidiaries *(Note 17(a))*	–	115,559	–	100,539	3,925	–	–	–	220,023	19,411	239,434
Additions	–	1,200	3,670	34,355	25,308	5,751	–	878,631	948,915	–	948,915
Exchange adjustments	(5,702)	(12,335)	(1,006)	(20,043)	(3,638)	(779)	(257)	(79,815)	(123,575)	(19,165)	(142,740)
Transfers	–	90,115	1,075	133,349	5,235	–	–	(229,774)	–	–	–
Disposals	–	–	–	(2,729)	(2,099)	(1,039)	–	–	(5,867)	–	(5,867)
At 31 March 2016	**109,669**	**363,014**	**24,525**	**541,177**	**89,181**	**22,746**	**4,467**	**1,887,012**	**3,041,791**	**381,402**	**3,423,193**
Accumulated depreciation and amortisation and impairment losses											
At 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 and 1 April 2015	8,482	21,872	3,550	91,326	14,814	9,527	2,956	–	152,527	11,534	164,061
Charge for the year	4,854	9,953	3,141	34,326	12,758	2,835	1,291	–	69,158	8,494	77,652
Exchange adjustments	(529)	(1,307)	(196)	(5,244)	(1,009)	(342)	(176)	–	(8,803)	(763)	(9,566)
Disposals	–	–	–	(2,033)	(1,672)	(999)	–	–	(4,704)	–	(4,704)
At 31 March 2016	**12,807**	**30,518**	**6,495**	**118,375**	**24,891**	**11,021**	**4,071**	**-**	**208,178**	**19,265**	**227,443**
Carrying amount											
At 31 March 2016	**96,862**	**332,496**	**18,030**	**422,802**	**64,290**	**11,725**	**396**	**1,887,012**	**2,833,613**	**362,137**	**3,195,750**
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

Notes:

(a) All of the Group's land and buildings are held in the PRC under medium-term leases as at 31 March 2016 and 2015.

(b) As at 31 March 2016, certain land and buildings, plant and machinery and construction in progress of the Group with a total carrying amount of HK$2,176,923,000 (2015: HK$315,210,000) were pledged as securities for the Group's bank loans (Note 33(a)).

21. SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 March 2016 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
FDG Kinetic Limited# (formerly known as CIAM Group Limited)	Bermuda	HK$1,027,129,371	–	67.19%	Investment holding
Five Dragons Electric Vehicle Limited	Hong Kong	HK$100	–	100%	Investment holding
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	Hong Kong	HK$1	–	91.80%	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	–	91.80%	Research and development
Synergy Dragon Limited	British Virgin Islands	US$100	–	91.80% *(Note 3)*	Investment holding
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*	–	91.80%	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	–	91.80%	Manufacture and sale of battery products

21. SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries as at 31 March 2016 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	Indirectly	Principal activities
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*	–	91.80%	Manufacture and sale of battery products
深圳中聚電池有限公司 (Shenzhen Sinopoly Battery Co., Ltd.△) *(Note 1)*	PRC	HK$10,000,000*	–	91.80%	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*	–	91.80%	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*	–	91.80%	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 4)*	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 5)*	Manufacture and distribution of electric vehicles
杭州長江乘用車有限公司 (Hangzhou Changjiang Passenger Vehicles Co., Ltd.△) *(Note 2)*	PRC	RMB267,000,000	–	43.68% *(Note 6)*	Manufacture and distribution of electric vehicles (effective from May 2016)
雲南五龍汽車有限公司 (Yunnan FDG Automobile Co., Limited△) *(Note 2)*	PRC	RMB69,735,000*	–	50% *(Note 7)*	Manufacture and distribution of electric vehicles
五龍動力(重慶)鋰電材料有限公司 (FDG Kinetic (Chongqing) Lithium-ion Battery Material Co., Ltd.△) *(Note 2)*	PRC	US$43,200,000	–	67.19%	Manufacture of cathode materials for nickel-cobalt-manganese Lithium-ion battery

* The registered capital has been fully paid-up.

△ For identification purpose.

\# Listed in the Main Board of The Stock Exchange of Hong Kong Limited.

21. SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries as at 31 March 2016 are as follows: (Continued)

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: Synergy Dragon Limited ("SDL") was 75% owned by Union Grace Holdings Limited which was a wholly-owned subsidiary of the Group, and 25% owned by Cherrylink Investments Limited which was 100% owned by FKL, a 67.19% non-wholly-owned subsidiary of the Group. Accordingly, the Group owned 91.80% effective interests in SDL and its wholly-owned subsidiaries.

Note 4: Jasmin International Auto R&D (Beijing) Co., Ltd.$^{\Delta}$ ("Jasmin Beijing") was 80% owned by Agnita which was 100% owned by the Group. Accordingly, the Group owned 80% effective interests in Jasmin Beijing.

Note 5: Hangzhou Changjiang Automobile Co., Ltd.$^{\Delta}$ ("Changjiang") was 49% owned by Agnita and 1.17% owned by Jasmin Beijing which was controlled by the Group through Agnita (Note 4). Accordingly, the Group owned 49.94% effective interests in Changjiang.

Note 6: Hangzhou Changjiang Passenger Vehicles Co., Ltd.$^{\Delta}$ ("Changjiang Passenger") was 34% owned by Jasmin Beijing and 33% owned by Changjiang. Accordingly, the Group owned 43.68% effective interests in Changjiang Passenger.

Note 7: Yunnan FDG Automobile Co., Limited$^{\Delta}$ ("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 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.

	2016			
	Jasmin Beijing HK$'000	Changjiang HK$'000	Yunnan FDG HK$'000	FKL HK$'000
NCI percentage	**20%**	**50.06%**	**50%**	**32.81%**
Current assets	**140,257**	**1,127,254**	**203,870**	**647,377**
Non-current assets	**495,252**	**2,612,569**	**128,974**	**2,020,892**
Current liabilities	**(128,493)**	**(1,453,523)**	**(408,433)**	**(208,729)**
Non-current liabilities	**(139,131)**	**(1,689,093)**	**(9,476)**	**(685,924)**
Net assets/(liabilities)	**367,885**	**597,207**	**(85,065)**	**1,773,616**
Carrying amount of NCI	**73,577**	**116,387**	**(42,532)**	**581,923**
Revenue	**57,603**	**31,061**	**14,188**	**97,138**
Loss for the year	**(94,791)**	**(229,904)**	**(79,702)**	**(1,808,689)**
Loss allocated to NCI	**(18,958)**	**(115,099)**	**(39,851)**	**(485,665)**
Total comprehensive loss	**(114,560)**	**(300,900)**	**(77,525)**	**(1,833,119)**
Dividend paid to NCI	**–**	**–**	**–**	**–**
Cash flows from/(used in) operating activities	**294,143**	**(257,369)**	**(18,924)**	**(195,725)**
Cash flows used in investing activities	**(210,897)**	**(969,068)**	**(30,986)**	**(422,120)**
Cash flows (used in)/from financing activities	**(97,618)**	**1,531,273**	**51,559**	**259,531**

21. SUBSIDIARIES (CONTINUED)

	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 (used in)/from financing activities	(72,259)	1,406,988	91,372	–

22. INTERESTS IN ASSOCIATES

	2016 HK$'000	2015 HK$'000
Share of net assets	**3,186**	–

Particulars of the principal associates at 31 March 2016 is as follows:

Name	Place of incorporation and operation	Registered capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by a subsidiary	Principal activities
雲南五龍電動汽車應用技術有限公司 (Yunnan FDG Automobile Electric Vehicles Application Technique Company Limited△)	The PRC	RMB10,000,000	36.72%	40%	Manufacture and distribution of electric vehicles
臨沂華凱再生資源科技有限公司 (Linyi Huakai Renewable Resources Technology Company Limited△)	The PRC	RMB20,000,000	27.54%	30%	Recycle and sale of battery products

△ For identification purpose.

22. INTERESTS IN ASSOCIATES (CONTINUED)

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

	2016 HK$'000	2015 HK$'000
Aggregate carrying amount of individually immaterial associates in the consolidated statement of financial position	**3,186**	–

	2016 HK$'000	2015 HK$'000
Aggregate amounts of the Group's share of the associates'		
– Loss from continuing operations	**(547)**	–
– Other comprehensive income	**–**	–
– Total comprehensive loss	**(547)**	–

23. INTERESTS IN JOINT VENTURES

	2016 HK$'000	2015 HK$'000
Share of net assets	**342,936**	107,866

Particulars of the principal joint ventures at 31 March 2016 is as follows:

Name	Place of incorporation and operation	Issued and fully paid capital/ registered capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by a subsidiary	Principal activities
Orng EV Solutions, Inc. ("ORNG")	The US	US$3,875 (38,750,000 common stocks of US$0.0001 each)	53.55%	53.55%*	Sales and distribution of electric vehicles
華能壽光風力發電有限公司 (Huaneng Shouguang Wind Power Company Limited△)	The PRC	RMB186,730,000	30.24%	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

23. INTERESTS IN JOINT VENTURES (CONTINUED)

On 11 December 2015, the Group and Smith entered into a loan agreement (the "Loan Agreement") pursuant to which the Group granted a secured loan (the "Secured Loan") amounting to US$2,000,000 (equivalent to approximately HK$15,500,000) to Smith. The repayment date of the Secured Loan was 14 February 2016, being two months from 15 December 2015. The Secured Loan was secured by 10,000,000 common stocks of ORNG owned by Smith (the "Security"), as collateral. As a result of Smith's default in repayment under the Loan Agreement, the Group commenced the foreclosure process on 26 February 2016 and a public secured party auction was subsequently conducted on the Security on 1 June 2016 (the "Public Auction"). At the Public Auction, the Group acquired the entire 10,000,000 common stocks of ORNG with a credit-bid of US$500,000 (equivalent to approximately HK$3,875,000) (the "Credit Bid"), being credit deducted from the outstanding monies owed by Smith to the Group under the Loan Agreement. After the Credit Bid, Smith continues to owe the Group outstanding monies of around US$1,500,000 (equivalent to approximately HK$11,625,000) plus further interest, legal costs and foreclosure costs under the Loan Agreement.

In May 2016, the Group injected an additional US$2,500,000 (equivalent to approximately HK$19,375,000) capital contribution to ORNG for the issuance of 1,250,000 common stocks of ORNG. Following the completion of the foreclosure process and transfer of the 10,000,000 common stocks of ORNG to the Group, the ownership of ORNG is held at approximately 80% by the Group and approximately 20% by Smith. As the Group cannot command controlling votes in the board of directors of ORNG, ORNG continues to be accounted for as a joint venture of the Group.

△ For identification purpose.

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

	2016 HK$'000	2015 HK$'000
Aggregate carrying amount of individually immaterial joint ventures in the consolidated statement of financial position	**342,936**	107,866

	2016 HK$'000	2015 HK$'000
Aggregate amounts of the Group's share of the joint ventures'		
– Loss from continuing operations	**(10,771)**	(403)
– Other comprehensive (loss)/income	**(5,411)**	2,477
– Total comprehensive (loss)/income	**(16,182)**	2,074

24. AVAILABLE-FOR-SALE INVESTMENTS

	2016 HK$'000	2015 HK$'000
Unlisted investments, at cost less impairment losses:		
– Equity securities	**23,884**	93,634

As at 31 March 2016 and 2015, the Group's unlisted equity securities were stated at cost because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. For the year ended 31 March 2016, due to the financial difficulties of the investee, an impairment of HK$69,750,000 (2015: nil) was made by reference to its latest financial position and potential future profitability.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 HK$'000	2015 HK$'000
Non-current		
Securities designated at fair value through profit or loss:		
Unlisted debt securities with embedded options *(Note (i))*	**–**	29,311
Unlisted equity securities *(Note (ii))*	**–**	18,938
	–	48,249
Current		
Securities designated at fair value through profit or loss:		
Unlisted debt securities with embedded options *(Note (i))*	**29,074**	–
Held-for-trading investments:		
Listed equity securities	**30,922**	–
Unlisted funds	**9,225**	10,569
	69,221	10,569

All listed and 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 and included in "Other gains and losses".

Notes:

(i) In the opinion of the directors of the Company, the unlisted debt securities with embedded options is expected to be disposed of within twelve months from 31 March 2016, and therefore classified as current assets.

(ii) As at 31 March 2015, the Group's unlisted equity securities amounting to a fair value of HK$18,938,000 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. During the year ended 31 March 2016, this investment has been disposed of at a total consideration of RMB15,000,000 (equivalent to HK$17,834,000) and a loss on disposal of an associate of HK$237,000 was recognised.

26. DEPOSITS PAID FOR NON-CURRENT ASSETS

As at 31 March 2016, the deposits of HK$285,966,000 (2015: HK$76,265,000) were for the purchase of machineries and equipment and moulding for the Group's production plants.

27. OTHER NON-CURRENT ASSETS

	2016 HK$'000	2015 HK$'000
Prepaid expenses	**8,583**	8,627
Club debentures	**367**	1,104
	8,950	9,731

28. INVENTORIES

	2016 HK$'000	2015 HK$'000
Raw materials	**250,318**	44,644
Work in progress	**81,268**	22,476
Finished goods	**281,763**	125,595
	613,349	192,715

29. TRADE AND BILLS RECEIVABLES

	2016 HK$'000	2015 HK$'000
Trade receivables	**160,895**	131,207
Bills receivable	**7,422**	14,551
Less: Allowance for doubtful debts *(Note (d))*	**(15,920)**	–
Trade and bills receivables *(Notes (a) & (b))*	**152,397**	145,758
Amounts due from customers for contract work *(Note (c))*	**1,179**	2,427
	153,576	148,185

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:

	2016 HK$'000	2015 HK$'000
Within 1 month	**1,665**	7,523
Between 1 and 3 months	**29,032**	49,843
Between 3 months and 1 year	**69,041**	57,339
Over 1 year	**52,659**	31,053
	152,397	145,758

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 the senior management of the Group. 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:

	2016 HK$'000	2015 HK$'000
Neither past due nor impaired	**49,993**	16,661
Less than 1 month past due	**29,829**	329
Between 1 and 3 months past due	**8,810**	85,881
Between 3 months and 1 year past due	**12,921**	21,359
More than 1 year past due	**50,844**	21,528
Past due but not impaired	**102,404**	129,097
	152,397	145,758

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 2016 and 2015, the Group does not hold any collateral over these balances.

(c) As at 31 March 2016, 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$9,942,000 (2015: HK$9,476,000) less progress billing of HK$8,763,000 (2015: HK$7,049,000). The amounts due from customers for contract work are expected to be recovered within one year.

(d) Movement in allowance for doubtful debts for trade receivables is as follows:

	2016 HK$'000	2015 HK$'000
At 1 April	**–**	–
Impairment loss charged to profit or loss *(Note 9)*	**16,235**	–
Written off	**(3)**	–
Exchange adjustments	**(312)**	–
At 31 March	**15,920**	–

At 31 March 2016, trade receivables of HK$28,682,000 (2015: nil) were individually determined to be doubtful debts being related to customers that were in financial difficulties. Accordingly, specific allowances for doubtful debts of HK$15,920,000 (2015: nil) were recognised.

30. LOAN AND OTHER RECEIVABLES

	2016 **HK$'000**	2015 HK$'000
Loan receivables *(Note (a))*	**198,873**	66,050
Other receivables	**141,750**	129,537
Less: Allowance for doubtful debts *(Note (b))*	**(64,928)**	(30,276)
	275,695	165,311
Deposits and prepayments	**37,467**	33,556
Value-added-tax receivables	**316,426**	200,660
	629,588	399,527

	2016 **HK$'000**	2015 HK$'000
Presented by:		
Non-current assets	**434**	467
Current assets	**629,154**	399,060
	629,588	399,527

Notes:

(a) Loans receivables were due from the borrowers which pledged their property and assets, listed and unlisted equity securities and, a mining right of an iron ore as collaterals. Loan receivables are interest bearing ranging from 6.00% to 28.50% (2015: 6.00% to 28.50%) per annum. Out of these loans, a secured loan of HK$58,680,000 (2015: HK$61,677,000) (the "Loan") which the borrower pledged a mining right of an iron ore as collateral, was acquired through the acquisition of FKL and was past due for over one year (2015: over one year) as at 31 March 2016. On 17 December 2015, the Group appointed CITIC International Assets Management Limited ("CIAM") as its exclusive agent in collecting and handling the Loan and its outstanding accrued interest for twenty four calendar months from 17 December 2015 (the "Contract Period"). CIAM should pay deposits by instalments of RMB56,000,000 in total (equivalent to approximately HK$67,206,000) (the "Agreed Amount") by 31 May 2016 to the Group. CIAM undertook to collect the Agreed Amount for the Group and should the amount collected exceed the Agreed Amount, the excess will be paid to CIAM as agency fee. The Group also has the right to exercise a put option to sell the Loan to CIAM at the consideration of the Agreed Amount less any amount recovered from the Loan during the Contract Period and use deposits received from CIAM to offset. In the opinion of the directors, the fair value of the put option is insignificant as the collateral is worth more than the exercise price of the put option.

30. LOAN AND OTHER RECEIVABLES (CONTINUED)

Notes: (Continued)

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

	2016 **HK$'000**	2015 HK$'000
At 1 April	**30,276**	28,785
Impairment loss charged to profit or loss *(Note 9)*	**34,558**	1,491
Written off	**(37)**	–
Exchange adjustments	**131**	–
At 31 March	**64,928**	30,276

Included in loan and other receivables is an amount of HK$28,785,000 (2015: HK$28,785,000) due from certain of the Chung Parties (as defined in Note 45), 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 loan and other receivables is an amount of HK$91,333,000 (2015: HK$81,391,000), was acquired through the acquisition of FKL and representing the secured loan as described in Note 30(a) and related accrued interest and consultancy fee income receivables. Based on the impairment assessment on the individually loan and other receivables performed by management, an impairment allowance of HK$20,640,000 (2015: HK$1,491,000) was provided for the year ended 31 March 2016. As at 31 March 2016, accumulated impairment allowance amounted to HK$22,262,000 (2015: HK$1,491,000).

Included in loan and other receivables are amounts of HK$24,296,000 (2015: HK$3,875,000) due from a joint venture partner, Smith (as defined in Note 9(d)). Based on the impairment assessment on the individual amounts and related interest receivables which was past due and had indications of financial difficulty, an impairment allowance of HK$13,881,000 (2015: nil) was provided for the year ended 31 March 2016. As at 31 March 2016, accumulated impairment allowance amounted to HK$13,881,000 (2015: nil).

Except for loan receivable of HK$434,000 (2015: HK$467,000) which is 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 2016, pledged bank deposits of HK$190,837,000 (2015: HK$126,125,000), HK$21,002,000 (2015: nil) and HK$720,000 (2015: HK$2,746,000) were pledged as security for the issuance of bills payables, a bank loan and letters of credit by the Group, respectively.

As at 31 March 2016 and 2015, all pledged bank deposits were relating to the PRC subsidiaries and 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

	2016 **HK$'000**	2015 HK$'000
Cash at bank and in hand	**609,994**	127,163
Short-term bank deposits	**332,021**	284,315
Cash and cash equivalents	**942,015**	411,478
Deposit in a security account *(Note 33(b))*	**–**	320,019
Total	**942,015**	731,497

At the end of the reporting period, the cash and cash equivalents of the PRC subsidiaries denominated in RMB amounted to HK$544,490,000 (2015: HK$93,259,000). 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 or use under the term of certain contractual agreements.

33. BANK LOANS AND OTHER BORROWINGS

At 31 March 2016, the bank loans and other borrowings were repayable as follows:

	2016 **HK$'000**	2015 HK$'000
Within 1 year	**1,102,153**	880,203
After 1 year but within 2 years	**169,814**	–
After 2 years but within 5 years	**710,988**	–
	1,982,955	880,203

	2016 **HK$'000**	2015 HK$'000
Presented by:		
Current liabilities	**1,102,153**	880,203
Non-current liabilities	**880,802**	–
	1,982,955	880,203

33. BANK LOANS AND OTHER BORROWINGS (CONTINUED)

At 31 March 2016, the bank loans and other borrowings were as follows:

	2016 HK$'000	2015 HK$'000
Secured bank loans *(Note (a))*	**1,255,833**	190,637
Other borrowings		
– secured *(Note (b))*	**694,572**	689,566
– unsecured	**32,550**	–
	1,982,955	880,203

Notes:

(a) As at 31 March 2016 and 2015, the bank loans were secured by certain land and buildings, plant and machinery, construction in progress (Note 20(b)), share charges over certain shares of subsidiaries of the Group, and a bank deposit of HK$21,002,000 (Note 31).

(b) As at 31 March 2016, the secured other borrowings 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 and a share charge over certain shares of FKL. As at 31 March 2015, the secured other borrowing was 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. When any events of default has occurred and is continuing, the lender will be entitled to sell 51.41% (2015: 53.68%) of the issued shares of FKL, a non-wholly-owned subsidiary of the Group, and to apply the deposit of nil (2015: 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. TRADE AND BILLS PAYABLES

	2016 HK$'000	2015 HK$'000
Trade payables	**331,735**	111,459
Bills payable	**79,219**	27,730
	410,954	139,189

34. TRADE AND BILLS PAYABLES (CONTINUED)

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

	2016 HK$'000	2015 HK$'000
Within 1 month	**132,565**	37,659
Between 1 and 3 months	**107,656**	39,474
Between 3 months and 1 year	**162,825**	60,249
Over 1 year	**7,908**	1,807
	410,954	139,189

The carrying amounts of trade and bills payables approximate their fair values. As at 31 March 2016, bills payable of HK$79,219,000 (2015: HK$27,730,000) were secured by bank deposits of HK$60,981,000 (2015: HK$27,730,000).

35. ACCRUALS AND OTHER PAYABLES

	2016 HK$'000	2015 HK$'000
Bills and other payables for acquisition of non-current assets	**343,323**	339,285
Other payables and accrued expenses	**191,758**	132,133
Value-added-tax payables	**12,499**	–
Receipts in advance	**52,685**	20,320
Warranty provision *(Note)*	**3,887**	1,420
	604,152	493,158

As at 31 March 2016, bills payable for the acquisition of non-current assets of HK$129,856,000 (2015: HK$98,395,000) were secured by the equivalent amount of bank deposits.

Note:

	HK$'000
Warranty provision	
At 1 April 2015	1,420
Add: provision during the year	2,467
At 31 March 2016	3,887

The Group generally provides one-year to five-year 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.

36. OBLIGATIONS UNDER REDEEMED CONVERTIBLE BONDS

On 8 March 2011, the Company issued a redemption notice to 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 HK Court issued a judgment in favour of the Company. The Company has been granted 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 pending determination of litigations between the Company and two of its subsidiaries with Mr. Chung and companies which are controlled and/or owned by Mr. Chung (the "5 March 2013 Judgment"), further details of which are set out at Note 45.

On 27 February 2013, the HK Court has made an order for bankruptcy against Mr. Chung (the "Bankruptcy"). The Company is currently awaiting for the trustees-in-bankruptcy (the "Trustee") to wind up Mr. Chung's assets and take over the litigations involving Mr. Chung (the "Winding Up"). Despite being adjudged bankrupt on 27 February 2013, Mr. Chung has not been cooperative, failing to submit a substantive statement of affairs, an annual report of his earnings and acquisitions or deliver any substantial property to the Trustee as required by the Bankruptcy Ordinance. The Company has consequently filed complaint with the Trustee and the Official Receiver and urged them to take immediate actions to expedite the Winding Up. On 25 May 2016, the Trustee has taken out an application to take over Mr. Chung's several companies, including Mei Li. The Company may re-consider its position in the litigations if the Trustee has successfully taken over Mr. Chung's companies.

37. OTHER NON-CURRENT LIABILITY

The amount represents a grant received by the Group 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 2016 and 2015.

38. CONVERTIBLE BONDS

	2016		2015	
	Liability components HK$'000	**Derivative financial instruments HK$'000**	Liability components HK$'000	Derivative financial instruments HK$'000
Convertible bonds due in 2017 *(Note (a))*	**373,666**	**(29,731)**	351,240	(19,383)
Convertible bonds due in 2018 *(Note (b))*	**102,945**	**(4,410)**	804,771	(34,479)
	476,611	**(34,141)**	1,156,011	(53,862)

38. CONVERTIBLE BONDS (CONTINUED)

Notes:

(a) Convertible bonds due in 2017

On 14 April 2014, the Company issued convertible bonds with an aggregate principal amount of HK$400,000,000 (the "2017 Due CB") pursuant to the agreement dated 20 March 2014 entered into 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 then issue date 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, 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 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% (2015: 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 2016	At 31 March 2015	At issue date
Closing share prices	HK$0.43	HK$0.47	HK$0.55
Conversion price	HK$0.60	HK$0.60	HK$0.60
Expected remaining life of the of the convertible bonds	1.04 years	2.04 years	3 years
Expected volatility	57.77%	46.65%	52.15%
Risk free rate	0.26%	0.43%	0.72%
Expected dividend yield	0%	0%	0%
Discount rate	23.01%	14.79%	14.66%

38. 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 ended 31 March 2015	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
As at 31 March 2015 and 1 April 2015	351,240	86,075	(19,383)	417,932
Add: Interest expenses	54,428	–	–	54,428
Less: Interest payable	(32,002)	–	–	(32,002)
Add: Fair value gain on derivative financial instruments	–	–	(10,348)	(10,348)
As at 31 March 2016	**373,666**	**86,075**	**(29,731)**	**430,010**

None of the 2017 Due CB was exercised during the years ended 31 March 2016 and 2015.

(b) Convertible bonds due in 2018

On 23 February 2015, the Offer made by VMS Securities Limited on behalf of Sinopoly (as defined in Note 17(b)(i)) to acquire all the issued ordinary shares of FKL and to cancel the options which are outstanding under the share option scheme adopted by FKL 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), 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 then issue date 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 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, 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.

38. CONVERTIBLE BONDS (CONTINUED)

Notes: (Continued)

(b) Convertible bonds due in 2018 (Continued)

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 rates of the liability component of the 2018 Due CB are ranged from 13.07% to 13.64% (2015: 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.

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

	At 31 March 2016	At 31 March 2015	At issue dates
Closing share prices	HK$0.430	HK$0.470	HK$0.445 – HK$0.490
Conversion price	HK$0.50	HK$0.50	HK$0.50
Expected remaining life of the convertible bonds	1.83 years	2.83 years	2.93 – 2.99 years
Expected volatility	50.63%	44.66%	44.04% – 44.36%
Risk free rate	0.48%	0.59%	0.58% – 0.62%
Expected dividend yield	0%	0%	0%
Discount rate	23.23%	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 ended 31 March 2015	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
As at 31 March 2015 and 1 April 2015	804,771	425,104	(34,479)	1,195,396
Add: Interest expenses	91,206	–	–	91,206
Less: Converted during the year	(793,032)	(377,580)	25,890	(1,144,722)
Less: Fair value loss on derivative financial instruments	–	–	4,179	4,179
As at 31 March 2016	**102,945**	**47,524**	**(4,410)**	**146,059**

During the year ended 31 March 2016, holders of the 2018 Due CB converted an aggregated principal amount of approximately HK$1,045,705,000 (2015: HK$254,640,000) into approximately 2,091,410,000 (2015: 509,279,000) ordinary shares of the Company at the conversion price of HK$0.50 per share (Note 41(b)).

39. DEFERRED TAX LIABILITIES

The following are the major deferred tax balances recognised and movements thereon during the years ended 31 March 2016 and 2015:

	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 2014	22,909	233,953	–	256,862
Credit to profit or loss *(Note 13)*	(476)	(57,456)	–	(57,932)
Acquisition of subsidiaries *(Notes 17 (b)(i) & (c))*	–	16,304	353	16,657
Exchange adjustments	(49)	(420)	–	(469)
At 31 March 2015 and 1 April 2015	22,384	192,381	353	215,118
Credit to profit or loss *(Note 13)*	(473)	(1,046)	(303)	(1,822)
Acquisition of subsidiaries *(Note 17(a))*	712	23,565	–	24,277
Exchange adjustments	(1,175)	(9,999)	–	(11,174)
At 31 March 2016	**21,448**	**204,901**	**50**	**226,399**

At 31 March 2016, the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK$1,429,766,000 (2015: HK$1,123,465,000) and deductible temporary differences of HK$159,491,000 (2015: nil), as it is not probable that future taxable profits against which the tax losses and deductible temporary differences 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$580,078,000 (2015: HK$329,378,000) that will expire in the coming one to five years.

40. DEFERRED INCOME

The following are the major deferred income balances recognised and movements thereon during the years ended 31 March 2016 and 2015:

	HK$'000
At 1 April 2014, 31 March 2015 and 1 April 2015	–
Additions during the year	73,674
Exchange adjustments	(1,668)
At 31 March 2016	**72,006**

The Group received government grants on acquisition of plant and equipment used in production of electric vehicles and recognised as deferred income. Such deferred income will be released as income in the statement of profit or loss over the expected useful life of the relevant assets to match with the depreciation of such assets.

41. SHARE CAPITAL

	2016		2015	
	No. of shares '000	**HK$'000**	No. of shares '000	HK$'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	**17,866,170**	**178,662**	16,976,891	169,769
Issue of new shares:				
– pursuant to share placing and subscription *(Note (a))*	**2,000,000**	**20,000**	–	–
– upon conversion of convertible bonds *(Note (b))*	**2,091,410**	**20,914**	509,279	5,093
– upon exercise of share options *(Note (c))*	**6,000**	**60**	–	–
– pursuant to acquisition transaction *(Note (d))*	**–**	**–**	380,000	3,800
At end of the reporting period				
Ordinary shares of HK$0.01 each	**21,963,580**	**219,636**	17,866,170	178,662

Notes:

(a) During the year ended 31 March 2016, the Company issued a total of 2,000,000,000 ordinary shares pursuant to the following placing and subscription agreements:

- on 5 November 2015, the Company issued 1,000,000,000 ordinary shares of HK$0.01 each at the subscription price of HK$0.50 per share pursuant to the placing agreement dated 22 October 2015.
- on 26 February 2016, the Company issued 1,000,000,000 ordinary shares of HK$0.01 each at the subscription price of HK$0.465 per share pursuant to the subscription agreements dated 9 December 2015.

(b) During the year ended 31 March 2016, the convertible bonds with principal amount of approximately HK$1,045,705,000 (2015: HK$254,640,000) were converted at a conversion price of HK$0.50 per share, resulting in approximately 2,091,410,000 (2015: 509,279,000) ordinary shares of HK$0.01 each being issued by the Company (Note 38(b)).

(c) During the year ended 31 March 2016, share options to subscribe for 6,000,000 ordinary shares of the Company were exercised. The net consideration was HK$2,700,000 of which HK$60,000 was credited to share capital account and the balance of HK$2,640,000 was credited to the share premium account. The amount of HK$270,000 was transferred from share option reserve account to share premium account upon exercise of share options.

(d) 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 Holdings Limited, 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 shares of the Company of HK$0.48 on 7 May 2014, the date of completion of the acquisition.

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.

42. RESERVES

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

THE 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$'000	Retained earnings/ (accumulated losses) HK$'000	Total HK$'000
At 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	178,600	–	–	–	–	–	178,600
Issue of convertible bonds	–	–	–	601,894	–	–	601,894
Conversion of convertible bonds	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 and 1 April 2015	6,604,261	15,506	1,868	511,179	20,623	(5,274,360)	1,879,077
Shares issued upon exercise of share options	2,910	–	–	–	(270)	–	2,640
Cancellation of share premium *(Note 42(a))*	(6,824,625)	6,824,625	–	–	–	–	–
Transfer *(Note 42(a))*	–	(5,420,546)	–	–	–	5,420,546	–
Issue of new shares	937,462	–	–	–	–	–	937,462
Conversion of convertible bonds	1,123,808	–	–	(377,580)	–	–	746,228
Share option lapsed	–	–	–	–	(58)	58	–
Equity-settled share-based payments	–	–	–	–	11,257	–	11,257
Profit and total comprehensive income for the year	–	–	–	–	–	1,567,628	1,567,628
At 31 March 2016	**1,843,816**	**1,419,585**	**1,868**	**133,599**	**31,552**	**1,713,872**	**5,144,292**

42. RESERVES (CONTINUED)

Notes:

(a) Pursuant to the special resolution passed at the annual general meeting of the Company held on 28 August 2015 and with effect from 31 August 2015, the amount of approximately HK$6,824,625,000 standing to the credit of the share premium account was transferred to contributed surplus account of the Company, of which, an amount of approximately HK$5,420,546,000 was applied to offset the accumulated losses of the Company.

(b) 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.

(c) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(d) Contributed surplus

The contributed surplus represents the surplus arising from capital reductions pursuant to the Group's reorganisation in 2004 and 2005, and an amount of approximately HK$5,420,546,000 was applied to offset the accumulated losses of the Company as stated in Note 42(a).

(e) 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.

(f) 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).

(g) Share option reserve

The share option reserve comprises the fair value of unexercised share options granted by the Company.

(h) Retained earnings/accumulated losses

Retained earnings/accumulated losses comprises (i) an accumulated amount of profit or loss for the current and prior years exclude amounts distributed to shareholders as dividends; and (ii) reserves which arose from the changes in ownership 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.

(i) Distributability of reserve

At 31 March 2016, the Company had distributable reserve amounting to approximately HK$1,713,872,000 (2015: nil), which represented the balance of retained earnings. 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 its liabilities.

43. 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.

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.

43. 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 238,200,000, which represented approximately 1.08% 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.

43. SHARE OPTION SCHEME (CONTINUED)

Details of the options and movements in such holdings during the year ended 31 March 2016 are as follows:

		Number of options								
Category of participants	Date of grant	Outstanding as at 1.4.2015	Granted during the year	Exercised during the year	Lapsed during the year	Re-classified during the year	Outstanding as at 31.3.2016	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. Cao Zhong	28.4.2014	10,000,000	–	–	–	–	10,000,000	28.4.2016–27.4.2024 *(Note 2)*	0.630	–
Directors										
Mr. Miao Zhenguo	4.9.2013	12,000,000	–	–	–	–	12,000,000	4.9.2015–3.9.2023 *(Note 2)*	0.450	–
	28.4.2014	3,000,000	–	–	–	–	3,000,000	28.4.2016–27.4.2024 *(Note 2)*	0.630	–
Dr. Chen Yanping	28.4.2014	12,000,000	–	–	–	–	12,000,000	28.4.2016–27.4.2024 *(Note 2)*	0.630	–
Mr. Lo Wing Yat	23.8.2007	14,600,000	–	–	–	–	14,600,000	23.8.2008–22.8.2017 *(Note 3)*	0.230	–
	8.5.2009	16,200,000	–	–	–	–	16,200,000	8.5.2010–7.5.2019 *(Note 3)*	0.061	–
	4.9.2013	8,000,000	–	–	–	–	8,000,000	4.9.2015–3.9.2023 *(Note 2)*	0.450	–
	28.4.2014	4,000,000	–	–	–	–	4,000,000	28.4.2016–27.4.2024 *(Note 2)*	0.630	–
Mr. Jaime Che	4.9.2013	12,000,000	–	–	–	–	12,000,000	4.9.2015–3.9.2023 *(Note 2)*	0.450	–
	28.4.2014	4,000,000	–	–	–	–	4,000,000	28.4.2016–27.4.2024 *(Note 2)*	0.630	–

43. SHARE OPTION SCHEME (CONTINUED)

Details of the options and movements in such holdings during the year ended 31 March 2016 are as follows: (Continued)

Category of participants	Date of grant	Number of options: Outstanding as at 1.4.2015	Granted during the year	Exercised during the year	Lapsed during the year	Re-classified during the year	Outstanding as at 31.3.2016	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. Chan Yuk Tong	8.5.2009	900,000	–	–	–	–	900,000	8.11.2010–7.5.2019 *(Note 4)*	0.061	–
	4.9.2013	8,000,000	–	–	–	–	8,000,000	4.9.2015–3.9.2023 *(Note 2)*	0.450	–
	28.4.2014	4,000,000	–	–	–	–	4,000,000	28.4.2016–27.4.2024 *(Note 2)*	0.630	–
Mr. Fei Tai Hung	8.5.2009	900,000	–	–	–	–	900,000	8.11.2010–7.5.2019 *(Note 4)*	0.061	–
	4.9.2013	8,000,000	–	–	–	–	8,000,000	4.9.2015–3.9.2023 *(Note 2)*	0.450	–
	28.4.2014	4,000,000	–	–	–	–	4,000,000	28.4.2016–27.4.2024 *(Note 2)*	0.630	–
Mr. Tse Kam Fow	8.5.2009	900,000	–	–	–	–	900,000	8.11.2010–7.5.2019 *(Note 4)*	0.061	–
	4.9.2013	8,000,000	–	–	–	–	8,000,000	4.9.2015–3.9.2023 (Note 2)	0.450	–
	28.4.2014	4,000,000	–	–	–	–	4,000,000	28.4.2016–27.4.2024 *(Note 2)*	0.630	–

43. SHARE OPTION SCHEME (CONTINUED)

Details of the options and movements in such holdings during the year ended 31 March 2016 are as follows: (Continued)

Category of participants	Date of grant	Number of options: Outstanding as at 1.4.2015	Granted during the year	Exercised during the year	Lapsed during the year	Re-classified during the year	Outstanding as at 31.3.2016	Exercise period	Exercise price per option *HK$*	Weighted average closing price of the shares immediately before the dates on which the options were exercised *HK$*
Professor Chen Guohua *(resigned on 29 October 2015)*	4.9.2013	6,000,000	–	–	–	(6,000,000) *(Note 5)*	–	4.9.2015–3.9.2023 *(Note 2)*	0.450	–
	28.4.2014	4,000,000	–	–	–	(4,000,000) *(Note 5)*	–	28.4.2016–27.4.2024 *(Note 2)*	0.630	–
Employees	4.9.2013	189,100,000	–	(6,000,000) *(Note 6)*	(10,800,000) *(Note 6)*	–	172,300,000	4.9.2015–3.9.2023 *(Note 2)*	0.450	0.518
	28.4.2014	122,800,000	–	–	(13,000,000) *(Note 6)*	–	109,800,000	28.4.2016–27.4.2024 *(Note 2)*	0.630	–
Others	23.8.2007	7,200,000	–	–	–	–	7,200,000	23.8.2008–22.8.2017 *(Note 3)*	0.230	–
	4.9.2013	10,000,000	–	–	–	6,000,000 *(Note 5)*	16,000,000	4.9.2015–3.9.2023 *(Note 2)*	0.450	–
	28.4.2014	8,000,000	–	–	–	4,000,000 *(Note 5)*	12,000,000	28.4.2016–27.4.2024 *(Note 2)*	0.630	–
		481,600,000	–	(6,000,000)	(23,800,000)	–	451,800,000			
Weighted average exercise price *(HK$)*		0.492	–	0.450	0.548	–	0.490			
Exercisable as at 31.3.2016							21,800,000 18,900,000 122,150,000		0.230 0.061 0.450	

43. SHARE OPTION SCHEME (CONTINUED)

Details of the options and movements in such holdings during the year ended 31 March 2015 are as follows:

		Number of options								
Category of participants	Date of grant	Outstanding as at 1.4.2014	Granted during the year *(Note 8)*	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$*	Weighted average closing price of the shares immediately before the dates on which the options were exercised *HK$*
Directors & Substantial Shareholders										
Mr. Cao Zhong	28.4.2014	–	10,000,000	–	–	–	10,000,000	28.4.2016–27.4.2024 *(Note 2)*	0.630	–
Mr. Miao Zhenguo	21.4.2011	10,000,000	–	–	(10,000,000)	–	–	21.4.2012–20.4.2014 *(Note 9)*	0.810	–
	4.9.2013	12,000,000	–	–	–	–	12,000,000	4.9.2015–3.9.2023 *(Note 2)*	0.450	–
	28.4.2014	–	3,000,000	–	–	–	3,000,000	28.4.2016–27.4.2024 *(Note 2)*	0.630	–
Directors										
Dr. Chen Yanping	28.4.2014	–	–	–	–	12,000,000 *(Note 10)*	12,000,000	28.4.2016–27.4.2024 *(Note 2)*	0.630	–
Mr. Lo Wing Yat	23.8.2007	14,600,000	–	–	–	–	14,600,000	23.8.2008–22.8.2017 *(Note 3)*	0.230	–
	8.5.2009	16,200,000	–	–	–	–	16,200,000	8.5.2010–7.5.2019 *(Note 3)*	0.061	–
	21.4.2011	20,000,000	–	–	(20,000,000)	–	–	21.4.2012–20.4.2014 *(Note 9)*	0.810	–
	4.9.2013	8,000,000	–	–	–	–	8,000,000	4.9.2015–3.9.2023 *(Note 2)*	0.450	–
	28.4.2014	–	4,000,000	–	–	–	4,000,000	28.4.2016–27.4.2024 *(Note 2)*	0.630	–

43. 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: Outstanding as at 1.4.2014	Granted during the year *(Note 8)*	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. Jaime Che	21.4.2011	20,000,000	–	–	(20,000,000)	–	–	21.4.2012–20.4.2014 *(Note 9)*	0.810	–
	4.9.2013	12,000,000	–	–	–	–	12,000,000	4.9.2015–3.9.2023 *(Note 2)*	0.450	–
	28.4.2014	–	4,000,000	–	–	–	4,000,000	28.4.2016–27.4.2024 *(Note 2)*	0.630	–
Professor Chen Guohua	4.9.2013	6,000,000	–	–	–	–	6,000,000	4.9.2015–3.9.2023 *(Note 2)*	0.450	–
	28.4.2014	–	4,000,000	–	–	–	4,000,000	28.4.2016–27.4.2024 *(Note 2)*	0.630	–
Mr. Chan Yuk Tong	8.5.2009	900,000	–	–	–	–	900,000	8.11.2010–7.5.2019 *(Note 4)*	0.061	–
	21.4.2011	10,000,000	–	–	(10,000,000)	–	–	21.4.2012–20.4.2014 *(Note 9)*	0.810	–
	4.9.2013	8,000,000	–	–	–	–	8,000,000	4.9.2015–3.9.2023 *(Note 2)*	0.450	–
	28.4.2014	–	4,000,000	–	–	–	4,000,000	28.4.2016–27.4.2024 *(Note 2)*	0.630	–

43. 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 8)*	Exercised during the year	Lapsed during the year	Re-classified during the year	Outstanding as at 31.3.2015		*HK$*	*HK$*
Mr. Fei Tai Hung	8.5.2009	900,000	–	–	–	–	900,000	8.11.2010–7.5.2019 *(Note 4)*	0.061	–
	21.4.2011	10,000,000	–	–	(10,000,000)	–	–	21.4.2012–20.4.2014 *(Note 9)*	0.810	–
	4.9.2013	8,000,000	–	–	–	–	8,000,000	4.9.2015–3.9.2023 *(Note 2)*	0.450	–
	28.4.2014	–	4,000,000	–	–	–	4,000,000	28.4.2016–27.4.2024 *(Note 2)*	0.630	–
Mr. Tse Kam Fow	8.5.2009	900,000	–	–	–	–	900,000	8.11.2010–7.5.2019 *(Note 4)*	0.061	–
	21.4.2011	10,000,000	–	–	(10,000,000)	–	–	21.4.2012–20.4.2014 *(Note 9)*	0.810	–
	4.9.2013	8,000,000	–	–	–	–	8,000,000	4.9.2015–3.9.2023 *(Note 2)*	0.450	–
	28.4.2014	–	4,000,000	–	–	–	4,000,000	28.4.2016–27.4.2024 *(Note 2)*	0.630	–
Mr. Xu Donghui *(resigned on 28 May 2014)*	21.4.2011	20,000,000	–	–	(20,000,000)	–	–	21.4.2012–20.4.2014 *(Note 9)*	0.810	–
	4.9.2013	8,000,000	–	–	–	(8,000,000) *(Note 11)*	–	4.9.2015–3.9.2023 *(Note 2)*	0.450	–

43. 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: Outstanding as at 1.4.2014	Granted during the year *(Note 8)*	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$*	Weighted average closing price of the shares immediately before the dates on which the options were exercised *HK$*
Employees	21.4.2011	50,300,000	–	–	(50,300,000)	–	–	21.4.2012–20.4.2014 *(Note 9)*	0.810	–
	21.4.2011	13,400,000	–	–	(13,400,000)	–	–	21.4.2013–20.4.2014 *(Note 12)*	0.810	–
	4.9.2013	193,300,000	–	–	(12,200,000) *(Note 13)*	8,000,000 *(Note 11)*	189,100,000	4.9.2015–3.9.2023 *(Note 2)*	0.450	–
	28.4.2014	–	138,200,000	–	(3,400,000) *(Note 13)*	(12,000,000) *(Note 10)*	122,800,000	28.4.2016–27.4.2024 *(Note 2)*	0.630	–
Others	23.8.2007	7,200,000	–	–	–	–	7,200,000	23.8.2008–22.8.2017 *(Note 3)*	0.230	–
	21.4.2011	101,000,000	–	–	(101,000,000)	–	–	21.4.2012–20.4.2014 *(Note 9)*	0.810	–
	4.9.2013	10,000,000	–	–	–	–	10,000,000	4.9.2015–3.9.2023 *(Note 2)*	0.450	–
	28.4.2014	–	8,000,000	–	–	–	8,000,000	28.4.2016–27.4.2024 (Note 2)	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	

43. SHARE OPTION SCHEME (CONTINUED)

Notes:

1. Number of options refers to the number of underlying shares of the Company covered by the options under the Scheme and the previous share option scheme.

2. 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.

3. 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.

4. Options granted are subject to a vesting period up to 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.

5. Professor Chen Guohua resigned as a director of the Company on 29 October 2015. His outstanding options entitling him to subscribe for a total of 10,000,000 shares of the Company were therefore re-classified from the category of "Directors" to the category of "Others" during the year ended 31 March 2016.

6. A total of 6,000,000 options were exercised, and 2,400,000 vested options and 21,400,000 unvested options lapsed respectively during the year ended 31 March 2016 following the cessation of optionholders to be employees of the Company or eligible participants of the Scheme.

7. No options were cancelled during the year ended 31 March 2016, and no options were exercised or cancelled during the year ended 31 March 2015.

8. 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.

9. Options granted are subject to a vesting period of one year and are exercisable 12 months after the relevant date of grant. These options lapsed on 21 April 2014 upon the expiry of the exercise period concerned.

10. 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.

11. 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.

12. 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 lapsed on 21 April 2014 upon the expiry of the exercise period concerned.

13. 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.

43. SHARE OPTION SCHEME (CONTINUED)

Notes: (Continued)

14. The weighted average fair values of the options granted during the year ended 31 March 2015 calculated using the Binomial Option-Pricing Model and the inputs into such model were as follows:

	Options granted on 28 April 2014 with vesting period of two years	Options granted on 28 April 2014 with vesting period of five years
Weighted average fair value	HK$0.098	HK$0.223
Share price on grant date	HK$0.480	HK$0.480
Exercise price	HK$0.630	HK$0.630
Expected volatility	53.58%	62.26%
Option life	10 years	10 years
Risk-free interest rate	0.37%	1.42%
Expected dividend yield	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.

15. The Group recognised total expenses of approximately HK$11,257,000 for the year ended 31 March 2016 (2015: HK$13,860,000) in relation to the options granted by the Company. The options outstanding as at 31 March 2016 had a weighted average remaining contractual life of 7.2 years (2015: 8.2 years). As at 31 March 2016, a total of 162,850,000 (2015: 40,700,000) options were exercisable with weighted-average exercise price of HK$0.375 (2015: HK$0.152) per option.

44. COMMITMENTS

(a) COMMITMENTS UNDER OPERATING LEASES

At the end of the reporting period, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of rental premises falling due as follows:

	2016 HK$'000	2015 HK$'000
Within one year	**14,014**	12,854
In the second to fifth year	**6,325**	14,133
	20,339	26,987

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.

44. COMMITMENTS (CONTINUED)

(b) CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2016 HK$'000	2015 HK$'000
Contracted, but not provided for capital commitments in respect of:		
– capital expenditure of the Group's factories in the PRC	**1,170,257**	2,103,739
– investment in a joint venture	**58,125**	–
– investments in associates	**8,281**	–
	1,236,663	2,103,739

45. LITIGATIONS

The Company and two of its subsidiaries are currently involved in several litigations with Mr. Chung (as defined in Note 36) and companies which are controlled and/or owned by him (together with Mr. Chung, the "Chung Parties"). To summarise these litigations:

– 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 have made a counterclaim based on certain documents.

– The Chung Parties have 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 have 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 defences of the Chung Parties are primarily based on certain documents (the "Questioned Documents"), which the Group disputed as being the true versions executed between 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 was 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 costs.

On 27 February 2013, the HK Court has made an order for the Bankruptcy (as defined in Note 36). Despite Mr. Chung was adjudged bankrupt for over three 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 under 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 re-commenced the litigation in Hong Kong. Mei Li sought leave to appeal the 5 March 2013 Judgment, which was refused by the HK Court on 26 May 2016 and as a result it was ordered by the HK Court that one of the Chung Parties are to pay costs to the Company on an indemnity basis. 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.

45. LITIGATIONS (CONTINUED)

On 25 May 2016, the Trustee has taken out an application to take over further companies owned and/or controlled by Mr. Chung, including Mei Li. The Company may re-consider its position in the litigations when the Trustee successfully takes over Mr. Chung's companies.

Based on legal advice and the SZ Court's order which casts serious doubt on the Chung Parties' credibility, the directors of the Company are of the view that the allegations and defenses of the Chung Parties are frivolous, vexatious 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 the Group. No provision has therefore been made in respect of these litigations.

46. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

(a) SALES OF GOODS

	2016 **HK$'000**	2015 HK$'000
Sales of goods to a joint venture	**1,269**	–

The transactions were based on the terms mutually agreed between the Group and the joint venture. In the opinion of directors of the Company, the transactions were conducted in the ordinary course of business.

(b) KEY MANAGEMENT PERSONNEL REMUNERATION

Remuneration of key management personnel, including amounts paid to the Company's directors as disclosed in Note 16(a) and certain of the highest paid employees as disclosed in Note 16(b), is as follows:

	2016 **HK$'000**	2015 HK$'000
Short-term employee benefits	**27,747**	11,750
Retirement benefit schemes contributions	**177**	135
Equity-settled share-based payments	**3,096**	3,948
	31,020	15,833

(c) YEAR-END BALANCES ARISING FROM SALES OF GOODS

	2016 **HK$'000**	2015 HK$'000
Trade receivables from a joint venture	**868**	–

The receivables from the joint venture arise mainly from sale transactions and are generally due within 6 months after the date of sales. The receivables are unsecured and non-interest bearing. No provision for doubtful debt has been made on the receivables from the joint venture (2015: nil).

46. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) LOANS TO RELATED PARTIES

	2016 HK$'000	2015 HK$'000
Loans to a joint venture:		
At 1 April	**–**	–
Loans advanced during year	**8,913**	–
Loan repayments received	**(2,713)**	–
Interest charged	**312**	–
Interest received	**(135)**	–
Interest withholding tax provided	**(53)**	–
At 31 March	**6,324**	–

As at 31 March 2016, the balances are due within one year, interest bearing at 8% per annum and secured by a floating charge over the undertaking, property and assets of the joint venture (2015: nil).

No provision for doubtful debt has been made on the loans to the joint venture.

47. EVENTS AFTER THE REPORTING PERIOD

(a) As disclosed in the joint announcement of the Company and FKL dated 14 April 2016 and the circular of FKL dated 30 May 2016, the Group entered into the following transactions:

(i) FDG Kinetic Investment Limited ("FKIL"), a direct wholly-owned subsidiary of FKL, FKL (as guarantor) and Advanced Lithium Electrochemistry (Cayman) Co., Ltd ("ALEEES"), a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Taipei Exchange (Stock Code: 5227) entered into the share subscription agreement pursuant to which ALEEES conditionally agreed to allot and issue and FKIL conditionally agreed to subscribe for 46,000,000 new ordinary shares of ALEEES at the subscription price of NT$35 per new share of ALEEES in a sum of NT$1,610,000,000 pursuant to the terms and conditions of the share subscription agreement (the "ALEEES Share Subscription"). Following completion of the ALEEES Share Subscription, ALEEES will be accounted for as an associate of FKL.

(ii) FDG Investment Holdings Limited ("FIHL"), a direct wholly-owned subsidiary of the Company, the Company (as guarantor) and ALEEES entered into the sale and purchase agreement, pursuant to which ALEEES conditionally agreed to sell and FIHL conditionally agreed to acquire all the issued share capital of Aleees Eco Ark (Cayman) Co., Ltd. ("Ark Cayman") for the consideration of HK$28,000,000 (the "Ark Cayman Acquisition"). Ark Cayman is an investment holding company incorporated in the Cayman Islands with limited liability, and is a wholly-owned subsidiary of ALEEES. Following completion of the Ark Cayman Acquisition, Ark Cayman will become a wholly-owned subsidiary of the Company.

47. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

(a) As disclosed in the joint announcement of the Company and FKL dated 14 April 2016 and the circular of FKL dated 30 May 2016, the Group entered into the following transactions: (Continued)

(iii) FIHL, the Company (as guarantor) and 台灣立凱綠能移動股份有限公司 (Aleees Eco Ark Co., Ltd.[Δ]) (the "Ark Taiwan") entered into the asset purchase agreement, pursuant to which Ark Taiwan conditionally agreed to sell and deliver to FIHL or its nominee, and FIHL conditionally agreed to purchase and accept or procure its nominee to purchase and accept the assets and equipment of Ark Taiwan as set out in the asset purchase agreement at a consideration of HK$72,000,000 for the asset and a maximum consideration of NT$138,000,000 for the equipment (the "Ark Taiwan Acquisition"). Ark Taiwan is a company principally engaged in the research and development relating to batteries and electric vehicle designs, and is organised and existing under the law of Taiwan.

(iv) In connection with the Ark Cayman Acquisition, FIHL, Ark Taiwan and the Company have entered into a research and development service agreement (the "R&D Service Agreement"), pursuant to which FIHL has conditionally agreed to appoint Ark Taiwan to research and develop battery cells, battery modules and electric vehicle design and other technical research and development work.

(v) FIHL (as lender) entered into a loan agreement with Ark Cayman (as borrower) and ALEEES (as guarantor) pursuant to which, FIHL agreed to make available to Ark Cayman a loan in the amount of US$2,000,000 (the "Ark Loan") for the purpose of assisting Ark Taiwan to pay or finance its research and development expenses.

(vi) The Company and ALEEES entered into a subscription agreement (the "FDG Subscription Agreement") pursuant to which the Company conditionally agreed to allot and issue and ALEEES conditionally agreed to subscribe for (i) 430,000,000 new ordinary shares of the Company at HK$0.5 per share; and (ii) the Company's convertible bonds with an aggregated principal amount of HK$275 million, pursuant to the terms and conditions of the FDG Subscription Agreement (collectively, the "FDG Subscription"). Upon completion of the FDG Subscription, the net proceeds from the FDG Subscription are estimated to be approximately HK$488.5 million.

(vii) In connection with the ALEEES Share Subscription, FKL and ALEEES have entered into the cooperation agreement (the "Cooperation Agreement"), pursuant to which ALEEES has agreed to be engaged as a consultant to FKL in order to provide technology licensing and consultancy services to one or more PRC subsidiary(ies) of FKL in the construction of factories and production of M-series cathode materials for lithium-ion battery.

The ALEEES Share Subscription, the Ark Cayman Acquisition, the Ark Taiwan Acquisition, the R&D Service Agreement, the Cooperation Agreement and the provision of the Ark Loan are inter-conditional and related. FDG Subscription shall be conditional upon the completion of the ALEEES Share Subscription, the Ark Cayman Acquisition and the Ark Taiwan Acquisition. As at the date of this report, all the above transactions have not yet been completed.

47. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

(b) As disclosed in the voluntary announcement of the Company dated 8 May 2016, the Company and 貴安新區管理委員會 (Guian New Area Management Committee$^{\Delta}$) ("Guian Committee") of the Guizhou Provincial People's Government of the PRC entered into a cooperation agreement (the "Agreement") in relation to the investment in and construction of pure electric vehicles production facilities in Guian New Area, Guizhou, the PRC (the "Project") on 8 May 2016. Pursuant to the Agreement, the Group and Guian Committee agreed to collaborate in the Project through a jointly-owned company (the "Project Company"), with a registered capital of RMB1,100,000,000. Guian Committee (through its designee) and the Company (and its designee) agreed to contribute RMB539,000,000 and RMB561,000,000 representing 49% and 51% of interest in the Project Company respectively. As at the date of this report, the above transaction has not yet been completed.

(c) On 16 June 2016, the Company received a complaint that was filed by Smith, against the Company and ORNG in the Court of Chancery of the State of Delaware (the "Complaint"). In the Complaint, Smith alleges that Smith was induced into the formation of ORNG, a joint venture between the Company and Smith. Smith claims against inter alia the Company for fraud and misrepresentation and breach of fiduciary duty as major shareholder of ORNG. The potential litigation is at a very early stage, the Company having only just been duly served with the Complaint that the Company is not able to assess Smith's intentions with prosecuting the Complaint or to assess the potential effect or consequence of this litigation.

The views of the management of the Company are that Smith's Complaint against the Company is fruitless, unreasonable and without merit. Prior to the signing of the contribution agreements to form the joint venture, the approvals and necessary ratification had been obtained from the board members, independent directors and independent shareholders of Smith and Smith had proper legal representation during negotiations. Further, the Company has been preliminarily advised by legal advisors that there are good grounds for dismissing Smith's Complaint and that a motion to dismiss application could be concluded within months.

$^{\Delta}$ *For identification purpose*

48. 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 capital structure of the Group consists of the equity attributable to owners of the Company, comprising issued capital and reserves. No material changes were made in the objectives, policies or processes during the years ended 31 March 2016 and 2015.

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.

Neither the Company nor any other subsidiary is subject to externally imposed capital requirements.

48. CAPITAL MANAGEMENT (CONTINUED)

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 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 the end of the reporting period is as follows:

	2016 **HK$'000**	2015 HK$'000
Bank loans and other borrowings	**1,982,955**	880,203
Obligations under redeemed convertible bonds *(Note)*	**760,752**	760,752
Total borrowings	**2,743,707**	1,640,955
Less: Cash and cash equivalents	**(942,015)**	(411,478)
Deposit in a security account	**–**	(320,019)
Net debt	**1,801,692**	909,458
Total equity attributable to owners of the Company	**3,362,527**	2,071,146
Liability components of convertible bonds	**476,611**	1,156,011
Adjusted capital	**3,839,138**	3,227,157
Net debt to equity ratio	**47%**	28%

Note: Based on the 5 March 2013 Judgment, the Group has been given an unconditional leave to defend to the extent of the Set-Off (as defined in Note 36) 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 relevant legal proceedings. If the obligations under redeemed convertible bonds were excluded, the net debt to equity ratio would be approximately 27% and approximately 5% as at 31 March 2016 and 2015, respectively.

49. COMPARATIVE FIGURES

As explained in Note 8, certain comparative amounts have been reclassified and restated to conform with the current year's presentation.

50. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	**2016 HK$'000**	2015 HK$'000
Non-current assets			
Interests in subsidiaries		**6,924,957**	4,228,336
Available-for-sale investments		**23,884**	93,634
		6,948,841	4,321,970
Current assets			
Amounts due from subsidiaries		**452,815**	582,717
Loan and other receivables		**9,368**	5,326
Derivative financial instruments		**34,141**	53,862
Cash and cash equivalents		**261,210**	112,359
		757,534	754,264
Current liabilities			
Other borrowings		**(694,572)**	(689,566)
Accruals and other payables		**(40,459)**	(42,166)
Tax payables		**(53)**	–
Obligations under redeemed convertible bonds		**(760,752)**	(760,752)
		(1,495,836)	(1,492,484)
Net current liabilities		**(738,302)**	(738,220)
Total assets less current liabilities		**6,210,539**	3,583,750
Non-current liabilities			
Liability components of convertible bonds		**(476,611)**	(1,156,011)
Bonds to a subsidiary		**(370,000)**	(370,000)
		(846,611)	(1,526,011)
NET ASSETS		**5,363,928**	2,057,739
CAPITAL AND RESERVES			
Issued capital	*41*	**219,636**	178,662
Reserves	*42*	**5,144,292**	1,879,077
TOTAL EQUITY		**5,363,928**	2,057,739

Miao Zhenguo
Director

Jaime Che
Director

51. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board on 29 June 2016.