FDG KINETIC

2016/17
ANNUAL REPORT

FDG Kinetic Limited
五龍動力有限公司

Stock Code : 0378

CONTENTS

This annual report is printed on environmentally friendly paper

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive directors:

Mr. Cao Zhong *(Chairman)*
Mr. Sun Ziqiang *(Vice Chairman)*
Mr. Miao Zhenguo *(Chief Executive Officer)*
Mr. Jaime Che

Non-executive directors:

Dr. Chen Yanping
Professor Chen Guohua

Independent non-executive directors:

Mr. Hung Chi Yuen Andrew
Professor Sit Fung Shuen Victor
Mr. Toh Hock Ghim

AUDIT COMMITTEE

Mr. Hung Chi Yuen Andrew *(Chairman)*
Professor Sit Fung Shuen Victor
Mr. Toh Hock Ghim

REMUNERATION COMMITTEE

Mr. Toh Hock Ghim *(Chairman)*
Mr. Cao Zhong
Mr. Miao Zhenguo
Mr. Hung Chi Yuen Andrew
Professor Sit Fung Shuen Victor

NOMINATION COMMITTEE

Mr. Cao Zhong *(Chairman)*
Mr. Miao Zhenguo
Mr. Hung Chi Yuen Andrew
Professor Sit Fung Shuen Victor
Mr. Toh Hock Ghim

RISK COMMITTEE

Mr. Hung Chi Yuen Andrew *(Chairman)*
Mr. Miao Zhenguo
Mr. Jaime Che
Professor Sit Fung Shuen Victor
Mr. Toh Hock Ghim

EXECUTIVE COMMITTEE

Mr. Cao Zhong *(Chairman)*
Mr. Miao Zhenguo
Mr. Jaime Che

CREDIT RISK COMMITTEE

Mr. Cao Zhong *(Chairman)*
Mr. Jaime Che
Mr. Hung Chi Yuen Andrew

AUTHORISED REPRESENTATIVES

Mr. Jaime Che
Ms. Man Yu-Wing

COMPANY SECRETARY

Ms. Man Yu-Wing

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
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

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

378

WEBSITE

www.fdgkinetic.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present the annual results of FDG Kinetic Limited ("FKL" or the "Company") for the financial year ended 31 March 2017 to the shareholders.

Looking back at 2016, the international political stage was dramatic. The political changes in Europe, and the United States have brought uncertainties to the global economy. The PRC government actively promoted its supply-side structural reform, and timely adjusted its fiscal and monetary policies, thus comparatively economic environment of the PRC is rather stable. Environmental protection and energy conservation, being one of the mainstream directions for development, has catalyzed the prominent prospect of many industries, especially the industries of new energy vehicles (the "NEVs") and its upstream power batteries and materials. According to the statistics from the China Association of Automobile Manufacturers, 517,000 units of NEVs were produced and 507,000 units were sold in 2016, representing a growth of 51.7% and 53.0% respectively compared with the same period last year. Correspondingly, according to the statistics from an authoritative institution in the industry, the production of vehicle power batteries in the PRC amounted to 30.8GWh in 2016, representing a year-on-year growth of 82.0%, while the production value reached RMB64.5 billion, representing a year-on-year growth of 69.0%.

FKL is always on the beat with the market. Benefitted from the rapid growth of the electric vehicles (the "EVs") and the power battery industries, the Company has been proactively making investments and improving its strategic layout, strengthening the overall development of the upstream industry chain of the NEVs in the past few years, and has achieved remarkable progress in each of the business scopes. For the cathode materials business, the Company has completed an equity restructuring with Advanced Lithium Electrochemistry (Cayman) Co., Ltd ("ALEEES", a company listed on the Taipei Exchange, stock code: 5227), a manufacturer of cathode materials for lithium ferrous phosphate ("LFP") batteries, during the period under review. The equity restructuring has improved the industry chain layout of the Company, and enhanced market competitiveness continuously. Subsequently, the Company has entered into a framework agreement with ALEEES and Guian New Area Management Committee in November 2016 to cooperate in the construction of a factory for the manufacturing a designed maximum annual production of 30,000 tonnes of cathode materials by three phases. The cooperation will facilitate the Company's expansion and development in the cathode materials manufacturing business. In addition, FDG Kinetic (Chongqing) Lithium Ion Battery Materials Co., Ltd* ("FDG Kinetic (Chongqing)"), a subsidiary of the Company, has shown a sharp performance in its business. By leveraging on the high energy density, premium integrated performance, and a market with high demands, FDG Kinetic (Chongqing)'s Nickel-Cobalt-Manganese ("NCM") lithium-ion battery product has released its production capacity rapidly. To cope with ever-growing customer demand, FDG Kinetic (Chongqing) has been expanding its production capacity actively, which enhances production efficiency. Besides, due to the recent adjustment on NEVs subsidy, the market has an increasingly strict requirement for the performance of power batteries. Hence, we further followed the trend. We continued to support the research and development on high-end cathode materials technology, continuously enhanced the product performance and facilitated product upgrades. We are committed to becoming a pioneer of cathode materials arena.

In the power battery business segment, through indirect holding of 25% of equity interests in Sinopoly Battery Limited ("Sinopoly Battery"), the Company has employed an investment layout in lithium-ion battery and related products. During the period under review, Sinopoly Battery has commenced the expansion of its production base in Tianjin, such move will further expand production capacity and market share of Sinopoly Battery, and also help further reduce cost through mass production. It believes that enhanced market competitiveness of Sinopoly Battery will bring greater investment returns to the Company.

* *For identification purpose only*

With a stronger public awareness on environmental protection, the PRC is confident in the long-term development of the NEVs industry. During the period under review, the PRC government has launched a series of industry standards and development plans on NEVs and related industries, in a bid to promote a healthy and orderly development for the industries. Among all, the "Made in China 2025" (《中國製造2025》) issued by the State Council has a clear plan of "Energy Conservation and New Energy Vehicles Technology Roadmap" (《節能與新能源汽車技術路線圖》), stating that by 2020, the planned annual production of NEVs shall be 2 million units, with a NEVs ownership of 5 million units. The proactive new energy vehicle plan of the government has laid a solid foundation for the development of power battery and material business. In addition, the "Action Plan for Promoting the Development of the Automobile Power Battery Industry" (《促進汽車動力電池產業發展行動方案》) jointly issued by the Ministry of Industry and Information Technology of China ("MIIT"), the National Development and Reform Commission ("NDRC"), the Ministry of Science and Technology ("MOST") and the Ministry of Finance ("MOF") in March 2017 clearly stated the development direction of the industry: continues to improve the performance quality and safety of the current products, further reduces cost, ensures high quality power battery supply by 2018, devotes effort in improving the research and development and industrialization of the lithium-ion batteries, achieving large scale implementation by 2020. Under the guidance of such policies and objectives, the power battery and material industry will undoubtedly develop rapidly, and depict a bright prospect.

Under the keen support from the state policy and the consistent revolution of various technologies, the power battery and material industry continues to move forward. Nevertheless, the recent reduction of subsidy and heightened technology barrier has brought challenges to NEVs and its upstream related industries. This not only increased the price cut pressure of the upstream enterprises, but also made research and development of technologies a top priority of the industry. However, it has positive effect on raising the overall level and production efficiency of the power battery and materials industry in long term, which facilitates industry consolidation and promotes healthy development of the industry. With the co-existence of opportunities and challenges, we believe that only outstanding companies that truly root in the industry and place cost efficiency and technology research and development at first can survive in the competitive environment. With a comprehensive industry chain layout of the related businesses of the lithium-ion batteries and the keen support from parent company FDG Electric Vehicles Limited ("FDG", stock code: 729), FKL will be able to play a part in the fast-moving power battery and material industry. We will commit to exploring market, enlarging market share and fully utilizing development bonus to become the industry leader.

Recently, FKL has been admitted to MSCI ("Morgan Stanley Capital International") Hong Kong Small Cap Index. We are very delighted for such honor. It was a recognition of the unfailing efforts of the Company made in the past for expanding our business. Being a constituent share has expanded the investor base of FKL, increased the shares liquidity and strengthened the faith in the Company from the investors, which will further heighten the profile of the Company in the international market.

Finally, on behalf of the Board of Directors, I would like to thank the shareholders, business partners and customers for their long-term supports and trusts, and express my highest appreciations for the professional attitudes of the staff of the Company who have been working diligently and conscientiously. In accordance with the "Green and Growth" philosophy and under the dual drive of the policy and market, we will commit to leading the industry with high quality products, support the new energy industry development with advanced technology and contribute to the environment protection industry with high quality clean energy products, so as to create fruitful investment returns for our shareholders.

BOARD OF DIRECTORS

Mr. Cao Zhong
Chairman & Executive Director

Mr. Cao, aged 57, is the Chairman and executive director of the Company. He was appointed as the executive director of the Company and elected as the executive vice-chairman of the Company on 9 March 2015, and appointed as the Chairman of the Company on 29 October 2015. He is also the chairman of the Nomination Committee, Executive Committee and Credit Risk 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 the chairman, executive director and chief executive officer of FDG Electric Vehicles Limited ("FDG") (Stock Code: 729, the controlling shareholder of the Company), companies whose shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Miao Zhenguo, an executive director and the Chief Executive Officer 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 9 March 2015.

Mr. Sun Ziqiang
Vice Chairman & Executive Director

Mr. Sun, aged 53, is the Vice Chairman and executive director of the Company. He is also a director and the chief executive officer of SK China Company Limited ("SK China", a shareholder of the Company) since 2013, and is a director of a subsidiary of the Company. SK China is principally engaged in business development of SK Group in China region and is a subsidiary of SK Holdings Co., Ltd. Mr. Sun has joined the SK Group, one of the largest conglomerates in the Republic of Korea, since 2006 and worked in various departments at senior positions. Mr. Sun has extensive experience in enterprise management, investment and corporate mergers and acquisitions. He served as senior management in various companies from 1993 to 2005, including Beijing Bodazhihui Network Systems Engineering Co., Ltd.* (北京博達智慧網絡系統工程有限公司), Dyne Group* (達因集團), TOM.COM (China) Investment Limited (諾定(中國)投資有限公司), Great Wall Broadband Network Service Co., Ltd.* (長城寬帶網絡服務有限公司) and Great Wall Technology Company Limited (a company listed on the Stock Exchange, the shares of which were delisted in 2014). He served in the State Physical Culture and Sports Commission (體育運動委員會) of the PRC from 1985 to 1993. He also obtained a State Science and Technology Prizes (國家科學技術進步獎). Mr. Sun graduated from Wuhan University of Technology (武漢理工大學) with a bachelor degree in computer science and China Europe International Business School (中歐國際工商管理學院) with a MBA degree respectively. Mr. Sun was appointed to the Board on 11 March 2016.

Mr. Miao Zhenguo
Executive Director & Chief Executive Officer

Mr. Miao, aged 57, is an executive director and Chief Executive Officer of the Company. He was appointed as a non-executive director of the Company on 9 March 2015, re-designated as an executive director of the Company on 7 July 2015 and appointed as the Chief Executive Officer of the Company on 29 October 2015. He is also a member of the Nomination Committee, Remuneration Committee, Executive Committee and Risk Committee of the Company respectively. He also holds directorships in various subsidiaries of the Company. Mr. Miao is currently the deputy chairman and an executive director of FDG. He was appointed as the chief operating officer of FDG from May 2010 to March 2011 and the chief executive officer of FDG from August 2010 to May 2014. 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 Zhong, the Chairman and executive director of the Company. Mr. Miao was appointed to the Board on 9 March 2015.

* *For identification purpose only*

Mr. Jaime Che
Executive Director

Mr. Che, aged 36, is an executive director of the Company and a member of the Executive Committee, Risk Committee and Credit Risk Committee of the Company. He also holds directorships in various subsidiaries of the Company. Mr. Che is currently an executive director and vice president of FDG responsible for strategic planning, investor relationship, corporate transaction and corporate finance work. He is also a director of Advanced Lithium Electrochemistry (Cayman) Co., Ltd., the shares of which are listed on the Taipei Exchange (Stock Code: 5227). Mr. Che has extensive experience in investor relations and corporate finance. He worked as 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. Che was appointed to the Board on 9 March 2015.

Dr. Chen Yanping
Non-executive Director

Dr. Chen, aged 54, is a non-executive director of the Company. He is currently an executive director and chief technical officer of FDG. Dr. Chen was appointed as the chief operating officer of FDG on 28 May 2014 and re-designated as the chief technical officer of FDG on 15 February 2017. 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 7 July 2015.

Professor Chen Guohua
Non-executive Director

Professor Chen, aged 53, is a non-executive director of the Company. He was a non-executive director of FDG from 1 March 2012 to 29 October 2015. Professor Chen has been a member of the Academic Committee of Sinopoly Battery Research Center operated by a wholly-owned subsidiary of FDG since December 2011. He is currently the Chair Professor of Energy Conversion and Storage, Department of Mechanical Engineering and Associate Vice President for Research & Development (Research Support) at The Hong Kong Polytechnic University. He was a professor and the Head in the Department of Chemical and Biomolecular Engineering at the Hong Kong University of Science and Technology ("HKUST") up to December 2016. He obtained his Bachelor of Engineering in Chemical Engineering from Dalian University of Technology in 1984, Master of Engineering and Doctor of Philosophy in Chemical Engineering from McGill University in 1989 and 1994, respectively. Professor Chen is a Fellow of the Chemical Engineering Discipline in the Hong Kong Institution of Engineers, Senior Member of American Institute of Chemical Engineers, Member of International Society of Electrochemistry, and President of the Asian Pacific Confederation of Chemical Engineering. He is the Vice President of World Chemical Engineering Council. Professor Chen's research interests are electrochemical technologies in wastewater treatment, drying of solids, electrochemical energy storage, and green processes and products. Professor Chen received the Certificate of Excellence in 2007 from World Forum for Crystallization, Filtration and Drying for his outstanding contributions to research and development in the area of drying technology and sustainable development. He received the Research Excellence Award from School of Engineering, HKUST, in 2011. Professor Chen was appointed to the Board on 29 October 2015.

Mr. Hung Chi Yuen Andrew
Independent Non-executive Director

Mr. Hung, aged 48, is an independent non-executive director of the Company. He is also the chairman of the Audit Committee and Risk Committee of the Company and a member of the Nomination Committee, Remuneration Committee and Credit Risk Committee of the Company respectively. Mr. Hung is currently an independent non-executive director of AKM Industrial Company Limited (Stock Code: 1639), a company whose shares are listed on the Stock Exchange. He is currently the director of Norton Rowland CPA Limited. He received his professional training in Deloitte Touche Tohmatsu during the period from 1991 to 1993 and had worked in UBS Investment Bank as business unit controller for 7 years. Mr. Hung holds a Bachelor's Degree of Arts (Hons) in Accountancy from The Hong Kong Polytechnic University and a Master's Degree in Applied Finance from University of Western Sydney. He is a practising Certified Public Accountant, an associate member of Hong Kong Institute of Certified Public Accountants and a fellow member of The Chartered Association of Certified Accountants. Mr. Hung was appointed to the Board on 1 July 2008.

Professor Sit Fung Shuen Victor
Independent Non-executive Director

Professor Sit, aged 70, is an independent non-executive director of the Company and a member of the Audit Committee, Nomination Committee, Remuneration Committee and Risk Committee of the Company respectively. Professor Sit is currently an independent non-executive director of Asia Energy Logistics Group Limited (Stock Code: 351), a company whose shares are listed on the Stock Exchange. He is currently an advisor of China Aircraft Leasing Limited and a senior advisor of China Airport Synergy Investment Limited. Professor Sit has obtained a Ph.D. from the London School of Economics and Political Science, United Kingdom. Professor Sit is a founding director of the Advanced Institute for Contemporary China Studies of Hong Kong Baptist University from 2008 to 2013 and has also been invited to be the Honorary Professor of a number of renowned universities including Peking University, Zhongshan University, Jinan University and Xian Jiaotung University in the PRC. He has been a professor of the Department of Geography from 1977 to 2007 and was the Head of Department of Geography and Geology from 1993 to 1998 of The University of Hong Kong.

Professor Sit is currently an advisor to City Planning Commission of Shenzhen Municipal Government of the PRC (since 1988) and an advisor to City Planning Commission of Sanmin Municipal Government of Fujian Province of the PRC (since 1991). He had also assumed the posts of Deputy of the National People's Congress of the PRC from 1993 to 2008 and an advisor to the Governor of Guangdong Province of the PRC from 2000 to 2005. He was formerly a member of the Preparatory Committee of the Hong Kong Special Administrative Region ("SAR") of the National People's Congress of the PRC; Port and Marine Board, Committee on Port and Harbour Development, the Port Development Board of the Hong Kong SAR Government respectively. Professor Sit was appointed to the Board on 1 July 2008.

Mr. Toh Hock Ghim
Independent Non-executive Director

Mr. Toh, aged 74, is an independent non-executive director of the Company. He is also the chairman of the Remuneration Committee of the Company and a member of the Audit Committee, Nomination Committee and Risk Committee of the Company respectively. Mr. Toh is currently the chairman, non-executive and independent director of DISA Limited (formerly known as "Equation Summit Limited") and an independent director of CEFC International Limited, Lifebrandz Ltd. and AGV Group Limited (companies whose shares are listed on the Singapore Exchange Securities Trading Limited) respectively and an independent director of Fourth-Link Inc. (a company whose shares are listed on the Korea Exchange). Mr. Toh joined the Ministry of Foreign Affairs of Singapore in October 1966 with diplomatic postings to Malaysia, the Philippines, Thailand, Vietnam, the Hong Kong SAR and the Macau SAR. He was Singapore Ambassador to Vietnam from January 1994 to January 2002 and the Consul-General of the Consulate Generals in the Hong Kong SAR and the Macau SAR from February 2002 to December 2007. He was appointed as the Senior Advisor to the Ministry of Foreign Affairs of Singapore upon retirement from the foreign service at the end of 2007. Mr. Toh obtained his Bachelor's Degree of Arts (Political Science) from National University of Singapore. Mr. Toh was appointed to the Board on 1 July 2008.

SENIOR MANAGEMENT

Ms. Ching Chi Kei
Chief Financial Officer

Ms. Ching is the Chief Financial Officer of the Company. She holds a Master of Business Administration degree from the University of Bradford and a degree of Bachelor of Arts in Accountancy from The Hong Kong Polytechnic University. She is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Ms. Ching has extensive experience in accounting, finance and auditing fields.

Ms. Man Yu-Wing
General Counsel and Company Secretary

Ms. Man is the General Counsel and Company Secretary of the Company. She was called to the Bar of England and Wales in 2005 and to the Bar of Hong Kong in 2007. She joined the Company in April 2016.

DIRECTORS' REPORT

The directors present their report and the audited consolidated financial statements of FDG Kinetic Limited ("the Company") and its subsidiaries (collectively, the "Group") for the year ended 31 March 2017.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Group are research and development, manufacturing and trading of cathode materials for lithium-ion batteries, and direct investments, including securities trading, loan financing and asset investment.

The principal activities and particulars of the Company's principal subsidiaries as at 31 March 2017 are set out in Note 44 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group for the year ended 31 March 2017 and further discussion and analysis as required by Schedule 5 to the Hong Kong Companies Ordinance are set out in the "Management Discussion and Analysis" section on pages 20 to 31 of this annual report and the "Environmental, Social and Governance Report" on pages 42 to 50 of this annual report. The discussions 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 2017 is set out in Note 7 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 58 to 59 of this annual report.

The directors of the Company do not recommend the payment of any dividend for the year ended 31 March 2017.

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 136 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

The largest supplier of the Group by itself and together with the other one largest supplier accounted for approximately 54.7% and 40.8% of the Group's total purchases for the year respectively.

The largest customer of the Group by itself and together with the other one largest customer accounted for approximately 55.7% and 21.4% of the Group's total turnover for the year respectively.

Save as disclosed above and to the best of the directors' knowledge, none of the directors, their 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 33(b) to the consolidated financial statements.

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 62 of this annual report and Note 43 to the consolidated financial statements respectively.

The Company had no reserves available for distribution as at 31 March 2017.

DIRECTORS

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

Executive Directors:
Mr. Cao Zhong *(Chairman)*
Mr. Sun Ziqiang *(Vice Chairman)*
Mr. Miao Zhenguo *(Chief Executive Officer)*
Mr. Jaime Che

Non-executive Directors:
Dr. Chen Yanping
Professor Chen Guohua

Independent Non-executive Directors:
Mr. Hung Chi Yuen Andrew
Professor Sit Fung Shuen Victor
Mr. Toh Hock Ghim

In accordance with Bye-law 87 of the Company's Bye-laws, Mr. Cao Zhong, Mr. Jaime Che and Mr. Toh Hock Ghim 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 are independent.

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

As at 31 March 2017, the interests and short positions of the directors and chief executive 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:

Interests and short position in the shares of the Company

None of the directors nor chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company.

Long positions in the shares and underlying shares of FDG Electric Vehicles Limited ("FDG"), an associated corporation of the Company

Name of director/ chief executive	Capacity	Number of shares held	Number of underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital *(Note 8)*
Mr. Cao Zhong	Beneficial owner	6,800,000	10,000,000	16,800,000 *(Notes 1 and 7)*	0.08%
	Interest of controlled corporations	2,651,059,998	–	2,651,059,998 *(Note 1)*	11.83%
	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)*	22.98%
Mr. Miao Zhenguo	Beneficial owner	–	15,000,000	15,000,000 *(Notes 2 and 7)*	0.07%
	Interest of controlled corporations	1,970,551,043	–	1,970,551,043 *(Note 2)*	8.79%
	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)*	26.03%
Mr. Jaime Che	Beneficial owner	1,000,000	16,000,000	17,000,000 *(Notes 3 and 7)*	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 3 and 5)*	34.81%

Name of director/ chief executive	Capacity	Number of shares held	Number of underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital *(Note 8)*
Dr. Chen Yanping	Beneficial owner	–	12,000,000	12,000,000 *(Notes 4 and 7)*	0.05%
	Interest of controlled corporations	658,125,000	–	658,125,000 *(Note 4)*	2.94%
	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 4 and 5)*	31.90%
Professor Chen Guohua	Beneficial owner	–	10,000,000 *(Note 7)*	10,000,000	0.04%
Mr. Hung Chi Yuen Andrew	Beneficial owner	–	280,000 *(Note 6)*	280,000	0.00%
Professor Sit Fung Shuen Victor	Beneficial owner	–	280,000 *(Note 6)*	280,000	0.00%
Mr. Toh Hock Ghim	Beneficial owner	–	280,000 *(Note 6)*	280,000	0.00%

Notes:

1. Mr. Cao Zhong is interested or deemed to be interested in a total of 7,815,432,165 shares and underlying shares of FDG 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 7] held by Mr. Cao; and (iv) 5,104,572,167 shares and 43,000,000 share options[note 7] 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 and underlying shares of FDG 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 7] held by Mr. Miao; and (iv) 5,791,881,122 shares and 38,000,000 share options[note 7] held by the other parties to the Undertaking[note 5].

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

4. Dr. Chen Yanping is interested or deemed to be interested in a total of 7,815,432,165 shares and underlying shares of FDG 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 7] held by Dr. Chen; and (iii) 7,104,307,165 shares and 41,000,000 share options[note 7] 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, Dr. Chen Yanping, Mr. Jaime Che and CITIC Pacific Limited entered into a concert party undertaking to regulate their dealings in the shares of FDG (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 FDG represent interests in FDG shares which will be allotted and issued to the relevant director upon conversion of the zero coupon convertible bonds issued by FDG due 2018 that he holds at the initial conversion price of HK$0.50 per share of FDG.

7. The interests in underlying shares of FDG represent interests in options granted to the directors named above by FDG to subscribe for shares of FDG.

8. These percentages are calculated on the basis of 22,398,477,108 shares of FDG as at 31 March 2017.

Save as disclosed above, as at 31 March 2017, none of the directors or chief executive 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 12 October 2007 and movements of the options during the year are set out in Note 33(d) to the consolidated financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above and "Equity Settled Share-based Transactions" as set out in Note 33(d) to the consolidated financial statements, 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 of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

EMOLUMENTS OF DIRECTORS

Details of the emoluments of the directors of the Company are set out in Note 12 to the consolidated financial statements.

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

As at 31 March 2017, the persons, other than the directors or chief executive 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 shareholder	Capacity	Number of shares held in long position (L)/ short position (S)	Number of underlying shares held in long position (L)/ short position (S) under equity derivatives	Total	Approximate percentage of issued share capital *(Note 5)*
Sinopoly Strategic Investment Limited	Beneficial owner	3,450,532,490 (L) 2,640,000,000 (S)	–	3,450,532,490 (L) 2,640,000,000 (S)	67.19% (L) 51.41% (S)
Union Grace Holdings Limited	Beneficial owner	–	2,205,882,352 (L) 2,205,882,352 (S) *(Note 1)*	2,205,882,352 (L) 2,205,882,352 (S)	42.95% (L) 42.95% (S)
FDG	Interest held by controlled corporations *(Note 2)*	3,450,532,490 (L) 2,640,000,000 (S)	2,205,882,352 (L) 2,205,882,352 (S)	5,656,414,842 (L) 4,845,882,352 (S)	110.14% (L) 94.35% (S)
SK Holdings Co., Ltd.	Interest held by controlled corporations *(Note 3)*	269,230,770 (L)	–	269,230,770 (L)	5.24% (L)
Sun Hung Kai Structured Finance Limited	Person having a security interest in shares	2,640,000,000 (L)	2,205,882,352 (L)	4,845,882,352 (L)	94.35% (L)
Sun Hung Kai & Co. Limited	Interest held by controlled corporations *(Note 4)*	2,640,000,000 (L)	2,205,882,352 (L)	4,845,882,352 (L)	94.35% (L)
Allied Properties (H.K.) Limited	Interest held by controlled corporations *(Note 4)*	2,640,000,000 (L)	2,205,882,352 (L)	4,845,882,352 (L)	94.35% (L)
Allied Group Limited	Interest held by controlled corporations *(Note 4)*	2,640,000,000 (L)	2,205,882,352 (L)	4,845,882,352 (L)	94.35% (L)
Lee Seng Hui	Interest held by controlled corporations *(Note 4)*	2,640,000,000 (L)	2,205,882,352 (L)	4,845,882,352 (L)	94.35% (L)
Lee Su Hwei	Interest held by controlled corporations *(Note 4)*	2,640,000,000 (L)	2,205,882,352 (L)	4,845,882,352 (L)	94.35% (L)
Lee Seng Huang	Interest held by controlled corporations *(Note 4)*	2,640,000,000 (L)	2,205,882,352 (L)	4,845,882,352 (L)	94.35% (L)

Notes:

1. The interests in the underlying shares of the Company represent interests in the Company's shares which will be allotted and issued to Union Grace Holdings Limited upon conversion of the convertible bonds issued by the Company at the prevailing conversion price of HK$0.34 per share.

2. FDG is deemed or taken to be interested in (i) 3,450,532,490 shares held by Sinopoly Strategic Investment Limited which is a direct wholly owned subsidiary of FDG; and (ii) 2,205,882,352 underlying shares held by Union Grace Holdings Limited which is an indirect wholly owned subsidiary of FDG.

   Mr. Miao Zhenguo and Mr. Jaime Che, executive directors of the Company, are also directors of Sinopoly Strategic Investment Limited and Union Grace Holdings Limited.

3. SK Holdings Co., Ltd. is deemed or taken to be interested in (i) 24,474,955 shares held by SKC Co., Ltd. which is held as to 41.00% by SK Holdings Co., Ltd.; and (ii) 244,755,815 shares held by SK China Company Limited which is a subsidiary of SK Holdings Co., Ltd.

   Mr. Sun Ziqiang, executive director of the Company, is a director and the chief executive officer of SK China Company Limited.

4. Sun Hung Kai Structured Finance Limited is a wholly-owned subsidiary of Shipshape Investments Limited, a wholly-owned subsidiary of Sun Hung Kai & Co. Limited, which in turn is a non wholly-owned subsidiary of Allied Properties (H.K.) Limited. Allied Properties (H.K.) Limited is a non wholly-owned subsidiary of Allied Group Limited in which Mr. Lee Seng Hui, Ms. Lee Su Hwei and Mr. Lee Seng Huang are the trustees of Lee and Lee Trust, being a discretionary trust. The Lee and Lee Trust controls approximately 74.49% of the total number of shares in issue of Allied Group Limited (inclusive of Mr. Lee Seng Hui's personal interests) as at 31 March 2017. Accordingly, all these parties are deemed to have the same long position as Sun Hung Kai Structured Finance Limited.

5. These percentages are calculated on the basis of 5,135,646,855 shares of the Company as at 31 March 2017.

Save as disclosed above, as at 31 March 2017, 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' INTERESTS IN COMPETING BUSINESSES

Mr. Cao Zhong, Mr. Miao Zhenguo, Mr. Jaime Che and Dr. Chen Yanping are also directors of FDG, a controlling shareholder of the Company, which is also engaged in the business of research and development, production, distribution and sale of cathode materials for lithium-ion battery. Mr. Cao Zhong is also a substantial shareholder of FDG.

Save as disclosed above, during the year ended 31 March 2017, none of the directors 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.

PERMITTED INDEMNITY PROVISIONS

During the year ended 31 March 2017, 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' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR 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.

MANAGEMENT CONTRACTS

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

CONNECTED TRANSACTION

On 14 April 2016, the Company and FDG jointly announced, inter alia, that a share subscription agreement (the "ALEEES Share Subscription Agreement") was entered into between the Company (as guarantor), ALEEES (as issuer) and FDG Kinetic Investment Limited ("FKIL", a direct wholly-owned subsidiary of the Company, as subscriber) 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 (the "ALEEES Share Subscription").

Although ALEEES was not a connected person of the Company when it entered into the ALEEES Share Subscription Agreement, the ALEEES Share Subscription was conditional upon the subscription agreement between ALEEES and FDG in relation to the subscription of 430,000,000 new ordinary shares of HK$0.01 each in the share capital of FDG (the "FDG Subscription Agreement") having been duly executed and becoming unconditional pursuant to the FDG Subscription Agreement. Accordingly, ALEEES was considered to be a "deemed connected person" of the Company pursuant to Rule 14A.20 of the Listing Rules, and therefore the ALEEES Share Subscription is a connected transaction for the Company under Chapter 14A of the Listing Rules which was approved by the independent shareholders of the Company at the special general meeting held on 16 June 2016.

Completion of the ALEEES Share Subscription took place on 24 August 2016 and thereafter the Company holds approximately 21.85% of the total issued shares of ALEEES and becomes the single largest shareholder of ALEEES. ALEEES has been accounted for as an associated company of the Company.

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

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 a primary supplier of cathode materials for Sinopoly Battery Limited, a lithium-ion battery manufacturer which is 25% owned by the Company and 75% owned by FDG. 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 approximately 21.85% stake in ALEEES diversifies the Company's portfolio while remaining committed in the battery related businesses.

Details of the ALEEES Share Subscription Agreement were set out in the joint announcement of the Company and FDG dated 14 April 2016 and the circular of the Company dated 30 May 2016.

Details of the related party transactions undertaken by the Group in normal course of business during the year are set out in Note 41 to the consolidated financial statements. In relation to those related party transactions that constituted connected transactions under the Listing Rules, the Company has complied with disclosure requirements in accordance with Chapter 14A of the Listing Rules.

BORROWINGS AND CONVERTIBLE BONDS

Details of the Group's borrowings and convertible bonds as at the end of the reporting period are set out in Notes 27 and 31 to the consolidated 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 directors of the Company is determined with reference to the duties and responsibilities of individual directors, the Company's performance and the prevailing market conditions and trends.

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 33(d) to the consolidated financial statements.

The Company has adopted the 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 or any other person as determined by the Board will be entitled to participate. Details of the employees' share award scheme are disclosed in the announcement of the Company dated 10 February 2017.

The Company has established an employee benefit trust for the employees of the Group and other persons as designated by the Company to receive awarded shares to be vested under the employees' share award scheme of the Company and share options to be granted under the share option scheme of the Company. The objective is to provide the Company with a flexible means of attracting, retaining, incentivizing, rewarding, remunerating and compensating and/or providing benefits to the employees of the Group.

RETIREMENT BENEFIT SCHEMES

Information on the Group's retirement benefit schemes is set out in Note 40 to the consolidated 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

During the year ended 31 March 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

DONATIONS

There were no charitable donations made by the Group during the year ended 31 March 2017.

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

Details of the significant events occurring after the reporting period are set out in Note 42 to the consolidated financial statements.

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2014 were audited by KPMG.

On 19 April 2016, KPMG resigned as auditor of the Company and Deloitte Touche Tohmatsu was appointed as the auditor of the Company to fill the casual vacancy.

The consolidated financial statements of the Company for the fifteen months ended 31 March 2016 and the year ended 31 March 2017 were audited by Deloitte Touche Tohmatsu.

Deloitte Touche Tohmatsu will retire and a resolution to re-appoint Deloitte Touche Tohmatsu 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

Hong Kong, 29 June 2017

FDG Kinetic Limited ("FKL" or the "Company") was a company investing primarily in the areas of energy conservation, environmental protection and clean energy, owning 45% of the equity interests in 華能壽光風力發電有限公司 (Huaneng Shouguang Wind Power Co., Ltd.*), a wind power electricity equipment developer and operator in the People's Republic of China (the "PRC"). The Company adheres to a philosophy of "Green and Growth". In recent years, the Company is committed to establishing and improving its lithium-ion batteries-related industry chain through various acquisitions and partnerships, and its principal businesses include the research and development, manufacturing and sale of cathode materials of lithium-ion batteries and its related products. Meanwhile, the Company holds 21.85% of the equity interests in Advanced Lithium Electrochemistry (Cayman) Co., Ltd. ("ALEEES", an associated company of the Company principally engaged in the business of production, research and development and sales and marketing of cathode materials for LFP batteries, which is listed on the Taipei Exchange, stock code: 5227). Furthermore, through indirect holding of 25% of the equity interests in Sinopoly Battery Limited ("Sinopoly Battery"), FKL sets foot in the segment of lithium-ion batteries and its related products. The Company is an indirect non wholly-owned subsidiary of FDG Electric Vehicles Limited.

MARKET OVERVIEW

Looking back at 2016, the international society and financial market were casted under uncertainties: in Europe, in addition to the structural issue of debt crisis remains unresolved, there is a tendency of withdrawal from the European Union by other countries as a result of the United Kingdom's Brexit referendum; the United States entered interest rate hike cycle and the orientation of political and economic strategies changed following Trump's Presidency election; and tensions in Korean Peninsula continue. All these factors brought variables to the economy. The economic development worldwide in the PRC was relatively stable for the same period. The Gross Domestic Product ("GDP") of the PRC in 2016 recorded an increase of 6.7%, which was in line with the economic development pattern of the "New Normal", implicating that the fundamentals remain supportive to the long-term positive growth.

In recent years, in response to the issue of energy reliance and environmental pollution, the global NEVs market experienced a soaring growth, especially in the PRC. According to the statistics from the China Association of Automobile Manufacturers, 517,000 units of NEVs were produced and 507,000 units were sold in 2016, representing a growth of 51.7% and 53.0% respectively compared with the same period last year. The well-performed production and sales of NEVs has driven the rapid development of upstream industries, including power batteries and materials. According to the data by industry authority, the production of power batteries of vehicles in the PRC in 2016 amounted to 30.8GWh, representing a year-on-year growth of 82.0%. The production of cathode materials for lithium-ion batteries in the PRC reached 162,000 tonnes, representing a year-on-year growth of 43.0%. In terms of production value, in 2016, cathode materials for lithium-ion batteries in the PRC reached RMB20.8 billion, representing a growth of over 54.0% as compared

* *For identification purpose only*

to the corresponding period last year, of which the production value of ternary cathode materials and LFP amounted to almost RMB8 billion and over RMB5 billion respectively. Furthermore, the rapid growth in power lithium-ion batteries and materials industry fueled the rapid expansion in the capacity of related industries. According to the same source, in 2016, the new capacities of power batteries in the PRC amounted to 42GWh, 2.8 times of that of 2015. These new capacities have been gradually launched in the market, leading to an increasingly intensified competition.

During the period under review, with the rapid growth of the power lithium-ion batteries and materials industry, many domestic player in the industry achieved improvements in terms of scale and technology. In general, however, the current performance, quality and production cost of power lithium-ion batteries were still unable to meet the requirements for NEVs popularization, especially when the disparities with internationally leading standards in crucial materials, system integration technology and manufacturing equipment and production techniques were still large. To this end, the Ministry of Industry and Information Technology of China ("MIIT"), the National Development and Reform Commission ("NDRC"), the Ministry of Science and Technology ("MOST") and the Ministry of Finance ("MOF") jointly issued "Action Plan for Promoting the Development of the Automobile Power Battery Industry" (《促進汽車動力電池產業發展行動方案》) in March 2017, which expressly set out the specific targets of enhancing the performance of products, expanding the scale of productions and sales, achieving technological breakthrough, and developing high-end equipment, with an aim to accelerate the enhancement of capability and standard of power batteries of new energy vehicles and material industry in the PRC.

Entering 2017, the power battery industry has experienced fairly significant changes and extremely challenging market conditions due to policy adjustments. According to the "Notice on Adjusting the Financial Subsidy Policies for the Promotion and Application of New Energy Vehicles" (《關於調整新能源汽車推廣應用財政補貼政策的通知》) jointly issued by the MIIT, the MOF, the MOST and the NDRC in December 2016, subsidies for the NEVs reduced substantially with an aim to reorganize and regulate the NEVs industry, as well as to promote long-term development. However, as the implementation of the new subsidy policies commences, there will be a heavier price reduction pressure on the electric vehicle enterprises, which will be further extended to the upstream power battery and materials manufacturing enterprises. Therefore, the power battery and cathode materials manufacturing enterprises are currently facing pressures such as how to reduce cost and increase efficiency. In addition, the new policies set limits on the subsidy standards by reference to the energy density of the power battery system, which raise the technology threshold of the power battery and the requirements on its performance. Consequently, high energy density lithium-ion batteries will gradually dominate the market.

On the other hand, although the subsidy standards and issue requirements continued to increase, the standards of relevant industries have become increasingly strict. However, in the long run, such measures are beneficial to altering the current condition of varying quality among producers, so as to achieve the principle of "survival of the fittest", promote healthy development of the industry, and increase the concentration of the industry. The overall fundamental objective of various policies continuously promulgated by the PRC government is still surrounding keen support on the development of the NEVs industry. According to the latest prediction of "the Energy Conservation and New Energy Vehicles Technology Roadmap" (《節能與新能源汽車技術路線圖》) prepared by the Society of Automotive Engineers of China, by 2030, sales of the NEVs will account for 40% of total car sales volume the PRC, while vehicle population of the NEVs will reach 80 million units. Hence, the development potential of related industries is huge and such industries will have a promising future as the strong growth momentum of the NEVs industry will continue and the market demand for upstream industries, including power battery and cathode materials, will increase tremendously.

BUSINESS REVIEW

During the critical period in which the electric vehicles and power batteries industry grew rapidly, the investment layout of FKL also continued to expand to the upstream industry chain of the power lithium-ion batteries. During the year under review, various business segments of the Company grew rapidly, recording total revenue of approximately HK$280 million, representing an increase of approximately 168.4% as compared with total revenue of approximately HK$104 million for the fifteen months ended 31 March 2016. Such increase was mainly due to the increase in the demand of cathode material from the customers. The robust business growth had also demonstrated that the product technology and operation management of the Company have become increasingly sophisticated.

CATHODE MATERIALS BUSINESS

Upgrade on ternary cathode material products to cater market demand

FDG Kinetic (Chongqing) Lithium Ion Battery Materials Co. Ltd.* ("FDG Kinetic (Chongqing)"), a subsidiary of FKL, has grown rapidly in its ternary material business. With excellent comprehensive performance shown from the cathode materials for NCM lithium-ion batteries, its technical route is also catering the craving for high-performance cathode material in the mainstream market. During the year under review, the production capacity of FDG Kinetic (Chongqing) had been released rapidly. The sales of NCM cathode materials exceeded 1,600 tonnes and the corresponding revenue reached approximately HK$234 million, representing a year-on-year growth of approximately 4.1 times. With the adjustment to the NEV's subsidy policy in 2017 linking the amount of the subsidy to energy density of battery system, the requirement on the performance of the battery products has become higher. By leveraging its high energy density, the demand is expected to grow further. Accordingly, FDG Kinetic (Chongqing) will put more efforts on the research and development, promote the cathode materials product upgrades, and optimize the system of products to cater for the strategic technology upgrades on cathode materials and lithium-ion battery industry. It will also plan to expand the production capacity to further reduce costs, in a bid to satisfy the growing needs of customers and improve the economic efficiency.

Building a cathode materials factory to stabilize the supply of raw materials

To cope with the rapid growth of the NEVs and power lithium batteries industry, the Company is also active in expanding the business of cathode materials to diversify the products. In November 2016, FKL has entered into a framework agreement with Guian New Area Management Committee and ALEEES to cooperate in the construction of a factory for the manufacturing of cathode materials with a designed maximum annual production of 30,000 tonnes by three phases. This will allow the fulfillment of the demand for cathode materials from Sinopoly Battery, the utilization of the expertise and business connection of the respective parties to the framework agreement and the facilitation of the Company's expansion and development in the cathode materials manufacturing business. This strategic cooperation can secure a steady and quality supply of cathode materials to Sinopoly Battery, and maximize the cost-efficiency, so as to bring better investment returns to the Company.

Completing the equity restructuring with ALEEES for comprehensive cooperation

In August 2016, the Company completed the equity restructuring with ALEEES and entered into a cooperation agreement. After the equity restructuring, FKL has become the single largest shareholder of ALEEES, and ALEEES is also accounted for as an associate of FKL. FKL has been focusing on expanding its business, well studying the market in the PRC and actively expanding overseas coverage. This equity restructuring is significant to FKL in improving its industry chain layout, safeguarding the constant increase of its core market competitiveness.

BATTERY BUSINESS

Investment layout in lithium-ion battery will bring greater returns

In recent years, the NEVs industry has seen a rapid development, which fueled the rapid growth on the demand of power lithium-ion batteries. Through indirect holding of 25% of equity interests in Sinopoly Battery a lithium-ion battery manufacturer, the Company has employed an investment layout in lithium-ion battery and related products.

To satisfy the market demand, Sinopoly Battery proactively adjusted the production capacity layout and has commenced the expansion of its production base in Tianjin from the current annual capacity of 0.42GWh to 1.92GWh. Such move will further expand the production capacity and market share of Sinopoly Battery. It will also help further reduce cost and increase efficiency. Meanwhile, since 2017, energy density of power battery system has become the standard of the policy on governmental subsidies for the NEVs. In view of the fact that the market is developing towards higher energy density of lithium-ion batteries, Sinopoly Battery is now proactively matching with policies and responding to the changes in market demand, enhancing the research and development as well as promoting the upgrade of battery products, thereby increase the product performance while enriching the product mix. The Company believes that Sinopoly Battery will bring greater returns to the Company's investment in lithium battery business segment with its sophisticated technology capabilities accumulated over the years in the lithium battery industry. The Company will also provide supports for the development of Sinopoly Battery with its own high quality platform resources.

RISK FACTORS

Policies Risk

In general, the policies in relation to the NEVs industry have become one of major national development strategies in the PRC. Businesses of the Company are, to a certain extent, subject to the changes in such policies as NEVs and the upstream lithium-ion batteries industry are currently receiving supports from the state policies and government subsidies. In order to reduce the sensitivity of the Company's businesses to state policies, the Company will reduce the cost of batteries through improving technology, and expand the businesses for better scale of economies.

Market Risk

Given the upcoming significant market opportunities for the PRC's lithium-ion battery industry, domestic major battery companies are thinking big for the lithium-ion battery, so as to intensify the industry competitions. The Company will keep improving technologies and developing new products to consolidate its position in the industry.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Company is devoted to creating a perfect career development arena and a good working environment for employees. In addition to induction training for new staffs, the Company will provide on-the-job trainings to all staffs in a timely manner to encourage employees to improve themselves and develop their potential. We will ensure the efficiency of operation and the employees can all display their ability through open, equal and merit-based standards as a system for monitoring and assessing the promotion of employees. The Company will also regularly review the benefits and remuneration system of the staff, compensations are payable according to the performance and qualifications of the employees, and set up an employee equity incentive plan as a reward for the outstanding staff. The Company also attaches great importance to the work-life balance of employees. It also organizes a variety of staff activities from time to time, cares about the physical and mental health of staff and creates a harmonious working atmosphere.

The Company has always been committed to providing customers with high-quality products. In addition to the strict compliance with regulatory requirements, the Company has also established a complete quality assurance system which has a professional testing line to better fulfill the requirements of customers. All products have passed rigorous tests and inspections to ensure quality, safe and qualified products are sold to customers. The Company also provides a complete after-sales services process to maintain good customer relationship with customers, and solidify the Company's brand reputation.

To ensure the quality of raw materials and the stability of supply, we select leading enterprises or suppliers with advanced technology and products in the industry as our partners based on strict criteria. In addition, the Company consolidates the upstream and downstream industry chain through merger and acquisition activities, so as to secure the supply of raw materials and enhance the technical standards.

RELEVANT LAWS AND REGULATIONS

The Company 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 Company also complies with the requirements of Employment Ordinance and ordinances relating to occupational safety for the interests of employees of the Company.

Products Specifications comply with Relevant Laws and Regulations

The Company's power batteries have been listed in the catalogue of "Standardized Requirements for the Automobile Power Storage Battery Industry". The Company's power batteries conform to the national standards in the aspect of capacity, energy, power, efficiency, standard life cycle, working life cycle.

FUTURE DEVELOPMENT

Proactively addressing the adjustments on NEVs policy and reducing cost while enhancing product performance

In 2017, the NEVs industry is confronting the challenges from the decrease in subsidy and the heightened technology barrier. The Company addresses proactively, placing cost efficiency and technology research and development at top priority of its development. On one hand, apart from speeding up the adjustment on production capacity layout and further reducing cost through mass production in a bid to improve economic efficiencies, the Company will also set up a central procurement system, unifying the procurement on each of the raw materials. To ensure efficient usage of resources, it will simultaneously optimize the industry chain, improve production technology and enhance operation capabilities. On the other hand, in view of the new subsidy policy that directs battery and material products to higher performance, the Company will timely adjust the development strategies by increasing research and development investment, improving the performance of the battery products, enriching product portfolio, so as to enhance their competitiveness in the market.

In addition, to accelerate the popularization of NEVs, increasing performance of the power battery is imperative. “Planning for the Development of the Energy-saving and New Energy Automobile Industry (2012-2020)” (《節能與新能源汽車產業發展規劃 (2012–2020年)》) formulated by the MIIT clearly stated that the power battery module energy density will increase to 300Wh/kg by 2020, showing that high capacity material is the overall direction for the development of the lithium-ion battery industry in the future. Among which ternary cathode materials (NCM), by leveraging on its high energy density advantage, are expected to be further developed. However, as the thermal stability of ternary cathode material is relatively low, the safety and technical requirements for the producers are higher. To catch the market trend, FKL will further boost its development of the NCM cathode material business in the Chongqing production base, devote more efforts in research and development, facilitate the upgrade of products and optimize the product system. It will also enhance production efficiency and enlarge production capacity, so as to meet the development requirements of the power battery industry, grasp the preemptive opportunity, as well as stand out from the peers in the ever-changing and competitive market environment.

Implementing environmental concepts, reasonable and efficient use of resources

Lifetime of NEVs power battery is limited. As such, as the popularization of NEVs continues, large number of lithium-ion batteries will need to be recycled in the future. According to the forecast made by the China Automotive Technology & Research Center, the accumulated amount of retired power battery in the PRC will be up to 120,000 to 170,000 tonnes in 2020. A large amount of scrapped batteries may cause environmental pollutions while underlying business opportunities. If they are utilized properly, not only can they effectively mitigate pollutions brought to the environment and make use of resources reasonably, but also greatly reduce the cost of the NEVs. Although the requirement of battery performance for EVs is relatively higher, the retired batteries from electric vehicles can still be applied to other purposes, such as light kinetic or low speed vehicles, telecommunication base station, back-up power supply or energy storage, etc. If data of batteries can be collected, collated and analyzed from every stage from the research and production, sales and usage, retirement and reuse, to recycling, a battery lifetime management system which maximizes battery efficiency, minimizes environmental burden, and is green and highly efficient throughout the process can then be established.

The Company strongly embraces such idea of implementing scientific management on recycling and reusing of batteries. It would be a road-map for the Company in optimisation of lithium battery investment layout in the future. The current domestic recycling rate of power battery is less than 2%, the recycle cost is relatively high, and the policies and regulations are not comprehensive enough. The Company actively explores feasibility of development in accordance to the “Green and Growth” philosophy, not only for grasping future business opportunities in such area, but also taking the responsibility on the environmental protection in society as an enterprise.

Further upgrading industry scale and technology to become leader in the industry

Due to the rapid development of the NEVs industry in recent years, huge amount of capital has flowed to the upstream industry of power batteries and materials. However, as compared to big manufacturing nations of batteries and materials including Japan and Korea, most enterprises in the PRC are lacking the foundation for research and development and the skills to ensure consistency. As subsidies on NEVs are adjusted, batteries and materials manufacturing industry will also enter the "shuffling period". The MIIT published the consultation paper of "Regulatory Requirements for the Automobile Power Battery Industry (2017)" (《汽車動力電池行業規範條件(2017年)》) in November 2016, which specified that the technology threshold of power batteries will be substantially heightened and the annual production of a lithium-ion battery manufacturer shall be increased significantly to "not lower than 80 GWh", with an aim to accelerate the industry consolidation and growth. Such initiative, once implemented, shall accelerate the industry consolidation and mergers and acquisition, where those enterprises without competitive advantages shall be eliminated.

In addition, the MIIT, the NDRC, the MOST and the MOF jointly issued the "Action Plan for Promoting the Development of the Automobile Power Battery Industry" (《促進汽車動力電池產業發展行動方案》) in March 2017, which put forward that the future objectives of power batteries industry shall primarily be the followings: by 2020, energy density of new lithium-ion power battery cell shall exceed 300Wh/kg. Energy density of battery system is sought to reach 260Wh/kg, with the cost declining to less than RMB1/Wh. By then, the total capacity of power batteries industry shall exceed 100 billion Wh, forming a leading enterprise with production and sale amounted to over 40 billion Wh and with international competitiveness, and overall industrial scale shall be reasonably and orderly developed. This implicates that increasing the production capacity and heightening technology barrier, supporting enterprises with scale and quality, accelerating resource consolidation within the industry, and promoting the industry towards high-end development have become the general trend.

Looking ahead, the Company shall proactively go in line with the national development objectives of core technology of power batteries and materials and industrial scale by ways of improving its own industry chain layout, enhancing production capacity, diversifying products portfolio and achieving technology breakthrough, in order to promote the research and development and production of power batteries and materials, so as to solidify its core competitive strengths. Leveraging supports from FDG, its parent company, FKL shall continue to adhere to the philosophy of "Green and Growth" and focus on enhancing the level of research and development and assisting the overall development of FDG. With the dual-driving force from policy and market, it commits to becoming an industry pioneer focusing on the technology research and development, manufacturing and sales of lithium-ion batteries and cathode materials to launch quality products for the new energy market, establish its own brand and facilitate the upgrade in the industry, so as to maximize the returns for our shareholders with fruitful results.

FINANCIAL REVIEW

During the year under review, the Group recorded a revenue of approximately HK$280.2 million, representing an increase of approximately 168.4% as compared with the revenue of approximately HK$104.4 million for the fifteen months ended 31 March 2016. Such increase was mainly due to the entering into the battery materials production business segment by the Group during the second half of the year 2015 with increased quantity produced and sold during the year under review.

The Group's loss attributable to equity shareholders of the Company for the year ended 31 March 2017 amounted to approximately HK$206.2 million, representing a decrease of approximately HK$1,764.3 million as comparing with the loss of approximately HK$1,970.5 million for the fifteen months ended 31 March 2016. The decrease was mainly attributable to the combination effects of the followings:

(i) the loss arising from acquisition of an associate of approximately HK$1,693.1 million and an impairment loss of approximately HK$163.6 million on interest in an associate were recognised during the fifteen months ended 31 March 2016, such loss did not incur in the current year;

(ii) the general and administrative expenses amounted to approximately HK$62.4 million, representing an increase of approximately HK$8.9 million as comparing with approximately HK$53.5 million for the fifteen months ended 31 March 2016. Such increase was mainly attributable to the increase in the directors' remuneration and the general and administrative expenses incurred for the newly acquired cathode material production business;

(iii) the research and development expenses amounted to approximately HK$11.3 million (fifteen months ended 31 March 2016: approximately HK$5.9 million). Such increase was due to the newly acquired cathode material production business in October 2015 in which the Group commenced to consolidate its expenses since acquisition date;

(iv) the finance costs amounted to approximately HK$122.0 million (fifteen months ended 31 March 2016: approximately HK$71.8 million) which were arising from the interest expenses on the convertible bonds, finance lease and bank and other borrowings; and

(v) the share of loss of associates amounted to approximately HK$72.1 million (fifteen months ended 31 March 2016: share of profit of approximately HK$7.5 million), which were arising from the share of loss of Synergy Dragon Limited ("SDL") amounted to HK$54.8 million (fifteen months ended 31 March 2016: share of profit of approximately HK$8.7 million) and share of loss of ALEEES amounted to approximately HK$17.3 million (fifteen months ended 31 March 2016: Nil).

SEGMENT INFORMATION

Battery Materials Production Business

During the year under review, this battery materials production business segment contributed the Group's revenue of approximately HK$234.2 million from the sales of cathode materials for NCM lithium-ion batteries, representing an increase of approximately 405.8% as compared with the revenue of approximately HK$46.3 million for the fifteen months ended 31 March 2016. Such increase was mainly attributable to the recognition of our cathode materials quality and the increase in demand from customers.

This battery materials production business segment brought a loss before tax of approximately HK$61.2 million to the Group during the year under review, which included share the loss of an associate, ALEEES, of approximately HK$17.3 million. ALEEES is a newly acquired associate by the Group in August 2016, the Group holds approximately 21.85% of total issued shares of ALEEES which its principally engaged in the business of production, research and development and sales and marketing of cathode materials for lithium ferrous phosphate batteries.

Without taking into account of share of loss of ALEEES of approximately HK$17.3 million, the battery material production business of Chongqing factory incurred a loss before tax of approximately HK$43.9 million during the year under review, which representing an increase of approximately HK$13.5 million as comparing with the loss before tax of approximately HK$30.4 million of last year (which only covered five month's results since its consolidation into the Group for the last year). The Chongqing factory was narrowed its losses during the year by utilising its current production capacity and increase in sales of cathode materials.

In order to further strive for efficiency, the Group will expand the production capacity of Chongqing factory by the use of new finance lease obtained in June 2017 to further reduce costs, in a bid to satisfy the growing needs of customers and increase the scale of economies. 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 favorable government policies in the development of new energy vehicle industry.

Direct Investments Business

During the year under review, interest and dividend income of approximately HK$46.0 million (fifteen months ended 31 March 2016: approximately HK$58.1 million) mainly comprised of approximately HK$29.5 million (fifteen months ended 31 March 2016: approximately HK$32.3 million) of the interest accrued for the secured bond issued by FDG to the Company for its acquisition of Agnita on 27 February 2015.

The Group's investments measured at fair value recorded a net gain of approximately HK$9.4 million for the year ended 31 March 2017 (fifteen months ended 31 March 2016: net loss of approximately HK$17.7 million).

The Group shared the gain of an joint venture, 華能壽光風力發電有限公司 ("Huaneng Shouguang") of approximately HK$0.5 million for the year ended 31 March 2017 (fifteen months ended 31 March 2016: share of gain of approximately HK$0.7 million). Huaneng Shouguang is a wind power electricity developer and operator in the PRC. It generated electricity of 66.7 million kWh and revenue of approximately RMB34.7 million during the year under review.

During the year under review, the Group shared the loss of an associate of approximately HK$54.8 million (fifteen months ended 31 March 2016: Share of gain of approximately HK$8.7 million), which represented 25% interest in an associate, SDL. SDL is an investment holding company, its wholly-owned subsidiary, Sinopoly Battery Limited, which is an integrated high-tech enterprise which specialises in production, sales and research and development of high capacity lithium-ion battery and its related products.

GEOGRAPHICAL ANALYSIS OF REVENUE

During the year ended 31 March 2017, Hong Kong and the PRC contributed approximately 16.3% (fifteen months ended 31 March 2016: 55.3%) and 83.7% (fifteen months ended 31 March 2016: 44.7%) to the Group's total revenue respectively.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2017, the Group's net assets attributable to equity shareholders of the Company amounted to approximately HK$1,448.5 million (31 March 2016: approximately HK$1,773.2 million). Net assets attributable to equity shareholders of the Company per share were approximately HK$0.28 (31 March 2016: approximately HK$0.35). The Group's total assets of approximately HK$2,804.3 million (31 March 2016: approximately HK$2,667.8 million) mainly consisted of goodwill of approximately HK$441.2 million (31 March 2016: approximately HK$470.1 million), intangible assets of approximately HK$79.0 million (31 March 2016: approximately HK$99.0 million), property, plant and equipment and interests in leasehold land held for own use under operating lease of approximately HK$198.1 million (31 March 2016: approximately HK$227.9 million), interest in associates of approximately HK$1,009.1 million (31 March 2016: approximately HK$749.4 million), interest in a joint venture of approximately HK$98.3 million (31 March 2016: approximately HK$104.0 million), the FDG 3-year secured bond of HK$370.0 million (31 March 2016: HK$370.0 million), loan and other receivables of approximately HK$202.2 million (31 March 2016: approximately HK$218.5 million) and cash and cash equivalents of approximately HK$65.9 million (31 March 2016: approximately HK$157.6 million).

At 31 March 2017, the non-current assets of approximately HK$1,826.4 million representing a decrease of approximately HK$194.8 million comparing with the amount of approximately HK$2,021.2 million as at 31 March 2016. Such decrease mainly due to the combination effect of share subscription of approximately 21.85% of shares of an associate, ALEEES, of approximately HK$393.1 million and the reclassification of the investment in a secured bond of HK$370 million from non-current assets to current assets during the year.

As at 31 March 2017, the current assets amounted to approximately HK$977.9 million, representing an increase of approximately 51.2% as compare with the current assets of approximately HK$646.6 million as at 31 March 2016. Such increase was mainly attributable to (i) the investment in a secured bond of HK$370 million reclassified from non-current assets to current assets during the year; and (ii) the trade receivables of approximately HK$128.4 million as at 31 March 2017, increased by approximately HK$92.7 million as compare with the trade receivable of approximately HK$35.7 million as at 31 March 2016, resulting from the increase in sales of battery material products. A credit period generally ranging from 30 days to 90 days is generally allowed to the customers, the Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk.

As at 31 March 2017, the bank and other borrowings included (i) bank borrowings of approximately HK$60.7 million (31 March 2016: approximately HK$76.7 million), denominated in Renminbi ("RMB"), were secured, interest bearing at floating rates and repayable within five years. Such bank borrowings were granted under a general banking facilities by a bank in the PRC. The general banking facilities were secured by, inter alia, certain land and buildings of the Group with carrying amounts of approximately HK$116.4 million (31 March 2016: approximately HK$130.1 million) in favour of the lender by way of the fixed charges and floating charges over all the plant and machinery and inventories of FDG Kinetic (Chongqing) Lithium Ion Battery Materials Co., Ltd.; and (ii) the other borrowings of approximately HK$32.6 million (31 March 2016: approximately HK$32.6 million), denominated in United States dollars, were unsecured, guaranteed by the Company, interest bearing at a fixed rate and repayable within one year. The Group's bank and other borrowings are mostly event driven, with little seasonality.

As at 31 March 2017, the Group's obligations under finance leases amounted to approximately HK$69.9 million (31 March 2016: Nil), out of which approximately HK$28.4 million is repayable within one year. The obligations under finance leases were secured by certain machineries of the Group with carrying amounts of approximately HK$78.3 million and guaranteed by an indirect wholly-owned subsidiary of an associate. Loan from the ultimate holding company as at 31 March 2017 amounted to approximately HK$320.4 million is unsecure, interest-free and repayable on demand (31 March 2016: Nil). With the loan from the ultimate holding company and obligations under finance leases mentioned above, the current liabilities increased from approximately HK$208.7 million as at 31 March 2016 to approximately HK$595.3 million as at 31 March 2017.

As at 31 March 2017, the Group's non-current liabilities comprised mainly the liability component of the convertible bonds of approximately HK$659.5 million (31 March 2016: approximately HK$604.9 million), long term portion of bank borrowings of approximately HK$46.1 million (31 March 2016: approximately HK$64.7 million) and long term portion of obligations under finance leases of approximately HK$41.5 million (31 March 2016: Nil).

As at 31 March 2017, the Group's gearing ratio, without taking into account of the liability component of convertible bonds of approximately HK$659.5 million (31 March 2016: approximately HK$604.9 million), was approximately 11.3% (31 March 2016: approximately 6.2%) calculated on the basis of bank and other borrowings of approximately HK$93.3 million (31 March 2016: approximately HK$109.3 million) and obligations under finance lease of approximately HK$69.9 million (31 March 2016: Nil) to total equity attributable to owners of the Company of approximately HK$1,448.5 million (31 March 2016: approximately HK$1,773.2 million).

FOREIGN EXCHANGE EXPOSURE

The Group's transactions were mainly denominated in RMB, Hong Kong dollars and United States dollars. Exchange rates between United States 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 and New Taiwan Dollars. 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 consider appropriate hedging instruments when necessary.

MATERIAL ACQUISITION AND DISPOSAL

During the year under review, the following transaction was considered as material acquisition of the Company:

On 14 April 2016, the Company and FDG jointly announced, inter alia, that a share subscription agreement (the "Share Subscription Agreement") was entered into between the Company (as guarantor), ALEEES (as issuer) and FDG Kinetic Investment Limited ("FKIL", a direct wholly-owned subsidiary of the Company, as subscriber) 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. Completion of the subscription took place on 24 August 2016 and thereafter the Company holds approximately 21.85% of the total issued shares of ALEEES and becomes the single largest shareholder of ALEEES. ALEEES has been accounted for as an associated company of the Company.

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

The Share Subscription Agreement constituted a major and connected transaction of the Company and was approved by the independent shareholders of the Company at the special general meeting held on 16 June 2016.

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 a primary supplier of cathode materials for Sinopoly Battery Limited, a lithium-ion battery manufacturer which is 25% owned by the Company and 75% owned by FDG. 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 approximately 21.85% stake in ALEEES diversifies the Company's portfolio while remaining committed in the battery related businesses.

Details of the Share Subscription Agreement were set out in the joint announcement of the Company and FDG dated 14 April 2016 and the circular of the Company dated 30 May 2016.

Save as disclosed above, the Group had no material acquisition or disposal of subsidiaries, associates and joint ventures during the year ended 31 March 2017.

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

There were pledged of assets as at 31 March 2017 (31 March 2016: Nil) with details disclosed under the section headed "Liquidity and Financial Resources". In addition, certain bank deposits of approximately HK$24.3 million (31 March 2016: approximately HK$22.7 million) were pledged for bills payables.

The Group had no significant contingent liabilities as at 31 March 2017 (31 March 2016: Nil).

CAPITAL COMMITMENTS

The Group had no significant capital commitments as at 31 March 2017 (31 March 2016: Nil).

HUMAN RESOURCES

As of 31 March 2017, the Group had 19 employees in Hong Kong (31 March 2016: 16 employees) and 85 employees in the PRC (31 March 2016: 86 employees). Total staff costs (including directors' remunerations) during the year ended 31 March 2017 amounted to approximately HK$29.3 million (fifteen months ended 31 March 2016: approximately HK$21.7 million). The remuneration policies are determined with reference to market conditions and performance of individual staff. The Group participates in the Mandatory Provident Fund Scheme in Hong Kong and state managed retirement benefit schemes in the PRC.

On 10 February 2017, the Board of the Company has adopted an employees' share award scheme and also resolved to establish a new and comprehensive employee benefit trust with details set out in the Company's announcement dated 10 February 2017.

There were no material changes in human resources structure and compensation approach during the year ended 31 March 2017. No share option was granted, exercised, cancelled or lapsed under the share option scheme during the year ended 31 March 2017.

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 2017 and up to the date of this report except for the following deviations.

Code provision A.4.1

Pursuant to code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term, subject to re-election. The non-executive directors of the Company are not appointed for a specific term but they are subject to retirement by rotation at least once every three years and are eligible for re-election at the annual general meetings in accordance with the Bye-laws of the Company. The Board believes that retirement by rotation every three years achieves the intended aims of the Code. Therefore, there is no formal letter of appointment governing the terms of appointment of the directors who are all subject to the same terms under the Bye-laws of the Company.

Code provision F.1.2

Pursuant to code provision F.1.2 of the Code, a board meeting should be held to discuss the appointment of the company secretary and the matter should be dealt with by a physical board meeting rather than a written resolution. The appointment of the current company secretary was dealt with by a written resolution in April 2017. As all directors were individually consulted on the matter without any dissenting opinion prior to the execution of the written resolution to appoint the current company secretary, it was considered that there was no need to approve the matter by a physical board meeting.

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 2017.

BOARD OF DIRECTORS

Composition

The Board currently comprises the following nine directors:

Executive directors:
Mr. Cao Zhong *(Chairman)*
Mr. Sun Ziqiang *(Vice Chairman)*
Mr. Miao Zhenguo *(Chief Executive Officer)*
Mr. Jaime Che

Non-executive directors:
Dr. Chen Yanping
Professor Chen Guohua

Independent non-executive directors:
Mr. Hung Chi Yuen Andrew
Professor Sit Fung Shuen Victor
Mr. Toh Hock Ghim

The biographical details of the existing directors are set out in the "Biographies of Directors and Senior Management" on pages 5 to 8 of this annual report.

Board Diversity

The Board has adopted a board diversity policy (the "Policy"). 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 educational 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 is 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 summaries 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

Mr. Cao Zhong is the Chairman and Mr. Miao Zhenguo is the Chief Executive Officer of the Company. The respective roles of the Chairman and the Chief Executive Officer are clearly established and segregated. The Chairman is responsible for the leadership and effective running of the Board, and for ensuring that all key and appropriate issues are discussed by the Board in a timely and constructive manner. Directors are encouraged to participate actively in all Board and board committees meetings of which they are members. The Chairman holds meeting with the non-executive directors (including independent non-executive directors) at least annually to exchange views and comments further to those discussed at the Board meetings. The Chief Executive Officer, supported by other Board members and the senior management, is responsible for the day-to-day management of the Group's business, including developing and proposing the Group's strategies and policies for the Board's consideration and the implementation of major strategies and policies approved by the Board and board committees.

Non-executive Directors and Independent Non-executive Directors

The Company has two non-executive directors and three independent non-executive directors.

The term of appointment of the non-executive directors and the independent non-executive directors of the Company are detailed under the section headed "Corporate Governance – Code provision A.4.1".

Throughout the year ended 31 March 2017, 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 executive director and Chief Executive Officer of the Company, is the brother-in-law of Mr. Cao Zhong, the Chairman and executive director 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 board meetings and two additional meetings during the year ended 31 March 2017. 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	6[a]/6
Mr. Sun Ziqiang	6[b]/6
Mr. Miao Zhenguo	5/6
Mr. Jaime Che	6/6
Non-executive directors:	
Dr. Chen Yanping	6[c]/6
Professor Chen Guohua	6[a]/6
Independent non-executive directors:	
Mr. Hung Chi Yuen Andrew	6/6
Professor Sit Fung Shuen Victor	6[a]/6
Mr. Toh Hock Ghim	6/6

Notes:

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

b. Including two meetings having another director acted as his representative.

c. Including three meetings having another director acted as his representative.

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 that their contribution to the Board remains informed and relevant. For the year ended 31 March 2017, the Company arranged a seminar provided by an external organisation as continuing professional training for directors. All directors of the Company, namely, Mr. Cao Zhong, Mr. Sun Ziqiang, Mr. Miao Zhenguo, Mr. Jaime Che, Dr. Chen Yanping, Professor Chen Guohua, Mr. Hung Chi Yuen Andrew, Professor Sit Fung Shuen Victor and Mr. Toh Hock Ghim participated in the seminar. 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 six committees, namely the Remuneration Committee, the Nomination Committee, the Audit Committee, the Risk Committee, the Executive Committee and the Credit Risk Committee. Each committee reports back to the Board on its decisions or recommendations, unless there are legal or regulatory restrictions on its ability to do so.

Remuneration Committee

The terms of reference of the Remuneration Committee are in compliance with the code provisions set out in the Code. The Remuneration Committee currently comprises three independent non-executive directors, namely Mr. Toh Hock Ghim (Chairman of the Remuneration Committee), Mr. Hung Chi Yuen Andrew and Professor Sit Fung Shuen Victor, and two executive directors, namely Mr. Cao Zhong and Mr. Miao Zhenguo.

The principal duties of the Remuneration Committee are (i) to make recommendations to the Board on the Company's policy and structure for all directors' and senior management's 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.fdgkinetic.com.

The Remuneration Committee held one meeting during the year ended 31 March 2017. The individual attendance records of the committee members are as follows:

Name of committee members	Number of meetings attended/held
Mr. Toh Hock Ghim *(Chairman)*	1/1
Mr. Hung Chi Yuen Andrew	1/1
Professor Sit Fung Shuen Victor	1/1
Mr. Cao Zhong	1/1
Mr. Miao Zhenguo	0/1

In the meeting, the Remuneration Committee considered and recommended to the Board the proposal for the Board to fix the directors' remuneration to be put forward at the 2016 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 and trends. The Company has adopted a share option scheme for the purpose 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 2017, no director was involved in deciding his own remuneration.

Nomination Committee

The terms of reference of the Nomination Committee are in compliance with the code provisions set out in the Code. The Nomination Committee currently comprises two executive directors, namely Mr. Cao Zhong (Chairman of the Nomination Committee) and Mr. Miao Zhenguo, and three independent non-executive directors, namely Mr. Hung Chi Yuen Andrew, Professor Sit Fung Shuen Victor and Mr. Toh Hock Ghim.

The principal duties of the Nomination Committee are (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.fdgkinetic.com.

The Nomination Committee held one meeting during the year ended 31 March 2017. 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	0/1
Mr. Hung Chi Yuen Andrew	1/1
Professor Sit Fung Shuen Victor	1/1
Mr. Toh Hock Ghim	1/1

In the meeting, the Nomination Committee (i) reviewed the structure, size and composition of the Board; (ii) considered and recommended to the Board the re-election of directors who were subject to retirement by rotation at the 2016 annual general meeting of the Company; and (iii) 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 are in compliance with the code provisions set out in the Code. The Audit Committee currently comprises three independent non-executive directors, namely Mr. Hung Chi Yuen Andrew (Chairman of the Audit Committee), Professor Sit Fung Shuen Victor and Mr. Toh Hock Ghim.

The principal duties of the Audit Committee are (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. 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.fdgkinetic.com.

The Audit Committee held two meetings during the year ended 31 March 2017. The individual attendance records of the committee members are as follows:

Name of committee members	Number of meetings attended/held
Mr. Hung Chi Yuen Andrew *(Chairman)*	2/2
Professor Sit Fung Shuen Victor	2/2
Mr. Toh Hock Ghim	2/2

During the year ended 31 March 2017, the Audit Committee (i) reviewed the accounting policies and practices adopted by the Group; (ii) reviewed the Company's results for the fifteen months ended 31 March 2016 and six months ended 30 September 2016 and recommended the same to the Board for approval; (iii) recommended to the Board the re-appointment of the Auditor; (iv) reviewed the effectiveness of the Group's internal control systems, inter alia, the financial, operational and compliance controls functions of the Group; and (v) reviewed the adequacy of resources, qualifications and experience of staff of the Group's accounting, internal audit and financial reporting function, and their training programmes and budget.

In addition, during the year ended 31 March 2017, a meeting was held with the Auditor to discuss the pre-audit planning of the Group.

The Audit Committee has reviewed with the management and the Auditor the audited results of the Group for the year ended 31 March 2017.

Risk Committee

The Risk Committee was established on 26 August 2016 with specific terms of reference. The Risk Committee currently comprises three independent non-executive directors, namely Mr. Hung Chi Yuen Andrew (Chairman of the Risk Committee), Professor Sit Fung Shuen Victor and Mr. Toh Hock Ghim, and two executive directors, namely Mr. Miao Zhenguo and Mr. Jaime Che.

The principal duties of the Risk Committee are (i) to advise the Board on the Group's risk appetite statement(s), risk principles and other risk-related issues including corporate actions and proposed strategic transactions such as mergers, acquisitions and disposals; (ii) to oversee risk management framework to identify and deal with financial, operational, legal, regulatory, technology, business and strategic risks faced by the Group and amend and supplement this from time to time; (iii) to approve the Group's risk policies and risk tolerances; (iv) to consider emerging risks relating to the Group's business and strategies to ensure that appropriate arrangements are in place to control and mitigate the risks effectively; (v) to review risk reports and breaches of risk tolerances and policies; (vi) to review and assess the effectiveness of the Group's risk control/mitigation tools including the enterprise risk management programme, the risk management systems, the internal audit function relating to risk management and the Group's contingency plans; (vii) to review the Group's capital adequacy and solvency levels; and (viii) to monitor stress testing results of the Group's key risk exposures.

The internal audit department conducted risk assessment of the Group and the relevant report was reviewed by the Risk Committee in its first regular meeting held in June 2017.

Executive Committee

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

Credit Risk Committee

The Credit Risk Committee was established on 26 August 2016 with specific terms of reference. The Credit Risk Committee currently comprises two executive directors, namely Mr. Cao Zhong (Chairman of the Credit Risk Committee) and Mr. Jaime Che, and one independent non-executive director, namely Mr. Hung Chi Yuen Andrew. It meets as and when necessary to review lending portfolio and monitor lending risk.

AUDITOR'S REMUNERATION

For the year ended 31 March 2017, the Auditor received approximately HK$2,347,000 for audit service and approximately HK$1,001,000 for non-audit service regarding interim reviews and professional service for a major and connected transaction in relation to the subscription of shares in an associated company.

FINANCIAL REPORTING

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

The statement of the Auditor about their reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 51 to 57 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for establishing and maintaining adequate and effective systems of risk management and internal control of the Group and reviewing their effectiveness annually.

The Group's risk management and internal control systems include a management structure with defined lines of responsibility and limits of authority. These systems aim 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 systems are designed to identify, evaluate and manage effectively risks rather than to eliminate the risks of failure to achieve business objectives.

The Group has established a risk management framework in providing direction in identifying, evaluating and managing significant risks. Risks that would adversely affect the achievement of the Group's objectives are identified and assessed and prioritised according to a set of standard criteria. Risk mitigation plans and risk owners are then established for those risks which are considered to be significant.

During the year ended 31 March 2017, the Company engaged SHINEWING Risk Services Limited as the internal controls consultant to conduct independent review of the risk management and internal control systems of a selected subsidiary (as agreed by the Audit Committee). The review covered all material controls, including financial, operational and compliance procedures for the fifteen months ended 31 March 2016. The internal controls report has been circulated to the Audit Committee for review and discussion.

The Company has an internal audit department to review the effectiveness of the Group's risk management and internal control systems, inter alia, the financial, operational and compliance controls functions of the Group for the year ended 31 March 2017. No material deficiencies have been identified during the review. The relevant findings and recommendations have been reported to the Audit Committee/Risk 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/Risk Committee. The Board considered that the risk management and internal control systems are effective and adequate and is committed to improving the Group's risk management and internal control systems on an ongoing basis.

The Group complies with requirements of the Securities and Futures Ordinance ("SFO") and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

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 2017, the Company held the annual general meeting on 26 August 2016 (the "AGM") and one special general meeting on 16 June 2016 (the "SGM"). The individual attendance records of the directors at the AGM and SGM are as follows:

Name of directors	Number of AGM attended/held	Number of SGM attended/held
Executive directors:		
Mr. Cao Zhong	1/1	0/1
Mr. Sun Ziqiang	1/1	1/1
Mr. Miao Zhenguo	1/1	0/1
Mr. Jaime Che	1/1	1/1
Non-executive directors:		
Dr. Chen Yanping	1[a]/1	1[a]/1
Professor Chen Guohua	1/1	1/1
Independent non-executive directors:		
Mr. Hung Chi Yuen Andrew	1/1	1/1
Professor Sit Fung Shuen Victor	1/1	1/1
Mr. Toh Hock Ghim	1/1	1/1

Note:

a. Having another director acted as his representative.

The Auditor has also attended the AGM to answer questions about the conduct of the audit, the preparation and content of the Independent Auditor's Report, the accounting policies and auditor's 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 2017, 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.

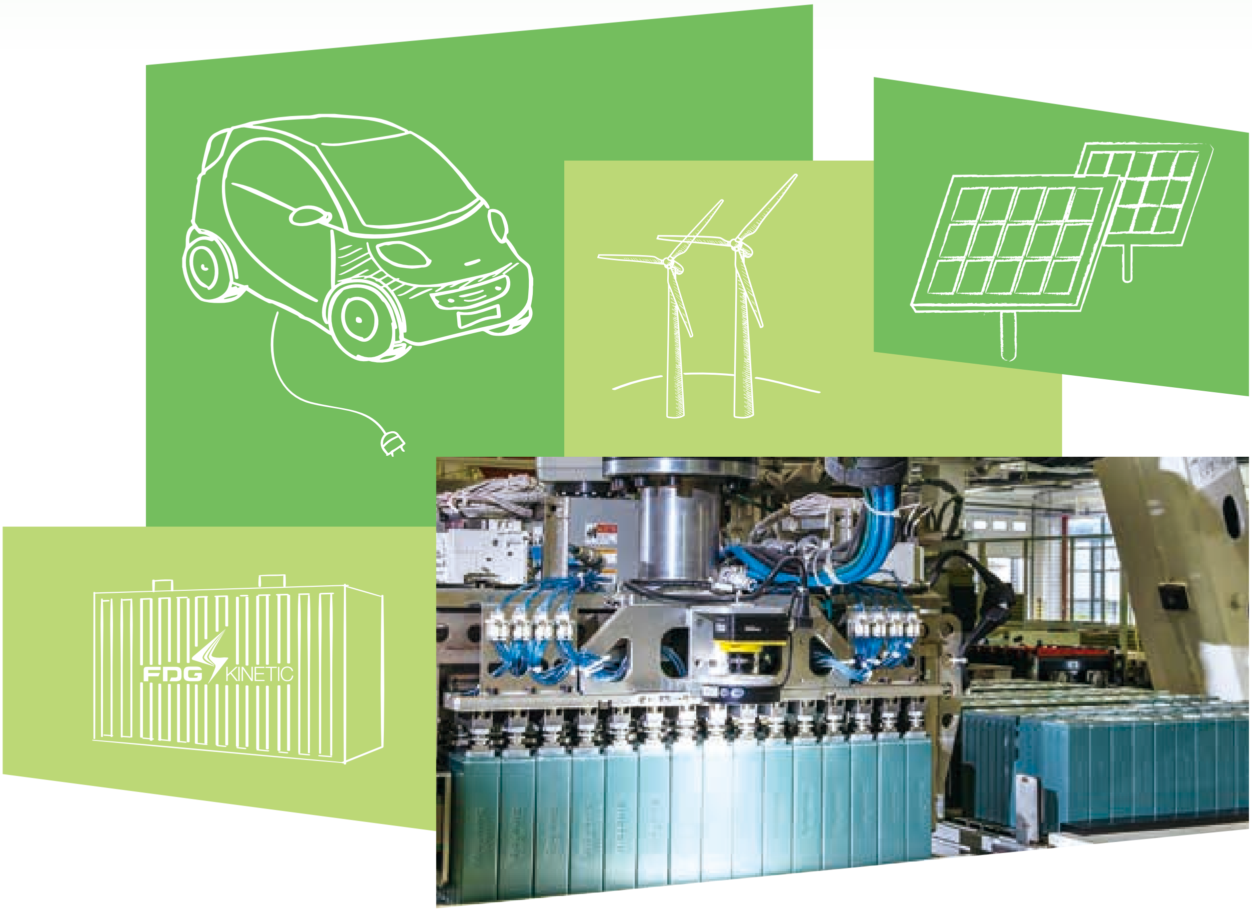
During the year ended 31 March 2017, no such requisition(s) has/have been received.

The procedures as to how shareholder(s) can propose a person for election as a director are detailed in the "Procedures for Shareholders to Propose a Candidate for election as a Director" which is available on the Company's website at www.fdgkinetic.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) 2506 0007, email at investor@fdgkinetic.com or directly in person through participation in general meetings.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



INTRODUCTION

FDG Kinetic Limited (the "Company" or "FKL", and together with its subsidiaries, the "Group") is principally engaged in research and development, manufacture and sale of cathode materials of lithium-ion batteries and its related products. This Environmental, Social and Governance Report is prepared in accordance with Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. It outlines the environmental and social performance of the main business operations of the Group for the year ended 31 March 2017 and covers the following operation locations of the Group:

- Hong Kong Wanchai Headquarter Office
- Chongqing Production Base
- Tianjin Production Base

MANAGEMENT APPROACH AND STRATEGY

Economic development of the People's Republic of China (the "PRC") is entering into the "New Normal" phase. Under the trend of promoting green growth, recycling and low-carbon development, the PRC government has continued to promote energy conservation and emission reduction effectively and deeply through a series of policies and initiatives. In December 2016, the State Council published "The Comprehensive Work Planning for Energy Conservation and Emissions Reduction in the 13th Five-Year", which vigorously advocated the ideas of green environmental protection, energy conservation and emission reduction, and also set improving the efficiency of energy use and enhancing the quality of ecological environment as long-term targets in order to pursue a win-win situation for both the economy and the environment. Adhering to the philosophy of "Green and Growth", FKL integrates the Company's strategic objectives closely with assisting the nation's sustainable development of environment and economic growth, with its business development, production and operations and all aspects following closely the general direction of the nation's environmental protection strategies.

FKL has already invested in the field of renewable energy, holding 45% of the equity interests in 華能壽光風力發電有限公司 (Huaneng Shouguang Wind Power Co., Ltd.*); and in recent years, the Company has established its investment layout in upstream industry of power lithium-ion batteries through various acquisitions and partnerships. In response to the call of the state to promote new energy vehicles and lithium-ion batteries, FKL is committed to the research and development, and manufacturing of upstream cathode materials of lithium-ion batteries and its related products, popularizing the applications of clean energy with advanced technologies and high quality products, promoting energy structure optimization, improving economic efficiencies while at the same time contributing to environmental protection and construction of green society.

ENVIRONMENTAL

1. *Emissions*

The Group is actively avoiding and reducing emissions of greenhouse gases, exhaust gas, solid waste and other emissions in its daily operations, and has developed a series of environmental protection policies to strengthen control, including:

Waste Reduction Policy

The Group adopts different measures for different types of waste to ensure proper treatment. In particular, in the case of hazardous waste reduction, the Group reduces the amount of hazardous waste mainly through replacing hazardous materials with non-hazardous and/or natural materials wherever possible.

In the case of non-hazardous waste, the Group follows the principle of "Waste Reduction at Source" to reduce the relevant types of waste such as plastic products, glass products and aluminium cans. The Group then classifies the recyclable wastes and arranges for the collection by recyclers on a regular basis. In the office, the Group also advocates double-sided printing so as to reduce the Group's non-hazardous waste through such measures.

For the disposal of hazardous waste, the hazardous wastes generated in Tianjin production base are mainly electrolytes and waste oil, and that generated in Chongqing production base is HW49. The wastes are separated into hazardous and non-hazardous wastes which are then packed in separate garbage bags with labels of "hazardous waste" or "non-hazardous waste" properly attached. The packages will then be collected by hazardous and non-hazardous recyclers accordingly.

* *For identification purpose only*

Business Travel Reduction Policy

The Group thoroughly understands that business travel will increase energy consumption and greenhouse gas emissions. Therefore, the Group actively reduces the number of business trips by using other effective means of communication. For example, avoiding travelling long-distance for face-to-face meetings through the use of phone calls, email and video conferences so as to reduce greenhouse gas emissions caused by extra long distance transportation. In addition, employees will use electric vehicles provided by FDG (the parent company of the Group) or public transportation during business trips whenever possible. The Group also encourages employees to plan travel and manpower arrangements earlier in advance and to share vehicles whenever possible in order to reduce energy consumption and pollution during travel.

Indoor Air Quality Policy

Smoking is strictly prohibited at any indoor locations of the Group, and designated outdoor areas for smoking are set up to maintain indoor air quality.

Procurement Policy supporting Local Suppliers

FKL takes the initiative to invite local suppliers to make quotations and provide products information. Priority will be given to local suppliers if requirements can be met with in order to reduce shipping distance, thereby reducing fuel consumption and the resulting greenhouse gas emissions.

2. Use of Resources

FKL thoroughly understands that the Earth's resources are limited and has therefore implemented a series of policies and measures to save resources used by the Group for the purpose of environmental protection. These include:

Energy Conservation

FKL adopts different strategies in different production bases for energy conversation.

Tianjin production base purchased air-conditioners with energy-efficiency labels and replaced the lights in the plant with LED lights. Chongqing production base uses green lights for 70% of its lighting which saves 5% electricity than the traditional lights. The Group also emphasizes on the training of employees' awareness to ensure that the relevant machines in all factories are shut down during off hours, thereby reducing unnecessary waste of energy.

Water Conservation Policy

The Group constantly reminds employees to save water in its daily operations. For example, in Tianjin production base, water conservation messages such as "Please turn off the tap after washing hands" and "It is everybody's responsibility to save water" are put up in washrooms, employees' canteens and rest areas. In Chongqing production base, employees are encouraged to replace bottled water with reusable water containers.

Green Office

FKL promotes a green office, encouraging the use of electronic files by replacing printed filing with computer archiving, implementing paperless office and resources sharing to reduce the use of printed files. It requires employees to use double-sided printing and recycle and re-use single-side printed paper in order to save paper.

3. The Environment and Natural Resources

As for the environment and natural resources, the Group advocates green processes and this is reflected in the application of new energy, green activities and the office operations:

Product's Environmental Performance

In terms of reducing environmental pollution and protecting natural resources, through the provision of lithium-ion batteries, FKL advocates the application of clean energy. It also educates employees to practice environmental protection in their daily lives and at work, and introduces the benefits of lithium batteries in marketing materials. The lithium-ion battery developed and produced by the Group have the features of high performance and zero pollution, and is an important force to promote the development of new energy. Its production process is in strict compliance with international environmental protection standards and with its modern production process, it is recognised by the international community as "green battery." The Group's battery uses high quality lithium ferrous phosphate cathode material and green water-based adhesive. Therefore, the lithium-ion battery products produced by the Group are with excellent performance, large capacity, high durability, high stability and low cost, without releasing harmful substances or becoming a burden of the environment.

SOCIAL

1. Employment

In addition to complying with the local employment regulations, the Group has also developed a series of employment policies to ensure employees are treated in a fair and reasonable manner.

Equal Employee Recruitment Policy

FKL complies with the national laws and regulations, and its respect for the rights of each member is the basis of providing equal job opportunities for all. The Group is committed to providing a free and equal employment opportunity, and employees will not be discriminated against and harassed due to nationality, gender, age, colour, religion, or physical disability.

Equal Promotion Policy

FKL promotes an equal promotion policy amongst its employees, based on their personal performance, experience and personal abilities regardless of other factors such as marriage situation and physical condition, etc. Through changes in position and ranking promotion, employees are given more responsibilities and room for career development, so that their working ability can be seasoned while they are becoming more experienced.

Compensation and Retirement Policy

In relation to compensation and retirement policy, FKL complies with national laws and regulations, and follows the relevant provisions of the "Labour Law of the PRC" and the "Labour Contract Law of the PRC" on indemnification, compensation and retirement. In Hong Kong, the Company also strictly abides by the relevant provisions of the Employment Ordinance and the Mandatory Provident Fund Schemes Ordinance.

Employee Benefits Policy

In accordance with national laws and regulations, FKL provides social security insurance for employees. It also arranges medical insurance for employees so that they can have medical services at a lower cost.

During the reporting period, no violations or complaints were reported to or found by the Group regarding discrimination or recruitment.

2. Health and Safety

The Group uses different measures to prevent industrial accident casualties through the adoption of different occupational health and safety policies.

Occupational Health and Safety Policy

FKL is committed to achieving zero work accidents and will provide protective equipment to employees. The Group has also established an OHSAS 18001 Occupational Health and Safety Management Systems and the entire working model is designed and adjusted based on this system. The Group also provides employees with appropriate occupational health and safety training to enable them to recognize the high-risk areas in the workplace.

Work and Life Balance Policy

FKL encourages its employees to maintain work and life balance policy. A gymnasium has been set up in Chongqing production base for employees to work out and exercise during their spare time.

During the reporting period, the Group had not violated any local occupational health and safety related regulations.

3. Development and Training

Career Development Policy

FKL arranges orientation training for new employees. Experienced employees are assigned to provide guidance to new employees and to help them adapting to new jobs more easily. FKL provides environmental protection training for every new employee during orientation. Current employees also receive environmental protection training each year to maintain their awareness.

Employee Development Policy

In response to the different needs of employee development, FKL has established requirements for new employment training and on-the-job training. Employees can continue to maintain personal development and growth during work and also meet the needs of the Group.

4. Labour Standards

Child Labour Prevention Policy

The Group strictly complies with the national laws and regulations, prohibiting the employment of any child labour, and commits to only employ job applicants who are 18 years old or above. Personnel Administration Department will not consider those who are under the age of 18 when reviewing the resume of job applicants.

Forced Labour Prevention Policy

The Group strictly complies with the national laws and regulations and commits not to use any manner to force employees to work and force them to work overtime. It ensures that employees will work voluntarily and overtime work will be on voluntarily basis in order to safeguard employees' personal freedom.

During the reporting period, the Group did not have any child labour and did not violate any labour related regulations.

5. *Supply Chain Management*

The Group has established a set of principles on managing its suppliers in order to convey the Group's expectations to them and require them and their employees to comply with certain matters.

Supplier Code Policy

The Group has in place specific codes and requirements for selection of suppliers. In particular, Chongqing production base requires suppliers to obtain relevant awards or certificates in relation to corporate social responsibility. Corporate social responsibility covers product and service qualities, environmental protection, occupational safety and health, community participation, employers' conscience and so on. It also requires suppliers' assurance on labour rights and human rights, no discrimination, no involuntary labour, no underaged workers, reasonable work hours, free association, toxic substance management and restrictions, workers' health and safety committees, environmental protection permits and reports, pollution prevention and energy conservation, information disclosure, no improper gains, fair operations, sales promotion and competition, workers' feedback and participation, review and evaluation, corrective plans, and documents and records. Tianjin production base also requires suppliers to comply with the "Sunshine Convention."

Supplier Review

The Group focuses on whether the supplier's services and performance can meet our requirements. At least one review will be conducted on every supplier on an annual basis.

In considering the scope of the above review, if the Group's business requirements are met with, the local suppliers with the same conditions will be given the priority in order to reduce the additional greenhouse gas emissions caused by overseas procurement operations.

6. *Product Responsibility*

The Group strictly maintains the high quality of its products and complies with local laws and regulations and those of the customers' domicile. It has implemented a series of policies and measures to ensure that quality products are provided to the customers.

Product Quality Assurance Policy

All the products of the Group are subject to quality inspection. Chongqing production base's sampling method complies with MIL-STD-106E Grade II and is implemented according to the AQL=0.01 method. Different production locations have different quality inspection procedures. Quality inspection procedures of Tianjin production location are as follows:

(i) The Group will only purchase raw materials from suppliers with a product quality certificate;

(ii) Upon completion of production, a product will be sent to the Inspection Unit of the Quality Department for verification of product safety and quality;

(iii) A verification report will be issued by the Inspection Unit upon completion of the verification;

(iv) Only the qualified products will be launched to the market for sale; and

(v) The rejected products and verification reports will be verified again after such products are refurbished.

The quality inspection procedures of Chongqing production base mainly cover five key points including sampling, classification, testing, statistical data and product formulation.

Product Safety Policy

All products of the Group are subject to safety verification. There must be a material safety information table with the products, and products with mass production must meet the RoHS (Restriction of Hazardous Substances Directive) Compliance Guide and the REACH standards.

Fair Promotion of Products

The Group ensures that the product information on promotional webpages and other promotional materials is true and accurate. Some of the Group's products are provided with operating manuals and their contents are supported by reliable evidence. Also, in products promotion, the Group requires its salespersons to provide information only based on the strengths of the products of the Group and not to include negative statements about our competitors or their products so as to avoid misleading the customers in making purchases.

After-sales Service

The Group has set up an after-sales telephone service hotline and a technical inquiry hotline for customers to facilitate their inquiries and help them to understand the products as part of the Group's follow up and after-sales care. A designated department is responsible for following up and responding to customers, as well as proposing solutions in response to customer problems.

The Group has developed its customer complaints system. In Chongqing, upon receipt of a customer's complaint, the Marketing Department will send the customer's complaint in writing to the Quality Management Department within one business day, and the Quality Management Department will register and solve the customer's complaint within one business day. In Tianjin, if there are any complaints, the operational management will provide a proper reply to the customer within a specified time. Customers' comments or complaints will be sent through the Group's Customer Complaint Management System to the relevant departments for cause analysis and improvement measures formulation in order to reduce the number of similar problems with the aim to eliminate similar problems from reoccurring.

Product Recall/Customer Return Procedures

When a customer rejects a product, the Group will assess the reasons for the rejection or return. Tianjin production base has a set of procedures as follows:

(i) A customer can call or email to describe the problems of the product;

(ii) After the comments are received, the Customer Service Department will consider whether the product needs to be recalled;

(iii) If a recall decision is made, the customer will be informed and employee(s) will be assigned to the product location to recall the product;

(iv) All recalled products will be recorded by the Warehousing Department before being sent to the Inspection Department;

(v) The Inspection Department will follow up on the record and find out the cause of the problem; and

(vi) After the cause is found, the Inspection Department will discuss with the Research Centre on the solutions of the problems.

Protection of Intellectual Property Rights

The Group only uses the products designed by the Company's Engineering Technology Centre. The Engineering Technology Centre will not plagiarize the design of other organizations. Employees of the design department are bound by their employment terms to not copy or plagiarize other works and are compelled to maintain confidentiality on their own product designs and works which are owned by the Company. The Group also commits not to use photos that are not authorized by a third party. For the commercial software being used in the office, the Group commits not to buy any pirated software. All office software is provided by suppliers with legal copyrights.

Privacy Protection of Customer Information

FKL has established protection for consumer privacy. Customer information will not be used for publicity purposes without customer's consent. All customer information is stored in the central customer information system, which is provided and regularly monitored by a technology company to ensure system security and avoid hacking.

7. Anti-Corruption

FKL has established a comprehensive internal control structure and stringent policies to prevent fraud and eliminate unethical business practices.

Anti-Corruption Policy

Chongqing production base requires employees to comply with business ethics standards and not to commit any corruption and bribery in the employment contract. Tianjin production base has established the "Sunshine Convention" explicitly showing the reporting phone number and the reporting to the Legal Affairs Department of the Group.

Conflict of Interests Declaration Policy

Chongqing production base requires employees to declare cases on conflict of interests to the Human Resources Department in the employment contract, and provides training to positions where the risk of conflict of interests is higher, such as senior management and the Procurement Department.

Open Tender Policy

For all procurements, the Chongqing production base invites a number of suppliers to compare prices. Substantial procurement will go through an open tender and all contracts must be approved by the General Manager.

The Group's Whistle-blowing Policy

The Group has established to its employees and implemented a series of reporting procedures. A whistle-blowing hotline and an email address are provided through emails, notice board and company website. After receiving a complaint, the responsible department will commence investigation no later than 3 days. The details of the case and the investigation will be kept on file and reported to the board of directors. After the investigation has been concluded, the whistle-blower will be called within 2 days for an update. The case will be summarized and kept on file that is classified and can only be accessed by the responsible department. Tianjin factory will also share the "Sunshine Convention" through email or its intranet.

During the reporting period, the Group did not have any corruption related cases or related complaints.

8. *Community Investment*

Since its establishment, FKL has been strengthening its communication and interaction with the community by actively looking to involve itself in community activities. It will regularly review and identify community needs with the local governments and stakeholders and contribute to the development of local communities.

FKL place great importance on the community's environmental protection work. Employees were assigned to participate in environmental seminars organized by the Tianjin government in order to master the latest environmental protection trends in the market. It also organized tree planting day in the open space of the Tianjin factory for employees.

For the future direction of community investment, FKL will focus on the community's environmental needs, and will allocate resources for the support of this aspect.

Deloitte. 德勤

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
FDG KINETIC LIMITED
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of FDG Kinetic Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 58 to 135, which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment on goodwill, intangible assets and other tangible assets allocated to 五龍動力（重慶）鋰電材料有限公司 belongs to the battery materials production segment of the Group	
We identified the impairment assessment on goodwill, intangible assets and other tangible assets (including property, plant and equipment and interests in leasehold land held for own use under operating lease) allocated to 五龍動力（重慶）鋰電材料有限公司 ("FDG Kinetic (Chongqing)") that belonging to the battery materials production segment, which is an individual cash generating unit ("CGU") of the Group, as a key audit matter due to significant judgment exercised by management of the Group on the impairment assessment. As detailed in notes 5 and 16 to the consolidated financial statements, for the purpose of the impairment assessment, the carrying amounts of goodwill, intangible assets, property, plant and equipment, and interests in leasehold land held for own use under operating lease relating to FDG Kinetic (Chongqing) as at 31 March 2017 were HK$441,216,000, HK$78,953,000, HK$180,673,000 and HK$17,378,000, respectively. In determining whether these assets are impaired required an estimation of recoverable amount of the CGU, which is based on the fair value less costs of disposal of the CGU and the Group appointed an independent valuer to perform such valuation. The fair value less costs of disposal was determined based on the discounted cash flow projections of the CGU and required the use of key assumptions, including the discount rate, terminal growth rate, budgeted sales, gross margin and future capital expenditure of the CGU. The discount rate applied was determined by using the Capital Assets Pricing Model and the growth rate applied was determined based on the expected long-term inflation in the People's Republic of China (the "PRC"), while other key assumptions relating to the estimation of cash inflows/outflows were determined by taking into account the financial budgets approved by the directors of the Company, past performance of the CGU and management's expectation on the market development. Based on the assessment made by management of the Group, the management of the Group considers that no impairment was identified on the goodwill, intangible assets and other tangible assets related to FDG Kinetic (Chongqing) as at 31 March 2017.	Our procedures in relation to the impairment assessment on goodwill, intangible assets and other tangible assets relating to FDG Kinetic (Chongqing) included: • Understanding the Group's impairment assessment process, including the valuation model adopted, key assumptions used and the involvement of independent valuer appointed by the Group; • Evaluating the competence, capabilities and objectivity of the independent valuer; • Evaluating the appropriateness of the model used to calculate the recoverable amount; • Evaluating the reasonableness of the budgeted sales, gross margin and future capital expenditure of the CGU by considering the historical results of the CGU, the approved financial budgets and the available industry and market data; • Evaluating the appropriateness of the discount rate used and terminal growth rate; • Evaluating the historical accuracy of the financial budgets prepared by management by comparing the historical financial budgets with the actual performance and understanding the causes for any significant variances; and • Evaluating the potential impacts of the impairment assessment based on the reasonably possible changes on the discount rate or budgeted sales to the valuation model.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Valuation of interest in associates	
We identified the valuation of interest in associates, being Advanced Lithium Electrochemistry (Cayman) Co., Ltd. ("ALEEES") and Synergy Dragon Limited ("SDL"), as a key audit matter due to the significance of the Group's interest in ALEEES and SDL to the Group's consolidated statement of financial position, combined with the judgments involved in management's impairment assessment on the interest in ALEEES and SDL. As set out in note 5 to the consolidated financial statements, management assessed the recoverable amounts of the associates, which are based on the value in use of interest in ALEEES and the fair value less costs of disposal of interest in SDL for impairment assessment. In determining the value in use of interest in ALEEES, the Group appointed an independent valuer to perform such valuation. The value in use was determined based on the discounted cash flow projections of ALEEES and required the use of key assumptions, including the discount rate, terminal growth rate, budgeted sales and gross margin of ALEEES. The discount rate applied was determined by using the Capital Assets Pricing Model and the growth rate applied was determined based on the expected long-term inflation in the PRC and Taiwan, while other key assumptions relating to the estimation of cash inflows/outflows were determined by taking into account the financial budgets approved by ALEEES's directors, past performance of ALEEES and ALEEES's management's expectations on the market development. In determining the fair value less costs of disposal of interest in SDL, the Group appointed an independent valuer to perform such valuation. The fair value less costs of disposal was determined based on the discounted cash flow projections of SDL and required the use of key assumptions, including the discount rate, terminal growth rate, budgeted sales, gross margin and future capital expenditure of SDL. The discount rate applied was determined by using the Capital Assets Pricing Model and the growth rate applied was determined based on the expected long-term inflation in the PRC, while other key assumptions relating to the estimation of cash inflows/outflows were determined by taking into account the financial budgets approved by SDL's directors, past performance of SDL and SDL's management's expectations on the market development.	Our procedures in relation to the valuation of interest in associates included: • Understanding the Group's impairment assessment process, including the valuation models adopted, key assumptions used and the involvement of independent valuer appointed by the Group; • Evaluating the competence, capabilities and objectivity of the independent valuer; • Evaluating the appropriateness of the models used to calculate the recoverable amounts; • Evaluating the reasonableness of (i) the budgeted sales and gross margin of ALEEES; and (ii) the budgeted sales, gross margin and future capital expenditure of SDL, by considering their respective historical results, the financial budgets approved by their respective directors, the available industry and market data; • Evaluating the appropriateness of the discount rates used and terminal growth rates; and • Evaluating the potential impacts of the impairment assessment based on the reasonably possible change of (i) the discount rate, budgeted sales or gross margin applied for ALEEES; and (ii) the discount rate or budgeted sales applied for SDL, to the corresponding valuation models.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Valuation of interest in associates (continued)	
As at 31 March 2017, the carrying amount of interest in associates was HK$1,009,098,000. Management of the Group determines that there is no impairment of its interest in associates as at 31 March 2017.	
Impairment assessment on trade receivables	
We identified the impairment assessment on trade receivables as a key audit matter due to the significance of the trade receivables to the Group's consolidated statement of financial position combined with the use of judgment and estimates by the management in respect of evaluating the recoverability of trade receivables. As explained in note 5 to the consolidated financial statements, in determining the recoverability of trade receivables, the management of the Group considered the credit history of customers including default or delay in payments, settlement records, subsequent settlements and aging analysis of the trade receivables. As at 31 March 2017, the carrying amount of trade receivables was HK$128,361,000 (net of allowance for doubtful debts of HK$3,566,000).	Our procedures in relation to the impairment assessment on trade receivables included: • Obtaining an understanding of the assessment of recoverability of trade receivables performed by the management; • Testing the accuracy of the aging analysis of the trade receivables, on a sample basis, to the supporting documents; • Assessing the reasonableness of allowance for doubtful debts, with reference to the credit history including default or delay in payments, settlement records, subsequent settlements and/or aging analysis of the trade receivables; • Evaluating the historical accuracy of the allowance of doubtful debts estimated by management by comparing historical allowance made to the actual settlement and actual loss incurred; and • Testing the settlements received in respect of the trade receivables subsequent to 31 March 2017, on a sample basis, to the supporting documents.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Tse Fung Chun.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
29 June 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Notes	Year ended 31 March 2017 HK$'000	Fifteen months ended 31 March 2016 HK$'000
Revenue	6	**280,233**	104,389
Cost of sales		**(224,635)**	(47,502)
		55,598	56,887
Other income		**856**	1,121
Other gains and losses	8	**5,514**	(48,061)
Selling and distribution costs		**(2,693)**	(1,171)
General and administrative expenses		**(62,425)**	(53,541)
Research and development expenses		**(11,348)**	(5,941)
Finance costs	9	**(122,019)**	(71,771)
Loss arising from acquisition of an associate	19(b)	**–**	(1,693,113)
Impairment losses on interest in an associate	19(c)	**–**	(163,604)
Share of results of associates		**(72,111)**	7,453
Share of results of joint ventures		**543**	589
Loss before taxation		**(208,085)**	(1,971,152)
Income tax credit	10	**1,894**	640
Loss for the year/period	11	**(206,191)**	(1,970,512)
Other comprehensive (expense)/income			
Items that may be reclassified subsequently to profit or loss:			
– Reclassification adjustments upon disposal of:			
– non-current assets held-for-sale	19(c)	**–**	(1,404)
– a joint venture		**–**	10
– Exchange differences on translation of foreign operations		**(51,008)**	(14,659)
– Share of investment revaluation reserve of an associate		**(16,209)**	–
– Share of other comprehensive expenses of associates and joint ventures		**(51,320)**	(15,585)
Other comprehensive expense for the year/period		**(118,537)**	(31,638)
Total comprehensive expense for the year/period		**(324,728)**	(2,002,150)

	Note	**Year ended 31 March 2017 HK$'000**	Fifteen months ended 31 March 2016 HK$'000
Loss for the year/period attributable to owners of the Company		**(206,191)**	(1,970,512)
Other comprehensive expense for the year/period attributable to owners of the Company		**(118,537)**	(31,638)
Total comprehensive expense for the year/period attributable to owners of the Company		**(324,728)**	(2,002,150)
		HK cents	HK cents
Loss per share	*14*		
Basic and diluted		**(4.01)**	(40.42)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2017

	Notes	**At 31 March 2017 HK$'000**	At 31 March 2016 HK$'000
Non-current assets			
Goodwill	*15*	**441,216**	470,085
Intangible assets	*17*	**78,953**	98,990
Property, plant and equipment	*18*	**180,736**	209,031
Interests in leasehold land held for own use under operating lease	*18*	**17,378**	18,918
Interest in associates	*19*	**1,009,098**	749,395
Interest in a joint venture	*20*	**98,261**	103,995
Loan and other receivables	*22*	**398**	434
Investment in a secured bond	*23*	**–**	370,000
Other non-current assets		**367**	367
		1,826,407	2,021,215
Current assets			
Inventories	*24*	**74,841**	80,899
Trade and bills receivables	*25*	**128,953**	35,802
Loan and other receivables	*22*	**201,773**	218,109
Financial assets at fair value through profit or loss	*21*	**46,406**	65,756
Investment in a secured bond	*23*	**370,000**	–
Amount due from an associate	*19*	**65,719**	65,724
Pledged bank deposits	*26*	**24,296**	22,660
Cash and cash equivalents	*26*	**65,893**	157,634
		977,881	646,584
Current liabilities			
Bank and other borrowings	*27*	**47,193**	44,551
Trade and bills payables	*28(a)*	**68,411**	64,524
Accruals and other payables	*28(b)*	**126,759**	95,265
Loan from the ultimate holding company	*29*	**320,400**	–
Obligations under finance leases	*30*	**28,394**	–
Tax payables		**4,132**	4,389
		595,289	208,729
Net current assets		**382,592**	437,855
Total assets less current liabilities		**2,208,999**	2,459,070
Non-current liabilities			
Bank borrowings	*27*	**46,115**	64,734
Obligations under finance leases	*30*	**41,497**	–
Liability component of convertible bonds	*31*	**659,510**	604,883
Deferred tax liabilities	*32*	**13,409**	16,257
		760,531	685,874
NET ASSETS		**1,448,468**	1,773,196

	Note	**At 31 March 2017 HK$'000**	At 31 March 2016 HK$'000
CAPITAL AND RESERVES	*33*		
Share capital		**1,027,129**	1,027,129
Reserves		**421,339**	746,067
TOTAL EQUITY		**1,448,468**	1,773,196

The consolidated financial statements on pages 58 to 135 were approved and authorised for issue by the Board of Directors on 29 June 2017 and are signed on its behalf by:

Cao Zhong
Director

Jaime Che
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

		Attributable to owners of the Company									
	Notes	Share capital HK$'000 *(Note 33(b))*	Share premium HK$'000	Contributed surplus HK$'000 *(Note 33(c)(i))*	Exchange reserve HK$'000	Equity component of convertible bonds HK$'000 *(Note 31)*	Share option reserve HK$'000	Investment revaluation reserve HK$'000 *(Note 33(c)(ii))*	Other reserve HK$'000 *(Note 33(c)(iii))*	Accumulated losses HK$'000	Total HK$'000
At 1 January 2015		938,283	342,072	82,445	21,169	–	1,693	–	5,777	(103,840)	1,287,599
Loss for the period		–	–	–	–	–	–	–	–	(1,970,512)	(1,970,512)
Other comprehensive expense		–	–	–	(31,638)	–	–	–	–	–	(31,638)
Total comprehensive expense for the period		–	–	–	(31,638)	–	–	–	–	(1,970,512)	(2,002,150)
Issue of new shares	*33(b)*										
– through top-up placing		35,000	229,191	–	–	–	–	–	–	–	264,191
– pursuant to acquisition of subsidiaries		53,846	301,538	–	–	–	–	–	–	–	355,384
Issue of convertible bonds		–	–	–	–	1,868,185	–	–	–	–	1,868,185
Release of other reserve upon											
– disposal of a subsidiary		–	–	–	–	–	–	–	1,085	(1,085)	–
– disposal of a joint venture		–	–	–	–	–	–	–	(13)	–	(13)
Cancellation of the share option	*33(d)*	–	–	–	–	–	(1,693)	–	–	1,693	–
At 31 March 2016		1,027,129	872,801	82,445	(10,469)	1,868,185	–	–	6,849	(2,073,744)	1,773,196
Loss for the year		–	–	–	–	–	–	–	–	(206,191)	(206,191)
Other comprehensive expense		–	–	–	(102,328)	–	–	(16,209)	–	–	(118,537)
Total comprehensive expense for the year		–	–	–	(102,328)	–	–	(16,209)	–	(206,191)	(324,728)
At 31 March 2017		**1,027,129**	**872,801**	**82,445**	**(112,797)**	**1,868,185**	**–**	**(16,209)**	**6,849**	**(2,279,935)**	**1,448,468**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	Year ended 31 March 2017 HK$'000	Fifteen months ended 31 March 2016 HK$'000
Operating activities		
Loss before taxation	**(208,085)**	(1,971,152)
Adjustments for:		
Amortisation of intangible assets	**14,288**	6,340
Amortisation of interests in leasehold land held for own use under operating lease	**387**	172
Depreciation of property, plant and equipment	**17,531**	7,820
Finance costs	**122,019**	71,771
Gain on disposal of a joint venture	**–**	(23)
Gain on disposal of an associate	**–**	(1,404)
Loss/(gain) on disposal of property, plant and equipment	**639**	(12)
Gain on disposal of subsidiaries	**–**	(7,263)
Impairment losses on interest in an associate	**–**	163,604
Impairment losses on loan and other receivables	**–**	31,801
Impairment losses on trade receivables	**1,225**	2,583
Interest and dividend income	**(46,744)**	(58,097)
Loss arising from acquisition of an associate	**–**	1,693,113
Net (gain)/loss on held-for-trading investments	**(8,318)**	17,668
Net (gain)/loss on financial assets designated as at fair value through profit or loss	**(1,066)**	1
Share of results of associates	**72,111**	(7,453)
Share of results of joint ventures	**(543)**	(589)
Write-down of inventories	**1,574**	4,710
Operating cash flows before movements in working capital	**(34,982)**	(46,410)
Decrease/(increase) in inventories	**2,638**	(50,083)
Increase in held-for-trading investments	**(613)**	(24,504)
Decrease in financial assets designated as at fair value through profit or loss	**29,347**	–
Decrease/(increase) in loan and other receivables	**10,874**	(120,048)
Increase in trade and bills receivables	**(98,835)**	(17,783)
Increase in pledged bank deposits	**(3,100)**	(16,435)
Increase in trade and bills payables	**8,036**	12,030
Increase in accruals and other payables	**31,883**	35,181
Cash used in operations	**(54,752)**	(228,052)
Interest received	**17,647**	35,432
Net cash used in operating activities	**(37,105)**	(192,620)

	Notes	**Year ended 31 March 2017 HK$'000**	Fifteen months ended 31 March 2016 HK$'000
Investing activities			
Investment in an associate	*19(a)*	**(393,066)**	–
Purchase of property, plant and equipment		**(2,342)**	(293)
Acquisition of subsidiaries, net of cash and cash equivalents acquired		**–**	(369,944)
Advanced to an associate		**–**	(65,000)
Proceeds from disposal of interest in an associate	*19(c)*	**–**	150,000
Proceeds from disposal of subsidiaries		**–**	8,000
Proceeds from disposal of interest in a joint venture		**–**	695
Proceeds from disposal of property, plant and equipment		**–**	600
Net cash used in investing activities		**(395,408)**	(275,942)
Financing activities			
Loan from the ultimate holding company	*29*	**350,000**	–
Proceeds from sale and leaseback transaction	*30*	**86,067**	–
Interest paid		**(67,084)**	(2,204)
Repayment of finance lease obligations		**(13,897)**	–
Repayment of bank borrowings		**(11,531)**	(2,456)
Net proceeds from shares issued through top-up placing		**–**	264,191
Repayment to a former substantial shareholder		**–**	(205)
Net cash generated from financing activities		**343,555**	259,326
Net decrease in cash and cash equivalents		**(88,958)**	(209,236)
Cash and cash equivalents at beginning of the year/period		**157,634**	366,684
Effect of foreign exchange rate changes		**(2,783)**	186
Cash and cash equivalents at end of the year/period		**65,893**	157,634

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's immediate holding company is Sinopoly Strategic Investment Limited, a limited liability company incorporated in the British Virgin Islands ("BVI"). The Company's ultimate holding company is FDG Electric Vehicles Limited ("FDG"), a company incorporated in Bermuda with limited liability and its shares are listed on the Main Board of the Stock Exchange (Stock Code: 729). The address of the registered office of the Company is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and principal place of business of the Company is Rooms 3001-3005, 30/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

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

The Company is an investment holding company. The principal activities of the Group are research and development, manufacturing and trading of cathode materials for lithium-ion batteries, and direct investments, including securities trading, loan financing and asset investment. The principal activities of the principal subsidiaries are set out in Note 44.

2. CHANGE OF FINANCIAL YEAR END DATE

Pursuant to a resolution of the board of the directors of the Company (the "Board") dated 20 April 2015, the Company's financial year end date was changed from 31 December to 31 March in order to align with that of FDG. Accordingly, the consolidated financial statements for the current year cover the twelve months ended 31 March 2017. The corresponding comparative figures shown for the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes cover the fifteen months period from 1 January 2015 to 31 March 2016 and therefore may not be comparable with figures shown for the current year.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

AMENDMENTS TO HKFRSs THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR

The Group has applied the following amendments to HKFRSs (which include all applicable Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 14	Regulatory Deferral Accounts
Amendments to HKFRS 11	Accounting for Acquisitions of Interest in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle

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

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

NEW AND AMENDMENTS TO HKFRSs IN ISSUE BUT NOT YET EFFECTIVE

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instrument with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle[5]

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

HKFRS 9 "FINANCIAL INSTRUMENTS"

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

Key requirements of HKFRS 9:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held-for-trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

HKFRS 9 "FINANCIAL INSTRUMENTS" (CONTINUED)

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss ("FVTPL"), HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as FVTPL is presented in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Application of HKFRS 9 in the future may have an impact on the classification and measurement of the Group's financial assets. The expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

HKFRS 15 "REVENUE FROM CONTRACTS WITH CUSTOMERS"

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer

- Step 2: Identify the performance obligations in the contract

- Step 3: Determine the transaction price

- Step 4: Allocate the transaction price to the performance obligations in the contract

- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

HKFRS 15 "REVENUE FROM CONTRACTS WITH CUSTOMERS" (CONTINUED)

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

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company (the "Directors") anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported as the timing of revenue recognition may be affected, and more disclosures relating to revenue is required. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review. In addition, the application of HKFRS 15 in the future may result in more disclosures in the consolidated financial statements.

HKFRS 16 "LEASES"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets. For sale and leaseback transactions, HKFRS 16 requires assessment whether the transfer of an asset constitutes a sale based on HKFRS 15 "Revenue from Contracts with Customers".

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront payments for interests in leasehold land as investing cash flows in relation to leasehold land held for own use under operating lease while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and interests in leasehold land held for own use under operating lease where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

HKFRS 16 "LEASES" (CONTINUED)

As at 31 March 2017, the Group has non-cancellable operating lease commitments of approximately HK$103,000 as disclosed in Note 38. A preliminary assessment indicates that these arrangements meet the definition of a lease under HKFRS 16. However, in the opinion of the Directors, they will qualify for low value or short-term leases and exempt the Group from recognising a right-of-use asset and a corresponding liability in respect of them upon the application of HKFRS 16. In addition, the sale and leaseback transaction entered into by the Group as disclosed in Note 30 do not satisfy the requirements of HKFRS 15 as sales of assets and hence will be considered as collateralised borrowings under HKFRS 16, whilst HKFRS 16 does not require reassessment of sale and leaseback transactions entered into before the date of initial application, the application of HKFRS 16 may affect sale and leaseback transactions entered into by the Group subsequent to initial application. The application of new requirements may result in other changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the Directors complete a detailed review.

Except as described above, the Directors anticipate that the application of other new and amendments to HKFRSs will have no material impact on the Group's consolidated financial statements in the future.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

BUSINESS COMBINATIONS

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after reassessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquire and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOODWILL

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs") (or groups of CGUs) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU (or group of CGUs) is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGUs). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

The Group's policy for goodwill arising on the acquisitions of an associate is described below.

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of loss of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal, which is within level 3 fair value hierarchy) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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 the investee with a resulting gain or loss being recognised in profit or loss.

In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, including buildings held for use in the production or supply of goods or provision of services, or for administrative purposes, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

INTANGIBLE ASSETS ACQUIRED IN A BUSINESS COMBINATION

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

RESEARCH AND DEVELOPMENT EXPENDITURE

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RESEARCH AND DEVELOPMENT EXPENDITURE (CONTINUED)

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

LEASING

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

SALE AND LEASEBACK RESULTING IN A FINANCE LEASE

If a sale and leaseback transaction that results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortised over the lease term. If the fair value at the time of a sale and leaseback transaction is less than the carrying amount of the asset, no adjustment is necessary unless there has been impairment in value, in which case the carrying amount is reduced to recoverable amount.

FOREIGN CURRENCIES

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FOREIGN CURRENCIES (CONTINUED)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used.

Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

RETIREMENT BENEFIT COSTS

Payments to the defined contribution retirement benefit plans, including state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered services entitling them to the contributions.

TAXATION

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from "loss before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

TAXATION (CONTINUED)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, associates and a joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets at FVTPL and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in profit or loss.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) held-for-trading, or (ii) it is designated as at FVTPL.

A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets. Fair value is determined in the manner described in Note 35(c).

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including investment in a secured bond, trade and bills receivables, loan and other receivables, amount due from an associate, pledged bank deposits and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables and loan receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and loan receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable and loan receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (including trade and bills payables, other payables, bank and other borrowings, loan from the ultimate holding company, obligations under finance leases and liability component of convertible bonds) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity reserve is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligation are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

CONVERTIBLE BONDS

The component parts of the convertible bonds issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONVERTIBLE BONDS (CONTINUED)

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible bonds, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

SHARE-BASED PAYMENT ARRANGEMENTS

Share options granted to employees

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve.

When the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium.

When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

When the share options are cancelled during the vesting period, the Group accounts for the cancellation as an acceleration of vesting, and recognises immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period. The amount previously recognised in share option reserve will also be transferred to retained profits.

IMPAIRMENT LOSSES ON TANGIBLE AND INTANGIBLE ASSETS OTHER THAN GOODWILL

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IMPAIRMENT LOSSES ON TANGIBLE AND INTANGIBLE ASSETS OTHER THAN GOODWILL (CONTINUED)

Recoverable amount is the higher of fair value less costs 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of these consolidated financial statements and the reported amounts of revenues and expenses for the year/period presented. Changes in assumptions may have a significant impact on the consolidated financial statements in the periods where the assumptions are changed. The application of assumptions and estimates means that any selection of different assumptions would cause the Group's reporting to differ. The Group believes that the assumptions that have been made are appropriate and that the consolidated financial statements therefore present the financial position and results fairly, in all material respects. Management has discussed with the Audit Committee the development, selection and disclosure of the Group's significant accounting policies and estimates and the application of these policies.

The key sources of estimation uncertainty are as follows:

(i) IMPAIRMENT ASSESSMENT ON GOODWILL, INTANGIBLE ASSETS AND OTHER TANGIBLE ASSETS ALLOCATED TO FDG KINETIC (CHONGQING) (AS DEFINED IN NOTE 36)

In determining whether goodwill, intangible assets, property, plant and equipment and interests in leasehold land held for own use under operating lease allocated to FDG Kinetic (Chongqing) that belonging to the battery materials production segment of the Group, which is an individual CGU of the Group, are impaired requires an estimation of recoverable amount of the CGU to which these assets have been allocated, which is based on the fair value less costs of disposal of that CGU. The fair value less costs of disposal is determined based on discounted cash flow projections of the CGU with the involvement of an independent valuer appointed by the Group. The key assumptions used for the discounted cash flow projections include the discount rate, terminal growth rate, budgeted sales, gross margin and future capital expenditure of the CGU. The discount rate applied is determined by using the Capital Assets Pricing Model and the growth rate applied is determined based on the expected long-term inflation in the PRC, while other key assumptions relating to the estimation of cash inflows/outflows are determined by taking into account the financial budgets approved by the Directors, past performance of the CGU and management's expectation on the market development. Further details are set out in Note 16. Where the actual cash flows are less than expected or there are changes in facts and circumstances which resulted in downward revision of future cash flows, a material impairment loss may arise. As at 31 March 2017, the carrying amounts of goodwill, intangible assets, property, plant and equipment and interests in leasehold land held for own use under operating lease allocated to FDG Kinetic (Chongqing) are approximately HK$441,216,000 (31 March 2016: HK$470,085,000), HK$78,953,000 (31 March 2016: HK$98,990,000), HK$180,673,000 (31 March 2016: HK$208,981,000) and HK$17,378,000 (31 March 2016: HK$18,918,000), respectively. Management of the Group determines that there is no impairment of its goodwill, intangible assets and other tangible assets relating to FDG Kinetic (Chongqing) as at 31 March 2017 and 2016.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(ii) VALUATION OF INTEREST IN ASSOCIATES

When there is an indication that interest in associates may suffer an impairment loss, management assesses the recoverable amounts of the associates, which are based on the value in use of interest in ALEEES (as defined in Note 19) and the fair value less costs of disposal of interest in SDL (as defined in Note 19) for impairment assessment.

The value in use of interest in ALEEES is determined based on the discounted cash flow projections of ALEEES with the involvement of an independent valuer appointed by the Group. The key assumptions used for the discounted cash flow projections include the discount rate, terminal growth rate, budgeted sales and gross margin of ALEEES. The discount rate applied is determined by using the Capital Assets Pricing Model and the growth rate applied is determined based on the expected long-term inflation in the PRC and Taiwan, while other key assumptions relating to the estimation of cash inflows/outflows are determined by taking into account the financial budgets approved by ALEEES's directors, past performance of ALEEES and ALEEES's management's expectations on the market development.

The fair value less costs of disposal of interest in SDL is determined based on the discounted cash flow projections of SDL with the involvement of an independent valuer appointed by the Group. The key assumptions used for the discounted cash flow projections include the discount rate, terminal growth rate, budgeted sales, gross margin and future capital expenditure of SDL. The discount rate applied is determined by using the Capital Assets Pricing Model and the growth rate applied is determined based on the expected long-term inflation in the PRC, while other key assumptions relating to the estimation of cash inflows/outflows are determined by taking into account the financial budgets approved by SDL's directors, past performance of SDL and SDL's management's expectations on the market development.

Where the actual cash flows are less than expected or there are changes in facts and circumstances which resulted in downward revision of future cash flows, a material impairment loss may arise. As at 31 March 2017, the carrying amount of interest in associates is approximately HK$1,009,098,000 (31 March 2016: HK$749,395,000). Management of the Group determines that there is no impairment of its interest in associates as at 31 March 2017 and 2016.

(iii) IMPAIRMENT ASSESSMENT ON TRADE RECEIVABLES

The assessment of the impairment losses on trade receivables of the Group is based on the evaluation of the recoverability of trade receivables. In determining the recoverability of trade receivables, the management of the Group assesses the current creditworthiness of the customers by considering the credit history of customers including default or delay in payments, settlement records, subsequent settlements and aging analysis of the trade receivables. If the financial conditions of the Group's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances for doubtful debts may be required. As at 31 March 2017, the carrying amount of trade receivables is approximately HK$128,361,000 (31 March 2016: HK$35,655,000) (net of allowance for doubtful debts of HK$3,566,000 (31 March 2016: HK$2,524,000)).

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(iv) IMPAIRMENT ASSESSMENT ON LOAN RECEIVABLES

The Group performs ongoing credit evaluation of its borrowers and the borrowers' current creditworthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its borrowers and the fair value of respective collaterals obtained by the Group, if any. If the financial conditions of the borrowers of the Group deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be considered. As at 31 March 2017, the carrying amount of loan receivables is approximately HK$167,718,000 (31 March 2016: HK$182,098,000) (net of allowance for doubtful debts of HK$62,484,000 (31 March 2016: HK$66,044,000)).

(v) FAIR VALUE MEASUREMENTS AND VALUATION PROCESSES

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes.

Management of the Group is responsible for determination of the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent they are available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. Management of the Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Notes 31 and 35(c) provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

6. REVENUE

An analysis of the Group's revenue is as follows:

	Year ended 31 March 2017 HK$'000	Fifteen months ended 31 March 2016 HK$'000
Sales of cathode materials for battery production	**234,201**	46,292
Interest and dividend income	**46,032**	58,097
Total	**280,233**	104,389

7. SEGMENT INFORMATION

The segment information reported to the Board, being the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on type of goods delivered or services provided.

The Group's reportable and operating segments are as follows:

(i) Battery materials production segment, which includes research and development, manufacture and sales of cathode materials for (1) nickel-cobalt-manganese ("NCM") lithium-ion batteries representing a new business segment acquired in October 2015; and (2) lithium ferrous phosphate batteries representing the Group's interest in an associate, ALEEES (as defined in Note 19), which the Group subscribed its approximately 21.85% equity interest in August 2016. Taken into account of the business operation of ALEEES, the Board has determined, with effective from 17 December 2016, the interest in ALEEES to be reclassified from the composition of its direct investments segment to that of battery materials production segment; and

(ii) Direct investments segment, which includes loan financing, securities trading and asset investment.

The following is an analysis of the Group's revenue and results by reportable and operating segments:

	Battery Materials Production		Direct Investments		Total	
	Year ended 31 March 2017 HK$'000	Fifteen months ended 31 March 2016 HK$'000	**Year ended 31 March 2017 HK$'000**	Fifteen months ended 31 March 2016 HK$'000	**Year ended 31 March 2017 HK$'000**	Fifteen months ended 31 March 2016 HK$'000
Reportable segment revenue from external customers	**234,201**	46,292	**46,032**	58,097	**280,233**	104,389
Reportable segment results	**(61,192)**	(30,402)	**(118,715)**	(1,905,434)#	**(179,907)**	(1,935,836)
Unallocated corporate income					**14**	16
Central administrative costs and directors' remuneration					**(28,192)**	(35,332)
Loss before taxation					**(208,085)**	(1,971,152)

The amount included the loss arising from acquisition of an associate of HK$1,693,113,000.

Segment results represent profit or loss attributable to the segment without allocation of central administrative costs and directors' remuneration. This is the measure reported to the Board for the purposes of resources allocation and performance assessment.

7. SEGMENT INFORMATION (CONTINUED)

Other segment information:

	Battery Materials Production		Direct Investments		Unallocated		Total	
	Year ended 31 March 2017 HK$'000	Fifteen months ended 31 March 2016 HK$'000	Year ended 31 March 2017 HK$'000	Fifteen months ended 31 March 2016 HK$'000	Year ended 31 March 2017 HK$'000	Fifteen months ended 31 March 2016 HK$'000	Year ended 31 March 2017 HK$'000	Fifteen months ended 31 March 2016 HK$'000
Amounts included in the measure of segment profit or loss or segment assets:								
Interest income	**(712)**	(23)	**(46,032)**	(58,079)	**-**	–	**(46,744)**	(58,102)
Loss/(gain) on disposal of property, plant and equipment	**639**	4	**-**	–	**-**	(16)	**639**	(12)
Depreciation and amortisation	**32,192**	14,253	**-**	–	**14**	123	**32,206**	14,376
Interest expenses	**7,516**	2,240	**114,503**	69,531	**-**	–	**122,019**	71,771
Income tax (credit)/expense	**(1,894)**	(841)	**-**	201	**-**	–	**(1,894)**	(640)
Loss arising from acquisition of an associate	**-**	–	**-**	1,693,113	**-**	–	**-**	1,693,113
Impairment losses on interest in an associate	**-**	–	**-**	163,604	**-**	–	**-**	163,604
Impairment losses on trade receivables	**1,225**	2,583	**-**	–	**-**	–	**1,225**	2,583
Impairment losses on loan and other receivables	**-**	–	**-**	31,801	**-**	–	**-**	31,801
Share of results of associates	**17,309**	–	**54,802**	(7,453)	**-**	–	**72,111**	(7,453)
Share of results of joint ventures	**-**	–	**(543)**	(589)	**-**	–	**(543)**	(589)
Write-down of inventories	**1,574**	4,710	**-**	–	**-**	–	**1,574**	4,710
Interest in associates	**369,292**	–	**639,806**	749,395	**-**	–	**1,009,098**	749,395
Interest in a joint venture	**-**	–	**98,261**	103,995	**-**	–	**98,261**	103,995
Addition to non-current assets *(Note)*	**395,380**	831,672	**-**	750,000	**28**	59	**395,408**	1,581,731

Note: Non-current assets excluded financial instruments.

7. SEGMENT INFORMATION (CONTINUED)

(a) SEGMENT ASSETS AND LIABILITIES

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

	At 31 March 2017 HK$'000	At 31 March 2016 HK$'000
Segment assets		
Battery materials production	**1,305,797**	936,726
Direct investments	**1,387,910**	1,544,085
Total segment assets	**2,693,707**	2,480,811
Unallocated assets	**110,581**	186,988
Consolidated assets	**2,804,288**	2,667,799
Segment liabilities		
Battery materials production	**246,524**	196,637
Direct investments	**1,087,760**	692,640
Total segment liabilities	**1,334,284**	889,277
Unallocated liabilities	**21,536**	5,326
Consolidated liabilities	**1,355,820**	894,603

For the purposes of monitoring segment performance and allocating resources to segments:

(i) All assets are allocated to reportable segments other than those assets which are centrally managed by the Group's management, including certain property, plant and equipment, other non-current assets, inventories, other receivables and cash and cash equivalents; and

(ii) All liabilities are allocated to reportable segments other than those liabilities which are centrally managed by the Group's management, including certain accruals and other payables.

7. SEGMENT INFORMATION (CONTINUED)

(b) GEOGRAPHICAL INFORMATION

The Group's operations are mainly located in Hong Kong, the People's Republic of China (the "PRC") and Taiwan.

Information about the Group's revenue is presented based on the location of the operations of the respective group companies. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue		Non-current assets *(Note)*	
	Year ended 31 March 2017 HK$'000	Fifteen months ended 31 March 2016 HK$'000	**At 31 March 2017 HK$'000**	At 31 March 2016 HK$'000
Hong Kong	**45,573**	57,704	**63**	50
The PRC	**234,660**	46,685	**1,456,654**	1,650,731
Taiwan	**–**	–	**369,292**	–
	280,233	104,389	**1,826,009**	1,650,781

Note: Non-current assets excluded financial instruments.

(c) INFORMATION ABOUT MAJOR CUSTOMERS

Revenue from customers contributing over 10% of the total revenue of the Group are as follows:

	Year ended 31 March 2017 HK$'000	Fifteen months ended 31 March 2016 HK$'000
Customer A – revenue from battery materials production	**156,125**	13,628
Customer B – revenue from battery materials production	**59,871**	N/A#
Customer C – revenue from direct investments	**29,539**	32,337
Customer D – revenue from battery materials production	**N/A***	21,088
Customer E – revenue from direct investments	**N/A#**	15,991

* The transactions with this customer did not contribute over 10% of the total revenue of the Group for the year ended 31 March 2017.

\# No revenue was contributed by these customers for the year ended 31 March 2017 or the fifteen months ended 31 March 2016.

8. OTHER GAINS AND LOSSES

	Year ended 31 March 2017 HK$'000	Fifteen months ended 31 March 2016 HK$'000
Gain on disposal of a joint venture	–	23
Gain on disposal of an associate *(Note 19(c))*	–	1,404
Gain on disposal of subsidiaries *(Note)*	–	7,263
Impairment losses on loan and other receivables *(Note 22)*	–	(31,801)
Impairment losses on trade receivables	(1,225)	(2,583)
(Loss)/gain on disposal of property, plant and equipment	(639)	12
Net foreign exchange losses	(432)	–
Net gain/(loss) on held-for-trading investments	8,318	(17,668)
Net gain/(loss) on financial assets designated as at FVTPL	1,066	(1)
Write-down of inventories	(1,574)	(4,710)
	5,514	(48,061)

Note: During the fifteen months ended 31 March 2016, the Group disposed of two subsidiaries that held club memberships (included in other non-current assets) with carrying amounts of approximately HK$737,000 at a total consideration of HK$8,000,000.

9. FINANCE COSTS

	Year ended 31 March 2017 HK$'000	Fifteen months ended 31 March 2016 HK$'000
Interest on convertible bonds *(Note 31)*	114,503	69,531
Interest on finance leases	2,975	–
Interest on bank and other borrowings	4,541	2,240
	122,019	71,771

10. INCOME TAX CREDIT

	Year ended 31 March 2017 HK$'000	Fifteen months ended 31 March 2016 HK$'000
Current tax:		
– Other jurisdiction	**–**	201
Deferred tax	**(1,894)**	(841)
Total income tax credit for the year/period	**(1,894)**	(640)

No provision for the Hong Kong Profits Tax has been made for the year/period as the Group does not have any assessable profits in Hong Kong.

Under the Law of People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%, except for a subsidiary in the PRC, which is subject to a preferential tax rate of 15% until 2020. No PRC income tax has been made for the year/period as the Group does not have any assessable profit in the PRC.

Taxation arising in other jurisdiction is calculated at the rate prevailing in the relevant jurisdiction.

The deferred taxation of approximately HK$1,894,000 (fifteen months ended 31 March 2016: approximately HK$841,000) that has been credited to the consolidated statement of profit or loss and other comprehensive income arose from origination and reversal of temporary differences.

The income tax credit for the year/period can be reconciled to the loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 March 2017 HK$'000	Fifteen months ended 31 March 2016 HK$'000
Loss before taxation	**(208,085)**	(1,971,152)
Tax at domestic rates applicable to profits of taxable entities in the countries concerned	**(33,641)**	(325,406)
Tax effect of share of results of associates and joint ventures	**11,809**	(1,327)
Tax effect of expenses not deductible for tax purpose	**10,391**	339,066
Tax effect of income not taxable for tax purpose	**(176)**	(32,622)
Tax effect of unused tax losses not recognised	**13,123**	20,491
Utilisation of tax losses previously not recognised	**(3,400)**	(1,043)
Others	**–**	201
Income tax credit	**(1,894)**	(640)

11. LOSS FOR THE YEAR/PERIOD

Loss for the year/period is arrived at after charging/(crediting):

	Year ended 31 March 2017 HK$'000	Fifteen months ended 31 March 2016 HK$'000
Contributions to defined contribution retirement plan	**1,698**	492
Salaries and other benefits	**27,562**	21,215
Staff costs, including directors' remuneration *(Notes (i) and (ii))*	**29,260**	21,707
Auditors' remuneration		
– audit service	**2,347**	2,380
– non-audit service	**1,001**	1,986
Cost of inventories recognised as expenses	**226,775**	52,311
Amortisation of intangible assets	**14,288**	6,340
Amortisation of interests in leasehold land held for own use under operating lease	**387**	172
Depreciation of property, plant and equipment *(Notes (i) and (ii))*	**4,610**	2,039
Operating lease charges in respect of property rentals *(Note (i))*	**1,130**	1,637
Interest income	**(46,744)**	(58,102)
Dividend income	**–**	(18)

Notes:

(i) For the fifteen months ended 31 March 2016, the amounts represented the net amounts after expenses reimbursement arrangement under the Inter-companies Services and Cost Allocation Agreements (the "Services Agreements") signed between the Company and CITIC International Assets Management Limited ("CIAM"), a substantial shareholder of the Company before the voluntary conditional offer as set out in Note 19(c), on 30 December 2013 and 28 November 2011. The Services Agreements were terminated on 31 March 2015.

(ii) The amounts excluded expenses that capitalised in inventories.

12. DIRECTORS' EMOLUMENTS

Directors' remuneration disclosed pursuant to the applicable Listing Rules and Companies Ordinance, is as follows:

For the year ended 31 March 2017

Name of directors	*Notes*	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses and carried interest HK$'000	Retirement scheme contributions HK$'000	Sub-total HK$'000	Share-based payments HK$'000	Total HK$'000
Executive directors								
Cao Zhong	*(i)*	2,982	–	–	18	3,000	–	3,000
Sun Ziqiang	*(ii)*	2,531	–	–	4	2,535	–	2,535
Miao Zhenguo	*(iii)*	1,782	–	–	18	1,800	–	1,800
Jaime Che	*(i)*	1,782	–	–	18	1,800	–	1,800
		9,077	–	–	58	9,135	–	9,135
Non-executive directors								
Chen Yanping	*(vi)*	1,800	–	–	–	1,800	–	1,800
Chen Guohua	*(vii)*	398	–	–	2	400	–	400
		2,198	–	–	2	2,200	–	2,200
Independent non-executive directors								
Hung Chi Yuen Andrew		400	–	–	–	400	–	400
Sit Fung Shuen Victor		400	–	–	–	400	–	400
Toh Hock Ghim		400	–	–	–	400	–	400
		1,200	–	–	–	1,200	–	1,200
		12,475	–	–	60	12,535	–	12,535

12. DIRECTORS' EMOLUMENTS (CONTINUED)

For the fifteen months ended 31 March 2016

Name of directors	*Notes*	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses and carried interest HK$'000	Retirement scheme contributions HK$'000	Sub-total HK$'000	Share-based payments HK$'000	Total HK$'000
Executive directors								
Cao Zhong	*(i)*	3,168	–	–	17	3,185	–	3,185
Sun Ziqiang	*(ii)*	–	–	–	–	–	–	–
Miao Zhenguo	*(iii)*	1,894	–	–	17	1,911	–	1,911
Jaime Che	*(i)*	1,894	–	–	17	1,911	–	1,911
Dou Jianzhong	*(iv)*	500	–	–	–	500	–	500
Lo Wing Yat	*(v)*	2,865	–	–	–	2,865	–	2,865
		10,321	–	–	51	10,372	–	10,372
Non-executive directors								
Chen Yanping	*(vi)*	1,316	–	–	5	1,321	–	1,321
Chen Guohua	*(vii)*	170	–	–	–	170	–	170
Huang Bin	*(viii)*	37	–	–	–	37	–	37
Lu Zhicheng	*(viii)*	37	–	–	–	37	–	37
Wong Yau Kar David	*(viii)*	37	–	–	–	37	–	37
		1,597	–	–	5	1,602	–	1,602
Independent non-executive directors								
Hung Chi Yuen Andrew		500	–	–	–	500	–	500
Sit Fung Shuen Victor		500	–	–	–	500	–	500
Toh Hock Ghim		500	–	–	–	500	–	500
		1,500	–	–	–	1,500	–	1,500
		13,418	–	–	56	13,474	–	13,474

Notes:

(i) Appointed on 9 March 2015.
(ii) Appointed on 11 March 2016.
(iii) Appointed as a non-executive director on 9 March 2015 and subsequently re-designated as an executive director on 7 July 2015.
(iv) Resigned on 29 October 2015.
(v) Resigned on 11 March 2016.
(vi) Appointed on 7 July 2015.
(vii) Appointed on 29 October 2015.
(viii) Resigned on 9 March 2015.

12. DIRECTORS' EMOLUMENTS (CONTINUED)

The executive director's emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

The non-executive director's emoluments shown above were mainly for their services as directors of the Company or its subsidiaries.

The independent non-executive director's emoluments shown above were mainly for their services as directors of the Company.

For the fifteen months ended 31 March 2016, the amounts represented the net amounts after expenses reimbursement arrangement under the Services Agreements as mentioned in Note 11.

13. FIVE HIGHEST PAID EMPLOYEES

During the year ended 31 March 2017 and the fifteen months ended 31 March 2016, the five highest paid employees in the Group were the Directors, details of whose emoluments are disclosed in Note 12.

14. LOSS PER SHARE

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

	Year ended 31 March 2017 HK$'000	Fifteen months ended 31 March 2016 HK$'000
Loss:		
Loss for the year/period attributable to owners of the Company for the purpose of basic and diluted loss per share	**206,191**	1,970,512
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**5,135,646,855**	4,875,036,194

For the fifteen months ended 31 March 2016, the weighted average number of ordinary shares for the purpose of basic loss per share has been adjusted retrospectively for the share subdivision on 14 September 2015.

The computation of diluted loss per share for the year ended 31 March 2017 and the fifteen months ended 31 March 2016 does not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in a decrease in loss per share.

15. GOODWILL

	Allocated to battery materials production HK$'000
COST	
At 1 January 2015	–
Arising from acquisition of subsidiaries *(Note 36)*	485,021
Exchange realignment	(14,936)
At 31 March 2016	470,085
Exchange realignment	(28,869)
At 31 March 2017	**441,216**
ACCUMULATED IMPAIRMENT	
At 1 January 2015, 31 March 2016 and **31 March 2017**	–
CARRYING VALUES	
At 31 March 2017	**441,216**
At 31 March 2016	470,085

Particulars regarding impairment testing on goodwill are disclosed in Note 16.

16. IMPAIRMENT TESTING ON GOODWILL, INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT AND INTEREST IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASE

For the purposes of impairment testing, goodwill set out in Note 15, intangible assets set out in Note 17 and property, plant and equipment and interests in leasehold land held for own use under operating lease set out in Note 18 have been allocated to FDG Kinetic (Chongqing) (as defined in Note 36) that belonging to the battery materials production segment of the Group, which is an individual CGU.

Management of the Group determines that there is no impairment of its CGU containing goodwill, intangible assets, property, plant and equipment and leasehold land for own use under operating lease as at 31 March 2017 and 2016. The basis of the recoverable amount of the above CGU and the major underlying assumptions are summarised below:

The recoverable amount of this CGU is determined based on its fair value less costs of disposal. The fair value less costs of disposal of this CGU is assessed by the management of the Group based on a business valuation performed by an independent valuer appointed by the Group. The calculation uses cash flow projections based on the financial budgets approved by the Directors, and discount rate of 21.6% (fifteen months ended 31 March 2016: 19.5%) that is determined by an independent valuer using the Capital Assets Pricing Model, which is within level 3 fair value hierarchy. The cash flow projections include future capital expenditure on the CGU to increase the production capacity which are expected to result in a substantial increase in the net cash inflows derived from this CGU. The cash flows beyond the five-year period are extrapolated using a terminal growth rate of 3% (fifteen months ended 31 March 2016: 3%) per annum. This growth rate is determined based on the expected long-term inflation in the PRC. Other key assumptions relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin generated from the CGU, such estimation is determined based on the past performance of the CGU and management's expectations on the market development.

17. INTANGIBLE ASSETS

	Technical know-hows HK$'000
COST	
At 1 January 2015	–
Arising from acquisition of subsidiaries *(Note 36)*	106,983
Exchange realignment	(1,797)
At 31 March 2016	105,186
Exchange realignment	(6,460)
At 31 March 2017	**98,726**
ACCUMULATED AMORTISATION	
At 1 January 2015	–
Charge for the period	6,340
Exchange realignment	(144)
At 31 March 2016	6,196
Charge for the year	14,288
Exchange realignment	(711)
At 31 March 2017	**19,773**
NET BOOK VALUE	
At 31 March 2017	**78,953**
At 31 March 2016	98,990

The above intangible assets are amortised on a straight-line basis over the expected useful lives of 7 years. They are tested for impairment whenever there is an indication that they may have suffered an impairment loss. Particulars regarding impairment testing on intangible assets are disclosed in Note 16.

18. PROPERTY, PLANT AND EQUIPMENT AND INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASE

	Buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixture and equipment HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Sub-total HK$'000	Interests in leasehold land held for own use under operating lease HK$'000	Total HK$'000
COST								
At 1 January 2015	–	3,735	3,619	–	2,251	9,605	–	9,605
Acquisition of subsidiaries *(Note 36)*	115,559	–	3,925	100,539	–	220,023	19,411	239,434
Additions	–	–	293	–	–	293	–	293
Disposals	–	(3,735)	(3,625)	–	(2,251)	(9,611)	–	(9,611)
Exchange realignment	(1,941)	–	(72)	(1,689)	–	(3,702)	(325)	(4,027)
At 31 March 2016	113,618	–	4,140	98,850	–	216,608	19,086	235,694
Additions	–	–	297	2,045	–	2,342	–	2,342
Disposals	–	–	(914)	–	–	(914)	–	(914)
Exchange realignment	(6,977)	–	(236)	(6,119)	–	(13,332)	(1,172)	(14,504)
At 31 March 2017	**106,641**	**–**	**3,287**	**94,776**	**–**	**204,704**	**17,914**	**222,618**
ACCUMULATED DEPRECIATION								
At 1 January 2015	–	3,735	2,971	–	2,251	8,957	–	8,957
Provided for the period	2,456	–	528	4,836	–	7,820	172	7,992
Eliminated on disposals	–	(3,735)	(3,037)	–	(2,251)	(9,023)	–	(9,023)
Exchange realignment	(56)	–	(12)	(109)	–	(177)	(4)	(181)
At 31 March 2016	2,400	–	450	4,727	–	7,577	168	7,745
Provided for the year	5,536	–	969	11,026	–	17,531	387	17,918
Eliminated on disposals	–	–	(275)	–	–	(275)	–	(275)
Exchange realignment	(276)	–	(43)	(546)	–	(865)	(19)	(884)
At 31 March 2017	**7,660**	**–**	**1,101**	**15,207**	**–**	**23,968**	**536**	**24,504**
NET BOOK VALUE								
At 31 March 2017	**98,981**	**–**	**2,186**	**79,569**	**–**	**180,736**	**17,378**	**198,114**
At 31 March 2016	111,218	–	3,690	94,123	–	209,031	18,918	227,949

The Group leases its leasehold land held for own use under operating lease arrangements. The lease is negotiated for terms of 50 years. Land and buildings with total amount of approximately HK$116,359,000 (31 March 2016: approximately HK$130,136,000) were pledged as securities for the Group's bank borrowings (Note 27).

As at 31 March 2017, the carrying amount of plant and machinery of the Group included an amount of approximately HK$78,264,000 (31 March 2016: Nil) in respect of assets held under finance leases (Note 30).

18. PROPERTY, PLANT AND EQUIPMENT AND INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASE (CONTINUED)

The above items of property, plant and equipment and interests in leasehold land held for own use under operating lease, are depreciated/amortised on straight-line basis at the following rates per annum:

Buildings	18 years
Leasehold improvements	Over the shorter of the term of the lease, or 5 years
Furniture, fixture and equipment	3–10 years
Plant and machinery	7 years
Motor vehicles	4 years
Interests in leasehold land held for own use under operating lease	47 years

19. INTEREST IN ASSOCIATES AND AMOUNT DUE FROM AN ASSOCIATE

	At 31 March 2017 HK$'000	At 31 March 2016 HK$'000
Cost of investment in associates		
Listed in Taiwan *(Notes (i) and (a))*	**393,066**	–
Unlisted	**750,000**	750,000
Share of post-acquisition losses and other comprehensive expenses	**(133,968)**	(605)
	1,009,098	749,395
Amount due from an associate *(Note (ii))*	**65,719**	65,724

Details of the Group's associates at the end of the reporting period are as follows:

Name of associate	Country of incorporation/ establishment	Principal place of business	Issued and paid up capital	Proportion of ownership held by the Group		Proportion of voting rights held by the Group		Principal activities
				At 31 March 2017	At 31 March 2016	**At 31 March 2017**	At 31 March 2016	
Advanced Lithium Electrochemistry (Cayman) Co., Ltd. ("ALEEES")	Cayman Islands	Taiwan	New Taiwan Dollar ("NT$") 2,105,736,540	**21.85%** *(Note (iii))*	–	**21.85%** *(Note (iii))*	–	Investment holding and its subsidiaries are engaged in research and development, production and marketing and sales of cathode materials for lithium ferrous phosphate batteries
Synergy Dragon Limited ("SDL")	BVI	The PRC	US$100	**25%**	25%	**25%**	25%	Investment holding and its subsidiaries are engaged in research and development, production and sales of batteries and related products

19. INTEREST IN ASSOCIATES AND AMOUNT DUE FROM AN ASSOCIATE (CONTINUED)

Notes:

(i) As at 31 March 2017, the market value of the Group's listed shares is approximately HK$338,675,000 (31 March 2016: Nil).

(ii) As at 31 March 2017 and 2016, the balance represented two unsecured loans to an associate with total principal sum of HK$65,000,000, which bear interest at 6% per annum and with maturity within one year.

(iii) During the year ended 31 March 2017, the Group subscribed for 46,000,000 new ordinary shares of ALEEES at a subscription price of NT$35 per new share of ALEEES, in the sum of NT$1,610,000,000 (equivalent to approximately HK$393,066,000). After completion of the share subscription, the Group holds approximately 21.85% of the issued share capital of ALEEES as detailed in Note (a).

Interest in ALEEES and SDL are accounted for using the equity method in the consolidated financial statements.

Summarised financial information of the Group's associates is set out below. The summarised financial information below represent amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

	At 31 March 2017		At 31 March 2016
	ALEEES	**SDL**	SDL
	HK$'000	**HK$'000**	HK$'000
Current assets	**247,952**	**874,215**	871,800
Non-current assets	**1,042,126**	**1,999,528**	2,203,604
Current liabilities	**(80,203)**	**(879,518)**	(689,681)
Non-current liabilities	**(77,910)**	**(47,035)**	(50,113)

19. INTEREST IN ASSOCIATES AND AMOUNT DUE FROM AN ASSOCIATE (CONTINUED)

	Year ended 31 March 2017		Fifteen months ended 31 March 2016
	ALEEES	**SDL**	SDL
	HK$'000	**HK$'000**	HK$'000
	(Note)		*(Note)*
Revenue	**160,747**	**369,359**	497,975
(Loss)/profit for the year/period	**(79,235)**	**(219,208)**	35,050
Other comprehensive expense for the year/period	**(29,596)**	**(219,147)**	(37,471)
Total comprehensive expense for the year/period	**(108,831)**	**(438,355)**	(2,421)
Dividends received from the associates during the year/period	**–**	**–**	–

Note: The financial information represents the profit or loss and other comprehensive expense from the respective dates of completion of share subscription in ALEEES and acquisition of interest in SDL as set out in Notes (a) and (b) respectively.

Reconciliation of the above summarised financial information to the carrying amount of the interest in associates recognised in the consolidated financial statements:

	At 31 March 2017		At 31 March 2016
	ALEEES	**SDL**	SDL
	HK$'000	**HK$'000**	HK$'000
Net assets of associates	**1,131,965**	**1,947,190**	2,335,610
Less: share of associates held by non-controlling interests	**(3)**	**–**	–
	1,131,962	**1,947,190**	2,335,610
Proportion of the Group's ownership interest in associates	**21.85%**	**25%**	25%
Net assets of interest in associates attributable to the Group	**247,278**	**486,798**	583,903
Goodwill	**122,014**	**153,008**	165,492
Carrying amount of the Group's interest in associates	**369,292**	**639,806**	749,395

19. INTEREST IN ASSOCIATES AND AMOUNT DUE FROM AN ASSOCIATE (CONTINUED)

Information of an associate that is not individually material:

	Year ended 31 March 2017 HK$'000	Fifteen months ended 31 March 2016 HK$'000 *(Note)*
The Group's share of loss	**–**	(1,310)
The Group's share of other comprehensive expense	**–**	(685)
The Group's share of total comprehensive expense	**–**	(1,995)

Note: During the fifteen months ended 31 March 2016, the Group disposed of the interest in an associate and the Group's share of result of an associate up to the date of completion of disposal.

19. INTEREST IN ASSOCIATES AND AMOUNT DUE FROM AN ASSOCIATE (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

(a) Share subscription in ALEEES

On 14 April 2016, FDG Kinetic Investment Limited ("FKIL"), a direct wholly-owned subsidiary of the Company, the Company (as guarantor) and ALEEES, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Taipei Exchange (Stock Code: 5227) entered into a 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 a subscription price of NT$35 per new share of ALEEES, in sum of NT$1,610,000,000 (equivalent to approximately HK$393,066,000), to be payable in cash upon completion, pursuant to the terms and conditions of the share subscription agreement (the "ALEEES Share Subscription"). The ALEEES Share Subscription was duly passed at the special general meeting of the Company on 16 June 2016 and completed on 24 August 2016. After completion of the ALEEES Share Subscription, FKIL holds approximately 21.85% of the total issued shares of ALEEES and ALEEES has been accounted for as an associate of the Group.

FOR THE FIFTEEN MONTHS ENDED 31 MARCH 2016

(b) Acquisition of interest in SDL

On 20 April 2015, Cherrylink Investments Limited ("Cherrylink"), a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with Union Grace Holdings Limited ("Union Grace"), an indirect wholly-owned subsidiary of FDG, pursuant to which Cherrylink conditionally agreed to purchase and Union Grace conditionally agreed to sell 25% of the issued share capital of SDL, an indirect wholly-owned subsidiary of FDG (the "SDL Acquisition"). In accordance with the terms and conditions thereof, the consideration for the SDL Acquisition was satisfied by convertible bonds with 8% coupon per annum and a principal amount of HK$750,000,000 to be issued by the Company (the "HK$750M Convertible Bonds") to Union Grace (or its nominee) on the completion date. The SDL Acquisition was duly passed at the special general meeting of the Company on 27 July 2015 and completed on 4 August 2015 (the "Completion Date of SDL").

On the Completion Date of SDL, the fair value of the HK$750M Convertible Bonds was approximately HK$2,443,113,000 based on a valuation report prepared by an external valuer. Therefore, the Group recognised a loss of approximately HK$1,693,113,000 in respect of the acquisition on SDL, representing the difference between the principal amount of the HK$750M Convertible Bonds and its fair value as at Completion Date of SDL. Such amount, is presented as "Loss arising from acquisition of an associate" in the consolidated statement of profit or loss and other comprehensive income for the fifteen months ended 31 March 2016.

19. INTEREST IN ASSOCIATES AND AMOUNT DUE FROM AN ASSOCIATE (CONTINUED)

FOR THE FIFTEEN MONTHS ENDED 31 MARCH 2016 (CONTINUED)

(c) Disposal of interest in an associate

Pursuant to the conditional sale and purchase agreement dated 31 October 2014 and supplemented by the subsequent letter agreements dated 29 December 2014 and 27 January 2015 (collectively the "Agnita Disposal Agreements") entered into by FDG Kinetic Investment (BVI) Limited (formerly known as CIAM Investment (BVI) Limited ("CBVI")), a wholly-owned subsidiary of the Company, with Preferred Market Limited ("Preferred Market"), a wholly-owned subsidiary of FDG, CBVI conditionally agreed (i) to sell to Preferred Market and Preferred Market conditionally agreed to purchase from CBVI 41.5% of the issued share capital of Agnita Limited ("Agnita"), an associate of the Group, and all rights and benefits of the shareholder's loan in the principal amount of HK$150,000,000 extended to Agnita by CBVI; and (ii) the cancellation of the call option for 8.5% of issued share capital of Agnita, granted to CBVI by Preferred Market (collectively the "Agnita Transaction"), at a total consideration of HK$520,000,000, which was settled by HK$150,000,000 in cash and the balance of HK$370,000,000 by the issue of the FDG 3-year secured bond with 8% coupon per annum to the Company. One of the conditions precedent under the Agnita Disposal Agreements for the Agnita Transaction was the proposed voluntary conditional offer to acquire all the issued shares of the Company and to cancel the share options granted by the Company under the share option scheme of the Company (the "Offer") by FDG. The Offer had to become unconditional as to acceptances.

The Offer was closed on 23 February 2015, with valid acceptances in respect of approximately 89.54% of the issued share capital of the Company being received by FDG. Subsequently, FDG became the ultimate holding company of the Group. Since then, the Company was of the view that the carrying amounts of the interest in and amount due from Agnita would be recovered principally through the Agnita Transaction and as a result, the interest in and amount due from Agnita were reclassified as non-current assets held-for-sale and an impairment loss of approximately HK$163,604,000 was recognised to profit and loss for the fifteen months ended 31 March 2016.

All remaining conditions precedent under the Agnita Disposal Agreements were satisfied and completion of the Agnita Transaction took place on 27 February 2015. A gain on disposal of approximately HK$1,404,000, representing the release of exchange differences arising from the translation of the financial statements of Agnita, was recognised to profit or loss for the fifteen months ended 31 March 2016. Agnita ceased to be an associate of the Group.

20. INTEREST IN A JOINT VENTURE

	At 31 March 2017 HK$'000	At 31 March 2016 HK$'000
Cost of unlisted investment in a joint venture	**95,341**	95,341
Share of post-acquisition profits and other comprehensive income, net of dividends received	**2,920**	8,654
	98,261	103,995

Details of the Group's joint venture at the end of the reporting period are as follows:

Name of joint venture	Country of establishment	Principal place of business	Issued and paid up capital	Proportion of ownership held by the Group		Proportion of voting rights held by the Group		Principal activity
				At 31 March 2017	At 31 March 2016	**At 31 March 2017**	At 31 March 2016	
華能壽光風力發電有限公司 ("華能壽光")	The PRC	The PRC	RMB186,730,000	**45%**	45%	**45%**	45%	Investment, construction and operation of wind power electricity facility, development, generation and sale of wind power electricity; provision of consultancy and related services in respect of electricity projects

Summarised financial information of the Group's joint venture is set out below. The summarised financial information below represent amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

	華能壽光 At 31 March 2017 HK$'000	At 31 March 2016 HK$'000
Current assets	**27,320**	28,859
Non-current assets	**390,229**	444,456
Current liabilities	**(199,191)**	(53,200)
Non-current liabilities	**–**	(189,016)

20. INTEREST IN A JOINT VENTURE (CONTINUED)

	華能壽光	
	At 31 March 2017 HK$'000	At 31 March 2016 HK$'000
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**10,609**	12,898
Current financial liabilities (excluding trade and other payables and provisions)	**(195,994)**	(49,204)
Non-current financial liabilities (excluding trade and other payables and provisions)	**–**	(189,016)

	華能壽光	
	Year ended 31 March 2017 HK$'000	Fifteen months ended 31 March 2016 HK$'000
Revenue	**39,815**	48,290
Profit for the year/period	**1,206**	1,505
Other comprehensive expense for the year/period	**(13,948)**	(9,075)
Total comprehensive expense for the year/period	**(12,742)**	(7,570)
Dividends received from the joint venture during the year/period	**–**	–
The above profit for the year/period include the following:		
Depreciation and amortisation	**(28,354)**	(30,614)
Interest income	**92**	92
Interest expense	**(7,961)**	(14,520)
Income tax expense	**(440)**	(874)

20. INTEREST IN A JOINT VENTURE (CONTINUED)

Reconciliation of the above summarised financial information to the carrying amount of the interest in a joint venture recognised in the consolidated financial statements:

	華能壽光	
	At 31 March 2017 HK$'000	At 31 March 2016 HK$'000
Net assets of a joint venture	**218,358**	231,099
Proportion of the Group's ownership interest in a joint venture	**45%**	45%
Carrying amount of the Group's interest in a joint venture	**98,261**	103,995

Information of a joint venture that is not individually material:

	Year ended 31 March 2017 HK$'000	Fifteen months ended 31 March 2016 HK$'000 *(Note)*
The Group's share of loss	**–**	(88)
The Group's share of other comprehensive expense	**–**	(35)
The Group's share of total comprehensive expense	**–**	(123)

Note: During the fifteen months ended 31 March 2016, the Group disposed of the interest in the joint venture and the Group's share of result of the joint venture up to the date of completion of disposal.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 31 March 2017 HK$'000	At 31 March 2016 HK$'000
Securities designated as at FVTPL:		
Unlisted debt securities with embedded options *(Note)*	**–**	28,281
Held-for-trading investments:		
Listed equity securities in Hong Kong	**38,000**	28,250
Unlisted funds	**8,406**	9,225
	46,406	37,475
	46,406	65,756

Note: During the year ended 31 March 2017, the Group disposed of its entire interest in the unlisted debt securities with embedded options at a consideration of approximately HK$29,347,000 and recognised a realised gain in profit or loss of approximately HK$1,066,000, which is included in net gain on financial assets designated as at FVTPL, calculated as the difference between the disposal proceeds and the carrying amount of the unlisted debt securities with embedded options.

All listed and unlisted securities classified as financial assets at FVTPL are issued by corporate entities.

22. LOAN AND OTHER RECEIVABLES

	At 31 March 2017 HK$'000	At 31 March 2016 HK$'000
Fixed-rate loan receivables	**230,202**	248,142
Less: allowance for doubtful debts	**(62,484)**	(66,044)
Net fixed-rate loan receivables *(Note)*	**167,718**	182,098
Value-added tax receivables	**17,519**	25,545
Prepayments, deposits and other receivables	**16,934**	10,900
	202,171	218,543
Presented by:		
Non-current assets	**398**	434
Current assets	**201,773**	218,109
	202,171	218,543

22. LOAN AND OTHER RECEIVABLES (CONTINUED)

Note: Included in net fixed-rate loan receivables are two debtors with carrying amounts of approximately HK$101,530,000 and HK$63,078,000 (31 March 2016: approximately HK$101,557,000 and HK$67,206,000) respectively. The principal amounts of the loan receivables are HK$100,000,000 and RMB50,000,000 (equivalent to approximately HK$56,320,000), which are secured by equity securities listed in Hong Kong and a mining right of an iron ore mine in the PRC, respectively.

For the loan secured by a mining right of an iron ore mine in the PRC (the "Loan"), on 17 December 2015, the Group appointed 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$63,078,000) by 31 May 2016 to the Group. CIAM undertook to collect RMB56,000,000 (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. As at 31 March 2017, the Group had received deposits of approximately HK$63,078,000 (31 March 2016: approximately HK$43,206,000) from CIAM and included in the Group's accruals and other payables (Note 28(b)).

All of the prepayments, deposits and other receivables classified as current assets are expected to be repaid or recognised in profit or loss within one year.

At 31 March 2017, the Group's loan receivables are carried at fixed interest rates ranging from 6% to 28.5% per annum (31 March 2016: from 6% to 28.5% per annum).

Before granting any new loans, the Directors will assess the potential borrower's credit quality and define credit limits of the borrower. The Directors will continuously assess the recoverability of loan receivables.

The Group has concentration of credit risk in the above loans as two borrowers (31 March 2016: two) accounted for approximately 98% (31 March 2016: 93%) of total net fixed-rate loan receivables as at 31 March 2017. In order to minimise the credit risk, management of the Group has monitored the repayment ability of the borrowers continuously.

An analysis of the net fixed-rate loan receivables, based on the maturity date, is as follows:

	At 31 March 2017 HK$'000	At 31 March 2016 HK$'000
On demand and due within one year	**167,320**	181,664
Over five years	**398**	434
	167,718	182,098

Included in the Group's loan and other receivables are debtors with aggregate carrying amount of approximately HK$63,078,000 (31 March 2016: approximately HK$67,206,000) which are past due over one year at the end of the reporting period for which the Group has not provided for impairment loss.

22. LOAN AND OTHER RECEIVABLES (CONTINUED)

MOVEMENT IN THE SPECIFIC ALLOWANCE FOR IMPAIRMENT OF FIXED RATE LOAN RECEIVABLES

	HK$'000
At 1 January 2015	170,087
Impairment losses on specific fixed-rate loan receivables	31,801
Written off as uncollectible	(134,541)
Exchange realignment	(1,303)
At 31 March 2016	66,044
Exchange realignment	(3,560)
At 31 March 2017	**62,484**

23. INVESTMENT IN A SECURED BOND

During the fifteen months ended 31 March 2016, a secured bond with an aggregate principal amount of HK$370,000,000 was issued by FDG to the Company as part of the consideration for the acquisition of 41.5% of the issued share capital of Agnita with details set out in Note 19(c). The secured bond carries a coupon rate of 8% per annum, with a maturity date on the third anniversary on the date of its issue (i.e. 26 February 2018) and is secured by 41.5% of the issued share capital of Agnita.

During the year, investment in a secured bond was transferred from non-current assets to current assets.

24. INVENTORIES

	At 31 March 2017 HK$'000	At 31 March 2016 HK$'000
Raw materials	**15,897**	10,658
Work in progress	**–**	1,480
Finished goods	**58,944**	68,761
	74,841	80,899

25. TRADE AND BILLS RECEIVABLES

	At 31 March 2017 HK$'000	At 31 March 2016 HK$'000
Trade receivables	**131,927**	38,179
Bills receivables	**592**	147
	132,519	38,326
Less: allowance for doubtful debts	**(3,566)**	(2,524)
	128,953	35,802

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

	At 31 March 2017 HK$'000	At 31 March 2016 HK$'000
Within one month	**31,431**	147
Between one and three months	**44,519**	23,726
Over three months	**53,003**	11,929
	128,953	35,802

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 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. The carrying amounts of the receivables approximate their fair values.

Included in the Group's trade receivables are debtors with aggregate carrying amount of approximately HK$52,440,000 (31 March 2016: approximately HK$8,379,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

The ageing analysis of these trade receivables is as follows:

	At 31 March 2017 HK$'000	At 31 March 2016 HK$'000
Between one and three months	**–**	7,266
Over three months	**52,440**	1,113
	52,440	8,379

25. TRADE AND BILLS RECEIVABLES (CONTINUED)

MOVEMENT IN THE SPECIFIC ALLOWANCE FOR IMPAIRMENT OF TRADE RECEIVABLES

	HK$'000
At 1 January 2015	–
Allowance made during the period	2,583
Exchange realignment	(59)
At 31 March 2016	2,524
Allowance made during the year	1,225
Exchange realignment	(183)
At 31 March 2017	**3,566**

26. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	At 31 March 2017 HK$'000	At 31 March 2016 HK$'000
Deposits placed with other financial institutions	**2,100**	477
Bank balances and cash	**88,089**	179,817
	90,189	180,294
Less: Pledged bank deposits	**(24,296)**	(22,660)
	65,893	157,634

The bank balances carry interest at rates ranged from 0.01% to 0.35% (31 March 2016: 0.01% to 0.30%) per annum during the year.

The pledged bank deposits carry fixed interest rate of 2% (31 March 2016: 1.7%) per annum during the year. The pledged bank deposits represent deposits pledged to a bank to secure bills payables as set out in Note 28. The pledged bank deposits will be released upon the settlement of relevant bills payables and are therefore classified as current assets.

27. BANK AND OTHER BORROWINGS

	At 31 March 2017 HK$'000	At 31 March 2016 HK$'000
Secured bank borrowings repayable *(Note)*		
– Within one year	**14,643**	12,001
– After one year but within two years	**46,115**	25,802
– After two years but within five years	**–**	38,932
Unsecured other borrowings repayable within one year	**32,550**	32,550
	93,308	109,285
Less: Amount due within one year shown under current liabilities	**(47,193)**	(44,551)
Amount due after one year	**46,115**	64,734

Note: At 31 March 2017, the bank borrowings of the Group of approximately RMB53,940,000 (equivalent to approximately HK$60,758,000) (31 March 2016: approximately RMB63,940,000 (equivalent to approximately HK$76,735,000)) was secured by pledged over land and buildings with carrying amount of approximately HK$116,359,000 (31 March 2016: approximately HK$130,136,000) as set out in Note 18.

The Group's bank borrowings are carried at variable interest rate at prevailing lending rate quoted by People's Bank of China ("PBOC"). The Group's other borrowings carried at fixed interest rates.

The effective interest rates of bank and other borrowings are ranging from 4.50% to 4.75% per annum (31 March 2016: 2.23% to 6.40% per annum).

28. TRADE AND OTHER PAYABLES

(a) TRADE AND BILLS PAYABLES

	At 31 March 2017 HK$'000	At 31 March 2016 HK$'000
Trade payables	**44,115**	23,508
Bills payables	**24,296**	41,016
	68,411	64,524

28. TRADE AND OTHER PAYABLES (CONTINUED)

(a) TRADE AND BILLS PAYABLES (CONTINUED)

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

	At 31 March 2017 HK$'000	At 31 March 2016 HK$'000
Within one month	**12,323**	28,427
Between one and three months	**31,792**	5,816
Over three months	**24,296**	30,281
	68,411	64,524

The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

The carrying amounts of trade and bills payables approximate their fair values and all bills payable were secured by pledged bank deposits as set out in Note 26.

(b) ACCRUALS AND OTHER PAYABLES

	At 31 March 2017 HK$'000	At 31 March 2016 HK$'000
Deposits received *(Note 22)*	**63,078**	43,206
Amount due to a fellow subsidiary *(Note 41(b)(ii))*	**39,452**	39,576
Other accruals and payables	**24,229**	12,483
	126,759	95,265

29. LOAN FROM THE ULTIMATE HOLDING COMPANY

The amount is unsecured, interest-free and repayable on demand.

30. OBLIGATIONS UNDER FINANCE LEASES

During the year ended 31 March 2017, the Group has entered into a sale and leaseback transaction with an independent third party by way of sale and leasing back of certain plant and machinery. In accordance with the lease agreement, the term of the lease is three years which carries at a fixed interest rate of 6% per annum, guaranteed by an indirect wholly-owned subsidiary of an associate and secured by the lessor's charge over the leased plant and machinery (Note 18). The ownership of those plant and machinery will be transferred back to the Group upon the end of the lease term. Such transaction is considered as sale and leaseback arrangement resulting in a finance lease.

	At 31 March 2017 HK$'000	At 31 March 2016 HK$'000
Presented by:		
Current liabilities	**28,394**	–
Non-current liabilities	**41,497**	–
	69,891	–

	Minimum lease payments		**Present value of minimum lease payments**	
	At 31 March 2017 HK$'000	At 31 March 2016 HK$'000	**At 31 March 2017 HK$'000**	At 31 March 2016 HK$'000
Amounts payable under finance leases:				
Within one year	**32,220**	–	**28,394**	–
More than one year, but not exceeding two years	**32,220**	–	**30,135**	–
More than two years, but not exceeding five years	**11,716**	–	**11,362**	–
	76,156	–	**69,891**	–
Less: Future finance charges	**(6,265)**	–	**–**	–
Presented value of lease obligations	**69,891**	–	**69,891**	–
Less: Amount due for settlement within one year and shown under current liabilities			**(28,394)**	–
Amount due for settlement after one year and shown under non-current liabilities			**41,497**	–

31. CONVERTIBLE BONDS

On 4 August 2015, the Company issued the HK$750M Convertible Bonds to a subsidiary of FDG pursuant to the SDL Acquisition with details set out in Note 19(b). The HK$750M Convertible Bonds are interest bearing at 8% per annum, with a maturity date on the third anniversary on the date of their issue (i.e. 4 August 2018) and entitle the holder to convert them, in whole or in part, into ordinary shares of the Company at an initial conversion price of HK$1.70 per share (subject to adjustments) at any time on or after the issue date of the HK$750M Convertible Bonds up to the maturity date.

At initial recognition, the fair value of the HK$750M Convertible Bonds was approximately HK$2,443,113,000. The liability component of the HK$750M Convertible Bonds was 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 equity component was the residual amount after deducting the fair value of the liability component from the fair value of the HK$750M Convertible Bonds at initial recognition. The effective interest rate of the liability component of the HK$750M Convertible Bonds is 18.9% per annum. The valuation of the HK$750M Convertible Bonds at initial recognition was prepared by an independent professional qualified valuer.

The following major assumptions were used to calculate the fair value using Binomial Option Pricing model:

Grant date share price	HK$7.025
Exercise price	HK$1.70
Expected volatility	52.39%
Expected dividend yield	0%
Risk free interest rate	0.7%
Credit risk premium	11.59%

The HK$750M Convertible Bonds have been separated into the liability and equity components as follows:

	Liability component HK$'000	**Equity component** HK$'000	**Total** HK$'000
At 1 January 2015	–	–	–
Issued during the period	574,928	1,868,185	2,443,113
Add: Interest charge *(Note 9)*	69,531	–	69,531
Less: Interest payable	(39,576)	–	(39,576)
At 31 March 2016	604,883	1,868,185	2,473,068
Add: Interest charge *(Note 9)*	114,503	–	114,503
Less: Interest paid/payable	(59,876)	–	(59,876)
At 31 March 2017	**659,510**	**1,868,185**	**2,527,695**

32. DEFERRED TAX LIABILITIES

The followings are the deferred tax liabilities recognised and movements thereon during the year/period:

	Fair value adjustment on business combination HK$'000
At 1 January 2015	–
Arising from acquisition of subsidiaries *(Note 36)*	24,277
Credited to profit or loss for the period	(841)
Exchange realignment	(7,179)
At 31 March 2016	16,257
Credited to profit or loss for the year	(1,894)
Exchange realignment	(954)
At 31 March 2017	**13,409**

At 31 March 2017, the Group had unused tax losses of approximately HK$509,953,000 (31 March 2016: HK$391,380,000) available for offset against future assessable profits. No deferred tax asset was recognised due to the unpredictability of future profit streams. The Hong Kong tax losses of approximately HK$358,731,000 (31 March 2016: HK$269,231,000) may be carried forward indefinitely and the remaining PRC tax losses of approximately HK$151,222,000 (31 March 2016: HK$122,149,000) will expire in various dates in the next five years.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by a PRC subsidiary from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiary amounting to approximately HK$32,313,000 (31 March 2016: HK$31,880,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will reverse in the foreseeable future.

33. CAPITAL, RESERVES AND DIVIDENDS

(a) DIVIDENDS

No dividend had been paid or declared during the year. The Board does not recommend the payment of a dividend for the year ended 31 March 2017 (fifteen months ended 31 March 2016: Nil).

(b) SHARE CAPITAL

Authorised and issued share capital

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.20 each		
Authorised:		
At 1 January 2015	2,500,000,000	2,500,000
Subdivision of share capital *(Note (i))*	10,000,000,000	–
At 31 March 2016 and **31 March 2017**	**12,500,000,000**	**2,500,000**
Issued and fully paid:		
At 1 January 2015	938,283,217	938,283
Issue of shares through top-up placing *(Note (ii))*	35,000,000	35,000
Subdivision of share capital *(Note (i))*	3,893,132,868	–
Issue of shares pursuant to acquisition of subsidiaries *(Note 36)*	269,230,770	53,846
At 31 March 2016 and **31 March 2017**	**5,135,646,855**	**1,027,129**

Notes:

(i) Pursuant to an ordinary resolution passed at a special general meeting of the Company held on 11 September 2015, each existing issued and unissued shares of par value of HK$1.00 each in the share capital of the Company was subdivided into five subdivided shares of par value of HK$0.20 each (the "Share Subdivision"). The Share Subdivision was become effective on 14 September 2015.

(ii) A top-up placing of 35,000,000 new ordinary shares of the Company at HK$7.73 per share was completed on 5 August 2015. The Directors consider that the net proceeds from shares issued through top-up placing of the sum of HK$264,191,000, (i) HK$186,000,000 was used for the partial payment of the cash consideration for the acquisition of the PPM Group (as defined in Note 36); (ii) HK$64,000,000 was used for investment purpose; and (iii) HK$14,191,000 was used for the general working capital of the Company, respectively.

During the fifteen months ended 31 March 2016, the new shares rank pari passu with the existing shares in all respects.

33. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) NATURE AND PURPOSE OF RESERVES

(i) Contributed surplus

Contributed surplus represents the difference between net assets of the companies acquired and the aggregate nominal value of shares issued by the Company under the scheme of arrangement in 1992.

(ii) Investment revaluation reserve

Investment revaluation reserve represents cumulative gains and losses arising on the revaluation of available-for-sale investments of an associate that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those available-for-sale investments of an associate are disposed of or are determined to be impaired.

(iii) Other reserve

Other reserve arose as a result of (i) repurchase of the Company's listed securities, representing the excess of the nominal value of the share repurchased over the consideration paid; (ii) goodwill reserve arising on acquisition of subsidiaries of the Company prior to 1 January 2005; and (iii) statutory surplus reserve for PRC subsidiaries.

Each PRC subsidiary is required to allocate 10% of its net profit, as determined under the Accounting Standards for Business Enterprises and other relevant requirements issued by the Ministry of Finance, to the statutory surplus reserve until the reserve balance reaches 50% on its registered capital.

(d) EQUITY SETTLED SHARE-BASED TRANSACTIONS

Share Option Scheme

The Company operates a share option scheme (the "Scheme"), which was approved and adopted by the shareholders at the special general meeting of the Company on 12 October 2007 for the primary purpose of providing incentives or rewards to Directors, eligible employees and other participants for their contribution to the Group. The Scheme will remain in force for 10 years from the date of its adoption, unless otherwise cancelled or amended.

Under the Scheme, the Board may, at their absolute discretion, grant options to the following classes of participants to subscribe for shares of the Company 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 the Company, any of its subsidiaries or any entity in which the Group holds an equity interest (the "Invested Entity");

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

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

33. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) EQUITY SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

Share Option Scheme (Continued)

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

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

(vi) any shareholders of any members of the Group or any Invested Entity, or any holders of any securities issued by any members of the 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 Scheme must not in aggregate exceed 10% of the total number of shares of the Company in issue as at the date of approval of the Scheme. As at 31 March 2017 and 2016, there were no outstanding share options granted under the Scheme and yet to be exercised. The total number of shares issued and to be issued upon exercise of all share options granted by the Company to each participant in any 12-month period shall not exceed 1% of the shares of the Company then in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval at a general meeting of the Company.

The period within which a share option may be exercised under the Scheme will be determined by the 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 Board, save that it must be at least the highest of (i) the closing price of the Company'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 the Company'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.

33. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) EQUITY SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

Share Option Scheme (Continued)

Details of the share options movements during the year ended 31 March 2017 and the fifteen months ended 31 March 2016 are as follows:

					Number of shares under the share options		
Name or category of participant	Date of grant	Vesting period	Exercise period	Exercise price HK$	Outstanding at 1.1.2015	Movement during the period *(Note (i))*	Outstanding at 31.3.2016 and 31.3.2017
Directors							
Hung Chi Yuen Andrew	15.4.2013	*(Note (ii))*	15.4.2014 to 14.4.2016	1.00	200,000	(200,000)	–
Sit Fung Shuen Victor	15.4.2013	*(Note (ii))*	15.4.2014 to 14.4.2016	1.00	200,000	(200,000)	–
Toh Hock Ghim	15.4.2013	*(Note (ii))*	15.4.2014 to 14.4.2016	1.00	200,000	(200,000)	–
Lu Zhicheng (resigned on 9 March 2015)	15.4.2013	*(Note (ii))*	15.4.2014 to 14.4.2016	1.00	200,000	(200,000)	–
Wong Yau Kar David (resigned on 9 March 2015)	15.4.2013	*(Note (ii))*	15.4.2014 to 14.4.2016	1.00	200,000	(200,000)	–
Employees	15.4.2013	*(Note (ii))*	15.4.2014 to 14.4.2016	1.00	4,500,000	(4,500,000)	–
Other participants	15.4.2013	*(Note (ii))*	15.4.2014 to 14.4.2016	1.00	200,000	(200,000)	–
Total					**5,700,000**	**(5,700,000)**	**–**

Notes:

(i) During the fifteen months ended 31 March 2016, the share options were cancelled upon the acceptance of the Offer (as mentioned in Note 19(c)) by all the optionholders. Details of the Offer were set out in the composite document issued jointly by FDG and the Company dated 30 January 2015.

(ii) The share options were subject to a vesting period of one year from the date of grant and would be exercised for a period of two years thereafter.

No share option expenses were recognised in the Group's consolidated financial statements for the year ended 31 March 2017 and the fifteen months ended 31 March 2016.

34. CAPITAL RISK 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 returns to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt (which includes bank and other borrowings as disclosed in Note 27) and equity attributable to owners of the Company (comprising issued share capital and reserves).

The Directors review the capital structure at each interim and financial year end. As part of this review, the Directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as issue of new debts and redemption of existing debts.

35. FINANCIAL INSTRUMENTS

(a) CATEGORIES OF FINANCIAL INSTRUMENTS

	At 31 March 2017 HK$'000	At 31 March 2016 HK$'000
Financial assets		
At FVTPL		
– Designated as at FVTPL	**–**	28,281
– Held-for-trading	**46,406**	37,475
Loans and receivables (including cash and cash equivalents)	**823,219**	835,439
Financial liabilities		
Amortised cost	**1,267,003**	872,246

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial instruments mainly include financial assets at FVTPL, loan and other receivables, investment in a secured bond, trade and bills receivables, amount due from an associate, pledged bank deposits, cash and cash equivalents, bank and other borrowings, trade and bills payables, other payables, loan from the ultimate holding company and liability component of convertible bonds. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. There has been no change to the policies on how to mitigate these risks.

Market risk

(i) Currency risk

Several subsidiaries of the Company have certain financial assets at FVTPL and bank balances that are denominated in foreign currencies. As a result, the Group is exposed to fluctuation in foreign exchange rates. Management has closely monitored foreign exchange exposure and will undertake procedures necessary to mitigate the currency risk.

35. FINANCIAL INSTRUMENTS (CONTINUED)

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

Market risk (continued)

(i) Currency risk (continued)

The carrying amounts of the Group's major foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	At 31 March 2017 HK$'000	At 31 March 2016 HK$'000	**At 31 March 2017 HK$'000**	At 31 March 2016 HK$'000
United States dollar ("USD")	**14,124**	40,370	**–**	–
RMB	**4,727**	4,523	**–**	–
Singapore dollar ("SGD")	**–**	1,809	**–**	–

Sensitivity analysis

The Group's foreign currency risk is mainly concentrated on the fluctuation of USD, RMB and SGD. Since HKD is pegged to USD, the Group does not expect any significant movements in USD/HKD exchange rate.

The management expects the movement in functional currency of the relevant group entities against the relevant foreign currencies is 5%. These percentages are therefore the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in currency exchange rates.

The following table details the Group's sensitivity to a 5% (fifteen months ended 31 March 2016: 5%) decrease in the functional currency of the relevant group entities against the relevant foreign currencies. The following sensitivity analysis includes only outstanding monetary items denominated in foreign currencies and adjusts their translation at the year end for a 5% change in foreign currency exchange rates. A positive number below indicates a decrease in loss for the year/period when the currency below strengthen 5% against the functional currency of the relevant group entities. For a 5% (fifteen months ended 31 March 2016: 5%) weakening of these currencies against the functional currency of the relevant group entities, there would be an equal and opposite impact on the loss for the year/period.

	Year ended 31 March 2017 HK$'000	Fifteen months ended 31 March 2016 HK$'000
Gain in relation to:		
– RMB	**236**	226
– SGD	**–**	90

35. FINANCIAL INSTRUMENTS (CONTINUED)

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

Market risk (continued)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to the amount due from an associate, loan receivables, investment in a secured bond, fixed bank deposits, other borrowings, obligations under finance lease and convertible bonds, which carry fixed interest rate as set out in Notes 19, 22, 23, 26, 27, 30 and 31 respectively.

The Group is also exposed to cash flow interest rate risk in relation to variable interest rate bank balances and bank borrowings as set out in Notes 26 and 27 respectively.

The Group currently does not have any interest rate hedging policy in relation to fair value interest rate risk and cash flow interest rate risk. The Directors monitor the Group's exposure on ongoing basis and will consider hedging the interest rate should the need arise.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of prevailing lending rate quoted by PBOC.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for non-derivative financial instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole financial year. A 50 basis point (fifteen months ended 31 March 2016: 50 basis point) increase or decrease is used when reporting interest rate risk internally to key management personnel and represent management's assessment of the reasonably possible changes in interest rates of variable rate bank balances and variable rate bank borrowings, respectively.

If interest rates on the Group's variable rate bank balances had been 50 basis point higher or lower and all other variables were held constant, the Group's loss for the year ended 31 March 2017 would decrease or increase by approximately HK$44,000 (fifteen months ended 31 March 2016: HK$28,000).

If interest rates on the Group's variable rate bank borrowings had been 50 basis point higher or lower and all other variables were held constant, the Group's loss for the year ended 31 March 2017 would increase or decrease by approximately HK$304,000 (fifteen months ended 31 March 2016: HK$384,000).

35. FINANCIAL INSTRUMENTS (CONTINUED)

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

Market risk (continued)

(iii) Other price risk

The Group is exposed to equity price risk arising from listed equity securities and unlisted debt securities with embedded options classified as financial assets at FVTPL. Management manages this exposure by maintaining a portfolio of investment with difference risks. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below includes listed equity securities and unlisted debt securities with embedded options that are carried at fair values and has been determined based on the exposure to equity price risk at the end of the reporting period.

If the prices of the respective securities has been 10% (fifteen months ended 31 March 2016: 10%) higher/lower, loss for the year ended 31 March 2017 would decrease/increase by approximately HK$3,800,000 (fifteen months ended 31 March 2016: HK$5,653,000) as a result of the changes in fair value of the securities.

As at 31 March 2017, if the price of the respective listed equity securities of an associate had been 10% higher/lower, the investment revaluation reserve of the Group would increase/decrease by approximately HK$2,980,000, as a result of the changes in fair value of available-for-sale investments of that associate. No sensitivity analysis in respect of share of investment revaluation reserve of an associate is presented as at 31 March 2016 as the share subscription in that associate was completed subsequent to the end of the prior reporting period as set out in Note 19(a).

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

In respect of the Group's battery materials production business, the trade receivables presented in the consolidated statement of financial position are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The Group has concentration of credit risk on certain individual customers. At the end of the reporting period, the five largest trade receivable balances accounted for 100% (fifteen months ended 31 March 2016: approximately 93%) of the trade receivables and the largest trade receivable balance was approximately 60% (fifteen months ended 31 March 2016: 60%) of the Group's total trade receivables.

In respect of the direct investment business, impairment allowances are made for losses that have been incurred at the end of the reporting period. Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing the lending limits of each individual borrower when appropriate. Exposure to credit risk is also managed in part by obtaining collateral. In this regard, the Directors consider that the credit risk in relation to loan receivables and investment in a secured bond are monitored on a revolving basis and subject to a quarterly or more frequent review.

35. FINANCIAL INSTRUMENTS (CONTINUED)

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

Credit risk (continued)

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group does not have any other significant concentration of credit risk, other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, amount due from an associate as set out in Note 19, loan receivables as set out in Note 22 and above, investment in a secured bond as set out in Note 23 and above and trade receivables as disclosed above. The Group assesses the credit risk by reviewing and monitoring the financial performance of the counterparties and the management considers the default risk is not significant.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank and other borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

35. FINANCIAL INSTRUMENTS (CONTINUED)

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

Liquidity risk (continued)

Liquidity and interest risk tables

	Weighted average effective interest rate %	On demand or less than 1 month HK$'000	1–3 months HK$'000	3 months to 1 year HK$'000	1–5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March 2017 HK$'000
As at 31 March 2017							
Trade, bills and other payables	–	110,054	44,278	39,452	–	193,784	193,785
Loan from the ultimate holding company	–	320,400	–	–	–	320,400	320,400
Bank and other borrowings							
– variable rate	4.75	–	5,027	10,001	48,305	63,333	60,758
– fixed rate	4.50	–	–	33,397	–	33,397	32,550
Obligations under finance leases	6.00	–	8,055	24,165	43,936	76,156	69,891
Liability component of convertible bonds	18.89	–	–	20,548	810,000	830,548	659,510
		430,454	57,360	127,563	902,241	1,517,618	1,336,894

	Weighted average effective interest rate %	On demand or less than 1 month HK$'000	1–3 months HK$'000	3 months to 1 year HK$'000	1–5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March 2016 HK$'000
As at 31 March 2016							
Trade, bills and other payables	–	95,535	22,967	39,576	–	158,078	158,078
Bank and other borrowings							
– variable rate	5.00	–	–	12,374	67,970	80,344	76,735
– fixed rate	3.87	–	–	33,334	–	33,334	32,550
Liability component of convertible bonds	18.89	–	–	20,424	870,000	890,424	604,883
		95,535	22,967	105,708	937,970	1,162,180	872,246

The amounts included above for variable interest rate instruments is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

35. FINANCIAL INSTRUMENTS (CONTINUED)

(c) FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised into Level 1, 2 and 3, as set out in Note 4, based on the degree to which the inputs to the fair value measurements are observable.

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31 March 2017 HK$'000	31 March 2016 HK$'000				
Held-for trading investments:						
– Listed equity securities	**38,000**	28,250	Level 1	Quoted bid prices in active markets	N/A	N/A
– Unlisted funds	**8,406**	9,225	Level 2	Quoted prices in the over-the-counter markets	N/A	N/A
Financial assets designated as at FVTPL:						
– Unlisted debt securities with embedded options	**–**	28,281	Level 3	Discounted cash flow	Estimated future cash flows to be derived from the assets discounted at a risk based discount rate *(Note)*	The higher/lower of estimated cash flows derived from the assets, the higher/lower of fair value

Note: As at 31 March 2016, an increase in the estimated cash flows to be derived from the assets would result in an increase in the fair value measurement of the unlisted debt securities with embedded options and vice versa. A 10% increase in the estimated cash flows to be derived from the assets holding all other variable constant would increase the carrying amount of the unlisted debt securities with embedded options by approximately HK$2,828,000.

35. FINANCIAL INSTRUMENTS (CONTINUED)

(c) FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

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

	At 31 March 2017 HK$'000	At 31 March 2016 HK$'000
Unlisted debt securities with embedded options:		
At beginning of the year/period	**28,281**	28,296
Changes in fair value recognised in profit or loss during the year/period	**–**	(1)
Disposals	**(28,281)**	–
Exchange realignment	**–**	(14)
At end of the year/period	**–**	28,281
Total gain/(loss) for the year/period included in profit or loss	**1,066**	(15)

The gain or loss arising from the remeasurement of the unlisted debt securities with embedded options are included in "other gains and losses" in the consolidated statement of profit or loss and other comprehensive income.

Fair values of financial assets and liabilities that are not measured at fair value on a recurring basis

All of the carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values as at 31 March 2017 and 2016 respectively.

36. ACQUISITION OF SUBSIDIARIES

FOR THE FIFTEEN MONTHS ENDED 31 MARCH 2016

On 5 September 2015, Kingspark Group Limited ("Kingspark"), a wholly-owned subsidiary of the Company, entered into a sale and 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 "Sellers"), independent third parties, pursuant to which Kingspark conditionally agreed to purchase and the Sellers conditionally agreed to sell 100% equity interest 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 shares of the Company (the "Acquisition"). The 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*), 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.*) ("FDG Kinetic (Chongqing)"), which is a wholly-owned foreign enterprise established in Chongqing. FDG Kinetic (Chongqing) mainly manufactures cathode materials for NCM lithium-ion batteries with an annual production capacity of 2,400 tonnes. The Acquisition represented a significant furtherance of the Group's strategic development of vertical expansion (taking into account the operations carried out by the Group's associates) and will be beneficial to the development of the Group's electric battery products through the synergy formed.

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

	HK$'000
Intangible assets *(Note 17)*	106,983
Property, plant and equipment *(Note 18)*	220,023
Interests in leasehold land held for own use under operating lease *(Note 18)*	19,411
Inventories	35,419
Trade and bills receivables *(Note (i))*	20,543
Other receivables *(Note (i))*	29,316
Pledged bank deposits	6,739
Cash and cash equivalents	2,056
Trade and bills payables	(52,494)
Bank and other borrowings	(113,037)
Accruals and other payables	(8,319)
Deferred tax liabilities *(Note 32)*	(24,277)
Total identifiable net assets at fair value	242,363
Goodwill *(Notes 15 and (ii))*	485,021
	727,384

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

36. ACQUISITION OF SUBSIDIARIES (CONTINUED)

Notes:

(i) The fair value of trade and other receivables at the date of acquisition amounted to approximately HK$49,859,000. The gross contractual amounts of those trade and other receivables acquired amounted to approximately 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 approximately 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 goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on these acquisitions was expected to be deductible for tax purposes.

(iii) The share consideration was satisfied by an issuance of 269,230,770 new ordinary shares of the Company with a par value of HK$0.02 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 the Company's ordinary share on the Completion Date.

The Group incurred transaction costs of approximately HK$1,490,000 for the Acquisition. These transaction costs have been expensed and were included in the general and administrative expenses in the consolidated statement of profit or loss and other comprehensive income for the fifteen months ended 31 March 2016.

An analysis of the cash flows in respect of the Acquisition was 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 cash flows from investing activities	(369,944)

Since the completion of the Acquisition, the PPM Group contributed to the Group's revenue of approximately HK$46,292,000 and incurred a loss of approximately HK$29,615,000 to the consolidated statement of profit or loss and other comprehensive income for the fifteen months ended 31 March 2016.

Had the Acquisition taken place on 1 January 2015, the revenue and the loss for the fifteen months ended 31 March 2016 of the Group would have been approximately HK$144,821,000 and HK$2,029,567,000 respectively. The pro forma information was for illustrative purposes only and was not necessary an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor was it intended to be a projection of future results.

37. MAJOR NON-CASH TRANSACTIONS

FOR THE YEAR ENDED 31 MARCH 2017

(a) On 28 February 2017, a set-off agreement was entered into between the Company and FDG pursuant to which, of the principal sum of the Group's loan from the ultimate holding company of HK$350,000,000, HK$29,600,000 was settled by offsetting interest income receivable from the secured bond issued by FDG (Note 23) which was included in loan and other receivables.

FOR THE FIFTEEN MONTHS ENDED 31 MARCH 2016

(a) In February 2015, the Group disposed of 41.5% of the issued share capital of Agnita and all rights and benefits of the shareholder's loan extended to Agnita (Note 19(c)). Of the total consideration of HK$520,000,000, HK$370,000,000 was settled by the issue of the FDG 3-year secured bond with 8% coupon per annum. The secured bond was recorded as "investment in a secured bond" under non-current assets at 31 March 2016.

(b) On 29 October 2015, the Group completed the acquisition of all equity interest of the issued share capital of the PPM Group. The acquisition was partly settled by the share consideration by the issuance of new shares of the Company (Note 36).

(c) On 4 August 2015, the Group issued the HK$750M Convertible Bonds to Union Grace pursuant to the SDL Acquisition with details set out in Note 19(b).

38. OPERATING LEASES COMMITMENTS

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 31 March 2017 HK$'000	At 31 March 2016 HK$'000
Within one year	**103**	133

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for lease terms of one year and rentals are fixed.

39. CAPITAL COMMITMENTS

The Group had no significant capital commitments contracted for but not provided in the consolidated financial statements as at 31 March 2017 (31 March 2016: Nil).

40. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance and the Occupational Retirement Scheme (the "ORSO scheme"). The MPF scheme and the ORSO scheme are defined contribution retirement plans administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately. The Group contributes 10% of relevant income to the ORSO scheme, with a vesting scale of 0% to 100%, according to the years of service of relevant employees.

The employees employed by the PRC subsidiaries are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

41. MAJOR RELATED PARTY TRANSACTIONS

(a) TRANSACTIONS WITH RELATED COMPANIES

In addition to the acquisition of SDL and disposal of Agnita for the fifteen months ended 31 March 2016 as set out in Note 19, the Group entered into the following transactions with related parties during the reporting period:

	Notes	**Year ended 31 March 2017 HK$'000**	Fifteen months ended 31 March 2016 HK$'000
Expenses reimbursed from CIAM	*(i)*	**–**	747
Expenses reimbursed to CIAM	*(i)*	**–**	(2,418)
Rental expenses paid to a fellow subsidiary	*(ii)*	**(960)**	(960)
Consultancy fee paid to a fellow subsidiary	*(ii)*	**(960)**	(880)
Expenses reimbursed to a fellow subsidiary	*(ii)*	**(1,029)**	(894)
Gain on disposal of an associate	*(iii)*	**–**	1,404
Interest expenses payable to a fellow subsidiary	*(iv)*	**(114,503)**	(69,531)
Interest income receivable from FDG	*(v)*	**29,539**	32,337
Interest income receivable from a joint venture of FDG	*(vi)*	**–**	135
Interest income receivable from an associate	*(vii)*	**3,892**	1,933

Notes:

(i) The amounts represented expenses reimbursed from/(to) CIAM under the Services Agreements as mentioned in Note 11. CIAM ceased to be a substantial shareholder of the Company in February 2015 after the Offer as set out in Note 19(c).

(ii) The amounts represented rental expenses, consultancy fee and other expenses reimbursed to a fellow subsidiary, which is a wholly-owned subsidiary of FDG.

(iii) The amount represented gain on disposal of Agnita to Preferred Market (Note 19(c)).

(iv) The amount represented interest expense accrued for the convertible bonds (Note 31).

(v) The amount represented interest income derived from the investment in a secured bond (Note 23).

(vi) The amount represented interest income derived from a loan receivable, which has been settled as at 31 March 2016.

(vii) The amount represented interest income derived from the amount due from an associate (Note 19).

41. MAJOR RELATED PARTY TRANSACTIONS (CONTINUED)

(b) BALANCES WITH RELATED COMPANIES

	Notes	**At 31 March 2017 HK$'000**	At 31 March 2016 HK$'000
Amount due from an associate *(Note 19)*		**65,719**	65,724
Amount due from the ultimate holding company	*(i)*	**2,676**	2,737
Loan from the ultimate holding company *(Note 29)*		**320,400**	–
Amount due to a fellow subsidiary	*(ii)*	**39,452**	39,576
Investment in a secured bond *(Note 23)*		**370,000**	370,000
Liability component of convertible bonds *(Note 31)*		**659,510**	604,883

Notes:

(i) The amount represented interest income receivable from the secured bond issued by FDG (Note 23) which is included in loan and other receivables.

(ii) The amount represented interest payable from the convertible bonds issued to a subsidiary of FDG (Note 31) which is included in the Group's accruals and other payables (Note 28(b)).

(c) KEY MANAGEMENT PERSONNEL COMPENSATION

The remuneration of directors and other members of key management during the year/period was as follows:

	Year ended 31 March 2017 HK$'000	Fifteen months ended 31 March 2016 HK$'000
Salaries and other short-term employee benefits	**12,535**	13,609

For the fifteen months ended 31 March 2016, the amounts represented the net amounts after expenses reimbursement arrangement under the Services Agreements as mentioned in Note 11.

The remuneration of directors and key executives is determined by the Nomination and Remuneration Committee of the Company having regard to the performance of individuals and market trends.

(d) GUARANTEE

As disclosed in Note 30, the Group's obligations under finance leases as at 31 March 2017 are guaranteed by an indirect wholly-owned subsidiary of an associate.

42. EVENT AFTER THE REPORTING PERIOD

On 5 June 2017, FDG Kinetic (Chongqing) (the "Lessee") has entered into a sale and leaseback transaction with an independent third party (the "Lessor") by way of sale and leasing back of certain machineries. In accordance with the lease agreement, the term of the lease is three years with the financing limit of RMB50,000,000 (equivalent to approximately HK$56,600,000) and carries at variable interest rate.

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	**At 31 March 2017 HK$'000**	At 31 March 2016 HK$'000
Non-current assets			
Property, plant and equipment		**63**	50
Investment in subsidiaries		**2,004,183**	1,611,117
Investment in a secured bond		**–**	370,000
Other non-current assets		**367**	367
		2,004,613	1,981,534
Current assets			
Financial assets at fair value through profit or loss		**–**	28,281
Other receivables		**3,558**	3,561
Investment in a secured bond		**370,000**	–
Amounts due from subsidiaries		**353,199**	359,572
Cash and cash equivalents		**12,640**	106,779
		739,397	498,193
Current liabilities			
Accruals and other payables		**43,704**	44,668
Loan from the ultimate holding company		**320,400**	–
Amount due to a subsidiary		**2,782**	3,247
		366,886	47,915
Net current assets		**372,511**	450,278
Total assets less current liabilities		**2,377,124**	2,431,812
Non-current liabilities			
Liability component of convertible bonds		**659,510**	604,883
NET ASSETS		**1,717,614**	1,826,929
CAPITAL AND RESERVES			
Share capital		**1,027,129**	1,027,129
Reserves	*(a)*	**690,485**	799,800
TOTAL EQUITY		**1,717,614**	1,826,929

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

(a) RESERVES

THE COMPANY

	Share premium HK$'000	Equity component of convertible bonds HK$'000	Share option reserve HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2015	342,072	–	1,693	2,184	(97,860)	248,089
Loss for the period	–	–	–	–	(1,847,203)	(1,847,203)
Issue of new shares						
– through top-up placing	229,191	–	–	–	–	229,191
– pursuant to acquisition of subsidiaries	301,538	–	–	–	–	301,538
Issue of convertible bonds	–	1,868,185	–	–	–	1,868,185
Cancellation of the share option	–	–	(1,693)	–	1,693	–
At 31 March 2016	872,801	1,868,185	–	2,184	(1,943,370)	799,800
Loss for the year	–	–	–	–	(109,315)	(109,315)
At 31 March 2017	**872,801**	**1,868,185**	**–**	**2,184**	**(2,052,685)**	**690,485**

44. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 March 2017 and 2016 are as follows:

Name of subsidiary	Place of incorporation/ registration/ establishment	Issued and fully paid share/ registered capital	Percentage of issued share/registered capital held by the Company				Principal activities
			Directly		Indirectly		
			At 31 March 2017	At 31 March 2016	**At 31 March 2017**	At 31 March 2016	
Active Way International Limited	Hong Kong	HK$2	**–**	–	**100%**	100%	Investment holding and loan financing
Bowen Limited	Hong Kong	HK$2	**100%**	100%	**–**	–	Investment holding
Cash Level Investments Limited	BVI	US$1	**–**	–	**100%**	100%	Securities trading
Cherrylink Investments Limited	BVI	US$1	**100%**	100%	**–**	–	Investment holding
PPM	Hong Kong	US$43,220,010	**–**	–	**100%**	100%	Investment holding
Profit Union Investments Limited	BVI	US$1	**–**	–	**100%**	100%	Securities trading
FDG Kinetic (Chongqing)	The PRC	US$43,200,000	**–**	–	**100%**	100%	Manufacturing and trading of cathode materials
事安投資諮詢（深圳）有限公司	The PRC	RMB60,000,000	**–**	–	**100%**	100%	Investment consultancy services

None of the subsidiaries had any debt securities outstanding at the end of the reporting period or at any time during the year/period.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

GROUP FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the financial year ended 31 March 2017, financial period ended 31 March 2016 and three financial years ended 31 December 2014, as extracted from the published audited consolidated financial statements and reclassified and restated as appropriate, is set out below:

	Year ended 31 March 2017 HK$'000	Fifteen months ended 31 March 2016 HK$'000	Year ended 31 December 2014 HK$'000	Year ended 31 December 2013 HK$'000	Year ended 31 December 2012 HK$'000
Loss attributable to owners of the Company	**(206,191)**	(1,970,512)	(48,635)	(22,229)	(14,691)
Total assets	**2,804,288**	2,667,799	1,304,109	1,364,398	574,183
Total liabilities	**(1,355,820)**	(894,603)	(16,510)	(27,898)	(23,759)
Net assets	**1,448,468**	1,773,196	1,287,599	1,336,500	550,424
Non-controlling interests	**–**	–	–	40	40
Total equity attributable to owners of the Company	**1,448,468**	1,773,196	1,287,599	1,336,460	550,384