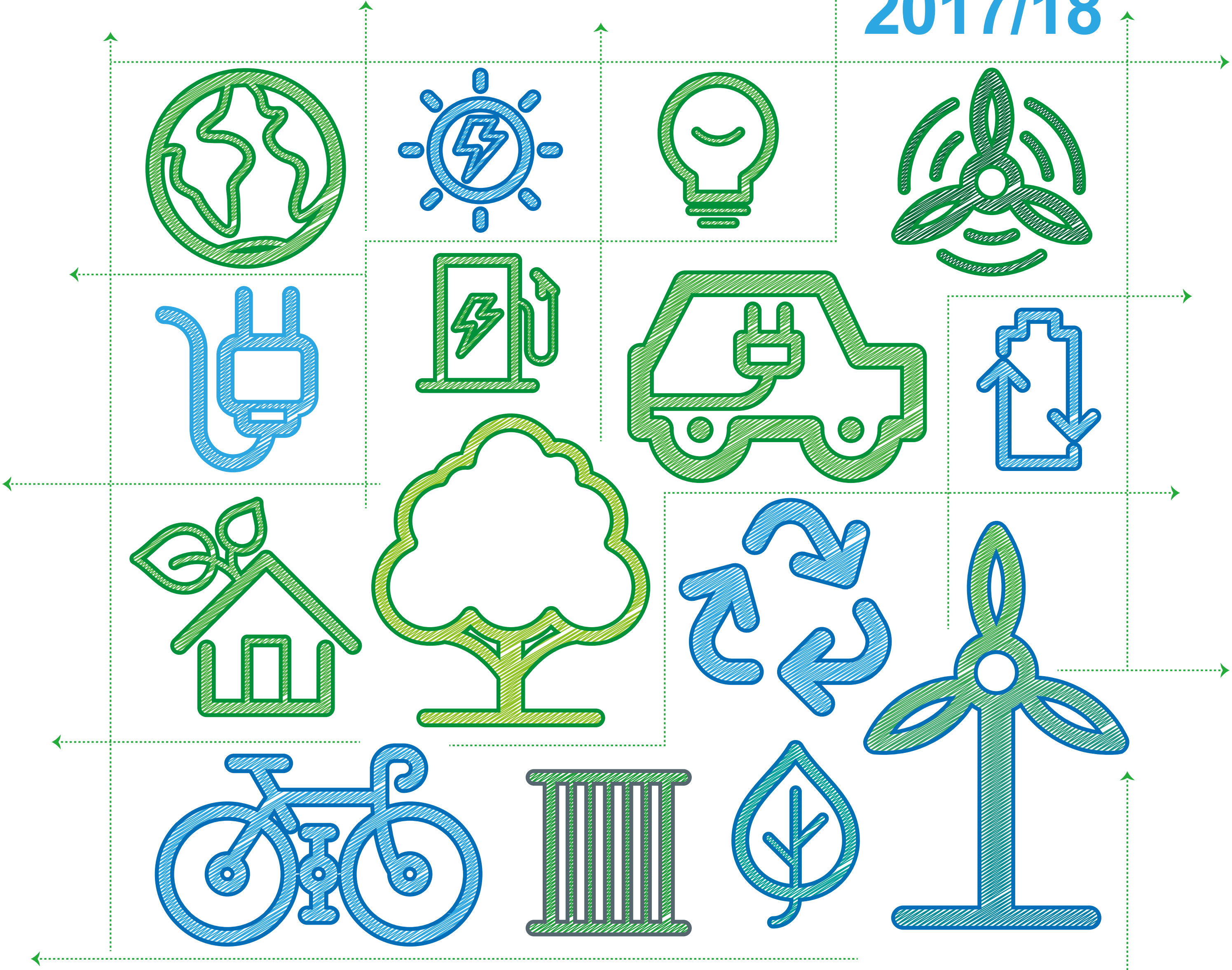
ANNUAL REPORT 2017/18



FDG Kinetic Limited
五龍動力有限公司
(Incorporated in Bermuda with limited liability)
Stock Code : 378

GREEN & GROWTH

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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 Director:

Dr. Chen Yanping

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 Yuet Lin

COMPANY SECRETARY

Ms. Man Yuet Lin

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,

It is my honour that I write to update you on the performance of FDG Kinetic Limited ("FKL" or the "Company") for the financial year ended 31 March 2018 (the "Year").

Looking back for the past year, the global demand for batteries remained steady. The market trend for batteries was largely impelled by the demand in electric vehicles as the battery was the most essential component of an electric vehicle. According to Bloomberg, approximately 55% of global lithium-ion battery production plants are already based in China, compared with only 10% in the United States. By 2021, China's share of battery production plants is forecasted to grow to 65%.

In 2017, Gaogong Industrial Research Institute's (GGII) data showed that China increased its total production of cathode materials by 28% to 208,000 tonnes. In particular, Lithium-Nickel-Manganese-Cobalt-Oxide ("NCM") materials accounted for 86,100 tonnes, an increase of 59% year-on-year. The price of a tonne of NCM523 cathode material peaked to over RMB230,000, setting a historic high water mark never seen before for the decade.

2017 was one of the most challenging years as macro factors impacted the electric vehicle industry. However, this was also a year of considerable progress for FKL as it once again delivered a solid set of results. We made our first step into the province of Guizhou and Sichuan to build a new battery production base and a new cathode material production base; and, most importantly, guaranteed revenue coming from the cathode materials segment by having most of our Chongqing's NCM cathode materials production capacity allocated for carrying out subcontractor works for a customer until the end of December 2018.

FKL would like to report Group revenue of HK$262.3 million for the financial year ended 31 March 2018. Net loss attributable to shareholders was approximately HK$1 billion, including HK$694 million of one off impairment. Management is focused on rigorously managing all costs, without adversely impacting the product's quality and safety standards.

2017 has also been a challenging year for the battery making business in China. As subsidies for electric vehicles reduced further, some of the costs have been shifted from electric vehicle OEMs (Original Equipment Manufacturer) to battery makers, which makes it more competitive for battery manufacturers. When the construction of the planned gigafactories is fully ramped, FKL would have achieved a maximum battery production capacity of 6.3GWh.

In our cathode materials business, FDG Kinetic announced that most of the Chongqing's production capacity in all production lines have been allocated for carrying out subcontracting works for a customer until 31 December 2018. In October 2017, FDG expanded upstream to manufacture cathode materials to build a production base to manufacture both LFP and NCM cathode materials with a maximum annual production of 30,000 tonnes.

In the Year I am also pleased to share the numerous awards granted to FKL for enhancing corporate management and investor communication in the Year. Some of the examples include the "The Most Valuable Small-Mid Cap Company" award in the 2017 Golden Hong Kong Equities Awards. FKL was granted with a "Certificate of Excellence in Investor Relations" recognising our investor relations efforts by the Hong Kong Investor Relations Association. The well-known Chinese financial magazine "New Fortune" granted the "Best Investor Relations Company listed in Hong Kong Award" to FKL. All of these are solid recognition that FKL is highly regarded by industry experts at the corporate level.

Looking ahead, FKL will focus on the battery and cathode materials businesses while FKL's parent company, FDG Electric Vehicles Limited ("FDG"), will focus on building the best quality commercial electric vehicles as their core business. While the Group used to be strategically vertically-integrated, we may now consider focusing on the core business only, excel in that business and then progress onwards. As both listed companies each specialises in our respective strengths, it may be worthwhile for the Group to structure in a way that allows FKL to concentrate on our competitive advantage. At this point, we may consider consolidating our business to put resources to the core, ramp up production, generate revenue and move forward.

Finally, on behalf of the Board of Directors, I would like to thank all the shareholders, business partners, suppliers and customers for your long-term support and trust. I would like to express my sincere gratitude and appreciation to the employees for their dedication and hard work. We will strive to become a leading cathode materials and battery manufacturer, create a better world for tomorrow and create better returns for our shareholders.

Cao Zhong
Chairman

Hong Kong, 28 June 2018

SELECTED AWARDS

Award	Presenter
FDG Kinetic – Corporate	
The Most Valuable Small-Mid Cap Company, Golden Hong Kong Equities Award	Zhitong Finance and Tonghuashun Finance
Certificate of Excellence Investor Relations	Hong Kong Investor Relations Association
Best Investor Relations for a Hong Kong Listed Company	New Fortune Magazine
Cathode Materials Segment	
Advanced Technology Corporate Certificate	Chongqing Science and Technology Committee
2017 Chongqing accredited Corporate Technology Centre	Chongqing Economic and Information Committee

Mr. Cao Zhong
Chairman & Executive Director

Mr. Cao, aged 58, 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 each 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 54, is the Vice Chairman and executive director of the Company. He is also a director of a subsidiary of the Company. Mr. Sun is currently the vice chairman for China's business in SK Holdings Co., Ltd. He was a director and the chief executive officer of SK China Company Limited ("SK China", a shareholder of the Company) from 2013 to 2017. 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.* (北京博達智慧網路系統工程有限公司), 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 58, 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 each of the Nomination Committee, Remuneration Committee, Executive Committee and Risk Committee of the Company. He also holds directorships in various subsidiaries of the Company. Mr. Miao was the deputy chairman and an executive director of FDG from May 2010 to June 2018. 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 37, is an executive director of the Company and a member of each 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 senior 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 55, 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.

Mr. Hung Chi Yuen Andrew
Independent Non-executive Director

Mr. Hung, aged 49, is an independent non-executive director of the Company. He is also the chairman of each of the Audit Committee and Risk Committee of the Company and a member of each of the Nomination Committee, Remuneration Committee and Credit Risk Committee of the Company. 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 71, is an independent non-executive director of the Company and a member of each of the Audit Committee, Nomination Committee, Remuneration Committee and Risk Committee of the Company. Professor Sit was an independent non-executive director of Asia Energy Logistics Group Limited (Stock Code: 351) from June 2010 to July 2017, 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 75, 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 each of the Audit Committee, Nomination Committee and Risk Committee of the Company. 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 AnAn International Limited (formerly known as "CEFC International Limited") and AGV Group Limited (companies whose shares are listed on the Singapore Exchange Securities Trading Limited (the "Singapore Exchange")) respectively and an independent director of Fourth-Link Inc. (a company whose shares are listed on the Korea Exchange). He was the independent director of Lifebrandz Ltd. (a company whose shares are listed on the Singapore Exchange) from January 2015 to April 2017. 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.

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 2018.

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 2018 are set out in Note 42 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group for the year ended 31 March 2018 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 18 to 27 of this annual report, the discussion thereof forms 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 2018 is set out in Note 6 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 45 to 46 of this annual report.

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

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 116 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

The largest supplier of the Group by itself and together with the other four largest suppliers accounted for approximately 49.3% and 94.9% of the Group's total purchases for the year respectively.

The largest customer of the Group by itself and together with the other four largest customers accounted for approximately 39.7% and 83.2% 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 32(b) to the consolidated financial statements.

ISSUANCE OF NEW SHARES

Details of the issuance of new shares of the Company during the year are set out in "Capital Structure" under "Management Discussion and Analysis" section on page 26 of this annual report.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 49 of this annual report and Note 41(a) to the consolidated financial statements respectively.

DIRECTORS

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

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

Non-executive Directors:
Dr. Chen Yanping
Professor Chen Guohua *(resigned on 1 December 2017)*

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. Sun Ziqiang, Dr. Chen Yanping and Mr. Hung Chi Yuen Andrew will retire from office by rotation at the forthcoming annual general meeting of the Company. Dr. Chen Yanping has decided not to stand for re-election. The other two retiring directors, namely Mr. Sun Ziqiang and Mr. Hung Chi Yuen Andrew, 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 2018, 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:

1. INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES 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.

2. LONG POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE ASSOCIATED CORPORATIONS OF THE COMPANY

(a) FDG Electric Vehicles Limited ("FDG")

Name of directors	Capacity	Number of ordinary shares of the associated corporation	Number of underlying shares (unlisted and physically settled equity derivatives) of the associated corporation *(Note 6)*	Total number of ordinary shares and underlying shares of the associated corporation	Approximate percentage of issued ordinary share capital of the associated corporation *(Note 7)*
Mr. Cao Zhong	Beneficial owner	6,800,000	230,000,000	236,800,000	1.05%
	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	523,000,000	5,627,572,167 *(Notes 1 and 5)*	25.11%
Mr. Miao Zhenguo	Beneficial owner	–	195,000,000	195,000,000	0.87%
	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	558,000,000	6,349,881,122 *(Notes 2 and 5)*	28.33%
Mr. Jaime Che	Beneficial owner	1,000,000	166,000,000	167,000,000	0.74%
	Interest of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	7,761,432,165	587,000,000	8,348,432,165 *(Notes 3 and 5)*	37.25%
Dr. Chen Yanping	Beneficial owner	–	162,000,000	162,000,000	0.72%
	Interest of controlled corporation	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	591,000,000	7,695,307,165 *(Notes 4 and 5)*	34.33%

Notes:

1. Mr. Cao Zhong is interested or deemed to be interested in a total of 8,515,432,165 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 230,000,000 share options[Note 6] held by Mr. Cao; and (iv) 5,104,572,167 shares and 523,000,000 share options[Note 6] held by the other parties to the Undertaking[Note 5].

2. Mr. Miao Zhenguo is interested or deemed to be interested in a total of 8,515,432,165 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) 195,000,000 share options[Note 6] held by Mr. Miao; and (iv) 5,791,881,122 shares and 558,000,000 share options[Note 6] 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 8,515,432,165 shares and underlying shares of FDG including: (i) 1,000,000 shares and 166,000,000 share options[Note 6] held by Mr. Che; and (ii) 7,761,432,165 shares and 587,000,000 share options[Note 6] 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 8,515,432,165 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) 162,000,000 share options[Note 6] held by Dr. Chen; and (iii) 7,104,307,165 shares and 591,000,000 share options[Note 6] held by the other parties to the Undertaking[Note 5].

5. On 26 February 2016, CITIC International Assets Management Limited, Star Mercury Investments Ltd., Mr. Cao Zhong, Mr. Miao Zhenguo, 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 of FDG held by the other parties to the Undertaking under Section 317(1)(a) of the SFO.

6. The interests in the underlying shares of FDG represent interests in options granted to the directors named above by FDG to subscribe for shares of FDG under a share option scheme of FDG.

7. These percentages are calculated on the basis of 22,413,077,108 shares of FDG as at 31 March 2018.

(b) 杭州長江汽車有限公司 (Hangzhou Changjiang Automobile Co., Ltd.)*

Name of director	Capacity	Number of ordinary shares of the associated corporation	Number of underlying shares (unlisted and physically settled equity derivatives) of the associated corporation	Approximate percentage of issued ordinary share capital of the associated corporation
Mr. Cao Zhong	Interest of controlled corporation	Registered capital of RMB498,300,000 *(Note)*	–	49.83%

Note:

Mr. Cao Zhong is deemed to be interested in the registered capital of the associated corporation of the Company through 北京紫荊聚龍科技投資有限公司 (Beijing Bauhinia Julong Technology and Investment Co. Ltd.*) which is 49.83% held by a group of affiliated limited liability partnerships in which Mr. Cao has an aggregate effective interest of 69.98%.

* *For identification purpose only*

(c) 杭州長江乘用車有限公司 (Hangzhou Changjiang Passenger Vehicles Co., Ltd.*)

Name of director	Capacity	Number of ordinary shares of the associated corporation	Number of underlying shares (unlisted and physically settled equity derivatives) of the associated corporation	Approximate percentage of issued ordinary share capital of the associated corporation
Mr. Cao Zhong	Interest of controlled corporation	Registered capital of RMB88,110,000 *(Note)*	–	33.00%

Note:

Mr. Cao Zhong is deemed to be interested in the registered capital of the associated corporation of the Company through 北京紫荊聚龍科技投資有限公司 (Beijing Bauhinia Julong Technology and Investment Co. Ltd.*) which is 49.83% held by a group of affiliated limited liability partnerships in which Mr. Cao has an aggregate effective interest of 69.98%.

(d) Advanced Lithium Electrochemistry (Cayman) Co., Ltd. ("ALEEES")

Name of director	Capacity	Number of ordinary shares of the associated corporation	Number of underlying shares (unlisted and physically settled equity derivatives) of the associated corporation	Approximate percentage of issued ordinary share capital of the associated corporation
Mr. Jaime Che	Beneficial owner	–	2,000,000 *(Note)*	0.95%

Note:

Mr. Jaime Che is interested in 2,000,000 underlying shares of ALEEES (a company listed on the Taipei Exchange, Stock Code: 5227), representing interests in the options granted to him on 2 March 2018 to subscribe for 2,000,000 shares of ALEEES at an exercise price of TWD30.00 per share (subject to adjustments) during the period from 2 March 2020 to 1 March 2028.

The options stated above are subject to a vesting period up to three years with half of the options becoming exercisable 24 months after the date of grant and the remainder becoming exercisable 36 months after the date of grant.

(e) 簡式國際汽車設計(北京)有限公司 (Jasmin International Auto R&D (Beijing) Co., Ltd.*)

Name of director	Capacity	Number of ordinary shares of the associated corporation	Number of underlying shares (unlisted and physically settled equity derivatives) of the associated corporation	Approximate percentage of issued ordinary share capital of the associated corporation
Dr. Chen Yanping	Beneficial owner	Registered capital of RMB7,200,000	–	9.00%

Save as disclosed above, as at 31 March 2018, 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.

* *For identification purpose only*

SHARE OPTION SCHEME

Details of the share option scheme adopted by the Company on 29 August 2017 and movements of the options during the year are set out in Note 32(e) to the consolidated financial statements.

EMPLOYEES' SHARE AWARD SCHEME

The Company has adopted an employees' share award scheme. Employees, directors or advisors/consultants of any member of the Group or any employee of such advisor or consultant or any other person as determined by the board of directors of the Company will be entitled to participate. Details of the employees' share award scheme of the Company are disclosed in the announcement of the Company dated 10 February 2017.

No shares were awarded under the employees' share award scheme of the Company during the year ended 31 March 2018.

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 32(e) 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 11 to the consolidated financial statements.

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

As at 31 March 2018, 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 shareholders	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 4)*
Sinopoly Strategic Investment Limited	Beneficial owner	3,447,222,490 (L) 3,447,222,490 (S)	– –	3,447,222,490 (L) 3,447,222,490 (S)	51.05% (L) 51.05% (S)
Union Grace Holdings Limited	Beneficial owner	1,588,235,294 (L) 1,588,235,294 (S)	294,117,647 (L) 294,117,647 (S) *(Note 1)*	1,882,352,941 (L) 1,882,352,941 (S)	27.87% (L) 27.87% (S)
FDG	Interest of controlled corporations *(Note 2)*	5,035,457,784 (L) 5,035,457,784 (S)	294,117,647 (L) 294,117,647 (S)	5,329,575,431 (L) 5,329,575,431 (S)	78.92% (L) 78.92% (S)
Sino Power Resources Inc.	Person having a security interest in shares *(Note 3)*	5,035,457,784 (L)	–	5,035,457,784 (L)	74.56% (L)

Name of substantial shareholders	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 4)*
China Orient Asset Management (International) Holding Limited	Interest of controlled corporations *(Note 3)*	5,035,457,784 (L)	–	5,035,457,784 (L)	74.56% (L)
Wise Leader Assets Ltd.	Interest of controlled corporations *(Note 3)*	5,035,457,784 (L)	–	5,035,457,784 (L)	74.56% (L)
Dong Yin Development (Holdings) Limited	Interest of controlled corporations *(Note 3)*	5,035,457,784 (L)	–	5,035,457,784 (L)	74.56% (L)
China Orient Asset Management Co., Ltd.	Interest of controlled corporations *(Note 3)*	5,035,457,784 (L)	–	5,035,457,784 (L)	74.56% (L)

Notes:

1. The interests in the underlying shares of the Company represent interests in the shares of the Company 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 was deemed or taken to be interested in (i) 3,447,222,490 shares held by Sinopoly Strategic Investment Limited which is a direct wholly-owned subsidiary of FDG; (ii) 1,588,235,294 shares held by Union Grace Holdings Limited which is an indirect wholly-owned subsidiary of FDG; and (iii) 294,117,647 underlying shares held by Union Grace Holdings Limited.

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

3. Sino Power Resources Inc. is a wholly-owned subsidiary of China Orient Asset Management (International) Holding Limited ("COAMI"). COAMI is held as to 50% by Wise Leader Assets Ltd. ("Wise Leader") and as to 50% by Dong Yin Development (Holdings) Limited ("Dong Yin"). Wise Leader is a wholly-owned subsidiary of Dong Yin, which in turn is a wholly-owned subsidiary of China Orient Asset Management Co., Ltd. ("COAMC"). Accordingly, COAMI, Wise Leader, Dong Yin and COAMC were deemed to have the same long position as Sino Power Resources Inc..

4. These percentages are calculated on the basis of 6,753,293,913 shares of the Company as at 31 March 2018.

Save as disclosed above, as at 31 March 2018, 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 (who resigned as director of FDG on 12 June 2018), Mr. Jaime Che and Dr. Chen Yanping had also been directors of FDG, a controlling shareholder of the Company, which is also engaged in the business of research and development, manufacture and sale of cathode materials for lithium-ion batteries. Mr. Cao Zhong had also been a substantial shareholder of FDG.

Save as disclosed above, during the year ended 31 March 2018, none of the directors of the Company or their respective close associates was interested in any business, apart from the Group's businesses, which competes or is likely to compete, either directly or indirectly, with the Group's businesses pursuant to Rule 8.10(2) of the Listing Rules.

PERMITTED INDEMNITY PROVISIONS

During the year ended 31 March 2018, 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 transactions, arrangements or 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.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group in the normal course of business during the year ended 31 March 2018 are set out in Note 40 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 26 and 30 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 the 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 a share option scheme. The purpose of such scheme is to provide incentive to selected participants, including the directors and eligible employees of the Company. Details of the share option scheme of the Company are set out in Note 32(e) to the consolidated financial statements.

The Company has adopted an employees' share award scheme. Details of the employees' share award scheme of the Company are set out on page 14 of this annual report.

The Company has established an employee benefit trust for the employees of the Group and other persons as designated to receive awarded shares to be vested under the employees' share award scheme and share options to be granted under the share option scheme (if applicable). The objective is to provide 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 39 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 LISTED SECURITIES OF THE COMPANY

During the year ended 31 March 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

DONATIONS

There were no charitable donations made by the Group during the year ended 31 March 2018.

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.

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.

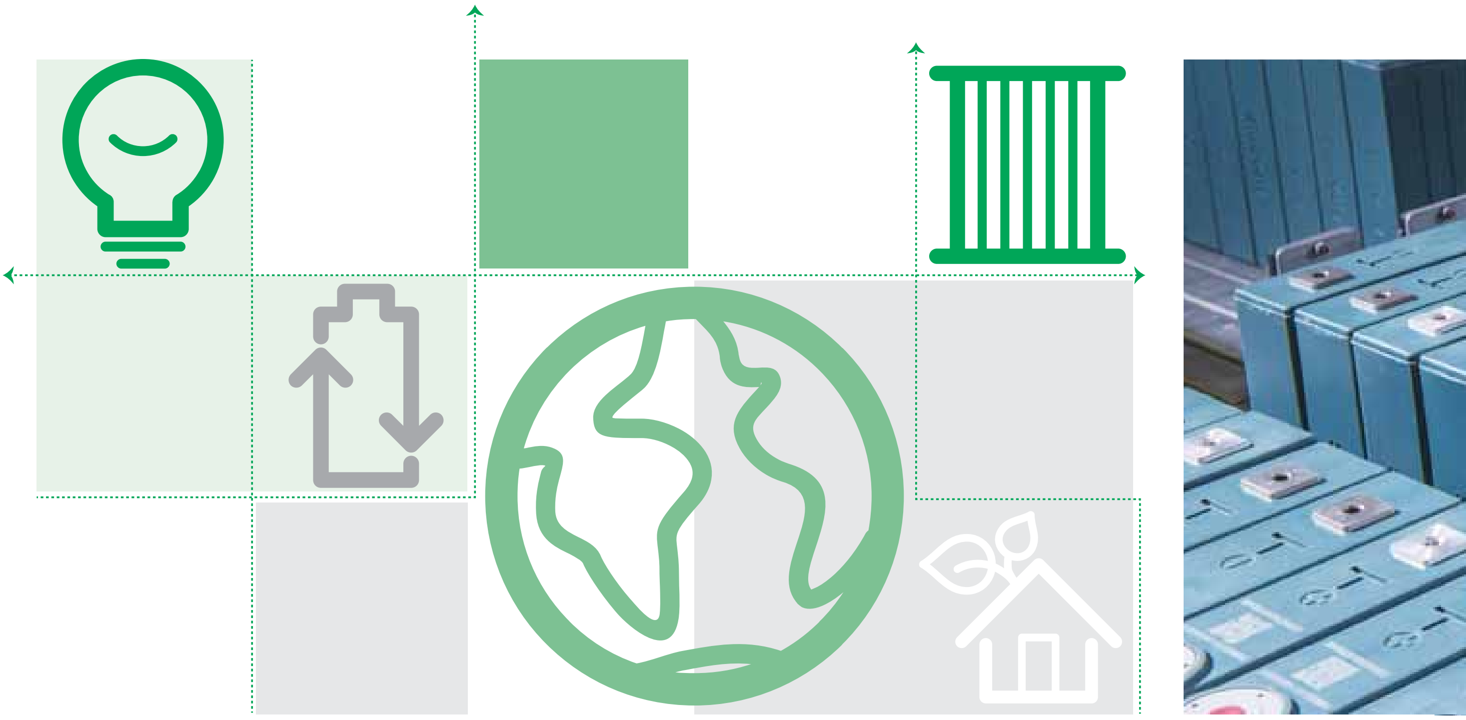
The consolidated financial statements of the Company for (i) the fifteen months ended 31 March 2016; (ii) the year ended 31 March 2017; and (iii) the year ended 31 March 2018 were audited by Deloitte Touche Tohmatsu.

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.

On behalf of the Board

Cao Zhong
Chairman

Hong Kong, 28 June 2018



FDG Kinetic Limited ("FKL" or the "Company", stock code: 378) adheres to a philosophy of "Green and Growth", gradually establishing and improving its lithium-ion batteries industry chain. The Company and its subsidiaries (the "Group") are principally engaged in research and development, manufacturing and trading of cathode materials for lithium-ion batteries and direct investments, including securities trading, loan financing and asset investment. FKL also holds equity interests in Advanced Lithium Electrochemistry (Cayman) Co., Ltd. ("ALEEES", listed on the Taipei Exchange, stock code: 5227) and Sinopoly Battery Limited. FKL strategically positions ourselves in the cathode materials and lithium-ion battery segment. FKL is an indirect non-wholly owned subsidiary of FDG Electric Vehicles Limited ("FDG", stock code: 729).

MARKET OVERVIEW

MATCHING BATTERIES' SUPPLY AND DEMAND AND THE DISCUSSION REGARDING THE AFTER LIFE OF BATTERIES

The global demand for batteries remained steady during the year ended 31 March 2018 (the "Year"). The market trend for batteries was largely impelled by the demand in electric vehicles as the battery was the most essential component of an electric vehicle. Other uses of batteries such as in electric cycles, digital devices and energy storage account for the rest of the demand. According to Bloomberg, approximately 55% of global lithium-ion battery production plants are already based in China, compared with only 10% in the United States. By 2021, China's share of battery production plants is forecasted to grow to 65%.

According to the data compiled by Gaogong Industrial Research Institute (GGII), China's battery output was 44.5GWh in 2017, a significant increase of 44% compared to 2016. The battery market in China has grown by 12% to an approximate worth of RMB72.5 billion, an increase of 12% year-on-year. The mismatched supply and demand was primarily due to the adjustments in government policies in 2017, decreased government subsidies and the shift of costs from OEMs (Original Equipment Manufacturers) to battery makers. In 2017, batteries installed by OEMs for new energy vehicles totalled 36.2GWh, an increase of 29% compared to 2016's 28.0GWh. Most of the batteries were installed in the second half of 2017, as most OEMs accelerated electric vehicles production after adopting to the change in policies in the beginning of the year.

The Lithium-ion Battery of Sinopoly Battery

As batteries produced previously were expected to last for around 6–10 years, since the launch of new energy vehicles in 2010, there is an increasing need to recycle these batteries. Batteries could either be reused in other segments or be broken down to extract raw materials, thus the consideration of the echelon use of the batteries after their first life in the electric vehicles has been becoming more imminent. The Chinese Government views batteries as a strategic industry for the 2020s and beyond. A series of regulations on power battery size, standardisation in sequencing and numbering and the discussion on echelon recycling of batteries have been released by the National Technical Committee of Auto Standardization (NTCAS) in 2017, such as the *Interim Measures for the Management of the Utilisation of Power Batteries for New Energy Vehicles* (*「新能源汽車動力蓄電池回收利用管理暫行辦法」*) and the *Specification of Lithium-ion Battery Enterprise Safety Production* (*「鋰電子電池企業安全生產規範」*).

DOWNSTREAM DEMAND PROPELLED UPSTREAM CATHODE MATERIALS SUPPLY IN VOLUME AND PRICES ON A COMBINED BASIS

In 2017, GGII's data showed that China increased its total production of cathode materials by 28% to 208,000 tonnes. In particular, Lithium-Nickel-Manganese-Cobalt-Oxide ("NCM") materials accounted for 86,100 tonnes, an increase of 59% year-on-year. Among all NCM materials produced in 2017, NCM523 accounted for 65%, with a production volume of 55,296 tonnes. In the past year, Chinese corporates have shown an increasing appetite for NCM materials instead of Lithium-Iron-Phosphates ("LFP") materials, primarily due to vast demand for small-size electric vehicles such as electric cars. Such unprecedented demand have pushed up prices as well as total production volume available in market. The price of NCM523 cathode material peaked to over RMB230,000 per tonne, setting a high water mark over the last decade.

BUSINESS REVIEW

2017 was one of the most challenging years as macro factors impacted the electric vehicle industry. However, this was also a year of considerable progress for FKL as it once again delivered a solid set of results by consolidating our strategic plan to build the electric vehicle manufacturing chain for the parent company FDG. We made our first step into the province of Guizhou and Sichuan to build a new cathode material production base and a new battery production base; and, we have guaranteed revenue coming from the cathode materials segment by having most of our NCM cathode materials production capacity of the Chongqing production base allocated for carrying out subcontractor works for a customer until the end of December 2018.

FKL would like to report Group revenue of HK$262.3 million for the financial year ended 31 March 2018. Net loss attributable to shareholders was approximately HK$1 billion, including HK$694 million of one off impairment. Management is focused on rigorously managing all costs, without adversely impacting the product's quality and safety standards.

BATTERY BUSINESS

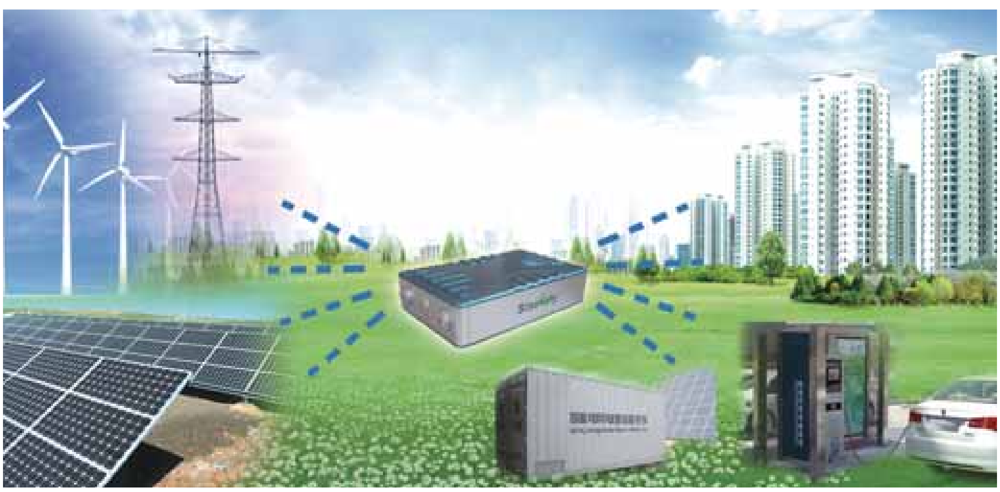
2017 has been a challenging year for the battery making business in China. The end users of batteries have been demanding higher energy density batteries from battery makers. As subsidies for electric vehicles reduces further, some of the costs have been shifted from electric vehicle OEMs to battery makers, which makes it more competitive for battery manufacturers. While considerable challenges persist in 2017, FDG's business model enabled FKL & FDG to better control the quality of the heart of the electric vehicles, the batteries. This also allowed us to mitigate the supplier risk as well as empowered us to produce quality-on-par with the market's batteries for own consumption and third party uses.

Adjusting for seasonality, the bestselling batteries in the second half of 2017 for our Jilin battery production base were the 200Ah batteries, 215Ah batteries and the 100Ah batteries accordingly. In line with the Group-wide cost reduction programme, management for our battery production bases managed to reduce direct raw material cost while increase per unit of labour productivity. The Group was also able to bargain for lower costs and pass on the pressure from downstream to our upstream suppliers in the purchasing of LFP materials, electrolytes, battery covers and separators. As a result, direct material cost has been cut by almost 10% year-on-year. Other management measures such as advanced production planning, scaled up production and maximised utilisation rate during seasonality fluctuations to control the costs in the production lines have also been proven effective.

In November 2017, FDG announced a plan to construct a whole new electric vehicle and battery production base in Jianyang, in the province of Sichuan. The completion of the battery factory could support FKL's parent company, FDG, in its future ramp up of the imminent electric vehicle demand. When the construction of the Group's planned gigafactories is fully ramped, the Group would have achieved a maximum battery production capacity of 6.3GWh.

LFP batteries still excel in its chemical stability compared to other chemistries. It has a higher melting point, higher lifespan and, most importantly, safer. As space is far less of an issue in larger commercial vehicles, emphasis on safety is of paramount importance because people is taken in them. LFP is therefore the expected choice of batteries for these passenger-taking buses which puts the welfare of individuals' safety first. These batteries are also not impacted directly by the increase in prices of the oligopolized supply of cobalt.

Our proprietary research and development efforts in battery development includes the continuous development in electric vehicle power batteries and energy storage system batteries. Our battery arm also develops our own modules such as building an LFP system of higher energy density, researching on a high density NCM811 system for passenger vehicles, building a Si-C negative electrode system, as well as building a high level of safety composite separators' development. The Group has also upgraded the 200Ah battery to become the 215Ah battery, with energy density improving from 114Wh/kg to 120Wh/kg. Lifespan of our batteries have also increased by 30% so that they can charge and discharge more times before concluding their first lives as batteries in electric vehicles.



CATHODE MATERIAL BUSINESS

FKL's two existing production lines A1 and A2 in Chongqing has been in full-on production in the Year, with a maximum annual designed capacity of 2,400 tonnes. Production lines A3 & A4 are expected to be completed in 2018 which would enable the Chongqing cathode materials factory to produce a maximum of 4,800 tonnes annually. In October 2017, FKL expanded upstream by partnering with Guizhou Guian Asset Investment Co., Ltd. (「貴州貴安產業投資有限公司」) and ALEEES to build a production base to manufacture cathode materials with a maximum annual production of 30,000 tonnes of both LFP and NCM materials.

FKL's cathode materials production in Chongqing fluctuated with the increase in asking price for NCM cathode materials in China. NCM523 price rose to a new peak for the past decade, and is expected to rise further due to propelled demand from downstream electric vehicles segment. The structural shift towards higher energy density requirements in electric cars contributed to the increase in NCM prices. Adjusted for seasonality, the overall gross margin for the segment was at 0.1%. The fluctuation was caused by the change in raw material prices.

On 26 March 2018, FKL announced that most of the Chongqing's production capacity in all production lines have been allocated for carrying out subcontracting work for a customer until 31 December 2018. As a result, the Group is expecting a guaranteed revenue stream at a steady gross margin from the cathode materials segment going forward at least until the end of December 2018.

The research and development department of FKL's cathode materials segment was led by a group of experts from Korea and Japan. The team developed proprietary expertise, patents and intellectual properties to improve cathode materials manufacturing. Currently the Group has already been granted with 9 patents while 2 additional applications are in progress. The Group operates our own physical and chemical laboratories with imported testing equipment which could analyse main elements, impurities, particle size and perform electron testing so that the performance and reliability of each batch of materials is guaranteed. The group's engineers and technical managers imposed strict quality control during the production process.

RISK FACTORS

Policy Risks

Policies related to the New Energy Vehicle ("NEV") industry are part of the national strategy in China. As such, businesses in the industry such as the Company are subject to the changes in these policies. Currently NEV companies, battery companies and other related industries in the supply chain benefited from the generous subsidies from state and local governments. There is no guarantee that these subsidies would continue or if these subsidies sustain at the current level.

Market Risks

We may experience significant delays or other complications in bringing to market and ramping production of new products. Various factors could result in delays in its production ramp, including the capacity of our suppliers to deliver us components at the timing and volumes we require and production limitations that are needed to maintain our quality production standards. Occasionally we have unexpected delays. Our long-term success will be dependent upon our ability to achieve market acceptance of our batteries and our cathode materials. Although current feedback has been positive, there is no guarantee that future demand for our batteries and our cathode materials will meet our expectations. We are also dependent on our suppliers, and the inability of these suppliers to continue to deliver, or their refusal to deliver, necessary components in a timely manner at prices, quality levels, and volumes acceptable to us would have a material adverse effect on our financial condition and operating results. The battery and cathode materials markets are highly competitive, and we may not be successful in competing in this industry. We currently face competition from international competitors and we expect to face competition from others in the future, including competition from companies with new technology.

Environmental Policies and Performance

The lithium-ion batteries of the Company are produced according to the international environmental protection standards with modern production technologies. The Company selects high-performance LFP cathode materials and environment-friendly water-based adhesive as raw materials, the lithium-ion battery products produced by the Company possess the advantages of superior performance, longer lifecycle and lower costs.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Company is devoted to creating a career development path and a good working environment for employees. In addition to induction training for new staff, the Company will also provide on-the-job training to all staff in a timely manner to encourage employees to 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 all staff. Compensation is payable according to the performance and qualifications of the employees. The company has also set up an employee equity incentive plan to reward outstanding staff. We also recognise that work life balance is important to employees. A variety of staff activities are organised from time to time. We care about the physical and mental health of staff and together we create 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. All products have passed rigorous tests and inspections to ensure quality, safety and are of highest standards.

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 a strict set of criteria.

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 and Specifications that 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 aspects of but not limited to capacity, energy, power, efficiency, standard life cycle, working life cycle etc.

FINANCIAL REVIEW

During the year under review, the Group recorded a revenue of approximately HK$262.3 million, representing a slight decrease of approximately 6.4% as compared with the revenue of approximately HK$280.2 million of the year ended 31 March 2017. Such decrease was mainly due to slight decreasing sales of cathode material of the battery materials production business segment.

The Group's loss attributable to equity shareholders of the Company for the year ended 31 March 2018 amounted to approximately HK$1,026.7 million, representing a substantial increase of approximately HK$820.5 million as comparing with the loss of approximately HK$206.2 million for the year ended 31 March 2017. The increase was mainly attributable to the combination effects of the followings:

(i) impairment losses on interests in two associates, Synergy Dragon Limited ("SDL") and Advanced Lithium Electrochemistry (Cayman) Co., Ltd. ("ALEEES"), amounted to approximately HK$472.2 million and HK$61.0 million, respectively, caused by the decrease in demand of battery products under the new energy subsidy policies which in return influence the demand of cathode material for battery, with the changes of the business prospects of these businesses, the expected future cash flows decreased and impairment losses were recognised;

(ii) impairment loss on goodwill of the cathode materials for battery materials production business amounted to approximately HK$153.0 million as a result of the completion of construction of new production lines and launch of new products is longer than expected, and the impact on fixed selling price to a customer with a steady gross margin. The carrying amount of this business is higher than its recoverable amount;

(iii) other net loss of approximately HK$29.6 million for the year under review (year ended 31 March 2017: net gain of approximately HK$5.5 million), mainly attributable from write-down of inventories of approximately HK$37.7 million due to decrease in market price of certain inventories;

(iv) the finance costs amounted to approximately HK$96.6 million were comprised of the interest expenses on the convertible bonds, finance leases and bank and other borrowings, which representing a decrease of approximately HK$25.4 million as comparing with approximately HK$122.0 million for the year ended 31 March 2017. Such decrease was mainly due to partial repayment of bank and other borrowings and finance leases during the year under review; and

(v) the share of loss of associates amounted to approximately HK$189.2 million (year ended 31 March 2017: share of loss of approximately HK$72.1 million) which was mainly attributable from two associates, SDL and ALEEES, amounted to approximately HK$139.6 million (year ended 31 March 2017: approximately HK$54.8 million) and approximately HK$49.6 million (year ended 31 March 2017: approximately HK$17.3 million), respectively, the substantial increase in share of loss of associates was caused by the increase in losses of these associates following changes in subsidy policies for batteries and electric vehicles in China.

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$219.2 million from the sales of cathode materials for NCM lithium-ion batteries, representing a slight decrease of approximately 6.4% as compared with the revenue of approximately HK$234.2 million for the year ended 31 March 2017. Such decrease was mainly due to tightening of credit control on existing customers which limited our sales.

This battery materials production business segment brought a loss before tax of approximately HK$326.6 million to the Group during the year under review, which included share the loss of an associate, ALEEES, of approximately HK$49.6 million, the non-recurring impairment loss on ALEEES, of approximately HK$61.0 million, and impairment loss on goodwill of the battery materials production business amounted to approximately HK$153.0 million. Following the cooperation agreement signed on 26 March 2018 by the Group with a customer, the Group's capacity was nearly full, which achieve a steady gross profit margin to the Group. With the construction of new production lines requiring longer than expected time schedules and the longer time to launch the new products, impairment loss on goodwill of approximately HK$153.0 million was recognised. The Group holds approximately 21.85% of total issued ALEEES shares. ALEEES is principally engaged in the business of production, research and development and sales and marketing of cathode materials for lithium ferrous phosphate batteries. Most of the customers of ALEEES were from China, which was influenced by the new energy subsidy policies and keen competition in the market.

Without taking into account of share of loss of ALEEES of approximately HK$49.6 million, the one-off impairment loss on ALEEES of approximately HK$61.0 million and impairment loss on goodwill of approximately HK$153.0 million for the year ended 31 March 2018, the battery material production business of Chongqing factory incurred a loss before tax of approximately HK$63.0 million during the year under review, which is nearly the same as corresponding year as comparing with the loss before tax of approximately HK$61.2 million for the year ended 31 March 2017.

In order to further strive for efficiency, the Group will expand the production capacity of Chongqing factory by the use of other new borrowings facility obtained in June 2017, 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 vehicles and energy storage systems. 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 income of approximately HK$43.1 million (year ended 31 March 2017: approximately HK$46.0 million) mainly comprised of approximately HK$26.9 million (year ended 31 March 2017: approximately HK$29.5 million) of the interest accrued for the secured bond issued by FDG Electric Vehicles Limited ("FDG") to the Company.

The Group's investments measured at fair value recorded a net gain of approximately HK$13.2 million for year ended 31 March 2018 (year ended 31 March 2017: net gain of approximately HK$9.4 million).

During the year under review, the interest expenses on the convertible bonds amounted to approximately HK$84.6 million (year ended 31 March 2017: approximately HK$114.5 million).

The Group shared the gain of a joint venture, 華能壽光風力發電有限公司 ("Huaneng Shouguang") of approximately HK$3.5 million for the year ended 31 March 2018 (year ended 31 March 2017: share of gain of approximately HK$0.5 million). Huaneng Shouguang is a wind power electricity developer and operator in the PRC. It generated electricity of 77.0 million kWh and revenue of approximately Renminbi ("RMB") 37.7 million during the year under review.

During the year under review, the Group shared the loss of an associate of approximately HK$139.6 million (year ended 31 March 2017: share of loss of approximately HK$54.8 million) and impairment loss of approximately HK$472.2 million, which represented 25% interest in an associate, SDL. Share of loss increased mainly due to the decreased demand and selling price of batteries following changes in subsidies for batteries and electric vehicles in China. SDL is an investment holding company. Its wholly-owned subsidiary, Sinopoly Battery Limited 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. Due to decrease in sales and the decrease in gross profit margin with decreased production outputs, SDL wider it losses in the current financial year, further, the impairment loss on interest in SDL was recognised as its carrying amounts was higher than the recoverable amounts. The impairment loss of approximately HK$472.2 million was recognised, which mainly represent the goodwill and intangible assets recognised by the Group at initial acquisition in 2015.

GEOGRAPHICAL ANALYSIS OF REVENUE

During the year ended 31 March 2018, Hong Kong and the PRC contributed approximately 16.4% (year ended 31 March 2017: 16.3%) and 83.6% (year ended 31 March 2017: 83.7%) to the Group's total revenue respectively.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2018, the Group's net assets attributable to equity shareholders of the Company amounted to approximately HK$1,096.0 million (31 March 2017: approximately HK$1,448.5 million). Net assets attributable to equity shareholders of the Company per share were approximately HK$0.16 (31 March 2017: approximately HK$0.28). The Group's total assets of approximately HK$1,817.5 million (31 March 2017: approximately HK$2,804.3 million) mainly consisted of goodwill of approximately HK$335.9 million (31 March 2017: approximately HK$441.2 million), intangible assets of approximately HK$72.0 million (31 March 2017: approximately HK$79.0 million), property, plant and equipment and interests in leasehold land held for own use under operating lease of approximately HK$199.8 million (31 March 2017: approximately HK$198.1 million), interests in associates of approximately HK$524.1 million (31 March 2017: approximately HK$1,009.1 million), interest in a joint venture of approximately HK$112.6 million (31 March 2017: approximately HK$98.3 million), loan receivables of approximately HK$160.3 million (31 March 2017: approximately HK$154.5 million) and cash and cash equivalents of approximately HK$74.1 million (31 March 2017: approximately HK$65.9 million). The decrease of the total assets for the current year compared with last year amounted to approximately HK$986.8 million was mainly due to (i) the goodwill of approximately HK$335.9 million as at 31 March 2018, decreased by approximately HK$105.3 million as compared with approximately HK$441.2 million as at 31 March 2017; (ii) the interests in associates of approximately HK$524.1 million as at 31 March 2018, decreased by approximately HK$485.0 million as compared with approximately HK$1,009.1 million as at 31 March 2017; and (iii) investment in a secured bond of HK$370 million has been settled during the year.

As at 31 March 2018, the non-current assets of approximately HK$1,311.9 million, comparing with the amount of approximately HK$1,826.4 million as at 31 March 2017, representing a decrease of approximately HK$514.5 million. Such decrease are mainly due to the impairment losses incurred by interests in associates, SDL and ALEEES, amounting to approximately HK$472.2 million and HK$61.0 million respectively and impairment loss on goodwill amounting to approximately HK$153.0 million, netting off with the increase of deposits paid for non-current assets amounting to approximately HK$66.8 million during the year under review.

As at 31 March 2018, the current assets amounted to approximately HK$505.5 million, representing a decrease of approximately 48.3% as compared with the current assets of approximately HK$977.9 million as at 31 March 2017. Such decrease was mainly attributable to (i) the pledged bank deposits and cash and cash equivalents of approximately HK$85.5 million as at 31 March 2018, decreased by approximately HK$4.7 million as compared with approximately HK$90.2 million as at 31 March 2017; (ii) the trade receivables of approximately HK$65.9 million as at 31 March 2018, decreased by approximately HK$62.5 million as compared with approximately HK$128.4 million as at 31 March 2017, resulting from tightening of credit control on our customers and the impairment loss incurred amounted to approximately HK$7.6 million; and (iii) the inventories of approximately HK$45.0 million as at 31 March 2018, decreased by approximately HK$29.8 million as compared with approximately HK$74.8 million as at 31 March 2017, resulting from the written down incurred amounting to approximately HK$37.7 million. 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 2018, the bank and other borrowings included (i) bank borrowings of approximately HK$49.9 million (31 March 2017: approximately HK$60.8 million), denominated in RMB, were secured, interest bearing at floating rates and repayable within one year. Such bank borrowings were granted under a general banking facilities by a bank in the People's Republic of China (the "PRC"). The general banking facilities were secured by, inter alia, certain land and buildings of the Group with carrying amounts of approximately HK$121.8 million (31 March 2017: approximately HK$116.4 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.; (ii) the other borrowings of approximately HK$32.6 million as at 31 March 2017 is denominated in United States dollars, were unsecured, guaranteed by the Company and interest bearing at a fixed rate, which has been fully repaid during the year under review; and (iii) the other borrowings of approximately HK$86.2 million (31 March 2017: Nil), out of which approximately HK$35.1 million, approximately HK$37.3 million and approximately HK$13.8 million were repayable within one year, within one to two years and within two to five years, respectively. The other borrowings is denominated in RMB, was secured, bear fixed interest rate and guaranteed by an indirect wholly-owned subsidiary of an associate. The Group's bank and other borrowings are mostly event driven, with little seasonality.

As at 31 March 2018, the Group's obligations under finance leases amounted to approximately HK$46.0 million (31 March 2017: approximately HK$69.9 million), out of which approximately HK$33.4 million (31 March 2017: approximately HK$28.4 million), approximately HK$12.6 million (31 March 2017: approximately HK$30.1 million) and nil (31 March 2017: approximately HK$11.4 million) were repayable within one year, within one to two years and within two to five years, respectively. The obligations under finance leases were secured by certain machineries of the Group with carrying amounts of approximately HK$74.6 million (31 March 2017: 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 has been fully settled during the year under review.

As at 31 March 2018, the current liabilities of approximately HK$645.0 million representing an increase of approximately HK$49.7 million comparing with the amount of approximately HK$595.3 million as at 31 March 2017. Such increase was mainly due to the reclassification of the liability component of the convertible bonds of approximately HK$192.6 million from non-current liabilities to current liabilities as the convertible bonds to be due on August 2018, the increase of amount due to an associate amounted to approximately HK$159.1 million for the payable of investment cost in an associate and net off by the decrease of loan from the ultimate holding company amounting to approximately HK$320.4 million during the year under review.

As at 31 March 2018, non-current liabilities of approximately HK$76.5 million representing a decrease of approximately HK$684.0 million comparing with the amount of approximately HK$760.5 million as at 31 March 2017, which mainly representing the exercise of convertible bonds by FDG in the aggregate principal amount of HK$540.0 million and an independent third party of HK$10.0 million, respectively.

As at 31 March 2018, the Group's non-current liabilities comprised mainly the long term portion of bank and other borrowings of approximately HK$51.1 million (31 March 2017: approximately HK$46.1 million) and long term portion of obligations under finance leases of approximately HK$12.6 million (31 March 2017: approximately HK$41.5 million).

As at 31 March 2018, the Group's gearing ratio, without taking into account of the liability component of convertible bonds of approximately HK$192.6 million (31 March 2017: approximately HK$659.5 million), was approximately 16.6% (31 March 2017: approximately 11.3%) calculated on the basis of bank and other borrowings of approximately HK$136.1 million (31 March 2017: approximately HK$93.3 million) and obligations under finance lease of approximately HK$46.0 million (31 March 2017: approximately HK$69.9 million) to total equity of the Company of approximately HK$1,096.0 million (31 March 2017: approximately HK$1,448.5 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. 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.

CAPITAL STRUCTURE

During the year ended 31 March 2018, a total of 1,617,647,058 new shares of the Company were issued and allotted upon the conversion of the convertible bonds due 2018 which are convertible into new shares of the Company at an initial conversion price of HK$0.34.

As a result, the number of shares of the Company in issue increased from 5,135,646,855 as at 1 April 2017 to 6,753,293,913 as at 31 March 2018.

Save as disclosed above, the Group had no other debt securities or other capital instruments as at 31 March 2018.

MATERIAL ACQUISITIONS AND DISPOSALS

During the year ended 31 March 2018, the Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures.

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

There were pledge of assets as at 31 March 2018 and 31 March 2017 with details disclosed under the section headed "Liquidity and Financial Resources". In addition, certain bank deposits of approximately HK$11.4 million (31 March 2017: approximately HK$24.3 million) were pledged for bills payable.

The Group had no significant contingent liabilities as at 31 March 2018 (31 March 2017: Nil).

CAPITAL COMMITMENTS

Details of the capital commitments of the Group are set out in Note 38 to the consolidated financial statements.

HUMAN RESOURCES

As of 31 March 2018, the Group had 18 employees in Hong Kong (31 March 2017: 19 employees) and 86 employees in the PRC (31 March 2017: 85 employees). Total staff costs (including directors' remunerations) during the year ended 31 March 2018 amounted to approximately HK$25.1 million (year ended 31 March 2017: approximately HK$24.7 million). The remuneration policies are determined with reference to market conditions and individual performance of staff. The Group participates in Mandatory Provident Fund Scheme in Hong Kong and state managed retirement benefit schemes in the PRC.

The Group has share option scheme, share award scheme and employee benefit trusts for the benefit of its directors and eligible participants.

There were no material changes in human resources structure and compensation approach during the year ended 31 March 2018. No share option was granted, exercised, cancelled or lapsed under the share option scheme during the year under review.

FUTURE DEVELOPMENT

FKL performed fairly in the Year considering the challenging market conditions. FKL could complement our parent company FDG to plan production of batteries and cathode materials based on the demand for electric vehicles. The accurate production planning helps both FDG and FKL to benefit from economies of scale, minimise wastage during the production processes as well as reduce supplier risk from price or quality perspective. In a similar manner, we could capture the margin from head to toe in addition to planning for production ahead as market demand transforms. Resources such as cathode materials and batteries would be in huge demand as the new energy vehicle market evolves, as such, competition for high quality batteries and cathodes would only intensify in the future. FKL has already intentionally premeditated such risks well ahead of competition. Over time, we believe our tactical strategy could bring long-term competitive advantages to the Group.

We have also persisted to place accentuation on bettering our battery qualities for the LFP batteries used in production of our electric vehicles, as well as improving the quality of the NCM cathode materials that we manufacture. The Group understands that the market trend going forward would be to attain higher energy density batteries to support the evermore rigid requirements in the electric vehicle industry and the energy storage industry. We are constantly remodelling our existing LFP batteries, such as developing a whole new lithium-based casing to push energy densities higher. This improvement benefits from the safer chemistry in LFP batteries and turns our products into a golden standard in this class of LFP batteries. In our cathode materials segment, the Group's research and development team has been working on reconstructing the existing NCM523 cathode materials, and has been advancing with NCM622, NCM811 and other non-conventional chemistries for Chinese customers such as Nickel Cobalt Aluminium ("NCA") materials.

FKL will strive to become a battery and cathode materials manufacturer who cares for the environment. We fully understand that as more electric vehicles are deployed to the market, eventually, batteries used in these electric vehicles would have to retire. The mere battery disposal is considered hazardous for the environment, and thus it is prohibited to dispose them to landfills nor taken to incineration as corrosive liquids may leak. Since LFP batteries excel in its number of cycles recharged, it is worthwhile to consider for a second life of these batteries with its echelon use. Batteries in electric vehicles today, especially LFP batteries, do not necessarily need to be torn down into parts for recycling. Instead, they could be used for valuable energy storage. On the other hand, considering that cobalt is an expensive raw material, ternary batteries could be recycled by breaking down its contents. Adhering to the Group's "Green and Growth" strategy, FKL will grasp these valuable business opportunities we will not only aim to be a socially responsible corporate, but also enter into a venture that is profitable and sustainable for the long term.

FKL will focus on the battery and cathode materials businesses while FKL's parent company, FDG, will focus on building the best quality commercial electric vehicles as their core business. While we used to be strategically vertically-integrated, FKL and FDG as a whole may consider focusing on the core business only, excel in that business and then progress onwards. As both listed companies each specialises in our respective strengths, it may be worthwhile for FKL and FDG to structure in a way that allows FKL to concentrate on our competitive advantage. At this point, we may consider consolidating FKL and FDG's business to put resources to the core, ramp up production, generate revenue and move forward.

While it is too early to call an absolute stabilisation in the battery and cathode materials segments, supportive policies from the Chinese Government in these industries, sequential growth in the electric vehicle segment in China, greater clarity on the structural shift of the subsidies towards a more market-oriented approach, confirmed revenue from our Chongqing's cathode materials production base until the end of 2018 should be viewed positively. FKL has already complemented FDG and has already had a full strategic blueprint in place in anticipation of future orders. Nevertheless, we expect the global economy to experience a wide range of challenges which may result in less predictive trends and greater volatility in the shorter term.

We believe that together, we will transform mobility for tomorrow into a greener and a more economical one for all, segment by segment.

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 (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 2018 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 appointments of company secretaries of the company were dealt with by written resolutions in April 2017 and October 2017. As all directors were individually consulted on the matters without any dissenting opinion prior to the execution of the relevant written resolutions, it was considered that there was no need to approve the matters by physical board meetings.

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 2018.

BOARD OF DIRECTORS

Composition

The composition of the Board during the year ended 31 March 2018 and up to the date of this report is as follows:

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 *(resigned on 1 December 2017)*

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" on pages 6 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 Director and Independent Non-executive Directors

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

The term of appointment of the non-executive director and 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 2018, 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 meetings and one additional meeting during the year ended 31 March 2018. 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		5[a]/5
Mr. Sun Ziqiang		5[b]/5
Mr. Miao Zhenguo		5/5
Mr. Jaime Che		5/5
Non-executive Directors:		
Dr. Chen Yanping		5[b]/5
Professor Chen Guohua	*(Resigned on 1 December 2017)*	3[a]/4
Independent Non-executive Directors:		
Mr. Hung Chi Yuen Andrew		5/5
Professor Sit Fung Shuen Victor		5[a]/5
Mr. Toh Hock Ghim		5/5

Notes:

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

b. Including two 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. All directors have been actively participating in different aspects of professional training to develop and refresh their knowledge and skills. A summary of the trainings relating to corporate governance and regulatory updates received by the directors for the year ended 31 March 2018 is as follows:

Name of directors		Attending trainings/seminars	Reading relevant materials
Executive Directors:			
Mr. Cao Zhong		–	✓
Mr. Sun Ziqiang		–	✓
Mr. Miao Zhenguo		✓	✓
Mr. Jaime Che		✓	✓
Non-executive Directors:			
Dr. Chen Yanping		✓	✓
Professor Chen Guohua	*(Resigned on 1 December 2017)*	–	✓
Independent Non-executive Directors:			
Mr. Hung Chi Yuen		✓	✓
Professor Sit Fung Shuen Victor		✓	✓
Mr. Toh Hock Ghim		✓	✓

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 2018. 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[a]/1
Mr. Cao Zhong	1/1
Mr. Miao Zhenguo	1/1

Note:

a. Having another director acted as his representative.

During the year ended 31 March 2018, 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 2017 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 2018, 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 2018. The individual attendance records of the committee members are as follows:

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

Note:

a. Having another director acted as his representative.

During the year ended 31 March 2018, 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 2017 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 2018. 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 2018, the Audit Committee (i) reviewed the accounting policies and practices adopted by the Group; (ii) reviewed the Company's results for the year ended 31 March 2017 and six months ended 30 September 2017 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.

The Audit Committee has reviewed with the management and the Auditor the audited results of the Group for the year ended 31 March 2018.

Risk Committee

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 with specific terms of reference.

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 Risk Committee held two meetings during the year ended 31 March 2018. 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
Mr. Miao Zhenguo	2/2
Mr. Jaime Che	2/2
Professor Sit Fung Shuen Victor	2/2
Mr. Toh Hock Ghim	2/2

During the year ended 31 March 2018, the Risk Committee (i) reviewed the effectiveness of the Group's risk management system; and (ii) reviewed the risk management reports for the year ended 31 March 2017 and six months ended 30 September 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 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 with specific terms of reference. It meets as and when necessary to review lending portfolio and monitor lending risk.

AUDITOR'S REMUNERATION

For the year ended 31 March 2018, the Auditor received approximately HK$2,397,000 for audit service and approximately HK$564,000 for non-audit service regarding review of interim results.

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 37 to 44 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 2018, the internal audit department of the Company reviewed the effectiveness of the Group's risk management and internal control systems, inter alia, the financial, operational and compliance controls functions of the Group. No material deficiencies have been identified during the review. The relevant findings and recommendations have been reported to the Audit Committee/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 (the "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 2018, the Company held the annual general meeting on 29 August 2017 (the "AGM"). The individual attendance records of the directors at the AGM are as follows:

Name of directors		Number of AGM attended/held
Executive Directors:		
Mr. Cao Zhong		1/1
Mr. Sun Ziqiang		1/1
Mr. Miao Zhenguo		1/1
Mr. Jaime Che		1/1
Non-executive Directors:		
Dr. Chen Yanping		1[a]/1
Professor Chen Guohua	*(Resigned on 1 December 2017)*	1[a]/1
Independent Non-executive Directors:		
Mr. Hung Chi Yuen Andrew		1/1
Professor Sit Fung Shuen Victor		1/1
Mr. Toh Hock Ghim		1/1

Note:

a. Having another director acted as his representative.

The Chairman of the Board attended the AGM and invited the chairmen of the audit, remuneration and nomination committees to attend. In case of absence of committee chairman, the chairman invited another member of the committee to attend for answer questions at the AGM.

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 2018, 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 2018, 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 6106, fax at (852) 2506 0007, email at investor@fdgkinetic.com or directly in person through participation in general meetings.

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 45 to 115, which comprise the consolidated statement of financial position as at 31 March 2018, 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 2018, 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.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 1 to the consolidated financial statements which indicates that the Group incurred a net loss of approximately HK$1,026,653,000 during the year ended 31 March 2018 and, as of that date, had net current liabilities of approximately HK$139,451,000. The consolidated financial statements have been prepared on the assumption that the Group will be able to operate as a going concern in the foreseeable future, the appropriateness of which depends on the ongoing availability of financial support from the Company's ultimate holding company, FDG Electric Vehicles Limited ("FDG"), who has agreed to provide adequate funds to enable the Group to meet in full its financial obligations as they fall due for a period of twelve months from the date the consolidated financial statements are approved by the directors of the Company. As further described in FDG's consolidated financial statements for the year ended 31 March 2018, FDG is also implementing measures to improve its own liquidity position, the ultimate success of which cannot be determined at this stage. Should the above financing be unavailable, the Group may be unable to operate on a going concern, in which case adjustments might have to be made to the carrying values of the Group's assets to state them at their recoverable amounts, to provide for any further liabilities which might arise and to reclassify its non-current assets and non-current liabilities to current assets and current liabilities, respectively. These conditions, along with other matters as set forth in note 1 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 for 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. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

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 that 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 belongs 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.	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 and terminal growth rate applied; • 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.

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 that belongs to the battery materials production segment of the Group (continued)	
As detailed in notes 4 and 15 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 2018 were HK$335,878,000, HK$72,012,000, HK$180,962,000 and HK$18,836,000, 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, an impairment of HK$152,969,000 was made to the goodwill and no impairment was identified on the intangible assets and other tangible assets related to FDG Kinetic (Chongqing) as at 31 March 2018.	

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Valuation of interests in associates	
We identified the valuation of interests 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 interests 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 interests in ALEEES and SDL. As set out in note 4 to the consolidated financial statements, when there is an indication that interests in associates may suffer an impairment loss, management assesses the recoverable amounts of the associates, which are based on the higher of fair value less costs of disposal and value in use. In determining the value in use of interest in ALEEES, the management of the Group had prepared a discount cash flow projections. 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.	Our procedures in relation to the valuation of interests 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 for the valuation of SDL; • Evaluating the appropriateness of the models used to calculate the recoverable amounts; • Evaluating the reasonableness of the budgeted sales and gross margin of ALEEES and SDL, by considering their respective historical results, the financial budgets approved by their respective directors, the available industry and market data; and • Evaluating the appropriateness of the discount rates used and terminal growth rates applied.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Valuation of interests in associates (continued)	
In determining the value in use 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 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. As disclosed in note 18 to the consolidated financial statements, as the recoverable amounts of ALEEES and SDL, which are based on the higher of fair value less costs of disposal and value in use, are lower than their corresponding carrying amounts, an impairment of HK$61,000,000 and HK$472,184,000, were recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2018, respectively.	

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
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 4 to the consolidated financial statements, in determining the recoverability of trade receivables, the management of the Group considers 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 2018, the carrying amount of trade receivables was HK$65,875,000 (net of allowance for doubtful debts of HK$11,307,000).	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 2018, 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.

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.

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

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.

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
28 June 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	*5*	**262,303**	280,233
Cost of sales		**(218,895)**	(224,635)
		43,408	55,598
Other income		**3,042**	856
Other gains and losses	*7*	**(29,612)**	5,514
Selling and distribution costs		**(3,829)**	(2,693)
General and administrative expenses		**(61,490)**	(62,425)
Research and development expenses		**(11,739)**	(11,348)
Finance costs	*8*	**(96,555)**	(122,019)
Impairment loss on goodwill	*14 & 15*	**(152,969)**	–
Impairment losses on interests in associates	*18*	**(533,184)**	–
Share of results of associates		**(189,154)**	(72,111)
Share of results of a joint venture		**3,493**	543
Loss before taxation		**(1,028,589)**	(208,085)
Income tax credit	*9*	**1,936**	1,894
Loss for the year	*10*	**(1,026,653)**	(206,191)
Other comprehensive income/(expense)			
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of foreign operations		**74,908**	(51,008)
– Share of investment revaluation reserve of an associate		**16,209**	(16,209)
– Share of other comprehensive income/(expense) of associates		**62,031**	(45,043)
– Share of other comprehensive income/(expense) of a joint venture		**10,837**	(6,277)
Other comprehensive income/(expense) for the year		**163,985**	(118,537)
Total comprehensive expense for the year		**(862,668)**	(324,728)

	Note	**2018 HK$'000**	2017 HK$'000
Loss for the year attributable to owners of the Company		**(1,026,653)**	(206,191)
Other comprehensive income/(expense) for the year attributable to owners of the Company		**163,985**	(118,537)
Total comprehensive expense for the year attributable to owners of the Company		**(862,668)**	(324,728)
		HK cents	HK cents
Loss per share	*13*		
Basic and diluted		**(17.64)**	(4.01)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Goodwill	14	**335,878**	441,216
Intangible assets	16	**72,012**	78,953
Property, plant and equipment	17	**181,008**	180,736
Interests in leasehold land held for own use under operating lease	17	**18,836**	17,378
Interests in associates	18	**524,120**	1,009,098
Interest in a joint venture	19	**112,591**	98,261
Loan receivables	21	**360**	398
Deposits paid for non-current assets		**66,772**	–
Other non-current assets		**367**	367
		1,311,944	1,826,407
Current assets			
Inventories	23	**45,028**	74,841
Trade and other receivables	24	**122,847**	176,604
Loan receivables	21	**159,963**	154,122
Financial assets at fair value through profit or loss	20	**22,500**	46,406
Investment in a secured bond	22	**–**	370,000
Amount due from an associate	18	**69,699**	65,719
Pledged bank deposits	25	**11,375**	24,296
Cash and cash equivalents	25	**74,101**	65,893
		505,513	977,881
Current liabilities			
Bank and other borrowings	26	**84,960**	47,193
Trade and bills payables	27(a)	**43,089**	68,411
Accruals and other payables	27(b)	**127,289**	126,759
Loan from the ultimate holding company	28	**–**	320,400
Obligations under finance leases	29	**33,389**	28,394
Liability component of convertible bonds	30	**192,561**	–
Amount due to an associate	18	**159,120**	–
Tax payables		**4,556**	4,132
		644,964	595,289
Net current (liabilities)/assets		**(139,451)**	382,592
Total assets less current liabilities		**1,172,493**	2,208,999
Non-current liabilities			
Bank and other borrowings	26	**51,107**	46,115
Obligations under finance leases	29	**12,588**	41,497
Liability component of convertible bonds	30	**–**	659,510
Deferred tax liabilities	31	**12,806**	13,409
		76,501	760,531
NET ASSETS		**1,095,992**	1,448,468

	Note	2018 HK$'000	2017 HK$'000
CAPITAL AND RESERVES	*32*		
Share capital		**1,350,659**	1,027,129
Reserves		**(254,667)**	421,339
TOTAL EQUITY		**1,095,992**	1,448,468

The consolidated financial statements on pages 45 to 115 were approved and authorised for issue by the Board of Directors on 28 June 2018 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 2018

	Attributable to owners of the Company								
	Share capital HK$'000 *(Note 32(b))*	Share premium HK$'000	Contributed surplus HK$'000 *(Note 32(c)(i))*	Exchange reserve HK$'000	Equity component of convertible bonds HK$'000 *(Note 30)*	Investment revaluation reserve HK$'000 *(Note 32(c)(ii))*	Other reserve HK$'000 *(Note 32(c)(iii))*	Accumulated losses HK$'000	Total HK$'000
At 1 April 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
Loss for the year	–	–	–	–	–	–	–	(1,026,653)	(1,026,653)
Other comprehensive income	–	–	–	147,776	–	16,209	–	–	163,985
Total comprehensive income/ (expense) for the year	–	–	–	147,776	–	16,209	–	(1,026,653)	(862,668)
Conversion of convertible bonds	323,530	1,556,664	–	–	(1,370,002)	–	–	–	510,192
At 31 March 2018	**1,350,659**	**2,429,465**	**82,445**	**34,979**	**498,183**	**–**	**6,849**	**(3,306,588)**	**1,095,992**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	2018 HK$'000	2017 HK$'000
Operating activities		
Loss before taxation	**(1,028,589)**	(208,085)
Adjustments for:		
Amortisation of intangible assets	**14,604**	14,288
Amortisation of interests in leasehold land held for own use under operating lease	**395**	387
Depreciation of property, plant and equipment	**4,916**	4,610
Finance costs	**96,555**	122,019
Loss on disposal of property, plant and equipment	**673**	639
Impairment losses on interests in associates	**533,184**	–
Impairment loss on goodwill	**152,969**	–
Impairment losses on trade receivables	**7,553**	1,225
Interest income	**(43,448)**	(46,744)
Reversal of impairment losses on trade receivables	**(607)**	–
Net gain on financial assets designated as at fair value through profit or loss	**–**	(1,066)
Net gain on held-for-trading investments	**(13,170)**	(8,318)
Share of results of associates	**189,154**	72,111
Share of results of a joint venture	**(3,493)**	(543)
Write-down of inventories	**37,743**	1,574
Reversal of write-down of inventories	**(2,520)**	–
Operating cash flows before movements in working capital	**(54,081)**	(47,903)
Decrease in inventories	**13,667**	15,559
Decrease/(increase) in held-for-trading investments	**37,076**	(613)
Decrease in financial assets designated as at fair value through profit or loss	**–**	29,347
Decrease in loan receivables	**–**	9,756
Decrease/(increase) in trade and other receivables	**60,269**	(97,717)
(Decrease)/increase in trade and bills payables	**(30,888)**	8,036
Increase in accruals and other payables	**11,130**	31,883
Cash generated from/(used in) operations	**37,173**	(51,652)
Interest received	**12,576**	17,647
Net cash from/(used in) operating activities	**49,749**	(34,005)

	Notes	2018 HK$'000	2017 HK$'000
Investing activities			
Settlement of investment in a secured bond	36	**54,999**	–
Withdrawal of pledged bank deposits		**33,715**	45,566
Placement of pledged bank deposits		**(19,036)**	(48,666)
Proceeds from disposal of property, plant and equipment		**12**	–
Deposit paid for non-current assets		**(63,059)**	–
Purchase of property, plant and equipment		**(542)**	(2,342)
Investment in an associate		**–**	(393,066)
Net cash from/(used in) investing activities		**6,089**	(398,508)
Financing activities			
Repayment to ultimate holding company	36	**(67,052)**	–
Repayment of bank and other borrowings		**(64,981)**	(11,531)
Repayment of finance lease obligations		**(29,709)**	(13,897)
Interest paid		**(11,678)**	(67,084)
New bank and other borrowings raised		**97,357**	–
Loan from the ultimate holding company	36	**31,253**	350,000
Proceeds from sale and leaseback transaction		**–**	86,067
Net cash (used in)/from financing activities		**(44,810)**	343,555
Net increase/(decrease) in cash and cash equivalents		**11,028**	(88,958)
Cash and cash equivalents at beginning of the year		**65,893**	157,634
Effect of foreign exchange rate changes		**(2,820)**	(2,783)
Cash and cash equivalents at end of the year		**74,101**	65,893

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 42.

In preparing the consolidated financial statements, the directors of the Company (the "Directors") have given careful consideration to the future liquidity of the Group. While recognising that the Group had net current liabilities of approximately HK$139,451,000 as at 31 March 2018 and incurred a net loss of approximately HK$1,026,653,000 for the year then ended, the Directors are of the opinion that the Group will be able to meet its financial obligations as they fall due for the foreseeable future, the appropriateness of which depends on the financial support from FDG, who has agreed to provide adequate funds to enable the Group to meet in full its obligations as they fall due for a period of twelve months from the date the consolidated financial statements are approved by the Directors.

As further described in FDG's consolidated financial statements for the year ended 31 March 2018, FDG is also implementing measures to improve its own liquidity position, the ultimate success of which cannot be determined at this stage. The Directors believe that FDG would be able to provide adequate funds to enable the Group to meet in full its obligation as they fall due for a period of twelve months from the date the consolidated financial statements are approved by the Directors.

The Directors also consider that the Group will be able to manage the timing of the payment of investment cost in an associate to ensure the Group will have sufficient working capital to meet its obligations in the foreseeable future. In particular, a principle amount of HK$100,000,000 of convertible bond due August 2018 is owed to FDG and another principle amount of HK$100,000,000 of convertible bond due August 2018 is guaranteed by FDG.

Accordingly, the Directors consider that it is appropriate to prepare these consolidated financial statements on a going concern basis.

2. 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 (the "HKICPA") for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle

Except as described below, 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 and prior years and/or on the disclosures set out in these consolidated financial statements.

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

AMENDMENTS TO HKAS 7 "DISCLOSURE INITIATIVE"

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of consolidated financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in Note 35. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in Note 35, the application of these amendments has had no impact on the Group's consolidated financial statements.

NEW OR REVISED TO HKFRSs AND INTERPRETATIONS IN ISSUE BUT NOT YET EFFECTIVE

The Group has not early applied the following new and amendments to HKFRSs and interpretations 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]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]
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 9	Prepayment Features with Negative Compensation[2]
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 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[2]

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 2021.

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

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 which are relevant to the Group are:

- 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 financial assets 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.

- 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.

Based on the Group's financial instruments and risk management policies as at 31 March 2018, the Directors anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement

All other financial assets and liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

Impairment

In general, the Directors anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost and other items that are subject to the impairment position upon application of HKFRS 9 by the Group.

Based on the assessment by the Directors, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by the Group as at 1 April 2018 would be increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit loss provision on trade and other receivables, loan receivables and amount due from an associate. Such further impairment recognised under expected credit loss model would increase the opening accumulated losses as at 1 April 2018.

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

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

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 anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the Directors do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

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.

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 held for own use as investing cash flows 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 both presented as financing cash flows by the Group.

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

HKFRS 16 "LEASES" (CONTINUED)

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 relation to the Group's sale and leaseback arrangements, under HKFRS 16, the Group has to apply the requirements for determining when a performance obligation is satisfied in HKFRS 15 to determine whether the transfer of an asset is accounted for as a sale of that asset. If the transfer of an asset by the seller-lessee satisfies the requirements of HKFRS 15 to be accounted for as a sale of the asset, the seller-lessee measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the seller-lessee. Otherwise, the seller-lessee continues to recognise the transferred asset and recognises a financial liability equal to the transfer proceeds which is accounted for by applying HKFRS 9.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2018, the Group has non-cancellable operating lease commitments of approximately HK$302,000 as disclosed in Note 37. 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 29 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. Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

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.

3. 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".

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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;

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUSINESS COMBINATIONS (CONTINUED)

- 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; 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 acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

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 acquisition of an associate and a joint venture is described below.

INVESTMENTS IN ASSOCIATES AND A JOINT VENTURE

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS IN ASSOCIATES AND A JOINT VENTURE (CONTINUED)

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 a joint venture 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. Changes in net assets of the associate or joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes in ownership interest held by the Group. 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.

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LEASEHOLD LAND AND BUILDING

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

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 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.

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.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. 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 bases 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 differences 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.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates and interest in 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

TAXATION (CONTINUED)

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 fair value through profit or loss "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.

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 held-for-trading.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets (Continued)

Financial assets at FVTPL (Continued)

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 34(c).

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 other receivables, loan 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets (Continued)

Impairment of financial assets (Continued)

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 loss 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.

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, amount due to an associate 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, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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 have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 measuring the fair value of similar non-convertible instruments that does not have an associated equity component. 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.

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.

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 relevant 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.

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 (or a CGU) 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. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal, its value in use and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

4. 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 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 42)

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 15. 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 2018, the carrying amounts of goodwill, intangible assets, property and plant and equipment and interests in leasehold land held for own use under operating lease relating to FDG Kinetic (Chongqing) are approximately HK$335,878,000, HK$72,012,000, HK$180,962,000 and HK$18,836,000, respectively.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(II) VALUATION OF INTERESTS IN ASSOCIATES

When there is an indication that interests in associates may suffer an impairment loss, management assesses the recoverable amounts of the associates, which are based on the higher of fair value less costs of disposal and value in use of interests in ALEEES (as defined in Note 18) and SDL (as defined in Note 18) for the impairment assessment.

Interest in ALEEES

The value in use of interest in ALEEES is determined based on the discounted cash flow projections of ALEEES which is prepared by the management of 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 People's Republic of China (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.

Determining whether the interest in ALEEES is impaired requires an estimation of the value in use on the basis of data available to the Group. Where recoverable amount is less than expected, an impairment loss may arise.

As at 31 March 2018, the carrying amount of interest in ALEEES is approximately HK$274,261,000.

Interest in SDL

The value in use 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 and gross margin 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.

Determining whether the interest in SDL is impaired requires an estimation of the fair value less cost to sell on the basis of data available to the Group. Where recoverable amount is less than expected, an impairment loss may arise.

As at 31 March 2018, the carrying amount of interest in SDL is approximately HK$90,767,000.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(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, 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 2018, the carrying amount of trade receivables is approximately HK$65,875,000 (net of allowance for doubtful debts of approximately HK$11,307,000).

(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 2018, the carrying amount of loan receivables is approximately HK$160,323,000.

(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 30 and 34(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.

As at 31 March 2018, the carrying amount of financial assets at fair value through profit or loss is approximately HK$22,500,000.

5. REVENUE

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

	2018 **HK$'000**	2017 HK$'000
Sales of cathode materials for battery production	**219,180**	234,201
Interest income	**43,123**	46,032
Total	**262,303**	280,233

6. SEGMENT INFORMATION

The segment information reported to the executive directors of the Company, being the chief operating decision makers 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; and (2) lithium ferrous phosphate batteries representing the Group's interest in an associate, ALEEES (as defined in Note 18), which the Group subscribed its approximately 21.85% equity interest in August 2016; 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**	
	2018 **HK$'000**	2017 HK$'000	**2018** **HK$'000**	2017 HK$'000	**2018** **HK$'000**	2017 HK$'000
Reportable segment revenue from external customers	**219,180**	234,201	**43,123**	46,032	**262,303**	280,233
Reportable segment results	**(326,648)**	(61,192)	**(637,993)**	(118,715)	**(964,641)**	(179,907)
Unallocated corporate income					1,588	14
Central administrative costs, write-down of inventories and directors' remuneration					**(65,536)**	(28,192)
Loss before taxation					**(1,028,589)**	(208,085)

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment results represent profit or loss attributable to the segment without allocation of corporation income, central administrative costs, write-down of inventories and directors' remuneration. This is the measure reported to the executive directors of the Company for the purposes of resources allocation and performance assessment.

6. SEGMENT INFORMATION (CONTINUED)

Other segment information:

	Battery Materials Production		Direct Investments		Unallocated		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Amounts included in the measure of segment results or segment assets:								
Bank interest income	**(325)**	(712)	**–**	–	**–**	–	**(325)**	(712)
Loss on disposal of property, plant and equipment	**673**	639	**–**	–	**–**	–	**673**	639
Depreciation and amortisation	**19,898**	19,271	**–**	–	**17**	14	**19,915**	19,285
Interest expenses	**10,805**	7,516	**85,750**	114,503	**–**	–	**96,555**	122,019
Impairment loss on goodwill	**152,969**	–	**–**	–	**–**	–	**152,969**	–
Impairment losses on interests in associates	**61,000**	–	**472,184**	–	**–**	–	**533,184**	–
Impairment losses on trade receivables	**7,553**	1,225	**–**	–	**–**	–	**7,553**	1,225
Reversal of impairment losses on trade receivables	**(607)**	–	**–**	–	**–**	–	**(607)**	–
Share of results of associates	**49,667**	17,309	**139,487**	54,802	**–**	–	**189,154**	72,111
Share of results of a joint venture	**–**	–	**(3,493)**	(543)	**–**	–	**(3,493)**	(543)
Write-down of inventories	**–**	1,574	**–**	–	**37,743**	–	**37,743**	1,574
Reversal of write-down of inventories	**(2,520)**	–	**–**	–	**–**	–	**(2,520)**	–
Interest in associates	**433,353**	369,292	**90,767**	639,806	**–**	–	**524,120**	1,009,098
Interest in a joint venture	**–**	–	**112,591**	98,261	**–**	–	**112,591**	98,261
Addition to non-current assets *(Note)*	**222,721**	395,380	**–**	–	**–**	28	**222,721**	395,408

Note: Non-current assets excluded financial instruments.

6. 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:

	2018 HK$'000	2017 HK$'000
Segment assets		
Battery materials production	**1,274,307**	1,305,797
Direct investments	**467,377**	1,387,910
Total segment assets	**1,741,684**	2,693,707
Unallocated assets	**75,773**	110,581
Consolidated assets	**1,817,457**	2,804,288
Segment liabilities		
Battery materials production	**410,013**	246,524
Direct investments	**288,440**	1,087,760
Total segment liabilities	**698,453**	1,334,284
Unallocated liabilities	**23,012**	21,536
Consolidated liabilities	**721,465**	1,355,820

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, certain inventories, certain 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.

6. SEGMENT INFORMATION (CONTINUED)

(b) GEOGRAPHICAL INFORMATION

The Group's operations are mainly located in Hong Kong, 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)*	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**43,123**	45,573	**46**	63
The PRC	**219,180**	234,660	**1,037,277**	1,456,654
Taiwan	**–**	–	**274,261**	369,292
	262,303	280,233	**1,311,584**	1,826,009

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:

	2018	2017
	HK$'000	HK$'000
Customer A – revenue from battery materials production	**104,203**	59,871
Customer B – revenue from battery materials production	**57,735**	156,125
Customer C – revenue from direct investments	**26,924**	29,539

(d) REVENUE FROM MAJOR PRODUCTS AND SERVICES

The Group's revenue from its major products and services is disclosed in Note 5.

7. OTHER GAINS AND LOSSES

	2018 HK$'000	2017 HK$'000
Impairment losses on trade receivables	**7,553**	1,225
Loss on disposal of property, plant and equipment	**673**	639
Net foreign exchange (gain)/loss	**(60)**	432
Net gain on held-for-trading investments	**(13,170)**	(8,318)
Net gain on financial assets designated at FVTPL	**–**	(1,066)
Reversal of write-down of inventories	**(2,520)**	–
Reversal of impairment losses on trade receivables	**(607)**	–
Write-down of inventories	**37,743**	1,574
	29,612	(5,514)

8. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interest on convertible bonds *(Note 30)*	**84,614**	114,503
Interest on finance leases	**3,855**	2,975
Interest on bank and other borrowings	**8,086**	4,541
	96,555	122,019

9. INCOME TAX CREDIT

	2018 HK$'000	2017 HK$'000
Deferred tax *(Note 31)*	**(1,936)**	(1,894)
Total income tax credit for the year	**(1,936)**	(1,894)

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

The deferred tax of approximately HK$1,936,000 (2017: approximately HK$1,894,000) that has been credited to the consolidated statement of profit or loss and other comprehensive income arose from origination and reversal of temporary differences in respect of fair value adjustment on business combination.

9. INCOME TAX CREDIT (CONTINUED)

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

	2018 HK$'000	2017 HK$'000
Loss before taxation	**(1,028,589)**	(208,085)
Tax at the average income tax rates of 16.2% (2017: 16.2%)	**(166,469)**	(33,641)
Tax effect of share of results of associates and a joint venture	**30,634**	11,809
Tax effect of expenses not deductible for tax purpose	**129,388**	10,391
Tax effect of income not taxable for tax purpose	**(679)**	(176)
Tax effect of unused tax losses not recognised	**8,539**	13,123
Utilisation of tax losses previously not recognised	**(3,349)**	(3,400)
Income tax credit	**(1,936)**	(1,894)

10. LOSS FOR THE YEAR

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

	2018 HK$'000	2017 HK$'000
Contributions to defined contribution retirement plan	**1,842**	1,698
Salaries and other benefits	**27,922**	27,562
Less: Amounts capitalised in inventories	**(4,668)**	(4,610)
Staff costs, including directors' remuneration	**25,096**	24,650
Auditors' remuneration		
– audit service	**2,397**	2,347
– non-audit service	**564**	1,001
Cost of inventories recognised as expenses	**218,895**	224,635
Amortisation of intangible assets	**14,604**	14,288
Amortisation of interests in leasehold land held for own use under operating lease	**395**	387
Depreciation of property, plant and equipment	**18,021**	17,531
Less: Amounts capitalised in inventories	**(13,105)**	(12,921)
	4,916	4,610
Impairment loss on goodwill *(Note (i))*	**152,969**	–
Impairment losses on interests in associates *(Note (ii))*	**533,184**	–
Impairment losses on trade receivables	**7,553**	1,225
Write-down of inventories	**37,743**	1,574
Operating lease charges in respect of property rentals	**1,115**	1,130
Bank interest income	**(325)**	(712)

Notes:

(i) Affected by the tightening of credit control on existing customers, the sales and production decreased in current year. In addition, the gross profit margin for the new customer which a cooperation agreement was signed on 26 March 2018, was relatively low. Furthermore, as the existing production lines had already reached their maximum utilisation, the Group has to defer the launching of the new products and completion of construction of new production lines. These three factors resulted in a decrease of the expected future cash flows.

(ii) Affected by the new policies in the PRC on the quality of the lithium-ion batteries, the demand of the battery products produced by SDL (as defined in Note 18) in the PRC decreased, resulted in a decrease in the expected future cash flows. The carrying amount exceeded the recoverable amount, which was based on its value in use, that led to an impairment loss of HK$472,184,000.

At the end of the reporting period, the carrying amount of interest in an associate, ALEEES (as defined in Note 18), exceeded its recoverable amount which was based on its market value less cost of disposal of approximately HK$274,261,000 and thus an impairment loss of HK$61,000,000 was recognised in the consolidated statement of profit or loss and other comprehensive income.

11. DIRECTORS' EMOLUMENTS

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

For the year ended 31 March 2018

Name of directors	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses and carried interest HK$'000 *(Note)*	Retirement benefit schemes contributions HK$'000	Sub-total HK$'000	Share-based payments HK$'000	Total HK$'000
Executive directors							
Cao Zhong	3,000	–	–	18	3,018	–	3,018
Sun Ziqiang	2,400	–	–	18	2,418	–	2,418
Miao Zhenguo *(Chief Executive Officer)*	1,800	–	–	18	1,818	–	1,818
Jaime Che	1,800	–	–	18	1,818	–	1,818
	9,000	–	–	72	9,072	–	9,072
Non-executive directors							
Chen Yanping	1,800	–	–	–	1,800	–	1,800
Chen Guohua	267	–	–	–	267	–	267
	2,067	–	–	–	2,067	–	2,067
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
	12,267	–	–	72	12,339	–	12,339

11. DIRECTORS' EMOLUMENTS (CONTINUED)

For the year ended 31 March 2017

Name of directors	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses and carried interest HK$'000 *(Note)*	Retirement benefit schemes contributions HK$'000	Sub-total HK$'000	Share-based payments HK$'000	Total HK$'000
Executive directors							
Cao Zhong	2,982	–	–	18	3,000	–	3,000
Sun Ziqiang	2,531	–	–	4	2,535	–	2,535
Miao Zhenguo *(Chief Executive Officer)*	1,782	–	–	18	1,800	–	1,800
Jaime Che	1,782	–	–	18	1,800	–	1,800
	9,077	–	–	58	9,135	–	9,135
Non-executive directors							
Chen Yanping	1,800	–	–	–	1,800	–	1,800
Chen Guohua	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

Note: The amounts represented the actual discretionary bonus in respect the preceding year approved and paid to respective directors during the year.

11. DIRECTORS' EMOLUMENTS (CONTINUED)

Mr. Miao Zhenguo is the Chief Executive Officer of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive Officer.

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.

12. FIVE HIGHEST PAID EMPLOYEES

During the year ended 31 March 2018 and the year ended 31 March 2017, the five highest paid employees in the Group were the Directors, details of whose emoluments are disclosed in Note 11.

13. 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:

	2018 **HK$'000**	2017 HK$'000
Loss:		
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	**1,026,653**	206,191

	2018	2017
Number of shares:		
Issued ordinary shares at 1 April	**5,135,646,855**	5,135,646,855
Effect on issuance of new shares pursuant to conversion of convertible bonds	**684,850,926**	–
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**5,820,497,781**	5,135,646,855

The computation of diluted loss per share for the years ended 31 March 2018 and 2017 does not assume the conversion of the Company's outstanding convertible bonds since their assumed exercise would result in a decrease in loss per share.

14. GOODWILL

	Allocated to battery materials production HK$'000
COST	
At 1 April 2016	470,085
Exchange realignment	(28,869)
At 31 March 2017	441,216
Exchange realignment	47,631
At 31 March 2018	**488,847**
ACCUMULATED IMPAIRMENT	
At 1 April 2016 and 31 March 2017	–
Provided for the year	152,969
At 31 March 2018	**152,969**
CARRYING VALUES	
At 31 March 2018	**335,878**
At 31 March 2017	441,216

Particulars regarding impairment testing on goodwill are disclosed in Note 15.

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

For the purposes of impairment testing, goodwill set out in Note 14, intangible assets set out in Note 16 and property, plant and equipment and interests in leasehold land held for own use under operating lease set out in Note 17 have been allocated to FDG Kinetic (Chongqing) (as defined in Note 42) that belonging in the battery materials production segment of the Group, which is an individual CGU.

Management of the Group determines that the goodwill of this CGU is impaired by approximately HK$152,969,000 and no impairment for the intangible assets, property, plant and equipment and leasehold land held for own use under operating lease as at 31 March 2018.

15. IMPAIRMENT TESTING ON GOODWILL, INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT AND INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASE (CONTINUED)

The basis of the recoverable amount of the above CGU and the major underlying assumptions are summarised below:

The recoverable amount of this CGU of HK$448,656,000 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 23.35% (2017: 21.60%) 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% (2017: 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.

16. INTANGIBLE ASSETS

	Technical know-hows HK$'000
COST	
At 1 April 2016	105,186
Exchange realignment	(6,460)
At 31 March 2017	98,726
Exchange realignment	10,658
At 31 March 2018	**109,384**
ACCUMULATED AMORTISATION	
At 1 April 2016	6,196
Charge for the year	14,288
Exchange realignment	(711)
At 31 March 2017	19,773
Charge for the year	14,604
Exchange realignment	2,995
At 31 March 2018	**37,372**
NET BOOK VALUE	
At 31 March 2018	**72,012**
At 31 March 2017	78,953

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 15.

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

	Buildings HK$'000	Furniture, fixture and equipment HK$'000	Plant and machinery 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 April 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
Additions	–	293	249	542	–	542
Disposals	(801)	(17)	(24)	(842)	–	(842)
Exchange realignment	11,465	362	10,245	22,072	1,934	24,006
At 31 March 2018	**117,305**	**3,925**	**105,246**	**226,476**	**19,848**	**246,324**
ACCUMULATED DEPRECIATION						
At 1 April 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
Provided for the year	5,655	785	11,581	18,021	395	18,416
Eliminated on disposals	(139)	(12)	(6)	(157)	–	(157)
Exchange realignment	1,152	161	2,323	3,636	81	3,717
At 31 March 2018	**14,328**	**2,035**	**29,105**	**45,468**	**1,012**	**46,480**
NET BOOK VALUE						
At 31 March 2018	**102,977**	**1,890**	**76,141**	**181,008**	**18,836**	**199,844**
At 31 March 2017	98,981	2,186	79,569	180,736	17,378	198,114

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$121,813,000 (2017: approximately HK$116,359,000) were pledged as securities for the Group's bank borrowings (Note 26).

As at 31 March 2018, the carrying amount of plant and machinery of the Group included an amount of approximately HK$74,608,000 (2017: approximately HK$78,264,000) in respect of assets held under finance leases (Note 29).

17. 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
Furniture, fixture and equipment	3–10 years
Plant and machinery	7 years
Interests in leasehold land held for own use under operating lease	47 years

18. INTERESTS IN ASSOCIATES AND AMOUNT DUE FROM/TO AN ASSOCIATE

	2018 HK$'000	2017 HK$'000
Cost of investment in associates		
Listed in Taiwan	**393,066**	393,066
Unlisted	**909,120**	750,000
Share of post-acquisition losses and other comprehensive expenses	**(244,882)**	(133,968)
Less: Impairment loss *(Note (i))*	**(533,184)**	–
	524,120	1,009,098
Amount due from an associate *(Note (ii))*	**69,699**	65,719
Amount due to an associate *(Note (iii))*	**159,120**	–

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 2018	Proportion of ownership held by the Group 2017	Proportion of voting rights held by the Group 2018	Proportion of voting rights held by the Group 2017	Principal activities
Advanced Lithium Electrochemistry (Cayman) Co., Ltd. ("ALEEES")	Cayman Islands	Taiwan	New Taiwan Dollar ("NT$") 2,105,736,540	**21.85%**	21.85%	**21.85%**	21.85%	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
ALEEES (GuiZhou) Co., Ltd. ("ALEEES GuiZhou")* 立凱電能科技(貴州)有限公司 ("立凱")	The PRC	The PRC	RMB250,000,000	**51%** *(Note (iv))*	–	**40%**	–	Research and development, sales and manufacturing of new energy battery materials

18. INTERESTS IN ASSOCIATES AND AMOUNT DUE FROM/TO AN ASSOCIATE (CONTINUED)

* The English name of this company established in the PRC is directly translated from its Chinese name and is furnished for identification purpose only. Should any inconsistencies between the Chinese name and the English name exist, the Chinese name shall prevail.

Notes:

(i) For the interest in ALEEES, at the end of the reporting period, the carrying amount exceeded its recoverable amount which was based on its market value less cost of disposal of approximately HK$274,261,000 and thus an impairment loss of HK$61,000,000 was recognised in the consolidated statement of profit or loss and other comprehensive income. The market value less cost of disposal is categorised as Level 1 of fair value hierarchy.

For the interest in SDL, affected by the new policies in the PRC on the quality of the lithium-ion batteries in the second half of the financial year 2018, the demand of the battery products produced by SDL in the PRC decreased, resulted in a decrease in the expected future cash flows. The carrying amount exceeded the recoverable amount, which was based on its value in use, that led to an impairment loss of HK$472,184,000. The value in use was determined based on the discounted cash flow projections of SDL at the end of reporting period using a discount rate of 25.28% (2017: 20.96%).

(ii) As at 31 March 2018, the balance represented two unsecured loans to an associate with total principal sum of approximately HK$66,934,000 (2017: HK$65,000,000), which bear interest at 6% per annum and with maturity within one year. During the period, the loans were due and have been extended for one year.

(iii) As at 31 March 2018, the balance represented the unpaid investment cost in ALEEES GuiZhou, which is interest-free and with maturity within one year.

(iv) The entity is accounted for as an associate at the end of the reporting period as in accordance with the memorandum and articles of the entity, relevant activities of the entity requires consent with simple majority in the board of directors. The Group is able to appoint two out of five directors in the board of the entity, thus, the Group is only able to exercise significant influence in the entity.

Interests in associates are accounted for using the equity method in the consolidated financial statements.

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

	2018		2017	
	ALEEES HK$'000	**SDL HK$'000**	ALEEES HK$'000	SDL HK$'000
Current assets	**167,312**	**551,835**	247,952	874,215
Non-current assets	**908,215**	**2,075,859**	1,042,126	1,999,528
Current liabilities	**(35,828)**	**(907,449)**	(80,203)	(879,518)
Non-current liabilities	**(63,515)**	**(139,473)**	(77,910)	(47,035)

18. INTERESTS IN ASSOCIATES AND AMOUNT DUE FROM/TO AN ASSOCIATE (CONTINUED)

	2018		2017	
	ALEEES	**SDL**	ALEEES	SDL
	HK$'000	**HK$'000**	HK$'000 *(Note)*	HK$'000
Revenue	**153,106**	**146,176**	160,747	369,359
Loss for the year/period	**(227,227)**	**(557,950)**	(79,235)	(219,208)
Other comprehensive income/ (expense) for the year/period	**71,446**	**250,526**	(29,596)	(219,147)
Total comprehensive expense for the year/period	**(155,781)**	**(307,424)**	(108,831)	(438,355)
Dividends received from the associates during the year/period	**–**	**–**	–	–

Note: The financial information represents the profit or loss and other comprehensive expense from the date of completion of share subscription in ALEEES on 24 August 2016 to 31 March 2017.

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

	2018		2017	
	ALEEES	**SDL**	ALEEES	SDL
	HK$'000	**HK$'000**	HK$'000	HK$'000
Net assets of associates	**976,184**	**1,580,772**	1,131,965	1,947,190
Less: share of associates held by non-controlling interests	**(3)**	**–**	(3)	–
	976,181	**1,580,772**	1,131,962	1,947,190
Proportion of the Group's ownership interests in associates	**21.85%**	**25%**	21.85%	25%
Net assets of interests in associates attributable to the Group	**213,247**	**395,193**	247,278	486,798
Goodwill	**122,014**	**167,758**	122,014	153,008
Impairment	**(61,000)**	**(472,184)**	–	–
Carrying amounts of the Group's interests in associates	**274,261**	**90,767**	369,292	639,806

18. INTERESTS IN ASSOCIATES AND AMOUNT DUE FROM/TO AN ASSOCIATE (CONTINUED)

INFORMATION OF AN ASSOCIATE THAT IS NOT MATERIAL

	2018 HK$'000	2017 HK$'000
The Group's share of loss and total comprehensive expense	**(28)**	–
Carrying amount of the Group's interest in the associate	**159,092**	–

19. INTEREST IN A JOINT VENTURE

	2018 HK$'000	2017 HK$'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	**17,250**	2,920
	112,591	98,261

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

Name of associate	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 activities
				2018	2017	**2018**	2017	
Hua Neng Shou Guang Wind Power Generation Limited ("Hua Neng")* 華能壽光風力發電有限公司	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

* The English name of this company established in the PRC is directly translated from its Chinese name and is furnished for identification purpose only. Should any inconsistencies between the Chinese name and the English name exist, the Chinese name shall prevail.

19. INTEREST IN A JOINT VENTURE (CONTINUED)

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.

	Hua Neng	
	2018	2017
	HK$'000	HK$'000
Current assets	**46,561**	27,320
Non-current assets	**405,676**	390,229
Current liabilities	**(202,035)**	(199,191)
Non-current liabilities	**–**	–

	Hua Neng	
	2018	2017
	HK$'000	HK$'000
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**21,601**	10,609
Current financial liabilities (excluding trade and other payables and provisions)	**(200,525)**	(195,994)
Non-current financial liabilities (excluding trade and other payables and provisions)	**–**	–

19. INTEREST IN A JOINT VENTURE (CONTINUED)

	Hua Neng	
	2018	2017
	HK$'000	HK$'000
Revenue	**44,684**	39,815
Profit for the year	**8,574**	1,206
Other comprehensive income/(expense) for the year	**24,083**	(13,948)
Total comprehensive income/(expense) for the year	**32,657**	(12,742)
Dividends received from the joint venture during the year	**366**	–
The above profit for the year include the following:		
Depreciation and amortisation	**28,976**	(28,354)
Interest income	**249**	92
Interest expense	**–**	(7,961)
Income tax expense	**(2,960)**	(440)

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

	Hua Neng	
	2018	2017
	HK$'000	HK$'000
Net assets of a joint venture	**250,202**	218,358
Proportion of the Group's ownership interest in a joint venture	**45%**	45%
Carrying amount of the Group's interest in a joint venture	**112,591**	98,261

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018	2017
	HK$'000	HK$'000
Held-for-trading investments:		
Listed equity securities in Hong Kong	**15,495**	38,000
Unlisted funds	**7,005**	8,406
	22,500	46,406

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

21. LOAN RECEIVABLES

	2018 HK$'000	2017 HK$'000
Fixed-rate loan receivables	**168,073**	162,270
Less: allowance for doubtful debts	**(7,750)**	(7,750)
Net fixed-rate loan receivables *(Note)*	**160,323**	154,520
Presented by:		
Non-current assets	**360**	398
Current assets	**159,963**	154,122
	160,323	154,520

Included in the Group's loan receivables are debtors with aggregate carrying amount of approximately HK$59,925,000 (2017: approximately HK$54,086,000) which are past due over one year before the extension of the Contract Period (as defined in note below) for which the Group has not provided for impairment loss. A deposit of approximately HK$69,888,000 (2017: approximately HK$63,078,000) has been received by the Group as the settlement received in advance for such loan receivables. Details are set out in the note below.

Note: Included in net fixed-rate loan receivables are two debtors with carrying amounts of approximately HK$100,000,000 and HK$59,925,000 (2017: approximately HK$100,000,000 and HK$54,086,000) respectively. The principal amounts of the loan receivables are HK$100,000,000 and RMB50,000,000 (equivalent to approximately HK$62,400,000), 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 CITIC International Assets Management Limited ("CIAM") as its exclusive agent in collecting and handling the loan and its outstanding accrued interest for twenty four calendar months from 17 December 2015 (the "Contract Period"). CIAM should pay deposits by instalments of RMB56,000,000 in total (equivalent to approximately HK$63,078,000) to the Group by 31 May 2016. 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 the Group is able to use deposits received from CIAM to offset the loan. On 15 December 2017, the Contract Period has been extended for another six calendar months to 17 June 2018 and on 15 June 2018, the Contract Period has been extended for another three calendar months to 17 September 2018. 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 2018, the Group had received deposits of approximately HK$69,888,000 (2017: approximately HK$63,078,000) from CIAM and included in the Group's accruals and other payables (Note 27(b)).

At 31 March 2018, the Group's loan receivables are carried at fixed interest rates ranging from 6% to 28.5% per annum (2017: 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 (2017: two) accounted for approximately 100% (2017: 98%) of total net fixed-rate loan receivables as at 31 March 2018. In order to minimise the credit risk, management of the Group has monitored the repayment ability of the borrowers continuously.

21. LOAN RECEIVABLES (CONTINUED)

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

	2018 **HK$'000**	2017 HK$'000
On demand and due within one year	**159,963**	154,122
Over five years	**360**	398
	160,323	154,520

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

	HK$'000
At 1 April 2016, 31 March 2017 and **31 March 2018**	**7,750**

22. INVESTMENT IN A SECURED BOND

As at 31 December 2017, the secured bond carried a coupon rate of 8% per annum with a maturity date on 26 February 2018.

During the year, a set-off agreement was entered into between the Company and FDG, pursuant to which, the principal sum of the Group's investment in a secured bond of HK$370,000,000, which was issued by FDG, and the interest receivables from the bond of HK$29,600,000, were settled by a cash receipt of approximately HK$54,999,000 and offset with the outstanding balance of approximately HK$344,601,000 of the loans from the ultimate holding company. Details are set out in Note 36.

23. INVENTORIES

	2018 **HK$'000**	2017 HK$'000
Raw materials	**17,409**	15,897
Work in progress	**536**	–
Finished goods	**27,083**	58,944
	45,028	74,841

24. TRADE AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade receivables	**77,182**	131,927
Bills receivables	**3,779**	592
	80,961	132,519
Less: allowance for doubtful debts	**(11,307)**	(3,566)
	69,654	128,953
Value-added tax receivables	**22,455**	17,519
Interest receivables	**11,497**	13,198
Other receivables	**1,056**	644
Deposits and prepayments	**18,185**	16,290
	122,847	176,604

At 31 March 2018, included in the trade receivables are discounted trade receivables with recourse of approximately HK$54,012,000. Their corresponding financial liabilities are included in other borrowings disclosed in Note 26.

The following is the Group's trade receivables as at 31 March 2018 and 2017 that are transferred to an independent third party by discounting trade receivables on a full recourse basis. If the trade receivables are not paid on maturity, the independent third party has the rights to request the Group to pay the unsettled balances. As the Group has not transferred the significant risks and rewards relating to the trade receivables, it continues to recognise the full carrying amount of the trade receivables and has recognised the cash received on the transfer as secured other borrowings (Note 26). The trade receivables are carried at amortised cost in the Group's consolidated statement of financial position.

	2018 HK$'000	2017 HK$'000
Carrying amount of transferred assets	**54,012**	–
Carrying amount of associated liabilities	**37,440**	–

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

24. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	2018 HK$'000	2017 HK$'000
Within one month	**3,582**	31,431
Between one and three months	**10,888**	44,519
Over three months	**55,184**	53,003
	69,654	128,953

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$55,175,000 (2017: approximately HK$52,440,000) 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:

	2018 HK$'000	2017 HK$'000
Between one and three months	**–**	–
Over three months	**55,175**	52,440
	55,175	52,440

MOVEMENT IN THE SPECIFIC ALLOWANCE FOR IMPAIRMENT OF TRADE RECEIVABLES

	HK$'000
At 1 April 2016	2,524
Allowance made during the year	1,225
Exchange realignment	(183)
At 31 March 2017	3,566
Allowance made during the year	7,553
Amounts recovered during the year	(607)
Exchange realignment	795
At 31 March 2018	**11,307**

25. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2018 HK$'000	2017 HK$'000
Deposits placed with other financial institutions	**37**	2,100
Bank balances and cash	**85,439**	88,089
	85,476	90,189
Less: Pledged bank deposits	**(11,375)**	(24,296)
	74,101	65,893

The bank balances carry interest at rates ranged from 0.01% to 0.35% (2017: 0.01% to 0.35%) per annum during the year.

The pledged bank deposits carry fixed interest rate of 2% (2017: 2%) per annum during the year. The pledged bank deposits represent deposits pledged to a bank to secure bills payables as set out in Note 27. The pledged bank deposits will be released upon the settlement of relevant bills payables and are therefore classified as current assets.

26. BANK AND OTHER BORROWINGS

	2018 HK$'000	2017 HK$'000
Secured bank borrowings *(Note (i))*		
– Within one year	**49,856**	14,643
– After one year but within two years	**–**	46,115
Secured other borrowings *(Note (ii))*		
– Within one year	**35,104**	–
– After one year but within two years	**37,346**	–
– After two years but within five years	**13,761**	–
Unsecured other borrowings		
– Within one year	**–**	32,550
	136,067	93,308
Less: Amount due within one year shown under current liabilities	**(84,960)**	(47,193)
Amount due after one year	**51,107**	46,115

Notes:

(i) At 31 March 2018, the bank borrowings of the Group of approximately RMB39,949,000 (equivalent to approximately HK$49,856,000) (2017: approximately RMB53,940,000 (equivalent to approximately HK$60,758,000)) was secured by pledged over land and buildings with carrying amount of approximately HK$121,813,000 (2017: approximately HK$116,359,000) as set out in Note 17.

(ii) The amount was guaranteed by an indirect wholly-owned subsidiary of an associate.

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 6.04% to 6.45% (2017: 4.50% to 4.75%) per annum.

27. TRADE AND OTHER PAYABLES

(a) TRADE AND BILLS PAYABLES

	2018 HK$'000	2017 HK$'000
Trade payables	**31,714**	44,115
Bills payables	**11,375**	24,296
	43,089	68,411

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

	2018 HK$'000	2017 HK$'000
Within one month	**5,471**	12,323
Between one and three months	**13,217**	31,792
Over three months	**24,401**	24,296
	43,089	68,411

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

The carrying amounts of trade and bills payables approximate their fair values and all bills payables were secured by pledged bank deposits as at 31 March 2018 and 2017 as set out in Note 25.

(b) ACCRUALS AND OTHER PAYABLES

	2018 HK$'000	2017 HK$'000
Deposits received *(Note 21)*	**69,888**	63,078
Amount due to a fellow subsidiary *(Note 40(b)(ii))*	**17,300**	39,452
Receipt in advance	**8,705**	–
Other accruals and payables	**31,396**	24,229
	127,289	126,759

28. LOAN FROM THE ULTIMATE HOLDING COMPANY

As set out in Note 36, on 3 August 2017, the Company entered into a loan agreement with FDG, pursuant to which, a loan in the principal sum of HK$60,000,000 was made by FDG to the Company. On the same day, the Company entered into a set-off agreement with Union Grace Holdings Limited, a subsidiary of FDG, pursuant to which, the outstanding interest as at 3 August 2017 of HK$60,000,000, was set off against the loan from FDG. Various loan agreements, with a total of approximately HK$31,253,000, were entered into between the Company and FDG during the year. The outstanding balance of the loan from the ultimate holding company of approximately HK$320,400,000, and the aforementioned loans of HK$60,000,000 and approximately HK$31,253,000, were settled by a cash payment of approximately HK$67,052,000 and offset with the outstanding balance of approximately HK$344,601,000 of the investment in a secured bond during the year.

29. 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 17). 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.

	2018 **HK$'000**	2017 HK$'000
Presented by:		
Current liabilities	**33,389**	28,394
Non-current liabilities	**12,588**	41,497
	45,977	69,891

	Minimum lease payments		**Present value of minimum lease payments**	
	2018 **HK$'000**	2017 HK$'000	**2018** **HK$'000**	2017 HK$'000
Amounts payable under finance leases:				
Within one year	**35,698**	32,220	**33,389**	28,394
More than one year, but not exceeding two years	**12,982**	32,220	**12,588**	30,135
More than two years, but not exceeding five years	**–**	11,716	**–**	11,362
	48,680	76,156	**45,977**	69,891
Less: Future finance charges	**(2,703)**	(6,265)	**–**	–
Present value of lease obligations	**45,977**	69,891	**45,977**	69,891
Less: Amount due for settlement within one year and shown under current liabilities			**(33,389)**	(28,394)
Amount due for settlement after one year and shown under non-current liabilities			**12,588**	41,497

30. CONVERTIBLE BONDS

On 4 August 2015, the Company issued convertible bonds with an aggregate principal amount of HK$750,000,000 (the "Convertible Bonds") to a subsidiary of FDG for the acquisition of 25% equity interest in SDL that was completed on 4 August 2015. The 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 Convertible Bonds up to the maturity date.

At initial recognition, the fair value of the Convertible Bonds was approximately HK$2,443,113,000. The liability component of the 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 Convertible Bonds at initial recognition. The effective interest rate of the liability component of the Convertible Bonds is 18.89% per annum. The valuation of the Convertible Bonds at initial recognition was prepared by an independent professional qualified valuer.

On 14 September 2015, the Company effected a subdivision of its shares so that one share of HK$1. 00 became five shares of HK$0. 20 each. The number of conversion shares that would arise from the conversion was, in accordance with the terms and conditions of the Convertible Bonds, quintupled. The original conversion price was adjusted from HK$1.70 to HK$0.34 pursuant to the terms and conditions of the Convertible Bonds.

On 30 October 2017, FDG and an independent third party entered into a bond sale deed, pursuant to which FDG agreed to sell and the independent third party agreed to purchase the Convertible Bonds in the principal amount of HK$110,000,000 held by FDG.

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 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 April 2016	604,883	1,868,185	2,473,068
Add: Interest charge *(Note 8)*	114,503	–	114,503
Less: Interest paid/payable	(59,876)	–	(59,876)
At 31 March 2017	659,510	1,868,185	2,527,695
Add: Interest charge *(Note 8)*	84,614	–	84,614
Less: Interest paid/payable	(41,371)	–	(41,371)
Less: Conversion during the year *(Note)*	(510,192)	(1,370,002)	(1,880,194)
At 31 March 2018	**192,561**	**498,183**	**690,744**

30. CONVERTIBLE BONDS (CONTINUED)

	Liability component	
	2018	2017
	HK$'000	HK$'000
Presented by:		
Current liabilities	**192,561**	–
Non-current liabilities	**–**	659,510
	192,561	659,510

Note: On 27 October 2017, FDG exercised the conversion rights attaching to the Convertible Bonds in the aggregate principal amount of HK$540,000,000 and an aggregate of 1,588,235,294 ordinary shares were allotted and issued at the then conversion price of HK$0.34 per share.

On 16 January 2018, the independent third party exercised the conversion rights attaching to the Convertible Bonds in the aggregate principal amount of HK$10,000,000 and an aggregate of 29,411,764 ordinary shares were allotted and issued at the then conversion price of HK$0.34 per share.

31. DEFERRED TAX LIABILITIES

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

	Fair value adjustment on business combination HK$'000
At 1 April 2016	16,257
Credited to profit or loss for the year	(1,894)
Exchange realignment	(954)
At 31 March 2017	13,409
Credited to profit or loss for the year	(1,936)
Exchange realignment	1,333
At 31 March 2018	**12,806**

At 31 March 2018, the Group had unused tax losses of approximately HK$437,307,000 (2017: approximately HK$403,485,000) 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$259,711,000 (2017: approximately HK$251,291,000) may be carried forward indefinitely and the remaining PRC tax losses of approximately HK$177,596,000 (2017: approximately HK$152,194,000) 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$32,413,000 (2017: approximately HK$32,313,000) 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 not reverse in the foreseeable future.

32. 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 2018 (2017: Nil).

(b) SHARE CAPITAL

Authorised and issued share capital

	Number of ordinary shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.20 each		
at 1 April 2016, 31 March 2017 and **31 March 2018**	**12,500,000,000**	**2,500,000**
Issued and fully paid:		
Ordinary shares of HK$0.20 each		
at 1 April 2016 and 31 March 2017	5,135,646,855	1,027,129
Conversion of convertible bonds *(Note)*	1,617,647,058	323,530
At 31 March 2018	**6,753,293,913**	**1,350,659**

Note: On 27 October 2017 and 16 January 2018, Convertible Bonds with principal amounts of HK$540,000,000 and HK$10,000,000 were converted into ordinary shares of the Company at a conversion price of HK$0.34 per share.

The new shares rank pari passu with the existing shares in all respects.

(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.

32. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) NATURE AND PURPOSE OF RESERVES (CONTINUED)

(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) SHARE AWARD SCHEME

The Company's share award scheme (the "Share Award Scheme") was adopted pursuant to a resolution passed on 10 February 2017 for the primary purpose of providing incentives or rewards to Directors, eligible employees and other participants (the "Eligible Participants") for their contribution to the Group. The Share Award Scheme will remain in force for 10 years from the date of its adoption, unless otherwise terminated.

Under the Share Award Scheme, the Group has not awarded the Company's shares (the "Awarded Shares") to any Eligible Participants since its adoption, and there were no Awarded Shares outstanding under the Share Award Scheme as at 31 March 2018 and 2017.

(e) EQUITY SETTLED SHARE-BASED TRANSACTIONS

Share Option Scheme

Pursuant to the ordinary resolution passed at each of the annual general meetings of the Company and FDG both held on 29 August 2017, the Company has adopted the new share option scheme (the "2017 Scheme") and the share option scheme adopted on 12 October 2007 (the "2007 Scheme") was terminated on the same date. No further options can be granted under the 2007 Scheme.

As at the date of approval of the consolidated financial statements, there were no outstanding share options under the 2007 Scheme and 2017 Scheme. During the year ended 31 March 2018, no share options were held by any of the directors, eligible employees and other participants of the Company under the 2007 Scheme and 2017 Scheme and no share options were granted, exercised, cancelled or lapsed under the 2007 Scheme and 2017 Scheme.

A summary of the principal terms of the 2017 Scheme is set out below:

Purpose

The purpose of the 2017 Scheme is to enable the Company to grant options to the Eligible Participants (as defined below) to subscribe for the shares of the Company (i) in recognition of their contribution to the Group; (ii) to attract and retain or otherwise maintain an on-going relationship with them for the benefit of the Group; and (iii) to align their interests with the shareholders of the Company, thereby encouraging them to work towards enhancing the value of the shares of the Company.

32. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

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

Share Option Scheme (Continued)

Participants

The Board may, at its absolute discretion, invite any persons belonging to any of the following classes of participants (the "Eligible Participants") to take up options to subscribe for the shares of the Company:

(a) any employee (whether full time or part time) of, or any individual for the time being seconded to work for, any member of the Group or any entity in which any member of the Group holds any equity interest (the "Invested Entity") (the persons are collectively referred to as "Eligible Employees");

(b) any directors (including executive, non-executive and independent non-executive directors) of the Company, or any directors of any member of the Group or any Invested Entity;

(c) any supplier of goods or services to any member of the Group or any Invested Entity;

(d) any customer, agent or distributor of any member of the Group or any Invested Entity;

(e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;

(f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity who has contributed or may contribute to the Group or the applicable Invested Entity;

(g) any adviser (professional or otherwise) or consultant to any member of the Group or any Invested Entity;

(h) any joint venture or business partner of any member of the Group, or any Invested Entity, who has contributed or may contribute to the Group or the applicable Invested Entity;

(i) any nominee and/or trustee of any trusts established by the Company for employees of the Group and other persons as designated by the Company; and

(j) any other person as determined by the Board who the Board considers, in its absolute discretion, has contributed or will contribute, by way of joint venture, business alliance, other business arrangement or otherwise, to the development and growth of any member of the Group or any Invested Entity,

and, for the purpose of the 2017 Scheme, an offer for the grant of an option may be made to any company wholly owned by one or more Eligible Participants.

32. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

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

Share Option Scheme (Continued)

Total number of shares available for issue

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and not yet exercised under the 2017 Scheme and any other share option schemes must not in aggregate exceed 30% of the shares of the Company in issue from time to time.

The total number of shares which may be issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the 2017 Scheme and any other share option schemes) to be granted under the 2017 Scheme and any other share option schemes must not in aggregate exceed 10% of the shares of the Company in issue as at the date of adoption of the 2017 Scheme.

Maximum entitlement of each participant

An offer for the grant of an option to any director, chief executive or substantial shareholder of the Company, or any of their respective associates must be approved by the independent non-executive directors of the Company and FDG (excluding any independent non-executive director who or whose associate is the proposed grantee of an option). Where any grant of options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the shares issued and to be issued upon the exercise of all options already granted and to be granted under the 2017 Scheme and any other share option schemes (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(a) representing in aggregate over 0.1% of the shares in issue; and

(b) having an aggregate value, based on the closing price of the shares at the offer date of each offer for the grant of an option, in excess of HK$5 million,

such further grant of options must be approved by the shareholders in general meetings of the Company and FDG.

32. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

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

Share Option Scheme (Continued)

Maximum entitlement of each participant (Continued)

Subject to the aforesaid, the total number of shares issued and which may fall to be issued upon the exercise of any options granted under the 2017 Scheme and any other share option schemes (including both exercised or outstanding options) to each grantee in any 12-month period must not in aggregate exceed 1% of the shares in issue for the time being. Any further grant of options to a grantee in excess of such limit must be separately approved by shareholders in general meetings of the Company and FDG with such grantee and his close associates (or his associates if the grantee is a connected person) abstaining from voting.

Option period

The period within which the shares must be taken up under an option shall be determined and notified by the Board to the grantee thereof, but such period shall end in any event not later than 10 years from the date of offer of the option subject to the provisions for early termination thereof.

Minimum period for which an option must be held before it can be exercised

Unless otherwise determined by the Board and stated in the offer for the grant of an option to a grantee, a grantee is not required to hold an option for any minimum period before the exercise of an option granted to him.

Amount payable upon acceptance of option

A nominal consideration of HK$1.00 is payable on acceptance of the offer of an option, which shall not be later than 21 days from the offer date.

Subscription price for shares

The subscription price for shares under the 2017 Scheme will be a price determined by the Board, but shall not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the offer date, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of a share.

Remaining life of the 2017 scheme

The 2017 Scheme commenced on 29 August 2017 and shall continue in force until the tenth anniversary of such date.

33. 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, loan from the ultimate holding company and liability component of convertible bonds as disclosed in Note 26, Note 28 and Note 30, respectively) 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 associated 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.

34. FINANCIAL INSTRUMENTS

(a) CATEGORIES OF FINANCIAL INSTRUMENTS

	2018 **HK$'000**	2017 HK$'000
Financial assets		
At FVTPL		
– Held-for-trading	**22,500**	46,406
Loans and receivables (including cash and cash equivalents)	**397,702**	823,219
Financial liabilities		
Amortised cost	**643,843**	1,267,003

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial instruments mainly include financial assets at FVTPL, loan receivables, investment in a secured bond, trade and other 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, amount due to an associate 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.

34. FINANCIAL INSTRUMENTS (CONTINUED)

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

Market risk

(i) Currency risk

Several subsidiaries of the Company have certain financial assets at FVTPL, bank balances and amount due to an associate 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.

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

	Assets		Liabilities	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
United States dollar ("USD")	**222**	14,124	**–**	–
RMB	**1,503**	4,727	**159,120**	–

Sensitivity analysis

The Group's foreign currency risk is mainly concentrated on the fluctuation of USD and RMB. Since Hong Kong dollar ("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% (2017: 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 (negative) number below indicates a decrease (an increase) in loss for the year when the currency below strengthen 5% against the functional currency of the relevant group entities. For a 5% (2017: 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.

	2018 HK$'000	2017 HK$'000
(Loss)/gain in relation to:		
– RMB	**(7,881)**	236

34. 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 leases and convertible bonds, which carry fixed interest rate as set out in Notes 18, 21, 22, 25, 26, 29 and 30 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 25 and 26 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 (year ended 31 March 2017: 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 2018 would decrease or increase by approximately HK$248,000 (year ended 31 March 2017: approximately HK$44,000).

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 2018 would increase or decrease by approximately HK$249,000 (year ended 31 March 2017: approximately HK$304,000).

34. 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 funds. 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 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 listed equity securities has been 10% (2017: 10%) higher/lower, loss for the year ended 31 March 2018 would decrease/increase by approximately HK$2,250,000 (2017: approximately HK$4,640,000) as a result of the changes in fair value of the securities.

As at 31 March 2018, if the price of the respective listed equity securities of an associate had been 10% higher, the investment revaluation reserve of the Group would increase by approximately HK$2,831,000, as a result of the changes in fair value of available-for-sale investments of that associate.

As at 31 March 2018, if the price of the respective listed equity securities of an associate had been 10% lower, the loss for the year ended 31 March 2018 would increase by approximately HK$2,831,000, as a result of the changes in fair value of available-for-sale investments of that associate.

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.

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 approximately 100% (2017: approximately 100%) of the trade receivables and the largest trade receivable balance was approximately 76% (2017: approximately 60%) of the Group's total trade receivables.

34. FINANCIAL INSTRUMENTS (CONTINUED)

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

Credit risk (Continued)

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.

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 18, loan receivables as set out in Note 21 and above, investment in a secured bond as set out in Note 22 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 amount of net current liabilities of the Group is approximately HK$139,451,000 as at 31 March 2018.

As referred to in Note 1, the Directors are satisfied that the Group will be able to meet its financial obligations as they fall due for the foreseeable future, the appropriateness of which depends on the financial support from FDG, who has agreed to provide adequate funds to enable the Group to meet in full its obligations as they fall due for a period of twelve months from the date the consolidated financial statements are approved by the Directors.

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.

34. 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$'000	Carrying amount at 31 March 2018 HK$'000
As at 31 March 2018							
Trade, bills and other payables	–	118,424	5,472	32,199	–	156,095	156,095
Bank and other borrowings							
– variable rate	6.40	–	20,493	31,002	–	51,495	49,856
– fixed rate	6.27	2,607	6,035	27,784	54,312	90,738	86,211
Obligations under finance leases	6.00	–	8,924	26,774	12,982	48,680	45,977
Liability component of convertible bonds	18.89	–	–	219,966	–	219,966	192,561
Amount due to an associate	–	–	–	159,120	–	159,120	159,120
		121,031	40,924	496,845	67,294	726,094	689,820

	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

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.

34. 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 3, 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 2018 HK$'000	31 March 2017 HK$'000				
Held-for trading investments:						
– Listed equity securities in Hong Kong	**15,495**	38,000	Level 1	Quoted bid prices in active markets	N/A	N/A
– Unlisted funds	**7,005**	8,406	Level 2	Quoted prices in the over-the-counter markets	N/A	N/A

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 2018 and 2017 respectively.

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows used in financing activities.

	Interest payable HK$'000	Bank and other borrowings HK$'000	Convertible bonds HK$'000	Loan from the ultimate holding company HK$'000	Obligations under finance leases HK$'000	Total HK$'000
At 1 April 2017	1,132	93,308	659,510	320,400	69,891	1,144,241
Financing cash flows	(7,675)	32,376	–	(35,799)	(33,712)	(44,810)
Foreign exchange translation	87	10,383	–	–	5,943	16,413
Interest expenses	8,086	–	84,614	–	3,855	96,555
Non-cash changes	–	–	(551,563)	(284,601)	–	(836,164)
At 31 March 2018	**1,630**	**136,067**	**192,561**	**–**	**45,977**	**376,235**

36. MAJOR NON-CASH TRANSACTIONS

FOR THE YEAR ENDED 31 MARCH 2018

The outstanding balance of the loan from the ultimate holding company of HK$320,400,000 brought forward from prior year, together with the loans of HK$60,000,000 and approximately HK$31,253,000 made by FDG to the Company during the year, which are in aggregate amount of approximately HK$411,653,000, were settled by a cash payment of approximately HK$67,052,000 and offset with the outstanding balance of approximately HK$344,601,000 of the investment in a secured bond issued by FDG (Note 22), pursuant to a set-off agreement entered into by the Company with FDG during the year.

FOR THE YEAR ENDED 31 MARCH 2017

On 28 February 2017, a set-off agreement was entered into between the Company and FDG pursuant to which, HK$29,600,000 of the principal sum of the Group's loan from the ultimate holding company of HK$350,000,000 was offset with interest income receivable from the Group's investment in a secured bond of HK$370,000,000, which was issued by FDG.

37. 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:

	2018 HK$'000	2017 HK$'000
Within one year	**191**	103
In the second to fifth year inclusive	**111**	–
	302	103

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.

38. CAPITAL COMMITMENTS

	2018 HK$'000	2017 HK$'000
Capital expenditures contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	**37,373**	–

39. 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 benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

The total expense recognised in profit or loss of approximately HK$1,842,000 (2017: approximately HK$1,698,000) represents contributions payable to these plans by the Group at rate specified in the rules of the schemes.

40. MAJOR RELATED PARTY TRANSACTIONS

(a) TRANSACTIONS WITH RELATED COMPANIES

The Group entered into the following transactions with related parties during the reporting period:

	Notes	**2018 HK$'000**	2017 HK$'000
Rental expenses paid to a fellow subsidiary	*(i)*	**(960)**	(960)
Consultancy fee paid to a fellow subsidiary	*(i)*	**(960)**	(960)
Expenses reimbursed to a fellow subsidiary	*(i)*	**(960)**	(1,029)
Interest expenses payable to a fellow subsidiary	*(ii)*	**(77,764)**	(114,503)
Interest income receivable from FDG	*(iii)*	**26,924**	29,539
Interest income receivable from an associate	*(iv)*	**3,980**	3,892
Sales of cathode materials to an associate		**5,062**	–

Notes:

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

(ii) The amount represented interest expense accrued for the convertible bonds (Note 30).

(iii) The amount represented interest income derived from the investment in a secured bond (Note 22).

(iv) The amount represented interest income derived from the amount due from an associate (Note 18).

40. MAJOR RELATED PARTY TRANSACTIONS (CONTINUED)

(b) BALANCES WITH RELATED COMPANIES

	Notes	**2018 HK$'000**	2017 HK$'000
Amount due from an associate *(Note 18)*		**69,699**	65,719
Amount due to an associate *(Note 18)*		**159,120**	–
Amount due from the ultimate holding company	*(i)*	**–**	2,676
Loan from the ultimate holding company *(Note 28)*		**–**	320,400
Amount due to a fellow subsidiary	*(ii)*	**17,300**	39,452
Investment in a secured bond *(Note 22)*		**–**	370,000
Liability component of convertible bonds *(Note 30)*		**96,574**	659,510

Notes:

(i) The amount represented interest income receivable from the secured bond issued by FDG (Note 22) which was included in trade and other receivables.

(ii) The amount represented interest payable on the convertible bonds issued to a subsidiary of FDG (Note 30) which is included in the Group's accruals and other payables (Note 27(b)).

(c) KEY MANAGEMENT PERSONNEL COMPENSATION

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

	2018 HK$'000	2017 HK$'000
Salaries	**12,267**	12,475
Other short-term employee benefits	**72**	60
	12,339	12,535

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 26, the Group's other borrowings as at 31 March 2018 are guaranteed by an indirect wholly-owned subsidiary of an associate.

As disclosed in Note 29, the Group's obligations under finance leases as at 31 March 2018 are guaranteed by an indirect wholly-owned subsidiary of an associate.

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	**2018 HK$'000**	2017 HK$'000
Non-current assets			
Property, plant and equipment		**46**	63
Investment in subsidiaries		**1,261,854**	2,004,183
Other non-current assets		**367**	367
		1,262,267	2,004,613
Current assets			
Other receivables		**1,079**	3,558
Investment in a secured bond		**–**	370,000
Amounts due from subsidiaries		**1,927**	353,199
Cash and cash equivalents		**58,142**	12,640
		61,148	739,397
Current liabilities			
Accruals and other payables		**25,917**	43,704
Loan from the ultimate holding company		**–**	320,400
Amount due to subsidiaries		**41,848**	2,782
Liability component of convertible bonds		**192,561**	–
		260,326	366,886
Net current (liabilities)/assets		**(199,178)**	372,511
Total assets less current liabilities		**1,063,089**	2,377,124
Non-current liability			
Liability component of convertible bonds		**–**	659,510
NET ASSETS		**1,063,089**	1,717,614
CAPITAL AND RESERVES			
Share capital		**1,350,659**	1,027,129
Reserves	*(a)*	**(287,570)**	690,485
TOTAL EQUITY		**1,063,089**	1,717,614

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

Note:

(a) RESERVES

THE COMPANY

	Share premium HK$'000	Equity component of convertible bonds HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 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
Loss for the year	–	–	–	(1,164,717)	(1,164,717)
Conversion of convertible bonds	1,556,664	(1,370,002)	–	–	186,662
At 31 March 2018	**2,429,465**	**498,183**	**2,184**	**(3,217,402)**	**(287,570)**

42. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 March 2018 and 2017 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		
			2018	2017	**2018**	2017	
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
Premier Property Management Limited	Hong Kong	US$43,220,010	**–**	–	**100%**	100%	Investment holding
Profit Union Investments Limited	BVI	US$1	**–**	–	**100%**	100%	Securities trading
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)")	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

42. PRINCIPAL SUBSIDIARIES (CONTINUED)

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

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.

At the end of the reporting period, the composition of the Company's subsidiaries are as follows. The principal activities, place of incorporation, place of business and number of these subsidiaries are summarised as follows:

Principal activities	Country/place of incorporation	Principal country/ place of business	Number of subsidiaries **2018**	2017
Manufacturing and trading of cathode materials	The PRC	The PRC	**1**	1
Investment holding and/or loan financing	Hong Kong	Hong Kong	**4**	4
	BVI	Hong Kong	**9**	9
Securities trading	BVI	Hong Kong	**2**	2
Investment consultancy services	The PRC	The PRC	**1**	1
Dormant/inactive	Hong Kong	Hong Kong	**7**	7
	BVI	Hong Kong	**6**	6
			30	30

43. COMPARATIVE FIGURES

During the year, the Group modified the presentation of the consolidated statement of financial position such that the other receivables (including interest receivables, value-added tax receivables, prepayments, deposits and other receivables), which were previously classified as "loan and other receivables", are reclassified to "trade and other receivables". Comparative figures have been restated to conform to the presentation in the current year and accordingly, other receivables of approximately HK$47,651,000 as at 31 March 2017 are reclassified from "loan and other receivables" to "trade and other receivables" in the consolidated statement of financial position.

In addition, certain comparative figures in the consolidated statement of cash flows for the year ended 31 March 2017 have been restated as a result of the reclassification of other receivables in the consolidated statement of financial position as at 31 March 2017.

	As originally stated HK$'000	Reclassification HK$'000	As restated HK$'000
Cash used in operating activities			
Decrease in loan and other receivables	10,874	(10,874)	–
Decrease in loan receivables	–	9,756	9,756
Increase in trade and bills receivables	(98,835)	98,835	–
Increase in trade and other receivables	–	(97,717)	(97,717)

GROUP FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the financial years ended 31 March 2018 and 2017, financial period ended 31 March 2016 and two financial years ended 31 December 2014 and 2013, as extracted from the published audited consolidated financial statements and reclassified and restated as appropriate, is set out below:

	Year ended 31 March 2018 HK$'000	Year ended 31 March 2017 HK$'000	Fifteen months ended 31 March 2016 HK$'000	Year ended 31 December 2014 HK$'000	Year ended 31 December 2013 HK$'000
Loss attributable to owners of the Company	**(1,026,653)**	(206,191)	(1,970,512)	(48,635)	(22,229)
Total assets	**1,817,457**	2,804,288	2,667,799	1,304,109	1,364,398
Total liabilities	**(721,465)**	(1,355,820)	(894,603)	(16,510)	(27,898)
Net assets	**1,095,992**	1,448,468	1,773,196	1,287,599	1,336,500
Non-controlling interests	**–**	–	–	–	40
Total equity attributable to owners of the Company	**1,095,992**	1,448,468	1,773,196	1,287,599	1,336,460