FDG ELECTRIC VEHICLES LIMITED
五龍電動車(集團)有限公司

(Incorporated in Bermuda with limited liability)
Stock Code: 729

2018/19
ANNUAL REPORT

e Road Forward

CONTENTS

This annual report is printed on environmentally friendly paper

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Mr. Cao Zhong *(Chairman)*
Mr. Jaime Che *(Chief Executive Officer)*
Dr. Chen Yanping *(Chief Technical Officer)*

Non-executive Director:

Mr. Lo Wing Yat

Independent Non-executive Directors:

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

RISK COMMITTEE

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

EXECUTIVE COMMITTEE

Mr. Cao Zhong *(Chairman)*
Mr. Jaime Che
Dr. Chen Yanping

AUTHORISED REPRESENTATIVES

Mr. Jaime Che
Ms. Man Yuet Lin

COMPANY SECRETARY

Ms. Man Yuet Lin

INDEPENDENT AUDITOR

Crowe (HK) CPA Limited

LEGAL ADVISERS

As to Hong Kong law:

Sidley Austin LLP

As to Bermuda law:

Conyers Dill & Pearman

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
China Zheshang Bank
Shanghai Pudong Development Bank
Bank of China

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
4th Floor North
Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

729

WEBSITE

www.fdgev.com

GROUP FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of FDG Electric Vehicles Limited (the "Company") and its subsidiaries (collectively the "Group") for the five financial years ended 31 March 2019, as extracted from the published audited consolidated financial statements and reclassified and restated as appropriate, is set out below:

	2019 **HK$'000**	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
Loss attributable to owners of the Company	**(1,989,709)**	(2,230,371)	(554,849)	(228,154)	(409,759)
Total assets	**7,365,486**	10,646,287	10,837,491	8,689,001	6,024,455
Total liabilities	**(7,900,969)**	(8,497,882)	(6,337,905)	(4,597,192)	(3,710,250)
Net assets / (liabilities)	**(535,483)**	2,148,405	4,499,586	4,091,809	2,314,205
Non-controlling interests	**(23,562)**	979,865	1,550,961	729,282	243,059
Total equity attributable to owners of the Company	**(511,921)**	1,168,540	2,948,625	3,362,527	2,071,146

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors of FDG Electric Vehicles Limited ("FDG" or the "Company"), I hereby present to our shareholders the performance of the Company and its subsidiaries (collectively the "Group") for the financial year ended 31 March 2019.

In 2018, China's economy was affected by various factors. China's annual gross domestic product growth slowed down significantly, recording an increase of 6.6% over the last corresponding period, which is the lowest economic growth rate of China in the past twenty-eight years. In addition, the uncertainties in global economic development, including unfavourable external factors such as increased finance costs due to US interest rate hike, escalation of trade protectionism, intensifying Sino-US trade disputes, have exerted further pressure on the economy of both China and Hong Kong.

However, with rising public awareness of environmental protection, the proactive actions taken by enterprises to shoulder environmental responsibilities and the efforts of various governments in promoting energy conservation and carbon reduction and tightening waste gas emission standards, the new energy vehicle ("NEV") industry has rapid development globally. According to the statistics of the Ministry of Industry and Information Technology of the PRC, although the production volume and sales volume of automobiles in China reached 27,810,000 units and 28,080,000 units in 2018, respectively, representing a decrease of 4.2% and 2.8% as compared with the previous year, the production volume and sales volume of NEVs sustained rapid growth and reached 1,270,000 units and 1,260,000 units, respectively, representing an increase of 59.9% and 61.7% over 2017. Despite the general downward trend of the market, the production volume and sales volume of NEVs maintained growth amid the adverse circumstances, which demonstrated increasing demand for NEVs in the market and its development potential in the future. Bloomberg New Energy Finance ("BNEF") also predicted that the global sales of NEVs will reach approximately 2,600,000 units in 2019, while China will continue to maintain a leadership position in terms of sales of NEVs and is expected to account for 57% (or approximately 1,500,000 units) of the global sales.

In 2018, despite the rapid development of China's NEV industry, the Group was still confronted with challenging operating environment. For instance, the policy changes of China's NEV industry have resulted in structural transformation of the NEV industry (longer time and worsened recoverability of domestic accounts receivable) with traditional vehicle manufacturers transformed and entered into the NEV industry, causing intensified competition in the NEV market. Moreover, given the rising operating costs, after careful assessment by the Group's management, the Group planned to integrate its businesses and streamline the corporate structure with its limited financial resources, striving to achieve the optimal operating efficiency and focus on developing the Group's most promising electric vehicle business focusing on "last mile logistics", thereby maximizing the value to the shareholders.

In light of the Chinese government's reduction of subsidies for NEVs in stages and the tightening of the subsidy standards and hence extended the expected time for subsidies to be received, the profits and cash flows of the Group decreased during the year under review, and as a result, FDG shifted its business focus from China market to the overseas market as scheduled. Since 2017, FDG, through Chanje Energy, Inc. ("Chanje"), its subsidiary, established an exclusive sales channel and electric vehicle service supply partnership with Ryder Vehicle Purchasing, LLC ("Ryder") upon which Ryder ordered 125 units of Chanje electric commercial vehicles in 2017. In November 2018, FedEx, one of the world's largest express delivery companies, announced an introduction of 1,000 units of Chanje V8100 electric commercial vehicles to provide commercial and domestic freight services in the US. The large orders from a number of blue-chip customers in the industry are also a proof of customers' recognition and support for the Company, which is a meaningful achievement for us.

According to the information of California New Car Dealers Association, the sales volume of NEVs in California, the US, exceeded 240,000 units in 2018, accounting for approximately 50% of the sales volume of NEVs in the US. Among which, the sales volume of pure electric vehicles in California exceeded 92,000 units in 2018, representing an increase of 80.6% as compared to that in 2017. Furthermore, California State Legislature passed Senate Bill 100 last year, aiming to enhance the standard of renewable electricity utilization rate in California and the Bill also set out the statutory target of comprehensively using zero-carbon electricity by 31 December 2045, and as expected by BNEF, the Bill will promote the transformation of California's energy system and drive the development of renewable energy and NEV market.

For the financial year ended 31 March 2019, the Group recorded a revenue of approximately HK$346 million, representing a decrease of 64%. Loss attributable to owners of the Company amounted to approximately HK$2.0 billion, and loss per share was 8.35 HK cents. The Company is indeed facing going concern uncertainty but we will face the challenge together as a group. There is concrete demand for our products and the loan amount have already been spent as capital expenditure building the facilities. The last missing piece is only to raise capital through a combination of debt/equity financing and/or disposal of assets to fulfil the orders and propel us onto the future of an international electric vehicle enterprise.

In 2018, despite the impact of the volatile market condition, the Sino-US trade disputes and other challenges, the Group was committed to improving its corporate management and transparency, at the same time maintaining close contact and communication with its stakeholders via various channels. The Group has always placed great emphasis on complying with the principle of timely, fair and transparent information disclosure, and disclosed the latest business development of the Group to stakeholders in strict compliance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited through publication of the announcements and voluntary announcements. Last year, FDG and FDG Kinetic Limited, its subsidiary, won several awards regarding investor relations or corporate management respectively. Among which, FDG won the "Best Digital IR" Award from the Hong Kong Investor Relations Association, the "Best IR of Hong Kong Listed Company" Award from New Fortune Magazine, "The Most Valuable Small-Mid Cap Company" Award in the "Golden Hong Kong Equities" jointly issued by Zhitong Finance and Tonghuashun Finance and the "EcoPartner" Award at the contest of "Bank of China (Hong Kong) Limited Corporate Environmental Leadership Awards". Meanwhile, FDG Kinetic Limited, its subsidiary, received the "Certificate of Excellence" from the Hong Kong Investor Relations Association and the "Best IR of Hong Kong Listed Company" Award from New Fortune Magazine, recognising the Group's outstanding performance in terms of investor relations and contribution to environmental protection.

Finally, on behalf of the board of directors, I would like to express my sincere gratitude to all the shareholders and investors for your long-standing trust and support, and for partnering with the Group to embrace and overcome the existing challenges and difficulties throughout the course of the Group's structural reorganization. In addition, I would also like to express my appreciation to the business partners and customers for your trust and support to the Group, and the employees of the Group for their dedication, hard work and professionalism over the past year. In the future, FDG will continue to work towards the goal of becoming a globally recognised first-class electric vehicle manufacturer and capitalise on the market development opportunities to strenuously develop the Group's businesses. It will also work aggressively on the cooperation with international brands with a view to further enhancing the influence on the global NEV market and creating greater returns for the shareholders.

Cao Zhong
Chairman

Hong Kong, 2 July 2019

BIOGRAPHIES OF DIRECTORS

Mr. Cao Zhong
Chairman & Executive Director

Mr. Cao, aged 59, is the Chairman and an executive director of the Company. He was appointed as a non-executive director and Chairman of the Company on 11 March 2014 and re-designated as an executive director of the Company on 15 April 2014. Mr. Cao was also the Chief Executive Officer of the Company from 28 May 2014 to 18 July 2019. He is also the chairman of the Nomination Committee and Executive Committee of the Company and a member of the Remuneration Committee and Risk Committee of the Company. He also holds directorships in various subsidiaries of the Company. Mr. Cao graduated from Zhejiang University and the Graduate School of the Chinese Academy of Social Sciences with a bachelor degree in engineering and a master degree in economics, respectively. Since 1988, Mr. Cao had served in various institutions, including the National Development and Reform Commission (the "NDRC") of the People's Republic of China (the "PRC"), Guangdong Province Huizhou Municipal People's Government, Beijing International Trust and Investment Company Limited, Shougang Corporation and the Development Research Centre of the State Council of China. Mr. Cao is currently an executive director and the chairman of China Resources and Transportation Group Limited (Stock Code: 269) and an executive director and the chairman of FDG Kinetic Limited ("FKL") (Stock Code: 378, a subsidiary of the Company in which the Company indirectly owns approximately 74.56% equity interest), companies whose shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Cao was appointed to the board of directors of the Company (the "Board") on 11 March 2014.

Mr. Jaime Che
Executive Director & Chief Executive Officer

Mr. Che, aged 38, is an executive director and Chief Executive Officer of the Company and a member of the Executive Committee, Remuneration Committee, Nomination Committee and Risk Committee of the Company. He has been appointed as an authorised representative of the Company required under rule 3.05 of the Rules Governing the Listing of Securities on the Stock Exchange with effect from 15 April 2011. On 19 July 2019, Mr. Che was appointed as the Chief Executive Officer of the Company. Mr. Che holds directorships in various subsidiaries of the Company, including Chanje Energy, Inc. He joined the Company in June 2010 and is responsible for strategic planning, investor relationship, corporate transaction and corporate finance work of the Company. Mr. Che is currently an executive director and chief executive officer of FKL. 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. Prior to joining the Company, he was the Assistant to Managing Director/Investor Relations Manager of Fushan International Energy Group Limited (Stock Code: 639, now renamed as Shougang Fushan Resources Group Limited), a company listed on the Stock Exchange, from November 2009 to June 2010. He studied commerce at the University of New South Wales. Mr. Che was appointed to the Board on 8 March 2011.

Dr. Chen Yanping
Executive Director & Chief Technical Officer

Dr. Chen, aged 56, is an executive director and Chief Technical Officer of the Company. He was appointed as Chief Operating Officer of the Company on 28 May 2014 and re-designated as Chief Technical Officer of the Company on 15 February 2017. He is also a member of the Executive Committee of the Company and holds directorships in various subsidiaries of the Company. 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. He was a non-executive director of FKL from July 2015 to August 2018. Dr. Chen was appointed to the Board on 28 May 2014.

Mr. Lo Wing Yat
Non-executive Director

Mr. Lo, aged 60, is a non-executive director of the Company. He was appointed as an executive director of the Company on 22 November 2006 and re-designated as a non-executive director of the Company on 22 November 2018. Mr. Lo also holds directorship in a subsidiary of the Company. He is also a director and the chief executive officer of CITIC International Assets Management Limited and a director and the chief executive officer of CITIC International Financial Holdings Limited. He was an independent non-executive director of China Traditional Chinese Medicine Holdings Co. Limited (Stock Code: 570) from January 2015 to January 2019, a company whose shares are listed on the Stock Exchange. Mr. Lo graduated from the University of Hong Kong with a bachelor's degree in Laws. He was admitted as a solicitor of the Supreme Court of Hong Kong (as it was then known) in 1984 and a solicitor of the Supreme Court of England and Wales in 1989. He served as an in-house counsel of Bank of China Hong Kong-Macau Regional Office and was a partner of Linklaters. Mr. Lo was appointed to the Board on 22 November 2006.

Mr. Chan Yuk Tong
Independent Non-executive Director

Mr. Chan, aged 57, is an independent non-executive director of the Company. He is also the chairman of the Audit Committee and Remuneration Committee of the Company and a member of the Nomination Committee and Risk Committee of the Company. He is currently an independent non-executive director of Xinhua Winshare Publishing and Media Co., Ltd. (Stock Code: 811, the shares of which are also listed on the Shanghai Stock Exchange (Stock Code: 601811)), a company whose shares are listed on the Stock Exchange. He was an independent non-executive director of each of Kam Hing International Holdings Limited (Stock Code: 2307) from March 2004 to December 2016 and Ground International Development Limited (Stock Code: 989) from November 2013 to April 2019, all being companies whose shares are listed on the Stock Exchange. Mr. Chan obtained a bachelor's degree in Commerce from the University of Newcastle in Australia and a master's degree in Business Administration from the Chinese University of Hong Kong. He joined Ernst & Young in 1988 and was appointed as an audit principal in 1994. Mr. Chan is a practising fellow member of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. He has over 30 years of experience in auditing, accounting, management consultancy and financial advisory services. Mr. Chan was appointed to the Board on 22 November 2006.

Mr. Fei Tai Hung
Independent Non-executive Director

Mr. Fei, aged 71, is an independent non-executive director of the Company and a member of the Audit Committee, Remuneration Committee, Nomination Committee and Risk Committee of the Company. He obtained a bachelor's degree in Applied Science from the Queen's University in Canada and a master's degree from Imperial College London in the United Kingdom. Mr. Fei started his banking career at the Royal Bank of Canada in 1980. He has also worked for Bankers Trust Company and Credit Agricole Indosuez. Mr. Fei is also a co-founder of United Capital Ltd., a company specialising in providing financial advisory services to clients in both Hong Kong and the PRC. Mr. Fei has been appointed as a director of Vision Credit Limited, a privately-held company registered in Hong Kong and engaging in consumer financing business in the PRC. He has over 30 years of experience in investment and finance. Mr. Fei was appointed to the Board on 22 June 2007.

Mr. Tse Kam Fow
Independent Non-executive Director

Mr. Tse, aged 59, is an independent non-executive director of the Company. He is also the chairman of the Risk Committee of the Company and a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. Mr. Tse graduated from The Hong Kong Polytechnic University and is a fellow member of the Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and The Taxation Institute of Hong Kong. He is a certified public accountant and certified tax advisor practising in Hong Kong with wide experience in most areas of accounting, taxation and audit. Mr. Tse's practice also includes corporate consulting and investment advisory work, specialising in management consulting, business restructuring, corporate mergers and acquisitions, leveraged buyouts, direct investments and joint ventures and advising on projects throughout the PRC, Hong Kong, Taiwan and Singapore. Mr. Tse has worked at senior positions for over 10 years in several Hong Kong-listed companies and was mainly responsible for the overall corporate management and control and the strategic formulation and implementation of corporate development and financing plan. Mr. Tse was appointed to the Board on 22 June 2007.

DIRECTORS' REPORT

The directors present their report and the audited consolidated financial statements of FDG Electric Vehicles Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 March 2019.

PRINCIPAL ACTIVITIES

The Group is principally engaged in (i) vehicle design and research and development, manufacture and sales of electric vehicles; (ii) leasing of electric vehicles; (iii) research and development, manufacture and sales of cathode materials for batteries and provision of processing services; and (iv) direct investments. The Group has entered into a sale and purchase agreement on 22 March 2019 to dispose of its subsidiaries which are principally engaged in the business of research and development, production and sales of lithium-ion batteries and its related products.

The principal activities and particulars of the Company's principal subsidiaries as at 31 March 2019 are set out in Note 20 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group for the year ended 31 March 2019 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 28 to 41 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 2019 is set out in Note 7 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2019 are set out in the consolidated statement of profit or loss on page 59 of this annual report.

The directors of the Company do not recommend the payment of any dividend for the year ended 31 March 2019.

FINANCIAL SUMMARY

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

MAJOR CUSTOMERS AND SUPPLIERS

The largest supplier of the Group by itself and together with the other four largest suppliers accounted for approximately 32.91% and 60.87% 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 22.12% and 70.08% of the Group's total turnover for the year respectively.

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

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in Note 41 to the 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 39 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 63 of this annual report and Note 42 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 and Chief Executive Officer)*
Dr. Chen Yanping *(Chief Technical Officer)*
Mr. Jaime Che *(Senior Vice President)*
Mr. Miao Zhenguo *(resigned on 12 June 2018)*

Non-executive Directors:
Mr. Lo Wing Yat *(re-designated from executive director to non-executive director on 22 November 2018)*
Mr. Wong Kwok Yiu *(resigned on 25 November 2018)*
Mr. Tong Zhiyuan *(re-designated from executive director to non-executive director on 3 May 2018 and resigned on 4 June 2018)*

Independent Non-executive Directors:
Mr. Chan Yuk Tong
Mr. Fei Tai Hung
Mr. Tse Kam Fow
Mr. Xu Jingbin *(resigned on 15 February 2019)*

In accordance with Bye-law 84 of the Company's Bye-laws, Mr. Cao Zhong, Dr. Chen Yanping and Mr. Tse Kam Fow will retire from office by rotation at the forthcoming annual general meeting of the Company and, being eligible, have offered themselves for re-election.

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

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

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

As at 31 March 2019, 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:

Long positions in the shares and underlying shares of the Company

Name of directors	Capacity	Number of ordinary shares of the Company	Number of underlying shares (unlisted and physically settled equity derivatives) of the Company *(Note 3)*	Total number of ordinary shares and underlying shares of the Company	Approximate percentage of issued ordinary share capital of the Company *(Note 4)*
Mr. Cao Zhong	Beneficial owner	6,800,000	230,000,000	236,800,000	0.90%
	Interest of controlled corporation	1,352,134,998	–	1,352,134,998 *(Note 1)*	5.10%
Dr. Chen Yanping	Beneficial owner	–	162,000,000	162,000,000	0.61%
	Interest of controlled corporation	658,125,000	–	658,125,000 *(Note 2)*	2.49%
Mr. Jaime Che	Beneficial owner	1,000,000	166,000,000	167,000,000	0.63%
Mr. Lo Wing Yat	Beneficial owner	21,179,000	58,200,000	79,379,000	0.30%
Mr. Chan Yuk Tong	Beneficial owner	–	34,900,000	34,900,000	0.13%
Mr. Fei Tai Hung	Beneficial owner	–	34,900,000	34,900,000	0.13%
Mr. Tse Kam Fow	Beneficial owner	–	34,900,000	34,900,000	0.13%

Notes:

1. Mr. Cao Zhong is interested or deemed to be interested in a total of 1,588,934,998 shares and underlying shares of the Company including (i) 1,352,134,998 shares held by Long Hing International Limited which is wholly owned by Mr. Cao who is a director; and (ii) 6,800,000 shares and 230,000,000 share options*(Note 3)* held by Mr. Cao.

2. Dr. Chen Yanping is interested or deemed to be interested in a total of 820,125,000 shares and underlying shares of the Company including (i) 658,125,000 shares held by Captain Century Limited which is owned as to 60% by Dr. Chen and 40% by his spouse, Ms. Zhang Lu; and (ii) 162,000,000 share options*(Note 3)* held by Dr. Chen.

3. The interests in the underlying shares of the Company represent interests in options granted to the directors named above to subscribe for shares of the Company, further details of which are set out in Note 43 to the consolidated financial statements.

4. These percentages are calculated on the basis of 26,489,743,774 shares of the Company as at 31 March 2019.

Long positions in the shares and underlying shares of the associated corporations of the Company

Name of directors	Name of associated corporations	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	杭州長江汽車有限公司 (Hangzhou Changjiang Automobile Co., Ltd.*)	Interest of controlled corporation	Registered capital of RMB498,300,000 *(Note 1)*	–	49.83%
	杭州長江乘用車有限公司 (Hangzhou Changjiang Passenger Vehicles Co., Ltd.*)	Interest of controlled corporation	Registered capital of RMB88,110,000 *(Note 1)*	–	33.00%
Dr. Chen Yanping	簡式國際汽車設計(北京)有限公司 (Jasmin International Auto R&D (Beijing) Co., Ltd.*)	Beneficial owner	Registered capital of RMB7,200,000	–	9.00%
Mr. Jaime Che	Advanced Lithium Electrochemistry (Cayman) Co., Ltd. ("ALEEES")	Beneficial owner	–	2,000,000 *(Note 2)*	0.95%

Notes:

1. Mr. Cao Zhong is deemed to be interested in the registered capital of the associated corporations 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%.

2. 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.

* *For identification purpose only*

Save as disclosed above, as at 31 March 2019, none of the directors or chief executive of the Company or their respective close associates had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been recorded in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEMES

Details of the share option scheme adopted by the Company on 28 February 2014 and movements of the options during the year are set out in Note 43 to the consolidated financial statements.

Pursuant to the ordinary resolution passed at each of the annual general meetings of FDG Kinetic Limited ("FKL") and the Company both held on 29 August 2017, FKL has adopted a share option scheme (the "FKL Scheme").

As at the date of approval of the consolidated financial statements of FKL and the Company, there were no outstanding share options of FKL. During the year ended 31 March 2019, no share options of FKL were held by any of the directors, eligible employees and other participants of FKL and no share options of FKL were granted, exercised, cancelled or lapsed.

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

Purpose

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

Participants

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

(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 FKL Group or any entity in which any member of the FKL Group holds any equity interest (the "FKL Invested Entity");

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

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

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

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

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

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

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

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

(j) any other person as determined by the FKL Board who the FKL 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 FKL Group or any FKL Invested Entity,

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

Total number of FKL Shares available for issue

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

The total number of FKL 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 FKL Scheme and any other share option schemes of FKL) to be granted under the FKL Scheme and any other share option schemes of FKL must not in aggregate exceed 10% of the FKL Shares in issue as at the date of adoption of the FKL Scheme.

Maximum entitlement of each FKL participant

An offer for the grant of an option of FKL to any director, chief executive or substantial shareholder of FKL, or any of their respective associates must be approved by the independent non-executive directors of FKL and the Company (the listed holding company of FKL) (excluding any independent non-executive director of FKL and the Company who or whose associate is the proposed grantee of an option of FKL). Where any grant of options of FKL to a substantial shareholder or an independent non-executive director of FKL, or any of their respective associates, would result in the FKL Shares issued and to be issued upon the exercise of all options already granted and to be granted under the FKL Scheme and any other share option schemes of FKL (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 FKL Shares in issue; and

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

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

Subject to the aforesaid, the total number of FKL Shares issued and which may fall to be issued upon the exercise of any options of FKL granted under the FKL Scheme and any other share option schemes of FKL (including both exercised or outstanding options) to each grantee in any 12-month period must not in aggregate exceed 1% of the FKL Shares in issue for the time being. Any further grant of options of FKL to a grantee in excess of such limit must be separately approved by shareholders in general meetings of FKL and the Company 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 FKL Shares must be taken up under an option of FKL shall be determined and notified by the FKL 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 of FKL subject to the provisions for early termination thereof.

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

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

Amount payable upon acceptance of option of FKL

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

Subscription price for FKL Shares

The subscription price for FKL Shares under the FKL Scheme will be a price determined by the FKL Board, but shall not be less than the highest of (i) the closing price of FKL 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 FKL 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 FKL Share.

Remaining life of the FKL Scheme

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

EMPLOYEES' SHARE AWARD SCHEMES

The Company has adopted an employees' share award scheme on 29 June 2015 with the scheme rules amended on 28 November 2016. FKL has also adopted an employees' share award scheme on 10 February 2017. The objectives of the employees' share award schemes of the Company and FKL are (i) to recognise the contributions by the eligible participants and to motivate them for the continual operation and further development of the respective companies and their subsidiaries; (ii) to align the interests of the eligible participants with the shareholders of the respective companies for the benefit of the respective groups of companies; and (iii) to attract and retain suitable personnel for the interest of the respective groups of companies and the respective companies' shareholders as a whole.

The board of directors of the Company or FKL may designate any eligible participant for participation in the respective employees' share award schemes, including employee, director, officer, agent, supplier, customer, business partner, advisor, consultant (or its representative or employee) or employee of any member of the respective groups, nominee and/or trustee of any employee benefit trust established by the respective companies, or any other person as determined by the board of directors of the respective companies who it considers will contribute or have contributed to the respective groups of companies and determine the number of shares to be awarded. The number of shares of the Company or FKL granted under the respective employees' share award schemes is limited to 8% of the issued share capital of the respective companies at all relevant times. Further details of the employees' share award scheme of the Company are disclosed in the announcements of the Company dated 29 June 2015 and 28 November 2016 and further details of the employees' share award scheme of FKL are disclosed in the announcement of FKL dated 10 February 2017.

No shares were awarded under the employees' share award scheme of the Company or FKL during the year ended 31 March 2019.

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 the section headed "Share Option Schemes" above, 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 AND SENIOR EMPLOYEES

Details of the emoluments of the directors and the five highest paid individuals are set out in Note 15 to the consolidated financial statements.

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

As at 31 March 2019, 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 ordinary shares of the Company	Approximate percentage of issued ordinary share capital of the Company *(Note 7)*
CITIC International Assets Management Limited *(Note 1)*	Beneficial owner	451,908,000	1.70%
	Interest of controlled corporation	1,856,318,124	7.01%
CITIC International Financial Holdings Limited *(Note 1)*	Interest of controlled corporations	2,308,226,124	8.71%
China CITIC Bank Corporation Limited *(Note 1)*	Interest of controlled corporations	2,308,226,124	8.71%
Star Mercury Investments Ltd.	Beneficial owner	1,000,000,000	3.78%
Smooth Way Holdings Inc. *(Note 2)*	Interest of controlled corporation	1,000,000,000	3.78%
CITIC Pacific Limited *(Note 2)*	Interest of controlled corporations	1,000,000,000	3.78%
CITIC Limited *(Note 3)*	Interest of controlled corporations	3,308,226,124	12.49%
CITIC Group Corporation *(Note 3)*	Interest of controlled corporations	3,308,226,124	12.49%
Long Hing International Limited *(Note 4)*	Beneficial owner	1,352,134,998	5.10%
拉薩朗晟企業管理有限公司 *(Note 5)*	Interest of controlled corporations	2,600,000,000	9.82%
Guoguang Global Asset Management (Hong Kong) Company Limited	Beneficial owner	48,980,000	0.18%
Jin Zheng Yuan (HK) Holding Co., Limited *(Note 6)*	Beneficial owner	9,600,000,000	36.24%
	Interest of controlled corporation	48,980,000	0.19%
金正源聯合投資控股有限公司 *(Note 6)*	Interest of controlled corporations	9,648,980,000	36.43%
無錫天地源投資有限公司 *(Note 6)*	Interest of controlled corporations	9,648,980,000	36.43%

Name of substantial shareholders	Capacity	Number of ordinary shares of the Company	Approximate percentage of issued ordinary share capital of the Company *(Note 7)*
無錫濱湖企業投資擔保有限公司 *(Note 6)*	Interest of controlled corporations	9,648,980,000	36.43%
無錫金源產業投資發展集團有限公司 *(Note 6)*	Interest of controlled corporations	9,648,980,000	36.43%
無錫市濱湖區供銷合作總社 *(Note 6)*	Interest of controlled corporations	9,648,980,000	36.43%
無錫市濱湖區經濟發展總公司管理委員會 *(Note 6)*	Interest of controlled corporations	9,648,980,000	36.43%
江蘇省無錫蠡園經濟開發區管理委員會 *(Note 6)*	Interest of controlled corporations	9,648,980,000	36.43%
頂屹(上海)投資管理有限公司 *(Note 6)*	Interest of controlled corporations	9,648,980,000	36.43%
Beijing Changhe Xingye Investment Co., Ltd. *(Note 6)*	Interest of controlled corporations	9,648,980,000	36.43%
Li Zhongqiang *(Note 6)*	Interest of controlled corporations	9,648,980,000	36.43%
Wang Zheng *(Note 6)*	Interest of controlled corporations	9,648,980,000	36.43%

Notes:

1. For the purpose of the SFO, CITIC International Assets Management Limited is deemed to be interested in 2,308,226,124 shares of the Company including (i) 451,908,000 shares held by it; (ii) 1,022,988,124 shares held by Right Precious Limited; and (iii) 833,330,000 shares pursuant to the placing and subscription agreement entered into between Right Precious Limited, the Company and the placing agent dated 29 March 2019 in relation to the placing of 833,330,000 existing shares of the Company and the subscription of 833,330,000 new shares of the Company.

   Right Precious Limited is a wholly-owned subsidiary of CITIC International Assets Management Limited of which CITIC International Financial Holdings Limited owns 46%. CITIC International Financial Holdings Limited is wholly-owned by China CITIC Bank Corporation Limited.

   Mr. Lo Wing Yat, a director of the Company, is a director and chief executive officer of CITIC International Assets Management Limited and a director and chief executive officer of CITIC International Financial Holdings Limited.

2. For the purpose of the SFO, Smooth Way Holdings Inc. is deemed to be interested in 1,000,000,000 shares of the Company held by its wholly-owned subsidiary, Star Mercury Investments Ltd.

   Smooth Way Holdings Inc. is wholly-owned by CITIC Pacific Limited.

3. For the purpose of the SFO, CITIC Limited is deemed to be interested in 3,308,226,124 shares of the Company including 2,308,226,124 shares deemed interest of China CITIC Bank Corporation Limited*(Note 1)*, which is over 60% owned by CITIC Limited through its wholly-owned subsidiaries, and 1,000,000,000 shares deemed interest of CITIC Pacific Limited*(Note 2)*, which is a wholly-owned subsidiary of CITIC Limited.

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

4. Long Hing International Limited ("Long Hing") is wholly-owned by Mr. Cao Zhong, a director of the Company. The 1,352,134,998 shares of the Company held by Long Hing are deemed to be owned by Mr. Cao who is also a director of Long Hing.

5. For the purpose of the SFO, 拉薩朗晟企業管理有限公司 is deemed to be interested in 2,600,000,000 shares of the Company through its wholly-owned subsidiary, Lang Sheng (Hong Kong) Investment Co., Limited pursuant to a share transfer agreement with Jin Zheng Yuan (HK) Holding Co., Limited which has not yet completed as at 31 March 2019.

   拉薩朗晟企業管理有限公司 is a direct wholly-owned subsidiary of 金正源聯合投資控股有限公司.

6. For the purpose of the SFO, Jin Zheng Yuan (HK) Holding Co., Limited is deemed to be interested in 9,648,980,000 shares of the Company including (i) 2,600,000,000 shares held by it; (ii) 48,980,000 shares held by its wholly-owned subsidiary, Guoguang Global Asset Management (Hong Kong) Company Limited; and (iii) 7,000,000,000 shares pursuant to the subscription agreement entered into between the Company and Jin Zheng Yuan (HK) Holding Co., Limited (the "Subscriber") dated 9 September 2018 (the "Subscription Agreement"). On 25 January 2019, the Company and the Subscriber entered into a settlement agreement to terminate the Subscription Agreement (as amended and supplemented from time to time) provided that the Subscriber has fulfilled its obligations under the settlement agreement. As at 31 March 2019, the Subscriber has not yet fulfilled its obligations under the settlement agreement.

   Jin Zheng Yuan (HK) Holding Co., Limited is a direct wholly-owned subsidiary of 金正源聯合投資控股有限公司, which is owned as to 40% by 無錫天地源投資有限公司 and as to 35% by 頂屹(上海)投資管理有限公司.

   無錫天地源投資有限公司 is a wholly-owned subsidiary of 無錫濱湖企業投資擔保有限公司, which is in turn owned as to 87% by 無錫金源產業投資發展集團有限公司. 無錫金源產業投資發展集團有限公司 is owned as to 38% by 無錫市濱湖區經濟發展總公司管理委員會 and as to 62% by 無錫市濱湖區供銷合作總社 which is a wholly-owned subsidiary of 江蘇省無錫蠡園經濟開發區管理委員會.

   頂屹(上海)投資管理有限公司 is owned as to 91.67% by Beijing Changhe Xingye Investment Co., Ltd., which is owned as to 50% by Li Zhongqiang and 50% by Wang Zheng.

7. These percentages are calculated on the basis of 26,489,743,774 shares of the Company as at 31 March 2019.

Save as disclosed above, as at 31 March 2019, 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

During the year ended 31 March 2019, 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 2019, 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

Apart from the agreements disclosed in the sections headed "Connected Transactions" and "Continuing Connected Transactions" below, 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 concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year.

CONNECTED TRANSACTIONS

During the year ended 31 March 2019 and up to the date of this report, the Group conducted the following transactions which constituted connected transactions of the Company under Chapter 14A of the Listing Rules.

(1) On 3 May 2018, the shareholder controlling 50% of the issued share capital of 雲南五龍汽車有限公司 (Yunnan FDG Automobile Co., Limited*, "Yunnan FDG", a then 50% subsidiary of the Company), who was also a director of Yunnan FDG (the "Yunnan FDG Shareholder"), provided a counter indemnity to Preferred Market Limited (a wholly-owned subsidiary of the Company) in relation to a sale and purchase agreement for the disposal of the entire issued share capital of Giant Industry Holdings Limited, which indirectly held 50% interest in Yunnan FDG, for a consideration of RMB80,000,000. Under such agreement, (i) the accounts payable of Yunnan FDG, less its accounts receivable, were guaranteed to be no more than RMB140,000,000 as at 3 May 2018, being the date of completion of the sale and purchase agreement, and the excess would be deducted from the remaining balance of RMB30,000,000 of the consideration payable; and (ii) if certain accounts receivable could not be recovered by Yunnan FDG within one year, Preferred Market Limited should pay Yunnan FDG the unrecovered amount and be entitled to sue the relevant debtor. The counter indemnity was provided by Yunnan FDG Shareholder to Preferred Market Limited in respect of the amounts so paid.

    As at the time of providing the counter indemnity, Yunnan FDG Shareholder was a connected person of the Company at the subsidiary level under the Listing Rules.

(2) On 6 July 2018, a guarantee agreement (the "Guarantee Agreement") was entered into between the Company and a financial institution in relation to the provision of loans with the aggregate principal amount of RMB100,000,000 (the "Loans"), including a two-year loan maturing 6 July 2020 provided by the financial institution in the principal amount of RMB30,000,000 to 杭州長江汽車有限公司 (Hangzhou Changjiang Automobile Co., Ltd.*, "Hangzhou Changjiang") on 6 July 2018 with interest rate per annum at 1.1275% over the average of the quoted one-year loan prime rate as announced by the National Interbank Funding Center of the PRC on the business day preceding the drawdown date, and other loan which will be provided by the financial institution to Hangzhou Changjiang during the period from 6 July 2018 to 6 July 2020. Pursuant to the Guarantee Agreement, the Company should provide guarantee for the payment obligations of Hangzhou Changjiang in respect of the Loans, including but not limited to its liability for principal, interest, penalties, default payments, compensation for damages and all related fees which may be incurred for a period up to two years after the respective maturity date of the Loans.

Hangzhou Changjiang is owned as to 50.17% by the Company and as to 49.83% by 北京紫荊聚龍科技投資有限公司 (Beijing Bauhinia Julong Technology and Investment Co. Ltd.*, the "Joint Venture Partner"). The Joint Venture Partner is owned as to 49.834% by a group of affiliated limited liability partnerships in which Mr. Cao Zhong, Dr. Chen Yanping and Mr. Miao Zhenguo (a director of certain subsidiaries of the Company) have an aggregate effective interest of 69.98%, 10% and 20.02% respectively. As the Joint Venture Partner is an associate of Mr. Cao Zhong, Hangzhou Changjiang is a connected subsidiary of the Company under the Listing Rules and hence a connected person of the Company.

On the date of the Guarantee Agreement, the Joint Venture Partner entered into a counter-guarantee agreement to indemnify the Company on demand in proportion to its equity interest in Hangzhou Changjiang for the obligations of the Company under the Guarantee Agreement.

(3) On 29 October 2018, a loan extension agreement (the "Loan Extension Agreement") was entered into between Five Dragons Electric Vehicle Limited ("Five Dragons", a wholly-owned subsidiary of the Company) as lender and Hangzhou Changjiang as borrower in relation to the extension of the maturity date of an unsecured loan in the principal amount of HK$696,000,000 with an interest rate of 8% per annum. Pursuant to the Loan Extension Agreement, the maturity date of the unsecured loan was extended from 17 December 2018 to 17 December 2021 at an interest rate of 9% per annum.

On the date of the Loan Extension Agreement, the Joint Venture Partner agreed to provide a guarantee in favour of Five Dragons to the extent pro-rata to its shareholding interest in Hangzhou Changjiang in relation to the repayment obligations of Hangzhou Changjiang.

(4) On 22 March 2019, a sale and purchase agreement (the "Sale and Purchase Agreement") was entered into between Union Grace Holdings Limited (a wholly-owned subsidiary of the Company) as vendor and Blossom Ray Limited (the "Purchaser") as purchaser in relation to the disposal of 75 shares in Synergy Dragon Limited ("SDL") (representing 75% of its entire issued share capital) at a consideration of HK$1 and 1 share in Sinopoly Battery International Limited (representing its entire issued share capital) at a consideration of HK$1.

Given the sole shareholder of the Purchaser is a director of certain subsidiaries of SDL which are also subsidiaries of the Company, the Purchaser is an associate of a connected person of the Company at the subsidiary level under the Listing Rules.

As at the date of this report, the transaction has not yet been completed.

CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 March 2019 and up to the date of this report, the Group conducted the following transactions which constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

(1) On 26 April 2016, a finance lease agreement was entered into between 深圳前海中博融資租賃有限公司 (the "Lease Finance Company", a wholly-owned subsidiary of the Company) and Hangzhou Changjiang pursuant to which the Lease Finance Company agreed to purchase from Hangzhou Changjiang at the consideration of RMB200,000,000 certain equipment, production lines and facilities and leased them back to Hangzhou Changjiang at an effective annualised average interest rate of approximately 8% during the period from 8 June 2016 to 5 May 2019.

(2) During the period from 10 November 2015 to 2 March 2017, the Company and its subsidiary provided guarantees with an aggregate credit limit up to RMB2,580,000,000 in favour of several banks in respect of banking facilities to Hangzhou Changjiang. Such guarantees will expire two years after the final repayment of each respective loan under the facilities and are not expected to be renewed when they expire.

(3) On 17 March 2017, a supply agreement was entered into between Sinopoly Battery Limited ("Sinopoly Battery", which is 75% owned by the Company and 25% owned by FKL) and its subsidiaries and Hangzhou Changjiang in relation to the supply of lithium-ion battery packs by Sinopoly Battery and its subsidiaries to Hangzhou Changjiang for a term of three years commencing from 1 April 2017 and ending on 31 March 2020. The maximum transaction amounts of such agreement for the three years ending 31 March 2018, 2019 and 2020 are RMB1,728,000,000, RMB3,456,000,000 and RMB3,456,000,000 respectively. The transaction amount of such agreement for the year ended 31 March 2019 was RMB842,000.

(4) On 17 March 2017, a supply agreement was entered into between Sinopoly Battery and its subsidiaries and 杭州長江乘用車有限公司 (Hangzhou Changjiang Passenger Vehicles Co., Ltd.*, "Hangzhou Changjiang Passenger EV") in relation to the supply of lithium-ion battery packs by Sinopoly Battery and its subsidiaries to Hangzhou Changjiang Passenger EV for a term of three years commencing from 1 April 2017 and ending on 31 March 2020. The maximum transaction amounts of such agreement for the three years ending 31 March 2018, 2019 and 2020 are RMB460,800,000, RMB2,304,000,000 and RMB4,608,000,000 respectively. The transaction amount of such agreement for the year ended 31 March 2019 was nil.

    Hangzhou Changjiang Passenger EV is owned as to 67% by the Company and as to 33% by the Joint Venture Partner. Therefore, Hangzhou Changjiang Passenger EV is a connected subsidiary of the Company under the Listing Rules and hence a connected person of the Company.

(5) On 17 March 2017, a supply agreement was entered into between 貴州長江有限公司 (Guizhou Changjiang Automobile Co., Ltd.*, the "Guizhou subsidiary", a non-wholly owned subsidiary of the Company) and Hangzhou Changjiang in relation to the supply of auto parts and components (including mid-size bus components) by Hangzhou Changjiang to the Guizhou Subsidiary for a term of three years commencing from 1 April 2017 and ending on 31 March 2020. The maximum transaction amounts of such agreement for the three years ending 31 March 2018, 2019 and 2020 are RMB358,749,000, RMB717,498,000 and RMB1,195,830,000 respectively. The transaction amount of such agreement for the year ended 31 March 2019 was nil.

(6) On 17 March 2017, a supply agreement was entered into between Yunnan FDG and Hangzhou Changjiang in relation to the supply of auto parts and components (including motor bridges and semi knock-down ("SKD") components) by Hangzhou Changjiang to Yunnan FDG for a term of three years commencing from 1 April 2017 and ending on 31 March 2020. The maximum transaction amounts of such agreement for the three years ending 31 March 2018, 2019 and 2020 are RMB299,792,000, RMB599,583,000 and RMB899,375,000 respectively. On 3 May 2018, the Company disposed of its entire interest in Yunnan FDG and the above mentioned agreement ceased to be a continuing connected transaction of the Company. The transaction amount of such agreement for the period from 1 April 2018 to 3 May 2018 was nil.

(7) On 17 March 2017, a procurement agreement was entered into between Yunnan FDG and Hangzhou Changjiang in relation to the supply of auto parts and components (including SKD components) for electric buses by Yunnan FDG to Hangzhou Changjiang for a term of three years commencing from 1 April 2017 and ending on 31 March 2020. The maximum transaction amounts of such agreement for the three years ending 31 March 2018, 2019 and 2020 are RMB834,300,000, RMB1,668,600,000 and RMB2,502,900,000 respectively. On 3 May 2018, the Company disposed of its entire interest in Yunnan FDG and the above mentioned agreement ceased to be a continuing connected transaction of the Company. The transaction amount of such agreement for the period from 1 April 2018 to 3 May 2018 was nil.

(8) On 17 March 2017, a finance lease framework agreement was entered into between the Lease Finance Company and Hangzhou Changjiang in relation to the provision of finance lease services by the Lease Finance Company to Hangzhou Changjiang by purchasing the assets at a price of not less than 75% and not more than 100% of the value of the assets from Hangzhou Changjiang and then leasing back such leased assets to Hangzhou Changjiang, which shall, in return, pay rent to the Lease Finance Company accordingly. The term of such agreement is three years commencing from 1 April 2017 and ending on 31 March 2020. The maximum transaction amounts of such agreement for the three years ending 31 March 2018, 2019 and 2020 are RMB972,000,000, RMB972,000,000 and RMB972,000,000 respectively. The transaction amount of such agreement for the year ended 31 March 2019 was RMB308,710,000.

(9) On 17 March 2017, a cooperation framework agreement was entered into between the Lease Finance Company and Hangzhou Changjiang in relation to the provision of finance lease services by the Lease Finance Company, subject to entering into individual finance lease agreements, to the purchasers of electric vehicles manufactured by Hangzhou Changjiang which has undertaken that if the lessee defaults in the payment of rent under relevant finance lease agreements to the Lease Finance Company, Hangzhou Changjiang would be held responsible for such payments. The term of such agreement is three years commencing from 1 April 2017 and ending on 31 March 2020. The maximum transaction amounts of such agreement for the three years ending 31 March 2018, 2019 and 2020 are RMB2,100,000,000, RMB2,100,000,000 and RMB2,100,000,000 respectively. The transaction amount of such agreement for the year ended 31 March 2019 was nil.

(10) On 17 March 2017, a finance lease framework agreement was entered into between the Lease Finance Company and Hangzhou Changjiang Passenger EV in relation to the provision of finance lease services by the Lease Finance Company to Hangzhou Changjiang Passenger EV by purchasing the assets at a price of not less than 75% and not more than 100% of the value of the assets from Hangzhou Changjiang Passenger EV and then leasing back such leased assets to Hangzhou Changjiang Passenger EV, which shall, in return, pay rent to the Lease Finance Company accordingly. The term of such agreement is three years commencing from 1 April 2017 and ending on 31 March 2020. The maximum transaction amounts of such agreement for the three years ending 31 March 2018, 2019 and 2020 are RMB432,000,000, RMB432,000,000 and RMB432,000,000 respectively. The transaction amount of such agreement for the year ended 31 March 2019 was RMB381,278,000.

(11) On 17 March 2017, a services agreement was entered into between 簡式國際汽車設計(北京)有限公司 (Jasmin International Auto R&D (Beijing) Co., Ltd.*, "Jasmin", a 80% subsidiary of the Company), Hangzhou Changjiang and Hangzhou Changjiang Passenger EV in relation to the provision of R&D services by Jasmin to Hangzhou Changjiang and Hangzhou Changjiang Passenger EV for a term of three years commencing from 1 April 2017 and ending on 31 March 2020. The maximum transaction amounts of such agreement for the three years ending 31 March 2018, 2019 and 2020 are RMB50,000,000, RMB50,000,000 and RMB50,000,000 respectively. The transaction amounts for the provision of R&D services by Jasmin to Hangzhou Changjiang and to Hangzhou Changjiang Passenger EV for the year ended 31 March 2019 were nil and nil respectively.

(12) On 17 March 2017, a services sharing agreement was entered into between Hangzhou Changjiang Passenger EV and Hangzhou Changjiang in relation to (i) the provision of administrative services, premises and factory space, and certain parts processing services by Hangzhou Changjiang to Hangzhou Changjiang Passenger EV; and (ii) the provision of parts processing services by Hangzhou Changjiang Passenger EV to Hangzhou Changjiang for a term of three years commencing from 1 April 2017 and ending on 31 March 2020. The maximum transaction amounts of such agreement for the three years ending 31 March 2018, 2019 and 2020 in respect of (i) the amount paid by Hangzhou Changjiang Passenger EV to Hangzhou Changjiang are RMB102,440,000, RMB423,160,000 and RMB823,880,000 respectively; and (ii) the amount paid by Hangzhou Changjiang to Hangzhou Changjiang Passenger EV are RMB400,000,000, RMB800,000,000 and RMB800,000,000 respectively. The transaction amounts for the year ended 31 March 2019 were RMB20,383,000 in relation to the provision of administrative services, premises and factory space, and certain parts processing services by Hangzhou Changjiang to Hangzhou Changjiang Passenger EV and nil in relation to the provision of parts processing services by Hangzhou Changjiang Passenger EV to Hangzhou Changjiang.

(13) On 17 March 2017, a services agreement was entered into between 杭州長江汽車控股有限公司 (Hangzhou Changjiang Automobile Holdings Co., Ltd.*, "Hangzhou Holdings Company", a wholly-owned subsidiary of the Company), Hangzhou Changjiang, Hangzhou Changjiang Passenger EV, Yunnan FDG and the Guizhou Subsidiary in relation to the provision of management services by Hangzhou Holdings Company to each of the other parties comprising manufacturing and operational guidance services and administrative services for a term of three years commencing from 1 April 2017 and ending on 31 March 2020. The maximum transaction amounts of such agreement for the three years ending 31 March 2018, 2019 and 2020 for (i) Hangzhou Changjiang are RMB27,000,000, RMB20,000,000 and RMB10,000,000 respectively; and (ii) Hangzhou Changjiang Passenger EV are RMB4,700,000, RMB8,400,000 and RMB8,200,000 respectively. The transaction amounts for the provision of management services by Hangzhou Holdings Company to Hangzhou Changjiang and to Hangzhou Changjiang Passenger EV for the year ended 31 March 2019 were nil and nil respectively.

(14) On 17 March 2017, facility agreements were entered into between Hangzhou Changjiang, as borrower, and Five Dragons, as lender, for the lending of the aggregate principal amount of HK$295,810,000 with annual interest rate of 15% and maturing on 31 March 2020, which loans are non-revolving and unsecured. The maximum annual loans amount (principal plus interest) during the term of such agreements will not exceed HK$429,000,000. The maximum outstanding loan amounts of such agreements for the year ended 31 March 2019 were HK$295,810,000 (principal payable) and HK$79,747,000 (interest payable).

(15) On 17 September 2017, a framework agreement was entered into between Chanje Energy, Inc. ("Chanje", a non-wholly owned subsidiary of the Company) and Hangzhou Changjiang in relation to the purchase of electric vehicles, SKD, and parts and components by Chanje from Hangzhou Changjiang for a term commencing from 17 September 2017 and ending on 31 March 2020. The maximum transaction amounts of such agreement for the three years ending 31 March 2018, 2019 and 2020 are US$219,936,750, US$1,047,750,000 and US$1,553,750,000 respectively. The transaction amount of such agreement for the year ended 31 March 2019 was US$566,000.

(16) On 27 November 2017, Jasmin and 浙江浙銀金融租賃股份有限公司 (the "Lessor") entered into a guarantee agreement to provide a guarantee in relation to the sale and leaseback arrangements of certain production lines and molds used in the manufacture of electric vehicles of Hangzhou Changjiang. Under the sale and leaseback arrangements, Hangzhou Changjiang agreed to (i) sell certain production lines for the manufacture of electric vehicles to the Lessor for RMB65,000,000 and then leased such production lines back for 14 months at an annual lease rate of 5.3675%, with an initial rental of RMB1,430,000 and a refundable security deposit of RMB3,250,000; and (ii) sell certain molds for the manufacture of electric vehicles to the Lessor for RMB35,000,000 and then leased such molds back for 4 months at an annual lease rate of 5.4375%, with an initial rental of RMB297,500 and a refundable security deposit of RMB700,000. Pursuant to such agreement, Jasmin provided a guarantee on the amount owed to the Lessor in the event that Hangzhou Changjiang should fail to perform its payment obligations under the above sale and lease back arrangements after exhausting the security deposit, and such guarantee was secured by certain land use rights and a factory held by Jasmin in Beijing, the PRC.

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive directors have reviewed the continuing connected transactions (the "CCTs") disclosed above. Default in payment (the "Default in Payment") were noted in the following transactions for the year ended 31 March 2019: (a) the provision of finance lease services by the Lease Finance Company to Hangzhou Changjiang as mentioned in item (8) above, of which the outstanding balance of RMB17,628,000 was not yet settled; (b) the provision of finance lease services by the Lease Finance Company to Hangzhou Changjiang Passenger EV as mentioned in item (10) above, of which the outstanding balance of RMB11,671,000 was not yet settled; (c) the provision of administrative services, premises and factory space, and certain parts processing services by Hangzhou Changjiang to Hangzhou Changjiang Passenger EV as mentioned in item (12) above (the "Administrative Transaction"), of which the outstanding balance of RMB39,997,000 was not yet settled; and (d) the purchase of electric vehicles, SKD and parts and components by Chanje from Hangzhou Changjiang as mentioned in item (15) above, of which the outstanding balance of US$244,000 was not yet settled. Except for the above-mentioned Default in Payment, for the year ended 31 March 2019, the independent non-executive directors confirmed that all the CCTs were entered into (i) in the ordinary and usual course of business of the Group; (ii) either on normal commercial terms or better; and (iii) according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the auditor of the Company has provided a letter to the board of directors of the Company confirming the matters stated in Rule 14A.56 of the Listing Rules in respect of the continuing connected transactions disclosed above for the year ended 31 March 2019. Except for the Default in Payment noted, the auditor of the Company confirmed that nothing has come to their attention that causes them to believe that the continuous connected transactions disclosed above for the year ended 31 March 2019 (i) have not been approved by the Board; (ii) for transactions involving the provision of goods or services by the Group, were not, in all material respects, in accordance with the pricing policies of the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and (iv) have exceeded the cap.

The Default in Payment noted above were due to the fact that (i) Hangzhou Changjiang Passenger EV and Hangzhou Changjiang had not yet commenced mass production during the year ended 31 March 2019 and had not yet generated sufficient operating and financing inflows by itself to settle all its outstanding debts; and (ii) Chanje was in its initial stage of operation and has not yet generated positive cash inflows. Accordingly, Hangzhou Changjiang Passenger EV, Hangzhou Changjiang and Chanje had prioritised and applied its available resources to settle external debts. In the above transactions, Lease Finance Company and Hangzhou Changjiang are demanding the outstanding payments as usual according to their company policies. As the Administrative Transaction was carried out between two connected subsidiaries and given the fact that the controlling interests of each of Lease Finance Company, Hangzhou Changjiang, Hangzhou Changjiang Passenger EV and Chanje are owned by the Group, it is considered that such overdue balances did not have any material impact on the interest of the Company.

Details of the related party transactions undertaken by the Group in the normal course of business during the year ended 31 March 2019 are set out in Note 46 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 31 and 35 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.

Each of the Company and FKL 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 respective companies. Details of the share option scheme of the Company are set out in Note 43 to the consolidated financial statements and details of the share option scheme of FKL are set out on pages 13 to 15 of this report.

Each of the Company and FKL has adopted an employees' share award scheme. Details of the employees' share award scheme of each of the Company and FKL are set out on page 16 of this report.

Each of the Company and FKL has established an employee benefit trust for the employees of the respective companies and their subsidiaries and other persons as designated to receive awarded shares to be vested under the relevant employees' share award scheme, share options to be granted under the relevant share option scheme and other assets (if applicable). The objective is to provide a flexible means of attracting, retaining, incentivising, rewarding, remunerating and compensating and/or providing benefits to the employees of the respective companies and their subsidiaries.

RETIREMENT BENEFIT SCHEMES

Information on the Group's retirement benefit schemes is set out in Note 11 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 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

DONATIONS

During the year ended 31 March 2019, the Group made donations amounting to approximately HK$100,000.

SUFFICIENCY OF PUBLIC FLOAT

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

EVENTS AFTER THE REPORTING PERIOD

Events occurred after the reporting period are detailed in Note 47 to the consolidated financial statements.

AUDITOR

Crowe (HK) CPA Limited ("Crowe") will retire and a resolution to re-appoint Crowe 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, 2 July 2019

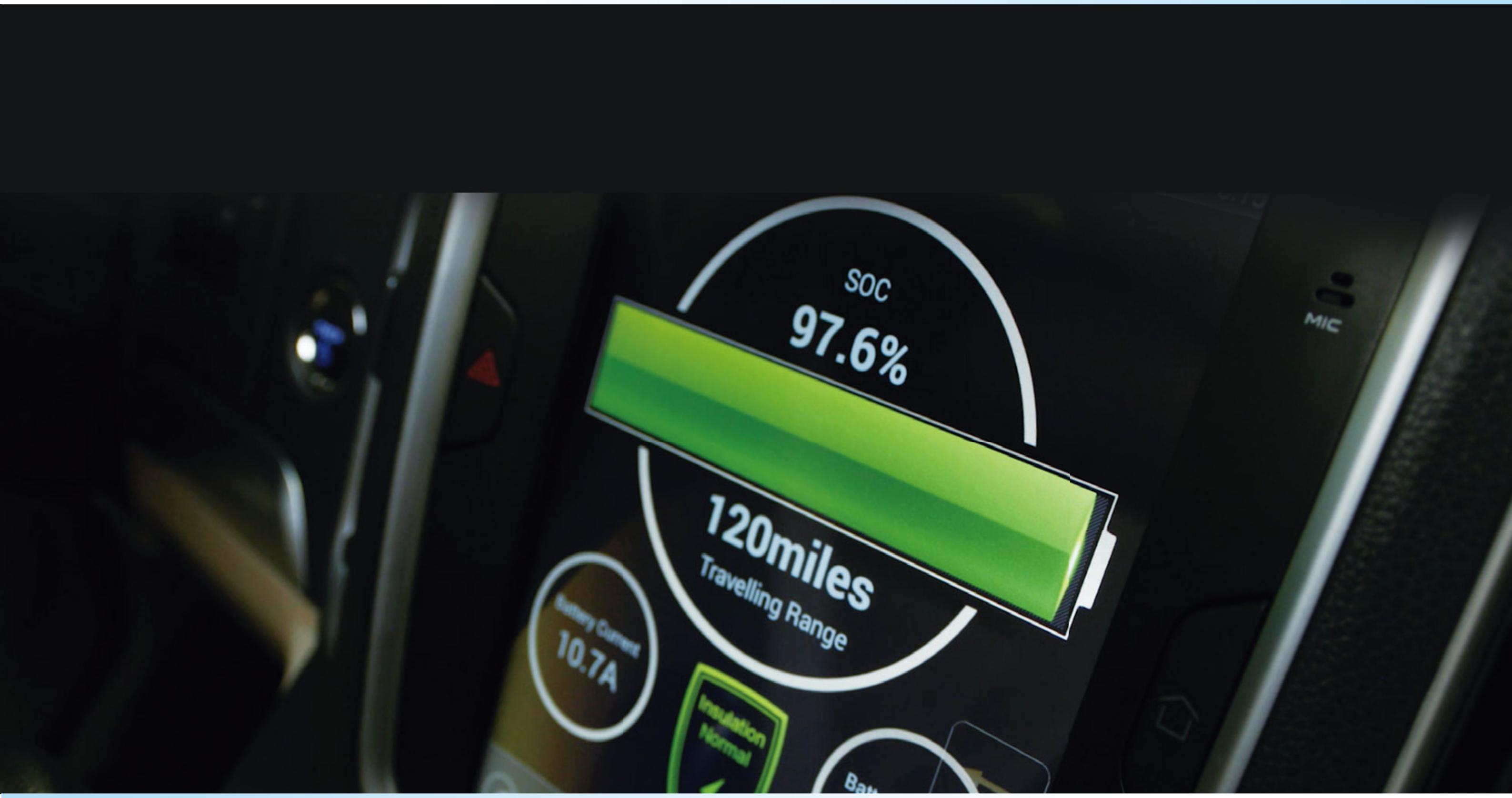
MANAGEMENT DISCUSSION AND ANALYSIS

FDG Electric Vehicles Limited ("FDG" or the "Company") and its subsidiaries (collectively, the "Group") is a pure electric vehicle manufacturer. FDG aims to become a globally recognised producer of more economical, greener and more energy-efficient pure electric vehicles. The Group's core businesses include ground-up research, design and development, manufacturing and sales of pure electric vehicles ("EV"), and manufacturing and sales of lithium-ion batteries and cathode materials for lithium-ion batteries. FDG Kinetic Limited ("FKL", stock code: 378, together with its subsidiaries, collectively the "FKL Group") is an indirect non-wholly-owned subsidiary of the Company. FDG's mission is to replace and electrify the commercial vehicle segment of the internal combustion engine ("ICE") vehicles which is the most possible segment to be electrified.

The Group incurred a loss for the year ended 31 March 2019 of HK$3,007,380,000, and as at that date, the Group had net current liabilities of HK$1,863,118,000 and net liabilities of HK$535,483,000, the board of directors considered that the Group can meet its financial obligations as and when they fall due in the next twelve months after taking into consideration of the positive measures and arrangements, as set out in Note 2(b) to the consolidated financial statement including but not limited to (i) under the supervision and coordination of a local government in Hangzhou, the PRC, all the creditor banks of a non-wholly-owned subsidiary of the Company, agreed to a standstill and restructuring arrangement in principle to extend and/or to renew all these banks loans upon maturity by new terms of not less than 12 months after the original maturity; (ii) the various new fundings raised or to be raised by ways of share placing, equity investment, convertible promissory note, secured revolving trade finance facility, and other credit facilities; and (iii) purchase orders of electric vehicles from blue chip customers in the US have been received.

During the year under review, due primarily to (i) the decline in revenue, specifically the domestic electric vehicle market; (ii) the failure to raise sufficient capital (such as the cancellation of the HK$630 million share subscription by Jin Zheng Yuan (HK) Holding Co., Limited); and (iii) longer than expected timeline to recover the Group's accounts receivable (including subsidy), the Group has failed to pay or renew a number of bank loans and finance leases. Those facilities are still under management's continuous efforts to negotiate for extension or restructuring. For example, the Group has executed a subscription agreement with Sino Power Resources Inc., to convert over HK$110 million of overdue interest payment into equity and has also engaged the relevant government authorities to step in in order to assist the Group to restructure certain PRC facilities.

In addition, on 14 June 2019, Chanje, a non-wholly owned subsidiary of the Company, and an investor entered into an unsecured convertible promissory note in the total principal amount of US$20 million to fund the US operations. The Group is currently negotiating a purchase order financing following the US$20 million investment. These arrangements would help to provide the operational funding for the Group's EV business.



The Group is also negotiating with potential investors to strengthen our financial position through combination of debt/equity financing and/or disposal of assets, and will announce in due course should there be any concrete development. In spite of the aforementioned efforts, the auditor of the Group has issued a disclaimer of opinion on this year result due to the significant uncertainties on the Group's going concern. The Board recognises these uncertainties and is prepared to take the necessary measures in the coming months to address them.

MARKET OVERVIEW

In 2018, both the global and domestic economy faced downward pressure given the uncertainties in global economic conditions, including unfavourable external factors such as increased finance costs due to US interest rate hike, escalation of trade protectionism and declining export trade in China with additional tariff imposed by the US on goods from China amid intensifying Sino-US trade disputes. According to the economic data from the National Bureau of Statistics of China, China's gross domestic product ("GDP") in 2018 reached RMB90 trillion, representing an increase of 6.6% as compared to the last corresponding period. Despite having achieved the expected development goal of increasing 6.5% of GDP set by the Chinese Government at the beginning of the year, it still indicated that Chinese economic growth has slowed down with the lowest economic growth rate in China since 2000. However, as the People's Bank of China continued to adopt relaxed monetary policies, the economy was able to maintain stable growth.

Electric Vehicle Business

With rising public awareness of environmental protection, the proactive actions taken by enterprises to shoulder environmental responsibilities and the efforts of various governments in promoting energy conservation and carbon reduction and tightening waste gas emission standards, the new energy vehicle ("NEV") industry has developed rapidly around the world. According to the global sales data of electric vehicles published by Bloomberg New Energy Finance, benefited from subsidy policies for NEVs in various countries and gradual improvement of public charging infrastructure for electric vehicles, the global sales of electric vehicles in 2018 amounted to as high as 2,000,000 units, of which over half of the sales was from Chinese market. According to the statistics of Ministry of Industry and Information Technology of China ("MIIT"), the accumulated production volume and sales volume of vehicles in China in 2018 reached 27,810,000 units and 28,080,000 units, respectively, representing a decrease of 4.2% and 2.8% as compared to the last corresponding period, the first decline after domestic vehicle sales has experienced growth for 28 consecutive years; however, the production volume and sales volume of NEVs continued their rapid growth, reaching 1,270,000 units and 1,260,000 units, respectively, representing an increase of 59.9% and 61.7% as compared to that in 2017. Despite the general downward trend of the vehicle market in China, the production volume and sales volume of NEVs maintained growth amid the adverse circumstances, which demonstrated the increasing demand for NEVs in the market and its development potential in the future.

In February 2018, the Ministry of Finance, MIIT, the Ministry of Science and Technology and the National Development and Reform Commission of China promulgated "The Notice on the Adjustment and Improvement of Financial Subsidy Policies for the Promotion of Application of New Energy Vehicles" (《關於調整完善新能源汽車推廣應用財政補貼政策的通知》), which officially took effect in June in the same year. The Notice aims to further increase the technology threshold (including energy density for power battery systems of NEVs, overall vehicle energy consumption of NEVs and driving distance of pure electric vehicles) and set up the sampling system for overall vehicles and power batteries that linked to subsidies as well as improve the management, supervision and control of the manufacture and sales in the NEV industry. However, new subsidy policies for NEVs include downward adjustment of NEV subsidies in stages, which will affect the pricing strategies of enterprises in the industry towards NEVs and it is possible that the sales and profit of NEVs will be further narrowed, and the extension of the expected time for subsidies to be received due to tightened subsidy standards resulted in prolonged receivables and decreased cash flow, thus affecting the Company's capital turnover and the original business operation plan.

Sales of Automobiles and NEVs in China:

	(Thousand Units)		
	2018	2017	2016
Automobiles	**28,080**	28,879	28,030
NEVs	**1,260**	777	507
% of NEVs	**4.49%**	2.70%	1.80%

In light of the revision of policies regarding the NEV industry by the Chinese government, which has resulted in the reduction of subsidy amount and extension of the expected time for subsidies to be received, after careful assessment by the management of the Group, FDG will shift the business focus from China market to overseas market as planned. According to the data from Bloomberg New Energy Finance ("BNEF"), the sales volume of electric vehicles in the US in 2018 reached 355,000 units, representing an increase of 82% as compared to the last corresponding period, and it is expected that the sales volume of electric vehicles in the US in 2022 will exceed 850,000 units, among which, benefited from policies and grants relating to electric vehicles from the state government, the state of California maintained the leading position in the US electric vehicle market with the highest electric vehicle sales volume of all states. According to the information of California New Car Dealers Association, the sales volume of NEVs in California, the US, exceeded 240,000 units in 2018, accounting for approximately 50% of the sales volume of NEVs in the US. Among which, the sales volume of pure electric vehicles in California exceeded 92,000 units in 2018, representing an increase of 80.6% as compared to that of last year.

In addition, California State Legislature passed Senate Bill 100 last year, aiming to enhance the standard of renewable electricity utilization rate in California and the Bill also set out the statutory target of comprehensively using zero-carbon electricity by 31 December 2045, and as expected by BNEF, the Bill will promote the transformation of California's energy system and drive the development of renewable energy and NEV market. Furthermore, Forbes, the US media, also anticipated that California will continue to maintain the leading position in the US electric vehicle market, serving as reference for electric vehicle-related policies, development and resource deployment of other states in the US.

The Californian government has been actively promoting the development of the NEV industry. Since 2009, California Environmental Protection Agency passed Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project ("HVIP") to subsidize fleet operators and citizens to purchase qualified vehicles in order to reduce greenhouse gas emission in the transportation sector. Chanje Energy, Inc. ("Chanje"), a subsidiary of FDG, has also completed the examination and certification from the US government and serves as one of the suppliers of HVIP. In addition, Chanje V8100 pure electric logistics vehicles have been included in the "HVIP Eligible Vehicle Catalog", indicating that the electric vehicles of the Group have been fully certified worldwide.

Cathode Material Business

According to the information of Gaogong Industry Research Institute ("GGII"), the market output for cathode material in China in 2018 amounted to 275,200 tonnes, representing an increase of 30.4% as compared to the corresponding period in 2017, amounting to RMB53.5 billion. Such increase was mainly driven by the increase in domestic demand for power batteries. In 2018, although the price of domestic ternary cathode materials faced pressure due to price decline of cobalt-lithium raw materials and price cut pressure from battery enterprises, the market demand for ternary cathode materials remained strong. According to the market data of GGII, the market output for ternary cathode materials in 2018 amounted to 136,800 tonnes, representing an increase of 58.9% as compared to the last corresponding period, and the significant increase in output compared to the corresponding period in 2017 is mainly due to, among others, the rapid development of domestic NEV and power battery industry, which drives the continued growth in ternary cathode material demand and increased production capacity of new ternary material enterprises.

BUSINESS REVIEW

FDG has been focusing on developing its core electric commercial vehicle business and actively exploring the overseas market so as to further increase the market share of FDG in the electric commercial vehicle sector. In addition, FDG has been committed to investing, researching and developing EVs, enabling the electric commercial vehicles of the Company to further reduce carbon emission and reducing the overall cost of ownership for fleet operators. FKL, an indirect non-wholly-owned subsidiary of the Company, is mainly engaged in research and development, manufacturing and trading of cathode materials for lithium-ion ("Li-ion") batteries and direct investments, including securities trading, loan financing and asset investment

Affected by macroeconomic factors, the investment sentiment tended to be more prudent and the market competition for NEVs has intensified, resulting in more challenges for NEV industry. The downward adjustment of NEV subsidies in stages and the tightening of subsidy standards by the Chinese Government have extended the expected time for subsidies to be received and resulted in narrowed profits, prolonged trade receivables and decreased cash flow of the Group during the year under review, thus affecting the Group's capital turnover and the original business operation plan. In addition, the successive maturity of bank loans and other borrowings as well as convertible bonds has resulted in an increase in the Group's current liabilities. The Group will continue to negotiate with banks or lenders to renew the successively maturing loans so as to increase the Group's current working capital and meet the Group's financial needs. Furthermore, during the year under review, the Group recorded significant impairment of non-current assets and a decrease in loans and other receivables, resulting in net liabilities of the Group. The management of the Group will closely monitor the overall liabilities and regularly review the Group's operating costs and scheduled repayments of the loans so as to obtain financing for business development when appropriate.

According to the data of the United States Environmental Protection Agency, emission of greenhouse gases by the transportation sector in the US accounted for approximately 28% of the national emission of greenhouse gases in the US, among which, about 23% was attributable to greenhouse gases emitted by medium and heavy goods vehicles. In conjunction with proactive actions taken by enterprises to shoulder environmental responsibilities and the efforts of various governments in promoting energy conservation and carbon reduction and tightening waste gas emission standards, the domestic and international fleet operators, such as Ryder Vehicle Purchasing, LLC ("Ryder") and Federal Express Corporation ("FedEx"), have successively purchased EVs to enhance operating efficiency and minimize the adverse environmental impact and hence achieve the goal of sustainable development. Besides, since both the charging costs and maintenance costs of EVs are lower than that of traditional ICE vehicles, the low total cost of ownership is also one of the factors for domestic and international fleet operators to consider when purchasing EVs. FDG believes that with the implementation of various environmental and subsidy policies by various governments, and the gradual improvement of charging infrastructure for EVs, the EV market will continue to grow rapidly in the future and more opportunities and capitals will be brought into the EV market.

For the financial year ended 31 March 2019, the Group recorded a revenue of approximately HK$346 million, down by 64% from the last corresponding period. Among which, the revenue from EV business was approximately HK$227 million, down by 69% from the last corresponding period; and the revenue from cathode material business amounted to approximately HK$112 million, down by 49% when compared to that from the last corresponding period. The loss attributable to owners of the Company was approximately HK$2.0 billion, and the loss per share was 8.35 HK cents. Looking forward, the Group will, without compromise of the quality and safety standards of its products, rigorously manage its finance costs and develop and expand the business of the Group in a pragmatic manner to enhance the Group's overall competitiveness.

Electric Vehicle Business

Since 2018, affected by the impact of policy regarding reduction of subsidy of the NEV and the extension of the expected time for subsidies to be received in China, the revenue of FDG's EV business decreased by 69% year-on-year, resulting in the decreased cash flow of the Group and hence affected the Group's original business operation plan. As such, the management of the Group has developed a strategic plan, pursuant to which the Group consolidated its businesses, streamlined the Group's structure and executed financing plans when appropriate with a view to developing the EV business, the most promising business of the Group. Furthermore, through years of investment, research and development, the Company's electric commercial vehicles are the most competitive products in the industry and FDG's electric commercial vehicles not only reduced carbon emission, but also assisted its fleet operators in realising the goal of sustainable development and reducing their total cost of ownership. During the year under review, the Company proactively expanded the US market and established a partnership with Ryder and established customers such as FedEx through Chanje, FDG's subsidiary, and entered into orders with the two companies last year. Based on the orders from existing and potential customers and the reduction of production costs due to mass production, it is expected that the Group's EV business will generate positive cash flows to the Group in the future.

Ryder ordered Chanje pure electric commercial vehicles with a total contract sum of not less than US$100,000,000

During the year under review, Ryder has placed an order for Chanje pure electric commercial vehicles which will be leased to FedEx, with a total contract sum of not less than US$100,000,000. Ryder is a world-leading service provider of global transportation and supply chain management engaged in fleets management solutions and supply chain solutions business. By establishing an exclusive sales channel and EV service supply partnership with Ryder, Ryder can provide Chanje with a maintenance network covering the US, thus enabling Chanje to lower its operating cost effectively and enhance competitiveness of the company.

FedEx introduced 1,000 units of Chanje pure electric commercial vehicles

FDG has been proactively exploring the overseas market. During the year under review, FedEx, a blue-chip customer, announced an introduction of 1,000 units of Chanje V8100 pure electric logistics vehicles last November to expand its fleets. The customised pure electric commercial vehicles with a maximum cargo capacity of approximately 6,000 pounds will be operated by FedEx Express for the provision of commercial and residential pick-up and delivery services in California, the US. A fully charged EV can travel more than 150 miles, which help FedEx to save 2,000 gallons of fuel while avoiding 20 tonnes of emissions per each Chanje pure electric commercial vehicles each year.

Changjiang Automobile displayed six pure electric commercial vehicles in 2018 Beijing Auto Show

Hangzhou Changjiang Automobile Co., Ltd., a subsidiary of FDG, displayed six pure electric commercial vehicles of the Company in 2018 Beijing International Automotive Exhibition. During the exhibition, FDG displayed its star product, the pure electric commercial vehicle model V08S, which was exported to the US in bulk quantities. These pure electric commercial vehicles were manufactured in accordance with US's technological standard and already passed the test of the US government and granted with full US homologations. In addition, these pure electric commercial vehicles have been adopted by freight service companies in the US for delivering goods. FDG will continue to produce high-end electric commercial vehicles by adopting the international standard, while continuously expanding into local and overseas niche segments, thereby consolidating FDG's competitiveness in the electric commercial vehicle sector and differentiating itself from its competitions.

Cathode Material Business

During the year under review, the FKL Group's production lines for processing ternary products were operating at almost full capacity and recorded sales volume of over 4,110 tonnes and revenue of approximately HK$112 million during the year under review, representing a decrease of approximately 49% as compared with the last corresponding period. Such decrease was mainly due to the change of business model from sales of cathode material to provision of processing service on cathode material to new customer from the second half of the year under review. It is expected that the future revenues of the Group may continue to be affected if the Group continues to operate in the business of provision of processing services in the future.

In March 2018, the FKL Group entered into an agreement with a customer, whereby the customer engaged the FKL Group to process and produce ternary products with its A1, A2, A3 and A4 production lines during the period from 26 March 2018 to 31 December 2018. Following the completion of construction of the new production lines A5 and A6 of the FKL Group in December last year, along with its official commencement of production, the FKL Group entered into a new agreement with such customer on 2 January 2019. The customer further engaged the FKL Group to process and produce ternary products with its six production lines until 31 December of this year. The existing six production lines were operating at almost full capacity and will provide a stable source of income for the Group.

In order to enhance the competitiveness of the FKL Group's product, the FKL Group will definitely continue to optimise product quality by enhancing the energy density and performance of its product, so as to align with the development of the cathode material and battery market and to meet customers' demand.

Besides, Advanced Lithium Electrochemistry (Cayman) Co., Ltd. ("ALEEES"), the Group's associate which operates in Taiwan, will continue to focus on the core business of Lithium-Iron – Phosphate (LFP) cathode materials. Meanwhile, it will actively expand its business in both domestic and overseas markets and develop the high-tier energy storage market with a view to increasing the revenue of the Group.

RISK FACTORS

Policy Risks

With adjustments of subsidy policies for NEVs, such as the tightened standards regarding energy density of power Li-ion batteries and driving range of pure electric vehicles, the business of the Group was affected to a certain extent due to the reduction of subsidies and the increased difficulties in obtaining subsidy. However, the gradual improvement of safety standards and the relevant policies of NEVs in China will promote rapid development of China's NEV industry and push ahead with the construction of charging infrastructure for EVs. In order to mitigate the impact of reduction of subsidies, the Group will strictly manage its finance costs and actively develop and expand its businesses to enhance the Group's comprehensive competitiveness.

Market Risk

According to the data of the MIIT, the accumulated production volume and sales volume of vehicles in China in 2018 reached 27,810,000 units and 28,080,000 units, representing a decrease of 4.2% and 2.8% as compared to the corresponding period in 2017, which is the first negative growth recorded by the automotive market after growth for 28 consecutive years. Although the NEV market was able to maintain growth amid the adverse circumstances, the competition in the NEV market has intensified as many domestic traditional automobile manufacturers transformed and entered into the NEV industry. Besides, the development of NEV projects in China by foreign automobile brands will also intensify market competition. Nevertheless, FDG will continue to expand into local and foreign niche segments with a view to building up its competitiveness in the electric commercial vehicle segment.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group spares no effort in promoting environmental protection and advocating sustainable development. The Group is committed to avoid generating greenhouse gases and solid wastes in its daily operations, and strives to improve its product technologies with a view to enhancing its environmental performance. In contrast to ICE vehicles fueled by conventional gasoline or diesel, the Group's pure electric vehicles can effectively reduce or avoid the emission of exhaust gas or pollutants during driving. In addition, a photovoltaic energy storage system was built in the Hangzhou factory of the Group to reduce the consumption of non-renewable energy.

On the other hand, FDG's efforts in environmental protection also received wide recognition. FDG won the "EcoPartner" Award at the contest of "Bank of China (Hong Kong) Limited Corporate Environmental Leadership Awards" last year, recognising the Group's outstanding performance in terms of environmental protection.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group is devoted to creating a career development path and a good working environment for employees. In addition to conducting induction training for new staff, the Group will also provide on-the-job training to staff in a timely manner to encourage employees to develop their potential. The Group will ensure efficiency of operations so that employees could demonstrate their ability through open, equal and merit-based systems which is also the base for the monitoring and assessment of the promotion of employees. The Group also regularly reviews the benefits and remuneration of all staff, and 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. The Group also recognises that work-life balance is important to employees. A variety of staff activities are organised from time to time. The Group cares about the physical and mental health of staff and together the Group creates a harmonious working atmosphere.

The Group has always been committed to providing customers with high-quality products. In addition to strict compliance with regulatory requirements, the Group has also established a complete quality assurance system in order to meet the requirements of customers. All products have passed rigorous tests and inspections (including test-driving in extreme weather, speed test and uphill test) to ensure quality, safety and are of highest standards. Besides, the Group has set up a comprehensive after-sales service process for the purpose of maintaining a good relationship with customers and consolidating the Group's brand reputation.

To ensure the quality of raw materials and the stability of supply, the Group selects leading enterprises as suppliers with the most advance technology and products in the industry as our partners based on a strict set of criteria.

RELEVANT LAWS AND REGULATIONS

The Group's power batteries have been listed in the catalogue of "Standardised Requirements for the Automobile Power Storage Battery Industry", and complied with nationally qualified standards in capacity, energy, power, efficiency, standard life cycles and working life cycles. The Company's electric vehicles have been listed in the "Catalogue of Recommended Models for New Energy Automobile Demonstration, Popularisation and Application", demonstrating the quality of the Group's electric vehicles and thus eligible to receive government subsidies.

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

FINANCIAL REVIEW

Continuing operations

Revenue

During the year under review, the Group's revenue significantly decreased by approximately 64.1% to approximately HK$345.6 million as compared with the revenue of approximately HK$961.6 million of the last financial year.

The substantial decrease was mainly due to a combined effect of (i) the significant decrease in the sales of electric vehicles represented by a revenue of approximately HK$227.4 million in the current financial year, a decline of approximately 68.9% as compared to a revenue of approximately HK$730.2 million of the last financial year mainly resulting from the longer than expected time to execute the overseas orders mainly including United States of America (the "US") orders due to insufficient capital funding for production; and (ii) the substantial decrease in sales of cathode materials for lithium-ion batteries and provision of processing services for cathode materials, represented by a revenue of approximately HK$112.3 million in total, a decrease of approximately 48.8% as compared with a revenue of approximately HK$219.2 million of the last financial year mainly attributable to delay in time schedule to carry out subcontracting sales to a new customer and provision of processing services to that new customer from the second half of the financial year.

Gross profit and margin

The Group's gross profit decreased to approximately HK$26.7 million of the current financial year from approximately HK$112.6 million of the last financial year, representing a substantial decrease of approximately HK$85.9 million. The overall gross profit ratio was at approximately 7.7% of the current financial year as compared with approximately 11.7% of the last financial year, representing a decrease of approximately 4.0%. Such decrease was mainly attributable to the reduction of new energy subsidies in the PRC and the Group has shifted some sales effort to the logistic vehicles market which has lower profit margin.

Other gains and losses, net

The Group's net other losses amounted to approximately HK$109.2 million of the current financial year, a decrease of approximately HK$194.8 million as compared with approximately HK$304.0 million of net other losses of the last financial year. It was mainly attributable to the gain on re-measurement of previously held interest in joint venture, Chanje Energy, Inc. ("Chanje") amounted to approximately to HK$129.8 millions which did not incur in the last financial year. Under the settlement agreement dated 18 October 2018, the Group acquired additional 16.84% shareholding in Chanje from Smith Electric Vehicles Corp. Afterwards, the Group has the right to nominate and appoint the majority of the directors of Chanje. Chanje has become an indirect subsidiary of the Group accordingly.

Selling and distribution costs

For the year under review, selling and distribution costs amounted to approximately HK$85.9 million, representing a decrease of approximately HK$67.6 million comparing with the last financial year of approximately HK$153.5 million, which was followed by the decrease in revenue.

General and administrative expenses

For the year under review, general and administrative expenses amounted to approximately HK$362.1 million, representing a substantial decrease of approximately HK$162.5 million comparing with the last financial year of approximately HK$524.6 million, which was mainly attributable to (i) the decrease in equity-settled share-based payments of approximately HK$38.4 million mainly arising from share options granted to directors of the Company; (ii) the decrease in staff costs including directors' emoluments; and (iii) the decrease in other administrative expenses by means of reallocating and consolidating internal resource to enhance the cost effectiveness of operation.

Research and development expenses

For the year under review, research and development expenses amounted to approximately HK$126.1 million, representing a decrease of approximately HK$7.5 million comparing with the last financial year of approximately HK$133.6 million, was mainly attributable to the decrease in the research and development on electric vehicle production segment.

Finance costs

For the year under review, finance costs amounted to approximately HK$372.5 million, representing an increase of approximately HK$6.6 million comparing with the last financial year of approximately HK$365.9 million, was at similar range for both years.

Other operating expenses

For the year under review, other operating expenses amounted to approximately HK$128.6 million, representing an increase of approximately HK$49.1 million comparing with approximately HK$79.5 million of the last financial year, mainly attributable to certain indirect operating expenses arising from the under-utilisation of production capacity of the electric vehicle production plant in Hangzhou.

Impairment loss, net of reversal on financial assets at amortised cost and contract assets

The Group's impairment loss, net of reversal on financial assets at amortised cost and contract assets amounted to approximately HK$835.7 million of the current financial year, an increase of approximately HK$577.4 million as compared with approximately HK$258.3 million of the last financial year. It was mainly attributable to (i) the impairment losses on trade receivables and contract assets of totally approximately HK$612.9 million, representing a substantial increase of approximately HK$354.0 million as compared with the last financial year of approximately HK$258.9 million, mainly due to electric vehicle customers with long overdue balances and the shorter than expected running mileage of certain electric vehicles. Management assessed the provision for impairment loss on trade and bills receivables and contract assets from the sales of electric vehicles in the PRC based on the historical mileage record of the electric vehicles sold, for which the settlement would be substantially covered by the grants receivable by the customers. For other trade and bills receivables, a provision matrix is determined based on the Group's historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates; and (ii) the increase in impairment on loan and other receivables of approximately HK$240.6 million.

Impairment on goodwill

Goodwill is tested for impairment by allocating to the Group's cash generating units ("CGUs") identified in accordance with the operating segments. During the year under review, management assessed that goodwill from battery materials production segment, which was operated by the Chongqing factory, was impaired by approximately HK$307.0 million and goodwill from electric vehicle production in Hangzhou, was impaired by approximately HK$153.8 million, as the recoverable amounts from these businesses were less than their carrying amounts.

Amortisation of intangible assets

For the year under review, amortisation of intangible assets amounted to approximately HK$110.8 million, representing a decrease of approximately HK$22.6 million comparing with the last financial year of approximately HK$133.4 million, as most of the intangible assets related to battery products segment were fully impaired in the last financial year.

Share of results of associates and impairment loss on interests in associates

For the year under review, share of net losses of associates amounted to approximately HK$82.4 million, representing an increase of approximately HK$32.7 million comparing with the last financial year of approximately HK$49.7 million, was mainly attributable to the increase in share of loss of an associate, ALEEES, which the Group holds its approximately 21.85% equity interest, which is principally engaged in the production and sales of cathode materials for lithium ferrous phosphate batteries. The increase in share of loss of ALEEES was caused by the changes in the new energy subsidy policies in the PRC and the keen competition in the market.

Furthermore, impairment loss on interest in associates, ALEEES amounted to approximately HK$15.9 million, representing a decrease by approximately HK$45.1 million comparing with approximately HK$61.0 million of last financial year which was grouped under “Other gains and losses, net”.

Share of results of joint ventures

For the year under review, share of net losses of joint ventures amounted to approximately HK$124.6 million, representing an increase of approximately HK$7.5 million comparing with the last financial year of approximately HK$117.1 million, was mainly attributable to the increase in share of loss of a joint venture, Chanje, which was mainly attributable to the increase of sales and engineering staff and marketing expenses of Chanje for our expansion in the US market.

Loss for the year

The Group has decreased its loss for the year to approximately HK$3,007.4 million from approximately HK$3,067.1 million of the last financial year.

During the year under review, the Group recorded a loss attributable to owners of the Company of approximately HK$1,989.7 million, a decrease of approximately HK$240.7 million, comparing with approximately HK$2,230.4 million of the last financial year, with the combination effects as mentioned above.

Goodwill

Goodwill that arising on the acquisition of business are allocated to the Group’s cash generating units identified according to the Group’s operating segments. As at 31 March 2019, goodwill amounted to approximately HK$559.0 million (31 March 2018: approximately HK$681.9 million), decreased by approximately HK$122.9 million, which was mainly arising from impairment on goodwill in respect of electric vehicle production segment and battery material production segments of totally approximately HK$460.8 million and offset by the goodwill arising from acquisition of additional interest in Chanje of approximately HK$382.5 million.

Property, plant and equipment and interests in leasehold land held for own use under operating leases

As at 31 March 2019, property, plant and equipment and interests in leasehold land held for own use under operating leases (including approximately HK$557.6 million in assets classified as held for sale) totally amounted to approximately HK$3,479.9 million, decreased by approximately HK$418.4 million comparing with those figures as at 31 March 2018, which was mainly arising from the depreciation, impairments and exchange rate fluctuations.

Inventories

As at 31 March 2019, inventories totally amounted to approximately HK$330.4 million (including approximately HK$42.0 million in assets classified as held for sale), decreased by approximately HK$236.4 million comparing with approximately HK$566.8 million as at 31 March 2018, which was mainly the combined effect of (i) the decrease in inventories for electric vehicle production segment upon the disposal of Yunnan electric vehicles business as well as the inventories utilisation control by Hangzhou production site; (ii) the speed up of sales of old inventories by the battery products segment; and (iii) write-down of inventories for battery products segment and electric vehicles production segment.

Trade and bills receivables/Contract assets

For trade and bills receivables, the amount was approximately HK$339.9 million as at 31 March 2019 (including approximately HK$29.1 million in assets classified as held for sale), representing a decrease of approximately HK$1,069.3 million comparing with approximately HK$1,409.2 million as at 31 March 2018, which was mainly attributable to (i) reclassification from trade and bills receivables to contract assets of approximately HK$680.4 million as at 1 April 2018 in view of change in accounting policies; (ii) the decrease in trade receivables of electric vehicle production segment arising from the disposal of Yunnan electric vehicles business; and (iii) the impairment losses of trade receivables on certain customers with long overdue balances.

The Group generally provides a credit period of one month to six months to its customers. Credit limits are set for those customers. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. Overdue balances are regularly reviewed by the senior management of the Group. For those past due customers, the Group has performed a series of additional procedures to assess the recoverability of these overdue amounts.

For contract assets, the amount represented the national subsidies receivables from the PRC government were subject to the relevant subsidy policies and not unconditional. As at 31 March 2019, contract assets amounted to approximately HK$240.8 million, representing a decrease of approximately HK$439.6 million comparing with the amounts classified as contract assets of approximately HK$680.4 million as at 1 April 2018 as mentioned above, which was mainly attributable to (i) a recognition of impairment on contract assets after performed assessment of recoverability of these national subsidies based on historical mileage records of the electric vehicles sold; and (ii) the decrease in subsidy receivables from the disposal of Yunnan electric vehicles business.

As at 31 March 2019, cumulative amount of approximately HK$424.9 million and approximately HK$436.1 million was provided as allowance for impairment loss on trade receivables and contract assets, respectively, after reviewing the financial status and repayment records of those individual customers as well as the mileage records of the electric vehicles sold to them.

Loan and other receivables

The decrease in loan and other receivables (including current and non-current portions) of approximately HK$478.6 million from approximately HK$1,192.1 million as at 31 March 2018 to approximately HK$713.5 million as at 31 March 2019 (including approximately HK$29.9 million in assets classified as held for sale), was mainly attributable to (i) the increase in impairment on loan and other receivables; (ii) the decrease in other receivables, deposits and prepayments and value-added-tax receivables resulted from the disposal of Yunnan electric vehicle business; and (iii) the refund of value-added-tax receivables of some PRC companies in accordance with the relevant government notices.

Trade and bills payables

Trade and bills payables (including approximately HK$89.6 million in liabilities classified as held for sale) amounted to approximately HK$741.0 million as at 31 March 2019 (31 March 2018: approximately HK$959.6 million), representing a decrease of approximately HK$218.6 million, which was mainly attributable to the decrease in trade and bills payables of approximately HK$204.6 million resulted from disposal of Yunnan electric vehicles business.

Accruals and other payables

The increase in accruals and other payables of approximately HK$148.9 million from approximately HK$1,375.6 million as at 31 March 2018 to approximately HK$1,524.5 million as at 31 March 2019 (including approximately HK$162.6 million in liabilities classified as held for sale), was mainly attributable to the combined effect of (i) the decrease in accruals and other payables of approximately HK$201.5 million resulted from the disposal of Yunnan electric vehicles business, (ii) the increase in accruals and other payables of approximately HK$69.8 million from a new subsidiary, Chanje, and (iii) the increase in deposit received from a potential investor of HK$100.0 million.

Convertible bonds

The Group had two tranches of convertible bonds due in 2020 and 2021, respectively.

Segment Information

Vehicle design and electric vehicle production business

During the year under review, the segment revenue decreased substantially by approximately 68.9% to approximately HK$227.4 million, comparing with approximately HK$730.2 million of the last financial year. It is mainly attributable to the substantial decrease in sale volume of commercial electric vehicles due to keen competition within the PRC market and the longer than expected time to execute the overseas orders including US orders due to insufficient funding for production.

The gross profit ratio from the electric vehicle production business after elimination of inter-segment transactions was approximately 6.6% of the year under review comparing with approximately 11.4% of the last financial year, which was mainly attributable to the direct impact of the further reduction of the new energy subsidies in the PRC.

The segment loss before tax for the year under review was approximately HK$1,806.3 million, an increase of approximately HK$446.7 million as comparing with approximately HK$1,359.6 million of the last financial year, which was mainly attributable to the combined effect of (i) the increase in the impairment losses on trade receivables for those customers with long outstanding balances and contract assets for national subsidies receivables; (ii) the increase in impairment on goodwill; and (iii) the increase in impairment on loan and other receivables.

Battery materials production and provision of processing services business

During the year under review, the sales of cathode materials for lithium-ion batteries and provision of processing services in Chongqing factory amounted to approximately HK$112.3 million, representing a decrease of approximately HK$106.9 million as compared with approximately HK$219.2 million of the last financial year, which was mainly attributable to the delay in time schedule to carry out subcontracting sales to a new customer and provision of processing services to that new customer from the second half of the financial year. The segment loss before tax was approximately HK$451.0 million for the year under review, representing an increase of approximately HK$124.4 million comparing with approximately HK$326.6 million of the last financial year. It was mainly attributable to the increase in share of the loss of an associate, ALEEES.

The Group holds approximately 21.85% of total issued shares of ALEEES, which principally engaged in the business of production, research and development and sales and marketing of cathode materials for lithium ferrous phosphate batteries. As most of customers of ALEEES were from the PRC, and influenced by the new energy subsidy policies and keen competition in the market, ALEEES suffered loss during the year under review.

Direct investments business

The income from direct investments for the year under review was approximately HK$11.5 million, representing a decrease of approximately HK$31.6 million as compared with approximately HK$43.1 million of the last financial year before the elimination of inter-segment transactions. The segment loss before tax for the year under review of approximately HK$43.3 million, representing a decrease of approximately HK$410.4 million comparing with approximately HK$453.7 million of the last financial year, which was mainly attributable to the impairment on goodwill for the Group's investment in FDG Kinetic Limited of last financial year, but it did not incur in the current financial year.

Battery products business (discontinued operation)

The revenue from battery products business before the elimination of inter-segment transactions increased from approximately HK$134.3 million of the last financial year to approximately HK$150.9 million of the year under review, representing an increase of approximately 12.4%. It is mainly attributable to the increase in demand from overseas market.

The gross profit ratio from the battery products business from external customers decreased from approximately 30.1% of the last financial year to approximately 21.0% of the year under review. Such decrease was mainly attributable to the sales of old inventories at lower profit margin.

During the year under review, the battery products business narrowed its segment loss before tax to approximately HK$346.2 million from approximately HK$564.5 million of the last financial year, which was principally attributable to (i) the decrease in research and development expenses and amortisation of intangible assets; and (ii) the scale down of those non-profitable sites and expansion of those high margin sites and markets.

Liquidity and Financial Resources

As at 31 March 2019, the cash and cash equivalents of the Group (excluding approximately HK$31.0 million classified and included in assets of disposal group held for sales) amounted to approximately HK$163.9 million (31 March 2018: approximately HK$752.4 million). The amounts were mainly denominated in Hong Kong dollars, Renminbi ("RMB") and United States dollars.

As at 31 March 2019, the Group recorded net current liabilities of approximately HK$1,863.1 million as compared with net current assets of approximately HK$21.8 million as at 31 March 2018. The substantial change from net current assets to net current liabilities was primarily due to the substantial decrease in current assets from approximately HK$4,238.4 million as at 31 March 2018 to approximately HK$2,546.2 million as at 31 March 2019.

Total bank loans and other borrowings as at 31 March 2019 were approximately HK$2,728.5 million (excluding approximately HK$313.5 million included in liabilities of disposal group held for sales), representing a decrease of approximately HK$594.2 million as comparing with approximately HK$3,322.7 million as at 31 March 2018. Details of the bank loans and other borrowings are set out in Note 31 to the consolidated financial statements.

As at 31 March 2019, the Group's obligations under finance leases amounted to approximately HK$79.1 million (31 March 2018: approximately HK$127.8 million). As the Group was unable to make certain principal and/or interest repayments relating to all its obligations under finance leases amounted to approximately HK$79.1 million (31 March 2018: nil), the creditors were entitled to request for their immediate repayment. A finance lease creditor had also commenced litigations against the Group for the repayment of the outstanding balances due of approximately HK$34.1 million. The obligations under finance leases were secured by certain machineries of the Group with an aggregate carrying amount of approximately HK$224.4 million (31 March 2018: approximately HK$162.0 million).

As at 31 March 2018, the Group's gearing ratio, without taking into account the obligations under redeemed convertible bonds of approximately HK$760.8 million and the liability components of convertible bonds of approximately HK$646.5 million, was approximately 160.6% calculated on the basis of bank loans and other borrowings and obligations under finance leases of approximately HK$3,450.5 million in total to total of equity of approximately HK$2,148.4 million.

As at 31 March 2019, the Group is in total deficiency in equity of approximately HK$535.5 million, the gearing ratio is not applicable.

On 11 April 2019, a placing and the top-up subscription of new shares of the Company were completed for which the Company allotted and issued 833,330,000 ordinary shares of the Company under general mandate for HK$0.048 per new share and raised net funds of approximately HK$38.5 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 pledged at fixed rates and relatively stable during the year under review. The Group has transactional currency exposures in RMB but substantial assets and liabilities of the Group were denominated in RMB and were mutually hedged. The Group has not entered into any foreign currency exchange forward contracts for hedging purposes during the year under review. The Board will closely monitor the foreign exchange exposure and consider appropriate hedging instruments when necessary.

Capital Structure

On 5 July 2018, a total of 1,000,000,000 new shares of the Company were allotted and issued at a price of HK$0.109 per share pursuant to a placing agreement dated 25 June 2018 entered into between the Company and Yue Xiu Securities Company Limited as placing agent under the general mandate to issue shares granted at the annual general meeting of the Company held on 29 August 2017. The net proceeds of approximately HK$103.9 million were intended to be used for repaying some of the Group's debts and general working capital of the Group. All of such net proceeds have been utilised, with approximately HK$94.3 million used to repay certain borrowings of the Group and approximately HK$9.6 million used for the general working capital of the Group.

On 2 October 2018, a total of 2,600,000,000 new shares of the Company were allotted and issued at a price of HK$0.09 per share pursuant to a subscription agreement dated 28 July 2018 entered into between the Company and Jin Zheng Yuan (HK) Holding Co., Limited under the general mandate to issue shares granted at the annual general meeting of the Company held on 29 August 2017. The net proceeds of approximately HK$233.8 million were intended to be used for repaying some of the Group's debts, supporting the development of electric vehicle business and general working capital of the Group. All of such net proceeds have been utilized, with approximately HK$36 million used to repay certain borrowings of the Group, approximately HK$97.3 million used for supporting the development of electric vehicle business and approximately HK$100.5 million used for the general working capital of the Group.

On 31 December 2018, a total of 476,666,666 new shares of the Company were allotted and issued at a price of HK$0.09 per share pursuant to a settlement agreement involving allotment and issue of new shares dated 18 October 2018 entered into between, among others, the Company, FDG Strategic Investment Limited, Chanje Energy, Inc. and Smith Electric Vehicles Corp. under the general mandate to issue shares granted at the annual general meeting of the Company held on 31 August 2018. There was no proceeds in respect of such issue.

As a result, the number of shares of the Company in issue increased from 22,413,077,108 as at 1 April 2018 to 26,489,743,774 as at 31 March 2019.

As at 31 March 2019, the Company had (i) outstanding share options entitling holders to subscribe for a total of 2,237,200,000 shares of the Company; (ii) outstanding convertible bonds due 2020 in the amount of HK$400,000,000 which could be converted into 860,215,052 shares of the Company based on the initial conversion price of HK$0.465; and (iii) outstanding convertible bonds due 2021 in the amount of HK$275,000,000 which could be converted into 550,000,000 shares of the Company based on the initial conversion price of HK$0.50.

Save as disclosed above, the Group had no other debt securities or other capital instruments as at 31 March 2019.

Material Acquisition and Disposal

On 3 May 2018, a sale and purchase agreement was entered into between Preferred Market Limited (a wholly-owned subsidiary of the Company, as vendor), the Company (as guarantor for the vendor) and Hong Kong ShengHai DeYong Investment Limited (as purchaser) in relation to the disposal of the entire issued share capital of Giant Industry Holdings Limited ("Giant Industry"), which indirectly holds a 50% interest in Yunnan FDG Automobile Co., Limited* (雲南五龍汽車有限公司), for a consideration of RMB80,000,000 net of certain deductions under the sale and purchase agreement (the "Disposal"). Upon completion of the Disposal on 3 May 2018, the Company did not hold any shares in Giant Industry and accordingly, it has ceased to be an indirect wholly-owned subsidiary of the Company. Details of the Disposal are disclosed in the announcement of the Company dated 3 May 2018.

On 18 October 2018, a settlement agreement was entered into by, among others, the Company, FDG Strategic Investment Limited (a wholly-owned subsidiary of the Company), Chanje Energy, Inc. ("Chanje", a then joint venture of the Company for accounting purposes) and Smith Electric Vehicles Corp ("Smith", a joint venture partner of Chanje). Pursuant to the settlement agreement, among others, Smith shall transfer its approximately 16.84% equity interest in Chanje to the Company. Upon completion of such transfer on 31 December 2018, Chanje was owned as to 94.74% by the Group and 5.26% by the employee benefit trust established by the Company. As the Group has the right to nominate and appoint the majority of the directors of Chanje, Chanje has become a subsidiary of the Group.

On 22 March 2019, a sale and purchase agreement was entered into between Union Grace Holdings Limited (a wholly-owned subsidiary of the Company, as vendor) and Blossom Ray Limited (as purchaser) in relation to the disposal of 75 shares in Synergy Dragon Limited (representing 75% of the entire issued share capital of Synergy Dragon Limited) at a consideration of HK$1 and 1 share in Sinopoly Battery International Limited (representing the entire issued share capital of Sinopoly Battery International Limited) at a consideration of HK$1. As at the date of approval of the consolidated financial statements, the transaction has not yet been completed.

Save as disclosed above, the Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 March 2019.

Pledge of Assets and Contingent Liabilities

There were pledge of assets as at 31 March 2019 and 2018 with details disclosed under the section heading "Liquidity and Financial Resources" and in Notes 31, 34 and 35(c) to the consolidated financial statements. In addition, pledged bank deposits of approximately HK$95.6 million (31 March 2018: approximately HK$235.3 million) were pledged to secure mainly bank loans and other borrowings and bills payables.

The Group had no significant contingent liabilities as at 31 March 2019 (31 March 2018: nil).

Litigations

Details of the litigations updates of the Group are set out in Note 45 to the consolidated financial statements.

Capital Commitments

Details of the capital commitments of the Group are set out in Note 44(b) to the consolidated financial statements.

Employees and Remuneration Policies

As of 31 March 2019, the Group had 56 employees (31 March 2018: 75 employees) in Hong Kong, 1,653 employees (31 March 2018: 2,793 employees) in the PRC and 29 employees (31 March 2018: nil) in the US. Total staff costs (including directors' emoluments and equity-settled share-based payments) during the year under review amounted to approximately HK$301.1 million (2018: approximately HK$470.5 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 schemes, share award schemes and employee benefit trusts for the benefit of its directors and eligible participants.

FUTURE DEVELOPMENT

During the year under review, affected by the changes in subsidy policy for NEVs, the Chinese government has reduced the subsidies for NEVs in stages and tightened the subsidy standards and hence extended the expected time for subsidies to be received, which have exerted downward pressure on the NEV, power battery and cathode material markets in China. However, it is expected that with rising public awareness of environmental protection, the proactive actions taken by enterprises to shoulder environmental responsibilities and the efforts of various governments in tightening waste gas emission standards and accelerating establishment and improvement of charging infrastructure for EVs, the global sales volume of NEV will sustain its growth momentum. Looking forward, FDG will continue to focus on developing the pure electric commercial vehicle market and actively exploring and expanding overseas market, thereby diversifying the competitive edges of the Group. At the same time, FDG will reposition its businesses so as to reduce its reliance on government subsidies.

Capitalising on competitive advantage in electric commercial vehicle market

Last year, the Chinese government revised the policies regarding the NEV industry, which have resulted in the reduction of subsidy amount and extension of the expected time for subsidies to be received, hence resulting in narrowed profits, prolonged trade receivables and decreased cash flow of the Group during the year under review. In addition, the successive maturity of bank loans and other borrowings as well as convertible bonds has resulted in an increase in the Group's current liabilities. The Group will continue to negotiate with banks or lenders to renew the successively maturing loans so as to increase the Group's current working capital and meet the Group's financial needs. Furthermore, during the year under review, the Group recorded significant impairment of non-current assets and a decrease in loans and other receivables, resulting in net liabilities of the Group. The management of the Group will closely monitor the overall liabilities and regularly review the Group's operating costs and scheduled repayments of the loans so as to obtain financing for business development when appropriate. Given the Group's electric commercial vehicles are the most competitive products in the industry, the Group has established the production base for electric vehicles in Hangzhou, China and successively obtained large orders from overseas blue-chip customers. The Group anticipates that FDG will obtain more orders of electric vehicles from overseas market which generate positive cash flows to the Group, hence solving the problem of the Group's capital turnover and meeting the Group's financial needs to develop the Group's businesses.

Continuous development and exploration of overseas electric vehicle market

The Company has always been committed to developing and exploring overseas market. During the year under review, the Company not only obtained large orders from Ryder, a professional fleet operator in the US, but also secured purchase orders from FedEx. Obtaining purchase orders of pure electric vehicles from two blue-chip customers in succession signifies the recognition and support of FDG from blue-chip customers. Going forward, FDG will continue to set its eyes on the international market, in particular the US and European markets, in order to pursue more opportunities for business development through cooperation with international brands and further increase its market share in the pure electric commercial vehicle segment in overseas markets.

Proactively reduce the production costs of pure electric vehicles

FDG has established the production base for electric vehicles in Hangzhou, China, and sales centers for electric vehicles in both China and the US. Looking forward, the Group will continue to pursue various opportunities for business development in an effort to obtain more orders for electric vehicles. In view of the reduction in production costs arising from the orders of existing and potential customers as well as mass production, the Group anticipates that the electric vehicles business will bring greater revenue to the Group and better returns to the shareholders in the future.

Enhance the quality of cathode material products

For cathode material business, the research centre of the Group will continue to develop cathode material products such as NCM811 and NCA, aiming to provide more environmentally-friendly products with better quality to cater to market demands and regulatory requirements.

Consolidate the Group's businesses and streamline the Group's structure

The policy regarding reduction of subsidy in China, the influx of foreign battery enterprises in the mainland market, and increased efforts in production capacity building of both local and overseas battery enterprises have all contributed to the excessive production capacities and more intensified competition in the battery industry. Moreover, the slowdown of growth in battery market size, along with the declining profit margin, has led to a decrease in prices of power batteries. During the year under review, the performance of the Group's battery business was sluggish and recorded a loss in general. Given the Group's limited financial resources and after careful assessment, the Group is currently disposing of the battery segment owned by FDG for the purpose of streamlining the Group's businesses. Looking forward, FDG will consolidate its resources to develop the core business of electric commercial vehicles, while FKL, an indirect non-wholly-owned subsidiary of the Company, will remain focus on developing the battery and cathode materials business. With their respective business expertise, FDG and FKL will respectively consolidate resources to develop their core businesses, improve product quality and increase production capacity with a view to creating revenue and further increasing their influence in the NEV, battery and cathode material market globally, thereby bringing greater returns to the shareholders.

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE

The Company applied the principles of and complied with all the code provisions of the Corporate Governance Code (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 2019 and up to the date of this report, except for the following deviation.

Code provision A.2.1

Since 28 May 2014, both the roles of chairman and chief executive are vested with Mr. Cao Zhong. This constitutes a deviation from code provision A.2.1 of the Code which requires the roles of the chairman and chief executive to be separated and performed by different individuals. The Board considers that it will be more effective in implementing the Company's business strategies under the current arrangement as the Group has expanded into the electric vehicle sector and that a balance of power and authority is maintained at all times as the Board comprises experienced and high calibre individuals including sufficient number of independent non-executive directors as required under the Listing Rules.

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 2019.

During the period of 60 days immediately preceding and including the publication date of the final results for the year ended 31 March 2018 (i.e. 28 June 2018), certain shares of the Company held by each of Mr. Cao Zhong ("Mr. Cao", the chairman, executive director and chief executive officer of the Company) and Mr. Miao Zhenguo ("Mr. Miao", a then executive director of the Company who resigned on 12 June 2018) which were deposited with securities firms (the "Brokers") as collaterals to secure their respective margin financing were sold by certain Brokers as a result of the decrease in share price of the Company and their respective financial difficulties, and the shareholding interest in the Company of Mr. Cao reduced from approximately 11.86% to approximately 6.06% as of the publication date of the final results for the year ended 31 March 2018, and the shareholding interest in the Company of Mr. Miao reduced from approximately 8.79% to approximately 8.29% as of the date of his resignation (further reduced to approximately 4.30% as of the publication date of the final results for the year ended 31 March 2018). The directors of the Company (except Mr. Cao and Mr. Miao for their respective disposals) satisfied that such disposals were exceptional circumstances under paragraph C.14 of the Model Code.

BOARD OF DIRECTORS

Composition

The composition of the Board during the year ended 31 March 2019 and up to the date of this report is as follows:

Executive Directors:
Mr. Cao Zhong *(Chairman and Chief Executive Officer)*
Dr. Chen Yanping *(Chief Technical Officer)*
Mr. Jaime Che *(Senior Vice President)*
Mr. Miao Zhenguo *(resigned on 12 June 2018)*

Non-executive Directors:
Mr. Lo Wing Yat *(re-designated from executive director to non-executive director on 22 November 2018)*
Mr. Wong Kwok Yiu *(resigned on 25 November 2018)*
Mr. Tong Zhiyuan *(re-designated from executive director to non-executive director on 3 May 2018 and resigned on 4 June 2018)*

Independent Non-executive Directors:
Mr. Chan Yuk Tong
Mr. Fei Tai Hung
Mr. Tse Kam Fow
Mr. Xu Jingbin *(resigned on 15 February 2019)*

The biographical details of the existing directors are set out in the "Biographies of Directors" on pages 7 to 8 of this annual report.

Role and Function

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

The Board has delegated the day-to-day operations of the Group to the management and the management has been providing the Board with monthly reports, which contain, inter alia, business information, financial 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

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

Non-executive Director and Independent Non-executive Directors

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

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

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

Throughout the year ended 31 March 2019, 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, who resigned as executive director of the Company on 12 June 2018, is the brother-in-law of Mr. Cao Zhong, the Chairman, executive director and Chief Executive Officer of the Company.

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

Meetings and Attendance

The Board held four regular meetings and six additional meetings during the year ended 31 March 2019. The individual attendance records of the directors are as follows:

Name of directors		Number of meetings attended/held
Executive Directors:		
Mr. Cao Zhong		9/10
Dr. Chen Yanping		10[b]/10
Mr. Jaime Che		10/10
Mr. Miao Zhenguo	*(resigned on 12 June 2018)*	1/1
Non-executive Directors:		
Mr. Lo Wing Yat	*(re-designated from executive director to non-executive director on 22 November 2018)*	6/10
Mr. Wong Kwok Yiu	*(resigned on 25 November 2018)*	6[a]/6
Mr. Tong Zhiyuan	*(re-designated from executive director to non-executive director on 3 May 2018 and resigned on 4 June 2018)*	0/0
Independent Non-executive Directors:		
Mr. Chan Yuk Tong		10[b]/10
Mr. Fei Tai Hung		10[c]/10
Mr. Tse Kam Fow		10/10
Mr. Xu Jingbin	*(resigned on 15 February 2019)*	8/8

Notes:

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

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

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

Time Commitment

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

Training

The Company recognises the importance of continuous professional development of directors so as to ensure that their contribution to the Board remains informed and relevant. 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 2019 is as follows:

Name of directors		Attending trainings/ seminars	Reading relevant materials
Executive Directors:			
Mr. Cao Zhong		✓	✓
Dr. Chen Yanping		✓	✓
Mr. Jaime Che		✓	✓
Mr. Miao Zhenguo	*(resigned on 12 June 2018)*	–	✓
Non-executive Directors:			
Mr. Lo Wing Yat	*(re-designated from executive director to non-executive director on 22 November 2018)*	✓	✓
Mr. Wong Kwok Yiu	*(resigned on 25 November 2018)*	–	✓
Mr. Tong Zhiyuan	*(re-designated from executive director to non-executive director on 3 May 2018 and resigned on 4 June 2018)*	–	✓
Independent Non-executive Directors:			
Mr. Chan Yuk Tong		✓	✓
Mr. Fei Tai Hung		–	✓
Mr. Tse Kam Fow		✓	✓
Mr. Xu Jingbin	*(resigned on 15 February 2019)*	–	✓

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 Special Board Committee. Each committee reports back to the Board on its decisions or recommendations, unless there are legal or regulatory restrictions on its ability to do so.

Remuneration Committee

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

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.fdgev.com.

The Remuneration Committee held one meeting during the year ended 31 March 2019. The individual attendance records of the committee members are as follows:

Name of committee members	Number of meetings attended/held
Mr. Chan Yuk Tong *(Chairman)*	1/1
Mr. Fei Tai Hung	1[a]/1
Mr. Tse Kam Fow	1/1
Mr. Cao Zhong	1/1
Mr. Jaime Che *(appointed as a member on 12 June 2018)*	1/1
Mr. Miao Zhenguo *(resigned as a member on 12 June 2018)*	0/0

Note:

a. Having another director acted as his representative.

During the year ended 31 March 2019, the Remuneration Committee considered and recommended to the Board (i) the proposal for the Board to fix the directors' remuneration to be put forward at the 2018 annual general meeting of the Company for shareholders' approval; (ii) the salary adjustment of an executive director; (iii) the directors' fees of two non-executive directors upon their re-designations from executive directors; and (iv) the director's fee of an independent non-executive director upon the renewal of his term of appointment.

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 2019, 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. Jaime Che, and three independent non-executive directors, namely Mr. Chan Yuk Tong, Mr. Fei Tai Hung and Mr. Tse Kam Fow.

The principal duties of the Nomination Committee 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.fdgev.com.

The Nomination Committee held one meeting during the year ended 31 March 2019. 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. Jaime Che *(appointed as a member on 12 June 2018)*	1/1
Mr. Chan Yuk Tong	1/1
Mr. Fei Tai Hung	1[a]/1
Mr. Tse Kam Fow	1/1
Mr. Miao Zhenguo *(resigned as a member on 12 June 2018)*	0/0

Note:

a. Having another director acted as his representative.

During the year ended 31 March 2019, 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 2018 annual general meeting of the Company; (iii) assessed the independence of the independent non-executive directors; (iv) considered and recommended to the Board the re-designations of two executive directors to non-executive directors; and (v) considered and recommended to the Board the renewal of the term of appointment of an independent non-executive director.

Board Diversity Policy

The Board has adopted a board diversity policy (the "Board Diversity Policy"). Under the Board Diversity Policy, the selection of candidates for Board appointment will be based on a range of diversity perspectives, including but not limited 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 Board Diversity Policy and assess the Board composition on an annual basis.

Nomination Policy

The Board has adopted a nomination policy (the "Nomination Policy") on 29 November 2018. Pursuant to the Nomination Policy, the assessment of the suitability of a proposed candidate for directorship by the Nomination Committee will be based on (i) diversity perspectives mentioned under the Board Diversity Policy above; (ii) commitment in respect of available time, such as the number and nature of offices held in public companies or organisations, and other executive appointments or significant commitments; and (iii) other factors considered to be appropriate as the case may be.

The Nomination Committee will evaluate a proposed candidate for directorship based on the criteria as set out above and provide to the Board with all the information required including information set out in Rule 13.51(2) of the Listing Rules in relation to the proposed candidate and make recommendations for the Board's consideration and approval. For proposing candidates to stand for election or re-election at a general meeting, the Nomination Committee will make nominations to the Board for its consideration and recommendation.

The Nomination Committee will monitor the implementation of the Nomination Policy to ensure its objectives can be achieved.

Audit Committee

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

The principal duties of the Audit Committee 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. Besides, the Audit Committee is delegated by the Board with certain corporate governance duties, namely: (a) to develop and review the Company's policies and practices on corporate governance; and (b) to review the Company's compliance with the Code and disclosure of this report. The full version of the terms of reference of the Audit Committee is available on the Stock Exchange's website and the Company's website at www.fdgev.com.

The Audit Committee held three meetings during the year ended 31 March 2019. The individual attendance records of the committee members are as follows:

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

During the year ended 31 March 2019, the Audit Committee (i) reviewed the accounting policies and practices adopted by the Group; (ii) discussed with the Auditor the pre-audit planning of the Group; (iii) reviewed the Company's results for the year ended 31 March 2018 and six months ended 30 September 2018 and recommended the same to the Board for approval; (iv) recommended to the Board the re-appointment of the Auditor; (v) reviewed the effectiveness of the Group's internal control systems, inter alia, the financial, operational and compliance controls functions of the Group; (vi) 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; (vii) reviewed corporate governance compliance and disclosure of the Group; and (viii) reviewed the continuing connected transactions of the Company.

The Audit Committee has reviewed with the management and the Auditor the audited results of the Group for the year ended 31 March 2019.

Risk Committee

The Risk Committee currently comprises three independent non-executive directors, namely Mr. Tse Kam Fow (Chairman of the Risk Committee), Mr. Chan Yuk Tong and Mr. Fei Tai Hung, and two executive directors, namely Mr. Cao Zhong 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 2019. The individual attendance records of the committee members are as follows:

Name of committee members	Number of meetings attended/held
Mr. Tse Kam Fow *(Chairman)*	2/2
Mr. Cao Zhong	2/2
Mr. Jaime Che	2/2
Mr. Chan Yuk Tong	2/2
Mr. Fei Tai Hung	2/2

During the year ended 31 March 2019, 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 2018 and six months ended 30 September 2018.

Executive Committee

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

Special Board Committee

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

AUDITOR'S REMUNERATION

For the year ended 31 March 2019, the Auditor's remuneration amounted to approximately HK$3,020,000 for audit service and approximately HK$395,000 for non-audit service regarding review of interim results and continuing connected transactions.

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 57 to 58 of this annual report.

GOING CONCERN AND MITIGATION MEASURES

The Group incurred a loss for the year ended 31 March 2019 of HK$3,007,380,000, and as at that date, the Group had net current liabilities of HK$1,863,118,000 and net liabilities of HK$535,483,000. In addition, the Group was unable to make certain principal and/or interest repayments relating to certain bank loans and other borrowings, obligations under finance leases and convertible bonds under continuing operations with carrying amounts as at 31 March 2019 of approximately HK$1,103,625,000 (2018: nil), HK$79,143,000 (2018: nil) and HK$376,128,000 (2018: nil), respectively, and certain bank loans and other borrowings under discontinued operation with carrying amount as at 31 March 2019 of approximately HK$26,697,000 (2018: nil), for which the lenders were entitled to request for the immediate repayment of full amounts owed. Certain suppliers, other creditors, a bank and a finance lease creditor had also commenced legal actions against the Group for the repayment of the outstanding trade payables, other payables, bank loans and obligations under a finance lease under continuing operations, amounting to approximately HK$113,831,000, HK$126,663,000, HK$294,947,000 and HK$34,100,000, respectively, and of the outstanding trade payables under discontinued operation amounting to approximately HK$22,227,000, details of which are set out in Note 45(b) to this consolidated financial statements.

Notwithstanding the aforesaid conditions, the consolidated financial statements have been prepared on a going concern basis because the Board and the Audit Committee have reviewed the Group's financial situations and both are of the view that the Group can meet its financial obligations as and when they fall due in the next twelve months, after taking into consideration of the measures and arrangements (the "Measures and Arrangements") as detailed below and stated in Note 2(b) to the consolidated financial statements for the year ended 31 March 2019. The Auditor is of the view that the validity of the going concern assumption depends upon the successful implementation and outcomes of the Measures and Arrangements, which are subject to multiple uncertainties. Accordingly, a Disclaimer of Opinion has been issued by the Auditor.

The Company's Measures and Arrangements are as follows:

(i) The placing and a top-up subscription of new shares of the Company were completed for which the Company allotted and issued 833,330,000 new ordinary shares of the Company under general mandate for HK$0.048 per new share and raised net funds of approximately HK$38,500,000, details of which are disclosed in Note 47(a) to the consolidated financial statements;

(ii) On 13 June 2019, under the supervision and coordination of a local government in Hangzhou, the PRC, all the creditor banks of a non-wholly-owned subsidiary of the Company, to which the subsidiary owed approximately HK$1,318 million in aggregate (including approximately HK$295 million payable to a creditor banker that commenced legal action for immediate repayment and subsequently agreed to withdraw the litigation) as at 31 March 2019, (i) agreed not to take any legal action for repayment nor reduce credit facility and credit rating, and (ii) agreed to a standstill and restructuring arrangement in principle to extend and/or to renew all these banks loans upon maturity by new terms of not less than 12 months after the original maturity. In addition, a creditor bank has granted additional facilities of approximately HK$221 million to the Group and a loan with principal amount of approximately HK$117 million were extended to July 2020, and the remaining creditor banks are under renewal negotiations with the Group;

(iii) On 5 June 2019, a potential investor provided a non-binding letter of intent to Chanje Energy, Inc. ("Chanje", a subsidiary of the Company) regarding its proposed equity investment of US$155 million (equivalent to approximately HK$1,201 million) for certain minority equity stake in Chanje subject to satisfactory results of the due diligence to be completed by the potential investor, and the Group expects the due diligence work will be completed within the next two months, the transaction will be closed and payments will be received by tranches from the equity investment within the next three to nine months from the date of approval of the consolidated financial statements;

(iv) On 14 June 2019, Chanje and an investor entered into an unsecured convertible promissory note in the total principal amount of US$20 million at the interest rate of 10% per annum (the "Convertible Promissory Note"), pursuant to which and in consideration for the principal amount, (i) Chanje has agreed to pay to the investor or its nominee the outstanding principal amount and all accrued and unpaid interest pursuant to the terms thereof; and (ii) the investor is granted with the optional conversion right upon receipt of the principal amount in full by Chanje in which the investor has the right and option to convert all or part of the outstanding principal amount with any accrued interest of the Convertible Promissory Note into the common stocks of Chanje at any time prior to the maturity date subject to the approval of the board of directors of Chanje or such conversion is following receipt of a prepayment notice. The investor's shareholding interest in Chanje will be 6.25% upon exercise of the optional conversion right and allotment and issue of shares of the common stock by Chanje to the investor, and the Group expects the funding of US$20 million can be received in accordance with the payment schedules by the end of the financial year ending 31 March 2020;

(v) Chanje is currently in the advanced stage of negotiations with an independent third party lender for a secured revolving trade finance facility of up to US$75 million for three years subject to satisfaction results of the due diligence to be completed by this prospective lender. The loan is expected to be granted in the next two to six months from the date of approval of the consolidated financial statements. The secured revolving trade finance facility will be used to finance the new sales orders mentioned in (ix) below and other existing sales orders of the Group;

(vi) The Group entered into a sales and purchase agreement to dispose of its battery products business (the "Disposal") to cut further loss and capital expenditures, which is expected to be completed within one month after the regulatory approval. After the Disposal, the capital expenditure of approximately HK$191 million will no longer be payable by the Group and the inter-company loans of approximately HK$197 million are expected to be received from the battery business segment in future days after the Disposal.

(vii) The Group is in discussions with a number of investors (including one investor as mentioned in Note 47(b) to the consolidated financial statements) for raising funds by ways of issuance new shares and/or convertible bonds, and they are in the process of performing due diligence works and the relevant transactions are expected to be completed by the end of 2019. On 30 June 2019, the Company entered into a subscription agreement with a subscriber who is the lender of certain other borrowings and the holder of certain convertible bonds of the Group in which the subscriber conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue 4,086,323,694 new ordinary shares of the Company to set off against the total outstanding interest of approximately HK$110 million owed by the Company to the subscriber in relation to the other borrowings and the convertible bonds. Upon completion of the transaction, the Group's interest payables of approximately HK$110 million will no longer be required to be settled in cash.

The Group is also under negotiations with various prospective third party lenders for new credit facilities, and in June 2019 a shareholder has advanced of approximately HK$20 million to the Company which will be repaid in the year 2021;

(viii) The Group is also currently in serious negotiations with certain banks and financial institutions (on top of those mentioned in (ii) above), suppliers and other creditors to extend the payment due dates and credit terms with them and currently a loan from other borrowings of approximately HK$59.5 million was successfully extended to the year 2022 and some of them agreed to grant a longer credit period to the Group;

(ix) The Group has received sales orders of electric vehicles from blue chip customers including Ryder Vehicle Purchasing, LLC and Federal Express Corporation, etc., in the United States of America, and the Group expects to commence production of such orders in September 2019 and cash inflows expected to be received from the customers by the end of 2019;

(x) For the outstanding capital injections in an associate, ALEEES (GuiZhou) Co., Ltd (立凱電能科技（貴州）有限公司) ("ALEEES Guizhou"), of approximately HK$148.6 million as at 31 March 2019, the Group has initiated a feasibility study to dispose of its entire equity interest in ALEEES Guizhou in November 2018 to one of its fellow existing shareholders, in order to discharge the Group's obligations for the unpaid investment cost (the "Discharge"). The Board and the Audit Committee considered the Discharge can be completed as all shareholders of the ALEEES Guizhou preliminarily agreed to the Discharge, and the draft agreement is currently being reviewed by the ALEEES Guizhou's existing shareholders and the Group expects to withdraw from this investment and the payment obligation on or before 31 March 2020, which can save no less than approximately HK$148.6 million in cash outflows; and

(xi) the Group has been searching for potential buyers to dispose of all/partial equity interests in an associate (which is a listed overseas company) with carrying amounts of approximately HK$176 million as at 31 March 2019, and the disposal is expected to be at the stage of completion by 31 December 2019.

The Board agreed on the existence of uncertainties on the successful implementation and outcomes of the Measures and Arrangements, and is prepared to take necessary efforts in the coming months to address them and is confident on the successful implementation and outcomes.

The Audit Committee has reviewed and agreed with the Board's position concerning the Disclaimer of Opinion after discussion with the Board on the financial position and the current and future plans of the Group. The Audit Committee together with the Board has discussed with the Auditor the future planning of the electric vehicles business, the current net liabilities status and the various ways to solve the net current liabilities status as stated in Note 2(b) to the consolidated financial statements. The Board and the Audit Committee have reviewed the progress and reasonably satisfied that the Measures and Arrangements could be reasonably probable to happen. Accordingly, the Board and the Audit Committee are of the view that it is appropriate to prepare the consolidated financial statements for the year ended 31 March 2019 on a going concern basis.

However, while the Auditor concurs with the above-mentioned view of the Board and the Audit Committee, the Auditor is obliged to obtain more solid audit evidence, including but not limited to the written formal facilities letters from certain bankers to prove that the advances and/or renewals of funding will be provided to the Group. With the time constraints and the restrictions of the banks' internal credit approval controls, such could not be readily provided by the banks to the Auditor. Accordingly, the Auditor has no alternative but to resort to issue the Disclaimer of Opinion.

The Board has considered the Company's efforts in raising funds and considered the above Measures and Arrangements to be reasonably probable to happen and the Board and the Audit Committee have sought the view of the Auditor. With the satisfactory implementation of the Measures and Arrangements, the Disclaimer of Opinion for the year ended 31 March 2019 is expected to be able to be removed in the financial year ending 31 March 2020.

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 risks effectively 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 2019, 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 2019, the Company held the annual general meeting on 31 August 2018 (the "AGM") and two special general meetings on 5 November 2018 and 13 December 2018 (the "SGMs"). The individual attendance records of the directors at the AGM and the SGMs are as follows:

Name of directors		Number of AGM attended/held	Number of SGM attended/held
Executive Directors:			
Mr. Cao Zhong		1/1	1/2
Dr. Chen Yanping		1/1	2[a]/2
Mr. Jaime Che		1/1	2/2
Mr. Miao Zhenguo	*(resigned on 12 June 2018)*	0/0	0/0
Non-executive Directors:			
Mr. Lo Wing Yat	*(re-designated from executive director to non-executive director on 22 November 2018)*	1/1	0/2
Mr. Wong Kwok Yiu	*(resigned on 25 November 2018)*	1[a]/1	1/1
Mr. Tong Zhiyuan	*(re-designated from executive director to non-executive director on 3 May 2018 and resigned on 4 June 2018)*	0/0	0/0
Independent Non-executive Directors:			
Mr. Chan Yuk Tong		1/1	2/2
Mr. Fei Tai Hung		1[a]/1	2[b]/2
Mr. Tse Kam Fow		1/1	2/2
Mr. Xu Jingbin	*(resigned on 15 February 2019)*	1/1	2[b]/2

Notes:

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

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

The Auditor has 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 2019, 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 2019, no such requisition(s) has/have been received.

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

Dividend Policy

The Board has adopted a dividend policy (the "Dividend Policy") on 29 November 2018. The Company considers stable and sustainable returns to the shareholders of the Company to be its goals.

Pursuant to the Dividend Policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board will take into account, inter alia, (i) the general financial condition of the Group; (ii) the Group's actual and future operations and liquidity position; (iii) the Group's expected working capital requirements and future expansion plans; (iv) the Group's debt to equity ratios and the debt level; (v) any restrictions on payment of dividends that may be imposed by the Group's lenders; (vi) the retained earnings and distributable reserves of the Company and each of the members of the Group; (vii) the shareholders' and the investors' expectation and industry's norm; (viii) the general market conditions; and (ix) any other factors that the Board deems appropriate.

The Board will review the Dividend Policy from time to time.

Enquiries

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

國富浩華（香港）會計師事務所有限公司
Crowe (HK) CPA Limited
香港 銅鑼灣 禮頓道77號 禮頓中心9樓
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

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

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of FDG Electric Vehicles Limited (the "Company") and its subsidiaries (the "Group") set out on pages 59 to 212 which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

MULTIPLE UNCERTAINTIES RELATING TO GOING CONCERN

We draw attention to Note 2(b) to the consolidated financial statements, which indicates that the Group incurred a net loss of approximately HK$3,007,380,000 for the year ended 31 March 2019, comprising losses of approximately HK$2,661,260,000 from continuing operations and approximately HK$346,120,000 from discontinued operation and, as at 31 March 2019, the Group had net current liabilities of approximately HK$1,863,118,000. As at the same date, in respect of the continuing operations, the Group had total bank loans and other borrowings of approximately HK$2,728,470,000, of which approximately HK$1,582,334,000 were included in current liabilities, while the Group had cash and cash equivalents of approximately HK$163,892,000.

In addition, as disclosed in Note 2(b), Note 31(d), Note 34 and Note 35(c) to the consolidated financial statements, the Group was unable to make certain principal and/or interest repayments relating to certain bank loans and other borrowings, obligations under finance leases and convertible bonds under continuing operations with carrying amounts as at 31 March 2019 of approximately HK$1,103,625,000, HK$79,143,000 and HK$376,128,000, respectively, and certain bank loans and other borrowings under discontinued operation with carrying amounts as at 31 March 2019 of approximately HK$26,697,000 (Note 40(b)(i) to the consolidation financial statements), for which the lenders were entitled to request for the immediate repayment of full amounts owed. Certain suppliers, other creditors, a bank and a finance lease creditor had also commenced litigations against the Group for the repayment of the outstanding trade payables, other payables, bank loans and obligations under a finance lease under continuing operations, amounting to approximately HK$113,831,000, HK$126,663,000, HK$294,947,000 and HK$34,100,000, respectively, and of the outstanding trade payables under discontinued operation amounting to approximately HK$22,227,000, details of which are set out in Note 45(b) to the consolidated financial statements. These conditions, together with others described in Note 2(b) to the consolidated financial statements, indicate the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

BASIS FOR DISCLAIMER OF OPINION (CONTINUED)

MULTIPLE UNCERTAINTIES RELATING TO GOING CONCERN (CONTINUED)

Notwithstanding the abovementioned, the consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the successful implementation of the Group's plans and measures as set out in Note 2(b) to the consolidated financial statements to meet its financial obligations and to satisfy its future working capital and other financial commitments, including (i) the successful negotiation with creditors and banks for the deferral of the amounts now being immediately repayable; (ii) the successful negotiations with banks to obtain additional new financing and other sources of funding; (iii) the implementation of the Group's operation plans to enhance profitability and control costs and to generate adequate cash flows from operations; and (iv) taking active measures to expedite collection of outstanding receivables. The successful outcomes of the abovementioned plans and measures are subject to multiple uncertainties.

Should the Group fail to achieve the intended effects resulting from the plans and measures as mentioned in Note 2(b) to the consolidated financial statements, it might not be able to continue operating as a going concern, and adjustments would have to be made to write down the carrying amounts of the Group's assets to their net realisable amounts, to provide for any further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (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.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA and to issue an auditor's report. However, because of the matter described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

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.

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong, 2 July 2019

Leung Chun Wa
Practising Certificate Number P04963

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2019

	Note	2019 HK$'000	2018 HK$'000 (Restated)
Continuing operations			
Revenue	6	**345,611**	961,589
Cost of sales		**(318,910)**	(848,958)
Gross profit		**26,701**	112,631
Other income	8	**35,640**	72,568
Other gains and losses, net	8	**(109,232)**	(304,016)
Selling and distribution costs		**(85,869)**	(153,498)
General and administrative expenses		**(362,060)**	(524,594)
Research and development expenses		**(126,101)**	(133,636)
Finance costs	9	**(372,533)**	(365,882)
Other operating expenses	10	**(128,595)**	(79,475)
Impairment loss, net of reversal, on financial assets at amortised cost and contract assets	8	**(835,720)**	(258,328)
Impairment on goodwill	10	**(460,765)**	(668,396)
Impairment on intangible assets	10	**(7,220)**	–
Amortisation of intangible assets	10	**(110,808)**	(133,425)
Share of results of associates		**(82,443)**	(49,667)
Share of results of joint ventures		**(124,550)**	(117,051)
Loss before tax from continuing operations	10	**(2,743,555)**	(2,602,769)
Income tax	12	**82,295**	24,519
Loss for the year from continuing operations		**(2,661,260)**	(2,578,250)
Discontinued operation			
Loss for the year from discontinued operation	40	**(346,120)**	(488,881)
Loss for the year		**(3,007,380)**	(3,067,131)
Loss for the year attributable to:			
Owners of the Company			
– from continuing operations		**(1,665,239)**	(1,776,976)
– from discontinued operation		**(324,470)**	(453,395)
		(1,989,709)	(2,230,371)
Non-controlling interests			
– from continuing operations		**(996,021)**	(801,274)
– from discontinued operation		**(21,650)**	(35,486)
		(1,017,671)	(836,760)
		(3,007,380)	(3,067,131)
		HK cents	HK cents
Loss per share attributable to owners of the Company	14		
Basic and diluted			
– from continuing operations		**(6.99)**	(7.93)
– from discontinued operation		**(1.36)**	(2.02)
		(8.35)	(9.95)

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	2019 HK$'000	2018 HK$'000 (Restated)
Loss for the year	**(3,007,380)**	(3,067,131)
Other comprehensive (loss)/income for the year, net of nil tax:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	**(212,180)**	460,839
Derecognition of exchange reserve upon disposal of subsidiaries	**(6,606)**	–
Share of other comprehensive (loss)/income of associates	**(10,274)**	15,878
Share of other comprehensive (loss)/income of joint ventures	**(11,290)**	10,837
	(240,350)	487,554
Total comprehensive loss for the year	**(3,247,730)**	(2,579,577)
Attributable to:		
Owners of the Company	**(2,179,924)**	(1,882,099)
Non-controlling interests	**(1,067,806)**	(697,478)
Total comprehensive loss for the year	**(3,247,730)**	(2,579,577)

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
Non-current assets			
Goodwill	17	**559,021**	681,850
Intangible assets	18	**636,789**	620,894
Property, plant and equipment	19	**2,699,040**	3,538,502
Interests in leasehold land held for own use under operating leases	19	**223,276**	359,752
Interests in associates	21	**324,900**	436,142
Interests in joint ventures	22	**106,241**	354,692
Deposits paid for non-current assets	23	**264,914**	392,505
Loan receivables	27	**321**	16,128
Other non-current assets	24	**4,773**	7,416
		4,819,275	6,407,881
Current assets			
Inventories	25	**288,381**	566,829
Trade and bills receivables	26	**310,816**	1,409,167
Contract assets	26	**240,835**	–
Loan and other receivables	27	**683,321**	1,176,005
Financial assets at fair value through profit or loss	28	**6,438**	79,554
Derivative financial instruments	35	**68**	19,183
Pledged bank deposits	29	**95,633**	235,317
Cash and cash equivalents	30	**163,892**	752,351
		1,789,384	4,238,406
Assets associated with disposal group classified as held for sales	40	**756,827**	–
		2,546,211	4,238,406
Current liabilities			
Bank loans and other borrowings	31	**(1,582,334)**	(1,628,383)
Trade and bills payables	32	**(651,410)**	(959,629)
Accruals and other payables	33	**(1,361,855)**	(1,375,624)
Tax payables		**(38,591)**	(39,661)
Obligations under finance leases	34	**(79,143)**	(115,235)
Liability components of convertible bonds	35	**–**	(98,079)
		(3,713,333)	(4,216,611)
Liabilities associated with disposal group classified as held for sales	40	**(695,996)**	–
		(4,409,329)	(4,216,611)
Net current (liabilities)/assets		**(1,863,118)**	21,795
Total assets less current liabilities		**2,956,157**	6,429,676

	Note	2019 HK$'000	2018 HK$'000
Non-current liabilities			
Receipts in advance	36	**(534,027)**	(676,113)
Deferred income	37	**(430,831)**	(502,944)
Bank loans and other borrowings	31	**(1,146,136)**	(1,694,268)
Obligations under finance leases	34	**–**	(12,588)
Liability components of convertible bonds	35	**(601,006)**	(548,415)
Deferred tax liabilities	38	**(18,888)**	(86,191)
Obligations under redeemed convertible bonds	39	**(760,752)**	(760,752)
		(3,491,640)	(4,281,271)
NET (LIABILITIES)/ASSETS		**(535,483)**	2,148,405
CAPITAL AND RESERVES			
Issued capital	41	**264,898**	224,131
Reserves		**(776,819)**	944,409
Total equity attributable to owners of the Company		**(511,921)**	1,168,540
Non-controlling interests		**(23,562)**	979,865
(TOTAL DEFICIENCY IN EQUITY)/TOTAL EQUITY		**(535,483)**	2,148,405

Cao Zhong
Director

Jaime Che
Director

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Attributable to owners of the Company											
	Issued capital	Share premium *(Note 42(a))*	Exchange reserve *(Note 42(b))*	Contributed surplus *(Note 42(c))*	Capital redemption reserve *(Note 42(d))*	Equity component of convertible bonds *(Note 42(e))*	Share option reserve *(Note 42(f))*	Investment revaluation reserve *(Note 42(g))*	Accumulated losses *(Note 42(h))*	Total	Non-controlling interests	Total (deficit in equity)/ equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2017	223,985	2,057,457	(290,646)	1,419,585	1,868	251,871	36,734	(10,891)	(741,338)	2,948,625	1,550,961	4,499,586
Loss for the year	–	–	–	–	–	–	–	–	(2,230,371)	(2,230,371)	(836,760)	(3,067,131)
Other comprehensive income for the year												
– Exchange differences on translation of financial statements of foreign operations	–	–	329,477	–	–	–	–	–	–	329,477	131,362	460,839
– Share of other comprehensive income/(loss) of associates	–	–	(177)	–	–	–	–	10,891	–	10,714	5,164	15,878
– Share of other comprehensive income of joint ventures	–	–	8,081	–	–	–	–	–	–	8,081	2,756	10,837
Total other comprehensive income for the year	–	–	337,381	–	–	–	–	10,891	–	348,272	139,282	487,554
Total comprehensive income/(loss) for the year	–	–	337,381	–	–	–	–	10,891	(2,230,371)	(1,882,099)	(697,478)	(2,579,577)
Proceeds from shares issued upon exercise of share options *(Note 41(e))*	146	4,860	–	–	–	–	(1,648)	–	–	3,358	–	3,358
Initial recognition of convertible bonds issued by a subsidiary	–	–	–	–	–	–	–	–	–	–	120,080	120,080
Changes in ownership interests in subsidiaries without change of control	–	–	–	–	–	–	–	–	(22,635)	(22,635)	17,218	(5,417)
Settlement of convertible bonds *(Notes 35(a)&(b))*	–	–	–	–	–	(132,723)	–	–	132,723	–	–	–
Issue of convertible bonds *(Note 35(c))*	–	–	–	–	–	67,562	–	–	–	67,562	–	67,562
Conversion of convertible bonds issued by a subsidiary by non-controlling interests	–	–	–	–	–	–	–	–	10,916	10,916	(10,916)	–
Share options lapsed	–	–	–	–	–	–	(1,478)	–	1,478	–	–	–
Equity-settled share-based payments	–	–	–	–	–	–	42,813	–	–	42,813	–	42,813
At 31 March 2018 and 1 April 2018	224,131	2,062,317	46,735	1,419,585	1,868	186,710	76,421	–	(2,849,227)	1,168,540	979,865	2,148,405
Loss for the year	–	–	–	–	–	–	–	–	(1,989,709)	(1,989,709)	(1,017,671)	(3,007,380)
Other comprehensive loss for the year												
– Exchange differences on translation of financial statements of foreign operations	–	–	(167,484)	–	–	–	–	–	–	(167,484)	(44,696)	(212,180)
– Derecognition of exchange reserve upon disposal of subsidiaries	–	–	(6,606)	–	–	–	–	–	–	(6,606)	–	(6,606)
– Share of other comprehensive loss of associates	–	–	(7,707)	–	–	–	–	–	–	(7,707)	(2,567)	(10,274)
– Share of other comprehensive loss of joint ventures	–	–	(8,418)	–	–	–	–	–	–	(8,418)	(2,872)	(11,290)
Total other comprehensive loss for the year	–	–	(190,215)	–	–	–	–	–	–	(190,215)	(50,135)	(240,350)
Total comprehensive loss for the year	–	–	(190,215)	–	–	–	–	–	(1,989,709)	(2,179,924)	(1,067,806)	(3,247,730)
Issue of new shares *(Notes 41(b),(c)&(d))*	40,767	320,677	–	–	–	–	–	–	–	361,444	–	361,444
Settlement of convertible bonds issued by a subsidiary	–	–	–	–	–	–	–	–	109,164	109,164	(109,164)	–
Derecognition upon disposal of subsidiaries *(Note 16(b))*	–	–	–	–	–	–	–	–	–	–	173,543	173,543
Deemed contribution from shareholder loan	–	–	–	24,422	–	–	–	–	–	24,422	–	24,422
Share options lapsed	–	–	–	–	–	–	(2,108)	–	2,108	–	–	–
Equity-settled share-based payments	–	–	–	–	–	–	4,433	–	–	4,433	–	4,433
At 31 March 2019	**264,898**	**2,382,994**	**(143,480)**	**1,444,007**	**1,868**	**186,710**	**78,746**	**-**	**(4,727,664)**	**(511,921)**	**(23,562)**	**(535,483)**

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
Operating activities			
Loss before tax from continuing operations		**(2,743,555)**	(2,602,769)
Loss before tax from discontinued operation	*40(a)*	**(346,120)**	(560,581)
Loss before tax		**(3,089,675)**	(3,163,350)
Adjustments for:			
Interest income	*10*	**(20,748)**	(44,140)
Finance costs	*9*	**408,602**	389,235
Loss on disposal of property, plant and equipment, net	*8*	**3,160**	1,266
Loss on disposal of subsidiaries, net	*8*	**6,388**	–
Gain on re-measurement of previously held interest in a joint venture	*8*	**(129,811)**	–
Depreciation of property, plant and equipment	*19*	**193,025**	201,868
Amortisation of interests in leasehold land held for own use under operating leases	*19*	**8,897**	7,962
Equity-settled share-based payments	*10*	**4,433**	42,813
Amortisation of intangible assets	*18*	**110,956**	230,724
Impairment on trade receivables	*8 & 26(f)*	**273,540**	269,987
Impairment on contract assets	*8 & 26(f)*	**339,400**	–
Impairment on loan and other receivables	*8 & 27(b)*	**259,263**	–
Impairment on deposits paid for non-current assets	*8*	**–**	1,816
Impairment on property, plant and equipment	*8*	**260,745**	110,207
Impairment on intangible assets	*10*	**8,140**	197,790
Impairment on goodwill	*10*	**460,765**	668,396
Impairment on interests in associates	*8*	**18,456**	61,000
Impairment on interest in a joint venture	*8*	**–**	42,145
Write-down of inventories	*8*	**98,520**	117,064
Reversal of write-down of inventories	*8*	**–**	(2,520)
Reversal of impairment on trade receivables	*8 & 26(f)*	**(26,545)**	(2,964)
Reversal of impairment on loan and other receivables	*8 & 27(b)*	**(8,068)**	–
Warranty provision	*10*	**6,290**	54,353
Foreign exchange difference		**(5,046)**	(4,601)
Share of results of associates and joint ventures		**207,069**	166,677
Net loss/(gain) on held-for-trading investment	*8*	**7,257**	(13,721)
Net loss on financial assets designated as at fair value through profit or loss	*8*	**57,054**	48,376
		(547,933)	(619,617)
Changes in working capital:			
Decrease/(increase) in inventories		**15,848**	(165,123)
Increase in trade, bills, loan and other receivables		**(25,964)**	(514,682)
Increase in contract assets		**(44,482)**	–
Increase in trade and bills payable, accruals and other payables, except for contract liabilities		**382,814**	435,371
Increase in contract liabilities		**65,843**	–
Net cash used in operations		**(153,874)**	(864,051)
Income tax paid		**(472)**	(2,251)
Interest received		**19,030**	21,214
Net cash used in operating activities		**(135,316)**	(845,088)

	Note	2019 HK$'000	2018 HK$'000
Investing activities			
Proceeds from financial assets at fair value through profit or loss		**8,805**	40,693
Payments for acquisition of intangible assets		**(105,987)**	(87,379)
Payments for acquisition of property, plant and equipment		**(448,581)**	(518,791)
Net cash flows on acquisition of a subsidiary	*16(a)*	**(10,085)**	–
Receipts on disposal of property, plant and equipment		**651**	53
Receipts from government grants and other funding for capital expenditure	*37*	**25,772**	429,651
Net cash flows from disposal of subsidiaries	*16(b)*	**61,231**	–
Net cash flows from disposal of subsidiaries not constituted a business		**(66)**	–
Placement of pledged bank deposits		**(154,306)**	(230,581)
Withdrawal of pledged bank deposits		**220,428**	175,879
Net cash used in investing activities		**(402,138)**	(190,475)
Financing activities			
Repayment of convertible bonds	*30(b)*	**(100,000)**	(69,878)
Receipts on disposal of convertible bonds of a subsidiary	*35(e)*	**–**	110,000
Receipts of additional disposal consideration upon conversion of convertible bonds of a subsidiary	*35(e)*	**–**	10,589
Net proceeds from shares issued pursuant to share placing and subscription		**338,087**	–
Net proceeds from shares issued upon exercise of share options	*41(e)*	**–**	3,358
Proceeds from sale and leaseback transactions classified as finance leases	*30(b)*	**–**	117,860
Repayment of obligations under finance leases	*30(b)*	**(40,361)**	(70,275)
Proceeds from issuance of convertible bonds	*35(c)*	**–**	387,999
Receipt of deposits from a subscriber	*30(b) & 33*	**100,000**	–
Proceeds from bank loans and other borrowings	*30(b)*	**741,033**	2,208,160
Repayment of bank loans and other borrowings	*30(b)*	**(759,366)**	(1,999,075)
Interest paid	*30(b)*	**(257,243)**	(327,256)
Net cash generated from financing activities		**22,150**	371,482
Net decrease in cash and cash equivalents		**(515,304)**	(664,081)
Effect of foreign exchange rate changes		**(42,131)**	95,022
Cash and cash equivalents at beginning of the year		**752,351**	1,321,410
Cash and cash equivalents at end of the year		**194,916**	752,351
Represented by:			
Cash and cash equivalents under continuing operations	*30(a)*	**163,892**	752,351
Cash and cash equivalents under discontinued operation	*40(b)*	**31,024**	–
		194,916	752,351

The accompanying notes form part of these consolidated financial statements.

1. GENERAL INFORMATION

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

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in (i) vehicle design and research and development, manufacture and sales of electric vehicles; (ii) leasing of electric vehicles; (iii) research and development, manufacture and sales of cathode materials for batteries and provision of processing services; and (iv) direct investments. The Group has entered into a sale and purchase agreement on 22 March 2019 to dispose of its subsidiaries which are principally engaged in the business of research and development, production and sales of lithium-ion batteries and its related products (the "Battery Production Business"). The Battery Production Business was classified as discontinued operation of the Group, and certain comparative figures have been reclassified to conform with the current year's presentation. The disposal was not yet completed as at 31 March 2019.

2. PRINCIPAL ACCOUNTING POLICIES

(a) STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The principal accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs which are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any change in accounting policies resulting from the initial application of these developments to the extent they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

(b) BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements for the year ended 31 March 2019 comprise the Company and its subsidiaries and the Group's interests in joint ventures and associates.

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

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except for financial assets at fair value through profit or loss (see Note 2(f)) and derivative financial instruments (see Note 2(g)) which are measured at fair value.

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

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(b) BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

Judgements made by management in the application of HKFRSs that have a significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 4.

The Group incurred a loss for the year ended 31 March 2019 of HK$3,007,380,000, and as at that date, the Group had net current liabilities of HK$1,863,118,000 and net liabilities of HK$535,483,000. In addition, the Group was unable to make certain principal and/or interest repayments relating to certain bank loans and other borrowings, obligations under finance leases and convertible bonds under continuing operations with carrying amounts as at 31 March 2019 of approximately HK$1,103,625,000, HK$79,143,000 and HK$376,128,000, respectively, and certain bank loans and other borrowings under discontinued operation with carrying amount as at 31 March 2019 of approximately HK$26,697,000, for which the lenders were entitled to request for the immediate repayment of full amounts owed. Certain suppliers, other creditors, a bank and a finance lease creditor had also commenced legal actions against the Group for the repayment of the outstanding trade payables, other payables, bank loans and obligations under a finance lease under continuing operations, amounting to approximately HK$113,831,000, HK$126,663,000, HK$294,947,000 and HK$34,100,000, respectively, and of the outstanding trade payables under discontinued operation amounting to approximately HK$22,227,000, details of which are set out in Note 45(b) to this consolidated financial statements. Notwithstanding the aforesaid conditions, the consolidated financial statements have been prepared on a going concern basis because the Board and the audit committee of the Company (the "Audit Committee") have reviewed the Group's financial situations and both are of the view that the Group can meet its financial obligations as and when they fall due in the next twelve months, after taking into consideration of the measures and arrangements (the "Measures and Arrangements") as detailed below:

(i) The placing and a top-up subscription of new shares of the Company were completed for which the Company allotted and issued 833,330,000 new ordinary shares of the Company under general mandate for HK$0.048 per new share and raised net funds of approximately HK$38,500,000, details of which are disclosed in Note 47(a) to the consolidated financial statements;

(ii) On 13 June 2019, under the supervision and coordination of a local government in Hangzhou, the PRC, all the creditor banks of a non-wholly-owned subsidiary of the Company, to which the subsidiary owed approximately HK$1,318 million in aggregate (including approximately HK$295 million payable to a creditor banker that commenced legal action for immediate repayment and subsequently agreed to withdraw the litigation) as at 31 March 2019, (i) agreed not to take any legal action for repayment nor reduce credit facility and credit rating, and (ii) agreed to a standstill and restructuring arrangement in principle to extend and/or to renew all these banks loans upon maturity by new terms of not less than 12 months after the original maturity. In addition, a creditor bank has granted additional facilities of approximately HK$221 million to the Group and a loan with principal amount of approximately HK$117 million were extended to July 2020, and the remaining creditor banks are under renewal negotiations with the Group;

(iii) On 5 June 2019, a potential investor provided a non-binding letter of intent to Chanje Energy, Inc. ("Chanje", a subsidiary of the Company) regarding its proposed equity investment of US$155 million (equivalent to approximately HK$1,201 million) for certain minority equity stake in Chanje subject to satisfactory results of the due diligence to be completed by the potential investor, and the Group expects the due diligence work will be completed within the next two months, the transaction will be closed and payments will be received by tranches from the equity investment within the next three to nine months from the date of approval of the consolidated financial statements;

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(b) BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(iv) On 14 June 2019, Chanje and an investor entered into an unsecured convertible promissory note in the total principal amount of US$20 million at the interest rate of 10% per annum (the "Convertible Promissory Note"), pursuant to which and in consideration for the principal amount, (i) Chanje has agreed to pay to the investor or its nominee the outstanding principal amount and all accrued and unpaid interest pursuant to the terms thereof; and (ii) the investor is granted with the optional conversion right upon receipt of the principal amount in full by Chanje in which the investor has the right and option to convert all or part of the outstanding principal amount with any accrued interest of the Convertible Promissory Note into the common stocks of Chanje at any time prior to the maturity date subject to the approval of the board of directors of Chanje or such conversion is following receipt of a prepayment notice. The investor's shareholding interest in Chanje will be 6.25% upon exercise of the optional conversion right and allotment and issue of shares of the common stock by Chanje to the investor, and the Group expects the funding of US$20 million can be received in accordance with the payment schedules by the end of the financial year ending 31 March 2020;

(v) Chanje is currently in the advanced stage of negotiations with an independent third party lender for a secured revolving trade finance facility of up to US$75 million for three years subject to satisfaction results of the due diligence to be completed by this prospective lender. The loan is expected to be granted in the next two to six months from the date of approval of the consolidated financial statements. The secured revolving trade finance facility will be used to finance the new sales orders mentioned in (ix) below and other existing sales orders of the Group;

(vi) The Group entered into a sales and purchase agreement to dispose of its battery products business (the "Disposal") to cut further loss and capital expenditures, which is expected to be completed within one month after the regulatory approval. After the Disposal, the capital expenditure of approximately HK$191 million will no longer be payable by the Group and the inter-company loans of approximately HK$197 million are expected to be received from the battery business segment in future days after the Disposal;

(vii) The Group is in discussions with a number of investors (including one investor as mentioned in Note 47(b) to the consolidated financial statements) for raising funds by ways of issuance new shares and/or convertible bonds, and they are in the process of performing due diligence works and the relevant transactions are expected to be completed by the end of 2019. On 30 June 2019, the Company entered into a subscription agreement with a subscriber who is the lender of certain other borrowings and the holder of certain convertible bonds of the Group in which the subscriber conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue 4,086,323,694 new ordinary shares of the Company to set off against the total outstanding interest of approximately HK$110 million owed by the Company to the subscriber in relation to the other borrowings and the convertible bonds. Upon completion of the transaction, the Group's interest payables of approximately HK$110 million will no longer be required to be settled in cash.

The Group is also under negotiations with various prospective third party lenders for new credit facilities, and in June 2019 a shareholder has advanced of approximately HK$20 million to the Company which will be repaid in the year 2021;

(viii) The Group is also currently in serious negotiations with certain banks and financial institutions (on top of those mentioned in (ii) above), suppliers and other creditors to extend the payment due dates and credit terms with them and currently a loan from other borrowings of approximately HK$59.5 million was successfully extended to the year 2022 and some of them agreed to grant a longer credit period to the Group;

(ix) The Group has received sales orders of electric vehicles from blue chip customers including Ryder Vehicle Purchasing, LLC and Federal Express Corporation, etc., in the United States of America (the "US"), and the Group expects to commence production of such orders in September 2019 and cash inflows expected to be received from the customers by the end of 2019;

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(b) BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(x) For the outstanding capital injections in an associate, ALEEES (GuiZhou) Co., Ltd (立凱電能科技(貴州)有限公司) ("ALEEES Guizhou"), of approximately HK$148.6 million as at 31 March 2019, the Group has initiated a feasibility study to dispose of its entire equity interest in ALEEES Guizhou in November 2018 to one of its fellow existing shareholders, in order to discharge the Group's obligations for the unpaid investment cost (the "Discharge"). The Board and the Audit Committee considered the Discharge can be completed as all shareholders of the ALEEES Guizhou preliminarily agreed to the Discharge, and the draft agreement is currently being reviewed by the ALEEES Guizhou's existing shareholders and the Group expects to withdraw from this investment and the payment obligation on or before 31 March 2020, which can save no less than approximately HK$148.6 million in cash outflows; and

(xi) the Group has been searching for potential buyers to dispose of all/partial equity interests in an associate (which is a listed overseas company) with carrying amounts of approximately HK$176 million as at 31 March 2019, and the disposal is expected to be at the stage of completion by 31 December 2019.

The Board and the Audit Committee have reviewed the progress and reasonably satisfied that the Measures and Arrangements could be reasonably probable to happen. Accordingly, the Board and the Audit Committee are of the view that it is appropriate to prepare the consolidated financial statements for the year ended 31 March 2019 on a going concern basis.

Notwithstanding the above, since the execution of the Measures and Arrangements are implemented to date and to be implemented and no written contractual agreements including but not limited to written formal facilities letters from certain bankers to prove that the advances and/or renewals of funding will be provided to the Group, the consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the successful implementation of the Measures and Arrangements to meet its financial obligations and to satisfy its future working capital and other financial commitments, including (i) the successful negotiation with creditors and banks for the deferral of the amounts now being immediately repayable; (ii) the successful negotiations with banks to obtain additional new financing and other sources of funding; (iii) the implementation of the Group's operation plans to enhance profitability and control costs and to generate adequate cash flows from operations; and (iv) taking active measures to expedite collection of outstanding receivables. The successful outcomes of the abovementioned plans and measures are subject to multiple uncertainties.

The Board has considered the Company's efforts in raising funds and considered the above Measures and Arrangements to be reasonably probable to happen.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to restate the value of assets to their recoverable amounts, to make provision for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

(c) SUBSIDIARIES AND NON-CONTROLLING INTERESTS

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

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

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(c) SUBSIDIARIES AND NON-CONTROLLING INTERESTS (CONTINUED)

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identified assets. However, the choice of measuring non-controlling is limited to those types of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the subsidiary's net assets in the event of liquidation. All other types of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by HKFRSs.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Notes 2(o), (p) or (q) depending on the nature of the liability.

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

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

In the Company's statement of financial position, interests in subsidiaries are carried at cost less any impairment losses (see Note 2(k)(iii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(d) ASSOCIATES AND JOINT VENTURES

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

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

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(d) ASSOCIATES AND JOINT VENTURES (CONTINUED)

An investment in an associate or joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale or included in a disposal group that is classified as held for sale. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment, if any. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment losses relating to the investment (see Note 2(k)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

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

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

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

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(f)).

(e) (i) 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 Incomes Taxes and HKAS 19 Employee Benefits respectively;

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(e) (i) 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 re-assessment, 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.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (that is, the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(e) (ii) GOODWILL

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) 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 cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, 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 (or group of cash-generating units).

On the disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal (or any of the cash-generating unit within a group of cash-generating units in which the Group monitors goodwill).

(iii) ACQUISITION OF A SUBSIDIARY NOT CONSTITUTING A BUSINESS

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to the financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

(f) OTHER INVESTMENTS IN DEBT AND EQUITY SECURITIES

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below:

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 5(c)(i). These investments are subsequently accounted for as follows, depending on their classification.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

(A) Policy applicable from 1 April 2018

Investments other than equity investments

Non-equity investments held by the group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see Note 2(v)(v)).

– fair value through other comprehensive income (FVOCI) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– fair value at profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in Note 2(v)(iv).

(B) Policy applicable prior to 1 April 2018

Investments in securities held for trading were classified as financial assets measured at FVPL. Any attributable transaction costs were recognised in profit or loss as incurred. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in profit or loss.

Dated debt securities that the group had the positive ability and intention to hold to maturity were classified as held-to-maturity securities. Held-to-maturity securities were stated at amortised cost (for impairment see Note 2(k)(i) – policy applicable prior to 1 April 2018).

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

(B) Policy applicable prior to 1 April 2018 (Continued)

Investments which did not fall into any of the above categories were classified as available-for-sale financial assets. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve (recycling). Dividend income from equity investments and interest income from debt securities calculated using the effective interest method were recognised in profit or loss in accordance with the policies set out in Notes 2(v)(iv) and 2(v)(v), respectively. Foreign exchange gains and losses arising from debt securities were also recognised in profit or loss. When the investments were derecognised or impaired (see Note 2(k)(i) – policy applicable prior to 1 April 2018), the cumulative gain or loss recognised in equity was reclassified to profit or loss.

(g) DERIVATIVE FINANCIAL INSTRUMENTS

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

(h) PROPERTY, PLANT AND EQUIPMENT AND INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES

Property, plant and equipment, other than construction in progress, are carried at cost less accumulated depreciation and any accumulated impairment losses (see Note 2(k)(iii)). The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

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 as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, 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 interests in leasehold lands held for own use under operating leases and included in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under a finance lease.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(h) PROPERTY, PLANT AND EQUIPMENT AND INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES (CONTINUED)

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

- Buildings held for own use situated on leasehold land under operating lease are depreciated on a straight-line basis over the shorter of the unexpired term of lease and their estimated useful lives.
- Other property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Leasehold land under finance leases	over the remaining lease terms
Buildings	over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion
Leasehold improvements	20% to 33.3% or, if shorter, the remaining term of the lease
Furniture and equipment	10% to 33.3%
Motor vehicles	10% to 25%
Plant and machinery	10% to 14.3%
Electric vehicles	33.3%

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(i) INTANGIBLE ASSETS (OTHER THAN GOODWILL)

Intangible assets internally generated and acquired separately

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

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation where the estimated useful life is finite and impairment losses (see Note 2(k)(iii)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

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

– Patents and exclusive patents using rights	10 to 20 years
– Industrial proprietary rights	25 to 30 years
– Technical know-hows	5 to 7 years
– Lease contractual rights	Over the lease term of 3 years
– Software	5 years

The period and method of amortisation are reviewed annually.

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

Intangible assets acquired in a business combination

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

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(i) INTANGIBLE ASSETS (OTHER THAN GOODWILL) (CONTINUED)

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from its 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.

(j) LEASED ASSETS

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(h). Impairment losses are accounted for in accordance with the accounting policy as set out in Note 2(k)(iii). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(j) LEASED ASSETS (CONTINUED)

(iii) Operating lease charges

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

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

(iv) Sales and leaseback transactions

A sales and leaseback transaction involves the sale of an asset and the leasing back of the same asset. The lease payment and the sale price are usually interdependent because they are negotiated as a package. The accounting treatment of a sale and leaseback transaction depends upon the type of lease involved. If the lease back is a finance lease, the transaction is a means whereby the lessor provides finance to the lessee, with the asset as security.

(k) CREDIT LOSSES AND IMPAIRMENT OF ASSETS

(i) Credit losses from financial instruments and contract assets

(A) Policy applicable from 1 April 2018

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, trade, bills, loan and other receivables and loans to a joint venture);

– contract assets as defined in HKFRS 15 (see Note 2(m));

– debt securities measured at FVOCI (recycling);

– loan commitments issued, which are not measured at FVPL.

Financial assets measured at fair value, including units in bond funds, equity securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the group in accordance with the contract and the cash flows that the Group expects to receive).

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(k) CREDIT LOSSES AND IMPAIRMENT OF ASSETS (CONTINUED)

(i) Credit losses from financial instruments and contract assets (Continued)

(A) Policy applicable from 1 April 2018 (Continued)

Measurement of ECLs (Continued)

For undrawn loan commitments, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder of the loan commitment draws down on the loan and (ii) the cash flows that the Group expects to receive if the loan is drawn down.

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade, bills, loan and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate;

– loan commitments: current risk-free rate adjusted for risks specific to the cash flows.

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

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments (including loan commitments issued), the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(k) CREDIT LOSSES AND IMPAIRMENT OF ASSETS (CONTINUED)

(i) Credit losses from financial instruments and contract assets (Continued)

(A) Policy applicable from 1 April 2018 (Continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

For loan commitments, the date of initial recognition for the purpose of assessing ECLs is considered to be the date that the Group becomes a party to the irrevocable commitment. In assessing whether there has been a significant increase in credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of default occurring on the loan to which the loan commitment relates.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(k) CREDIT LOSSES AND IMPAIRMENT OF ASSETS (CONTINUED)

(i) Credit losses from financial instruments and contract assets (Continued)

(A) Policy applicable from 1 April 2018 (Continued)

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(v)(v) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (that is, the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(k) CREDIT LOSSES AND IMPAIRMENT OF ASSETS (CONTINUED)

(i) Credit losses from financial instruments and contract assets (Continued)

(B) Policy applicable prior to 1 April 2018

Prior to 1 April 2018, an "incurred loss" model was used to measure impairment losses on financial assets not classified as at FVPL (e.g. trade, bills, loan and other receivables and available-for-sale investments). Under the "incurred loss" model, an impairment loss was recognised only when there was objective evidence of impairment.

Objective evidence of impairment included:

– significant financial difficulties of the debtor;

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

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

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

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

If any such evidence existed, an impairment loss was determined and recognised as follows:

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

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

  When the recovery of a trade debtor or other financial assets carried at amortised cost was considered doubtful but not remote, associated impairment losses were recorded using an allowance account. When the group was satisfied that recovery was remote, the amount considered irrecoverable was written off against the gross carrying amount of those assets directly. Subsequent recoveries of amounts previously charged to the allowance account were reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly were recognised in profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(k) CREDIT LOSSES AND IMPAIRMENT OF ASSETS (CONTINUED)

(i) Credit losses from financial instruments and contract assets (Continued)

(B) Policy applicable prior to 1 April 2018 (Continued)

– For available-for-sale investments, the cumulative loss that had been recognised in the fair value reserve (recycling) was reclassified to profit or loss. The amount of the cumulative loss that was recognised in profit or loss was the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities were not reversed through profit or loss. Any subsequent increase in the fair value of such assets was recognised in other comprehensive income.

Impairment losses recognised in profit or loss in respect of available-for-sale debt securities were reversed if the subsequent increase in fair value could be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances were recognised in profit or loss.

(ii) Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (that is, the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (that is, the holder) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised within "trade and other payables" at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued (see Note 2(v)(vii)).

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(k) CREDIT LOSSES AND IMPAIRMENT OF ASSETS (CONTINUED)

(ii) Credit losses from financial guarantees issued (Continued)

(A) Policy applicable from 1 April 2018

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in "trade and other payables" in respect of the guarantees (that is, the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in Note 2(k)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

(B) Policy applicable prior to 1 April 2018

Prior to 1 April 2018, a provision would be recognised if and when it became probable that (i) the holder of the guarantee would call upon the group under the guarantee and (ii) the amount of the claim on the Group was expected to exceed the amount carried in "trade and other payables" in respect of the guarantee.

(iii) Impairment of other assets

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

– intangible assets;

– goodwill;

– property, plant and equipment;

– interests in leasehold land held for own use under operating leases;

– deposits paid for non-current assets; and

– interests in subsidiaries in the Company's statement of financial position.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(k) CREDIT LOSSES AND IMPAIRMENT OF ASSETS (CONTINUED)

(iii) Impairment of other assets (Continued)

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

– *Calculation of recoverable amount*

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

– *Recognition of impairment losses*

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

– *Reversals of impairment losses*

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

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

(iv) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim Financial Reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Notes 2(k)(i), (ii) and (iii)).

Impairment losses recognised in an interim period in respect of goodwill and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(l) INVENTORIES

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

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

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

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

(m) CONTRACT ASSETS AND CONTRACT LIABILITIES

A contract asset is recognised when the Group recognises revenue (see Note 2(v)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(k)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see Note 2(n)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2(v)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 2(n)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 2(v)(v)).

(n) TRADE, BILLS, LOAN AND OTHER RECEIVABLES

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see Note 2(m)).

Trade, bills, loan and other receivables are initially recognised at fair value and thereafter carried at amortised cost using the effective interest method, less allowance for impairment loss (see Note 2(k)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are carried at cost less allowance for expected credit losses (see Note 2(k)(i)).

Loan and other receivables include loans made on behalf of the Group under an entrusted arrangement with a licensed bank incorporated in the PRC to one of its external PRC customers for which the Group bears the credit risks.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(o) CONVERTIBLE BONDS

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

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

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

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

(p) INTEREST-BEARING BORROWINGS

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

(q) TRADE, BILLS AND OTHER PAYABLES

Trade, bills and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with Note 2(k)(ii), trade, bills and other payables are subsequently carried at amortised cost unless the effect of discounting would be immaterial, in which case they are carried at cost.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(r) CASH AND CASH EQUIVALENTS

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

(s) EMPLOYEE BENEFITS

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

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

(ii) Share-based payment transactions

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

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

(iii) Termination benefits

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

(t) INCOME TAX

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

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

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(t) INCOME TAX (CONTINUED)

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

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

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

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

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

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

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

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously;
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either;
  - the same taxable entity; or
  - different taxable entities which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(u) PROVISIONS AND CONTINGENT LIABILITIES

(i) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with Note 2(u)(ii). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with Note 2(u)(ii).

(ii) Other provisions and contingent liabilities

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

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

(v) REVENUE AND OTHER INCOME

Income is classified by the Group as revenue when it arises from the sale of goods or the provision of services in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract, control of the goods or services may be transferred over time or at a point in time. Control of the goods or services is transferred over time if the Group's performance:

(i) provides the benefits received and consumed simultaneously by the customer;

(ii) creates or enhances an asset that the customer controls as the Group performs; or

(iii) does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation, which is measured based on direct measurements of the value of individual goods or services transferred by the Group to the customer. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or services.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(v) REVENUE AND OTHER INCOME (CONTINUED)

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sales of goods

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

(ii) Service income

Service income is recognised when the services are rendered and on a straight-line basis over the term period of the relevant agreement. For fixed-price contracts, service income is recognised in accordance with the terms of the relevant agreement and based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

(iii) Rental income from operating leases

Rental income under operating leases is recognised when the rights of use of the leased assets are passed to the tenant and is credited to the profit or loss on a straight-line basis over the term of the relevant lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral rate of the aggregate net lease payment receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iv) Dividend income

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(v) REVENUE AND OTHER INCOME (CONTINUED)

(v) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (that is, gross carrying amount net of loss allowance) of the asset (see Note 2(k)(i)).

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

(vi) Government grant

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset to match the depreciation of the relevant asset.

(vii) Income from financial guarantees issued

Income from financial guarantees issued is recognised over the term of the guarantees (see Note 2(k)(ii)).

(w) TRANSLATIONS OF FOREIGN CURRENCY

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(w) TRANSLATIONS OF FOREIGN CURRENCY (CONTINUED)

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

(x) BORROWING COSTS

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

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

(y) WARRANTIES

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

(z) DIVIDENDS AND DISTRIBUTIONS

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

(aa) RELATED PARTIES

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(aa) RELATED PARTIES (CONTINUED)

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

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

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

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

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

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

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

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

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

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

(ab) SEGMENT REPORTING

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

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

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(ac) NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATION

(i) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in Note 2.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

(ii) Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale (see (i) above), if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the group. Of these, the following developments are relevant to the Group's consolidated financial statements:

(a) HKFRS 9, Financial instruments

(b) HKFRS 15, Revenue from contracts with customers

(c) HK(IFRIC) 22, Foreign currency transactions and advance consideration

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(a) HKFRS 9, FINANCIAL INSTRUMENTS

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 April 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 April 2018. Therefore, comparative information continues to be reported under HKAS 39.

There is no impact from transition to HKFRS 9 on the Group's retained earnings and reserves as at 1 April 2018.

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) HKFRS 9, FINANCIAL INSTRUMENTSI (CONTINUED)

(i) Classification of financial assets and financial liabilities (Continued)

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 March 2018 HK$'000	Reclassification HK$'000	HKFRS 9 carrying amount at 1 April 2018 HK$'000
Financial assets carried at amortised cost			
Trade and bills receivables *(note (i))*	1,409,167	(680,422)	728,745
Loan and other receivables (excluding prepayments and value-added-tax receivables)	556,527	–	556,527
Pledged bank deposits	235,317	–	235,317
Cash and cash equivalents	752,351	–	752,351
	2,953,362	(680,422)	2,272,940
Financial assets carried at FVPL			
Designated	57,054	–	57,054
Held-for-trading investments	22,500	–	22,500
Derivative financial instruments	19,183	–	19,183
	98,737	–	98,737

Note:

(i) Trade and other receivables of HK$680,422,000 were reclassified to contracts assets as at 1 April 2018 as a result of the initial application of HKFRS 15 (see Note 3(b)(iii)).

For an explanation of how the Group classifies and measures financial assets and recognises related gains and losses under HKFRS 9, see respective accounting policy notes in notes 2(f), (g), (k)(i), (n) and (r).

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities as at 1 April 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL as at 1 April 2018.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) HKFRS 9, FINANCIAL INSTRUMENTS (CONTINUED)

(ii) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss"("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to the following items:

– financial assets measured at amortised cost (including trade and bills receivables, loan and other receivables, pledged bank deposits and cash and cash equivalents); and

– contract assets as defined in HKFRS 15 (see Note 2(m)).

For further details on the Group's accounting policy for accounting for credit losses, see notes 2(k)(i) and (ii).

The directors of the Company considered the additional ECL allowance as at 1 April 2018 measured under the ECL model is insignificant.

(iii) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

– Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 April 2018. Accordingly, the information presented for the year ended 31 March 2018 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

– The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at 1 April 2018 (the date of initial application of HKFRS 9 by the Group).

– If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(b) HKFRS 15, REVENUE FROM CONTRACTS WITH CUSTOMERS

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

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

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(i) Timing of revenue recognition

Previously, revenue arising from construction contracts and provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises its revenue.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(b) HKFRS 15, REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

(ii) Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

Previously, the Group only applied such a policy when payments were significantly deferred, which was not common in the Group's arrangements with its customers. The Group did not apply such a policy when payments were received in advance.

It is not common for the Group to receive payments significantly in advance of revenue recognition in the Group's arrangements with its customers. Accordingly, this change in policy does not have a significant impact on the consolidated assets, liabilities and retained earnings as at 1 April 2018.

(iii) Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue (see Note 2(v)) before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays non-refundable consideration, or is contractually required to pay non-refundable consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis (see Note 2(m)).

Previously, contract assets were presented in the consolidated statements of financial position under "trade and bills receivables" and contract liabilities were presented under "accruals and other payables".

To reflect these changes in presentation, the Group has made the following adjustments at 1 April 2018, as a result of the adoption of HKFRS 15:

(a) "PRC national subsidy receivables" of HK$784,817,000 less related allowance for expected credit losses of HK$104,395,000, amounting to HK$680,422,000 which were previously included in trade and bills receivables as at 31 March 2018, were reclassified to contract assets; and

(b) "Receipts in advance" amounting to HK$122,094,000 which were previously included in accruals and other payables as at 31 March 2018, were reclassified to contract liabilities included in accruals and other payables.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(b) HKFRS 15, REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

(iv) Transportation costs

Before the adoption of HKFRS 15, transportation costs were treated as distribution costs. Under HKFRS 15, the amount is classified to cost of sales as it constitutes contract cost to fulfill the performance obligation of sales of products to customers.

(v) Disclosure of the estimated impact on the amounts reported in respect of the year ended 31 March 2019 as a result of the adoption of HKFRS 15 on 1 April 2018

The following tables summarise the estimated impact of adoption of HKFRS 15 on the Group's consolidated financial statements for the year ended 31 March 2019, by comparing the amounts reported under HKFRS 15 in these consolidated financial statements with estimates of the hypothetical amounts that would have been recognised under HKAS 18 and HKAS 11 if those superseded standards had continued to apply to the year ended 31 March 2019 instead of HKFRS 15. These tables show only those line items impacted by the adoption of HKFRS 15:

	Amounts reported in accordance with HKFRS 15 (A) HK$'000	Hypothetical amounts under HKASs 18 and 11 (B) HK$'000	Difference: Estimated Impact of HKFRS 15 on the year ended 31 March 2019 (A) – (B) HK$'000
Line items in the consolidated statement of profit or loss for the year ended 31 March 2019 impact by the adoption of HKFRS 15:			
Cost of sales	(318,910)	(315,932)	(2,978)
Gross profit	26,701	29,679	(2,978)
Selling and distribution costs	(85,869)	(88,847)	2,978
Line items in the consolidated statement of financial position as at 31 March 2019 impact by the adoption of HKFRS 15:			
Trade and bills receivables	310,816	551,651	(240,835)
Contract assets	240,835	–	240,835
Accruals and other payables			
– Receipts in advance	–	(187,937)	187,937
– Contract liabilities	(187,937)	–	(187,937)

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(b) HKFRS 15, REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

(v) Disclosure of the estimated impact on the amounts reported in respect of the year ended 31 March 2019 as a result of the adoption of HKFRS 15 on 1 April 2018 (Continued)

	Amounts reported in accordance with HKFRS 15 (A) HK$'000	Hypothetical amounts under HKASs 18 and 11 (B) HK$'000	Difference: Estimated Impact of HKFRS 15 on the year ended 31 March 2019 (A) – (B) HK$'000
Line items in the consolidated statement of cash flows for the year ended 31 March 2019 impact by the adoption of HKFRS 15:			
Increase in trade, bills, loan and other receivables	(25,964)	(70,446)	44,482
Increase in contract assets	(44,482)	–	(44,482)
Increase in trade and bills payables, accruals and other payables, except for contract liabilities	382,814	448,657	(65,843)
Increase in contract liabilities	65,843	–	65,843

The significant differences arise as a result of the changes in accounting policies described above.

(c) HK(IFRIC) – INT 22, FOREIGN CURRENCY TRANSACTIONS AND ADVANCE CONSIDERATION

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC) 22 does not have any material impact on the consolidated financial position and the financial result of the Group.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

Up to the date of issuance of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2019 and which have not been adopted in these consolidated financial statements. These include the following which may be relevant to the Group.

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRSs	Annual Improvements to HKFRS 2015-2017 Cycle[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendment to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and Its Associates or Joint Venture[5]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKAS 19	Employee Benefits[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after a date to be determined

The Group is in the process of making an assessment of what the impact of these new standards, amendments and an interpretation is expected to be in the period of initial application. Further information on the key developments is as follows:

HKFRS 16, LEASES

As disclosed in Note 2(j), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, that is, at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (that is, where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

HKFRS 16, LEASES (CONTINUED)

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in profit or loss over the period of the lease.

The Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2019 and will not restate the comparative information. As disclosed in Note 44(a), at 31 March 2019 the Group's future minimum lease payments under non-cancellable operating leases amount to HK$52,134,000, part of which amounting to HK$4,784,000 is payable under leases with terms within 1 year for which the Group will elect not to apply this new accounting model to these short-term leases, with remaining amounting to HK$48,366,000 payable under leases with terms beyond 1 year but within 5 years. Upon the initial adoption of HKFRS 16, the opening balances of lease liabilities and the corresponding right-of-use assets will be adjusted to HK$48,271,000 and HK$48,271,000 respectively, after taking account the effects of discounting, as at 1 April 2019.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's consolidated financial statement from the year ending 31 March 2020 onwards.

HKFRS 17, INSURANCE CONTRACTS

HKFRS 17 replaces HKFRS 4 and it is a single principle-based standard for the recognition, measurement, presentation and disclosure of insurance contracts in the financial statements of the issuers of those contracts.

The directors of the Company do not anticipate that the application of the new standard in the future will have a material impact on the Group's consolidated financial statements as the Group does not have such contracts.

AMENDMENTS TO HKFRS 3, DEFINITION OF A BUSINESS

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business.

The directors of the Company do not anticipate that the application of the amendments in the future will have a material impact on the Group's consolidated financial statements.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

AMENDMENTS TO HKFRS 9, PREPAYMENT FEATURES WITH NEGATIVE COMPENSATION

Amendments to HKFRS 9 revise existing requirements in HKFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) in the case of negative compensation payments (where the lender has to make a settlement payment in the event of termination by the borrower).

The directors of the Company do not anticipate that the application of the amendments will have a material impact on the Group's consolidated financial statements as the Group does not have such arrangements.

AMENDMENTS TO HKFRS 10 AND HKAS 28, SALE OR CONTRIBUTION OF ASSETS BETWEEN AN INVESTOR AND ITS ASSOCIATE OR JOINT VENTURE

Amendments to HKFRS 10 Consolidated Financial Statements and HKAS 28 Investments in Associates and Joint Ventures deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The directors of the Company do not anticipate that the application of the amendments in the future will have a material impact on the Group's consolidated financial statements.

AMENDMENTS TO HKAS 1 AND HKAS 8, DEFINITION OF MATERIAL

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

The directors of the Company do not anticipate that the application of the amendments in the future will have a material impact on the Group's consolidated financial statements.

AMENDMENTS TO HKAS 19, EMPLOYEE BENEFITS

Amendments to HKAS 19 clarify that (a) on amendment, curtailment or settlement of a defined benefit plan, a company should use updated actuarial assumptions to determine its current service cost and net interest for the period; and (b) the effect of the asset ceiling cost is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

The directors of the Company do not anticipate that the application of the amendments in the future will have a material impact on the Group's consolidated financial statements.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

AMENDMENTS TO HKAS 28, LONG-TERM INTERESTS IN ASSOCIATES AND JOINT VENTURES

Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied.

Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture.

The directors of the Company do not anticipate that the application of the amendments in the future will have a material impact on the Group's consolidated financial statements.

HK(IFRIC)-INT 23 UNCERTAINTY OVER INCOME TAX TREATMENTS

HK(IFRIC)-Int 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The interpretation requires an entity to determine whether uncertain tax positions are assessed separately or as a group; and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings.

The directors of the Company do not anticipate that the application of the above interpretations will have a material impact on the Group's consolidated financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) GOING CONCERN

As mentioned in Note 2(b) to the consolidated financial statements, the directors are satisfied that the Group has sufficient cash resources to satisfy the Group's working capital and other financial obligations for the next twelve months from the end of the reporting period. Under such circumstances, the consolidated financial statements have been prepared on a going concern basis. If the going concern basis is not appropriate, adjustments would have to be made to restate the values of assets to their immediate recoverable amounts, to make provision for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. Such adjustments may have a significant consequential effect on the loss for the year and net liabilities of the Group.

(b) IMPAIRMENT OF GOODWILL

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) IMPAIRMENT OF GOODWILL (CONTINUED)

The carrying amount of goodwill as at 31 March 2019 was HK$559,021,000 (2018: HK$681,850,000). The management performed impairment assessments on the cash generating units to which the goodwill is allocated and impairment loss of HK$460,765,000 (2018: HK$668,396,000) was recognised for the Group's goodwill in the consolidated statement of profit or loss for the year ended 31 March 2019. Further details are given in Note 17.

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

Determining whether intangible assets (other than goodwill) are impaired requires an estimation of the value-in-use of the cash-generating units to which intangible assets has been allocated. The value-in-use calculation requires the Group to estimate the future cash flows and profit forecast expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. As the industries of the lithium-ion batteries and related electric vehicles are new and currently at its early stage of development, the cash flow and profit forecast projections involve significant judgements and estimates on the accuracy of the assumptions for the projections and estimates of, including but not limited to, the future growth rates, the extent of the future market competition, market demand and market share, and sales and cost structures of the lithium-ion batteries and the electric vehicles that the Group will achieve during the forecasting period. Where the actual future cash flows are less than expected, a material impairment loss may arise.

The carrying amount of intangible assets as at 31 March 2019 was HK$636,789,000 (2018: HK$620,894,000). The management performed impairment assessments on the cash generating units to which intangible assets are allocated and impairment loss of HK$8,140,000 (2018: HK$197,790,000) was recognised for the Group's intangible assets in the consolidated statement of profit or loss for the year ended 31 March 2019. Further details are given in Note 18.

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

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

The carrying amounts of property, plant and equipment and interests in leasehold land held for own use under operating leases as at 31 March 2019 were HK$2,699,040,000 (2018: HK$3,538,502,000) and HK$223,276,000 (2018: HK$359,752,000), respectively. The management performed impairment assessments on the cash generating units to which the property, plant and equipment and interests in leasehold land held for own use under operating leases are allocated and impairment loss of HK$260,745,000 (2018: HK$110,207,000) was recognised for the Group's property, plant and equipment in the consolidated statement of profit or loss for the year ended 31 March 2019. Further details are given in Note 19.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(e) IMPAIRMENT OF INTERESTS IN ASSOCIATES AND JOINT VENTURES

When there is an indication that interests in associates and joint ventures may suffer an impairment loss, management assesses the recoverable amounts of the associates and joint ventures, which are based on the value-in-use calculations. In determining the value-in-use, expected cash flows generated by each associate or joint venture are discounted to their present values, which require significant judgment relating to such items such as the level of turnover and the amount of operating costs.

The carrying amounts of interests in associates and joint ventures as at 31 March 2019 were HK$324,900,000 (2018: HK$436,142,000) and HK$106,241,000 (2018: HK$354,692,000), respectively. The management performed impairment assessments on interests in associates and joint ventures and impairment losses of HK$18,456,000 (2018: HK$61,000,000) and nil (2018: HK$42,145,000) were recognised for the Group's interest in an associate and interest in a joint venture, respectively, in the consolidated statement of profit or loss for the year ended 31 March 2019. Further details are given in Note 21 and Note 22.

(f) EXPECTED CREDIT LOSS ON RECEIVABLES AND CONTRACT ASSETS

The management estimates expected credit losses resulting from the inability of the debtors to make the required payments. The management's estimation is based on the ageing of the receivables balances and contract assets, credit-worthiness, historical write-off experience and forward looking information such as economic conditions. If the financial conditions of the debtors were to deteriorate, actual write-offs would be higher than estimated.

Contract assets were grants receivables from the PRC government as subsidies to customers for their purchase of electric vehicles from the Group, by way of national subsidies in accordance with the Circular on Financial Support Policies for the Promotion and Application of New Energy Vehicles 2016-2020 (Cai Jian [2015] 134) and other relevant and applicable government notices and policies promulgated by the PRC government, and the sales contracts made between the Group and these customers. Significant judgement and estimates of management are required in determining the timing when the Group's customers will reach the specified usage mileage of their electric vehicles purchased so as to qualify unconditionally to the related grants.

The carrying amounts of trade and bills receivables, contract assets, and loan and other receivables as at 31 March 2019 were HK$310,816,000 (2018: HK$1,409,167,000), HK$240,835,000 (2018: nil) and HK$683,642,000 (2018: HK$1,192,133,000), respectively. Further details are disclosed in Notes 26 and 27.

(g) DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(h) USEFUL LIVES AND AMORTISATION OF INTANGIBLE ASSETS

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

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

(i) VALUATION OF INVENTORIES

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

The carrying amount of inventories as at 31 March 2019 was HK$288,381,000 (2018: HK$566,829,000).

(j) INCOME TAX

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

(k) WARRANT PROVISIONS

As explained in Note 33, the Group makes provisions under the warranties it gives on sale of its batteries and electric vehicles products taking into account the Group's past experience of the level of repairs and returns. The carrying amount of warranty provision as at 31 March 2019 was HK$62,481,000 (2018: HK$74,059,000). As the Group is continually upgrading its product designs and launching new models it is possible that the past experience of the level of repairs and returns is not indicative of future claims that it will receive in respect of past sales. Any increase or decrease in the provision would affect profit or loss in future years.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(l) OBLIGATION UNDER REDEEMED CONVERTIBLE BONDS

As at 31 March 2019, as further detailed in Note 39 and Note 45(a) to the consolidated financial statements, the Company has obligations under redeemed convertible bonds of approximately HK$760,752,000 (2018: HK$760,752,000) (the "Redemption Amount") held by Mei Li New Energy Limited ("Mei Li"), a company controlled by Mr. Winston Chung, while the Group has also claimed under legal proceedings against Mr. Winston Chung and/or companies (including Mei Li) controlled by him (the "Chung Parties") for damages with an estimated amount (the "Claim Amount") which is substantially larger than the Redemption Amount. As at 31 March 2019, the Claim Amount has not been recognised in the consolidated financial statements (2018: nil).

The Group has sought to set off the whole Redemption Amount by part of the Claim Amount (the "Set-Off"). On 5 March 2013, the High Court of Hong Kong (the "HK Court") issued a judgment in favour of the Company, granting the Company unconditional leave to defend to the extent of the Set-Off (the "5 March 2013 Judgment"). Effectively, since 5 March 2013, the Company's payment obligations under the redeemed convertible bonds are subject to a stay of execution pending determination of the High Court Proceedings. Any claim to payment under convertible bonds may be subject to the Company's argument of the Set-Off.

The directors of the Company considered that, based on the legal opinion, the parties are at least 12 months away from being ready for trial as disclosed in Note 45(a) to the consolidated financial statements and payment of the Redemption Amount regarding the convertible bonds would likely not arise for at least 12 months after the end of the reporting period. Under such circumstances, the Board considered it was appropriate to classify the obligations under the redeemed convertible bonds of approximately HK$760,752,000 under non-current liabilities in the consolidated statement of financial position as at 31 March 2019 and 2018.

Significant judgment of management is required to determine the expected timing of the Group's payment for the obligations under redeemed convertible bonds under the most unfavorable scenario of the outcome of the litigations between the Group and the Chung Parties. The status of the relevant legal proceedings are reviewed periodically and the obligations under redeemed convertible bonds would be reclassified as current when the expected timing for payment falls within 12 months.

5. FINANCIAL INSTRUMENTS

(a) CATEGORIES OF FINANCIAL INSTRUMENTS

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

	2019 HK$'000	2018 HK$'000
Trade and bills receivables	**310,816**	1,409,167
Contract assets	**240,835**	–
Loan and other receivables (excluding deposits and prepayments and value-added-tax receivables)	**321,467**	556,527
Pledged bank deposits	**95,633**	235,317
Cash and cash equivalents	**163,892**	752,351
Financial assets measured at amortised cost	**1,132,643**	2,953,362
Financial assets at fair value through profit or loss		
– designated	**–**	57,054
– held-for-trading investment	**6,438**	22,500
– derivative financial instruments	**68**	19,183
Financial assets measured at FVPL	**6,506**	98,737

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

	2019 HK$'000	2018 HK$'000
Bank loans and other borrowings	**2,728,470**	3,322,651
Trade and bill payables	**651,410**	959,629
Accruals and other payables (excluding value-added-tax payables, contract liabilities, receipts in advance, warranty provision and deposit from a subscriber)	**1,011,437**	1,178,594
Obligations under finance leases	**79,143**	127,823
Liability components of convertible bonds	**601,006**	646,494
Obligations under redeemed convertible bonds	**760,752**	760,752
Financial liabilities measured at amortised cost	**5,832,218**	6,995,943

5. FINANCIAL INSTRUMENTS (CONTINUED)

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

(i) Credit risk

The Group's credit risk is primarily attributable to bank deposits, trade, bills, loan and other receivables, and contract assets. The management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

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

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

In respect of trade receivables and contract assets, credit terms from generally one month to six months after the right to receive consideration become unconditional may be granted to customers, depending on the results of assessment of the credit-worthiness of individual customers. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk. At the end of the reporting period, the Group had a concentration of credit risk of 69.99% (2018: 56.57%) of the total trade receivables and contract assets due from the Group's five largest trade debtors as at 31 March 2019.

In respect of loan receivables, the Group holds collateral in the form of second equitable mortgage, share charge, securities over mining license and asset, and guarantees. The Group considers that the credit risk arising from the loan receivables are significantly mitigated by the collaterals, with reference to their estimated fair values as at 31 March 2019. At the end of the reporting period, the Group had a concentration of credit risk of 55.11% (2018: 52.89%) of the loan receivables being due from the Group's largest loan debtor as at 31 March 2019.

The Group does not provide any other guarantees which would expose the Group to credit risk. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and bills receivables, contract assets, and loan and other receivables are set out in Notes 26 and 27, respectively.

5. FINANCIAL INSTRUMENTS (CONTINUED)

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

(ii) Liquidity risk

To manage liquidity risk, the Group regularly monitors its current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks and financial institutions to meet its liquidity requirements in the short and longer terms.

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

			2019		
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March HK$'000
Bank loans and other borrowings	**1,715,928**	**949,520**	**241,785**	**2,907,233**	**2,728,470**
Trade and bills payables	**651,410**	**–**	**–**	**651,410**	**651,410**
Accruals and other payables (excluding value-added-tax payables, contract liabilities, receipts in advance, warranty provision and deposit from a subscriber)	**1,011,437**	**–**	**–**	**1,011,437**	**1,011,437**
Obligations under finance leases	**81,475**	**–**	**–**	**81,475**	**79,143**
Liability component of convertible bonds	**4,512**	**480,000**	**275,000**	**759,512**	**601,006**
Obligations under redeemed convertible bonds *(Note)*	**–**	**760,752**	**–**	**760,752**	**760,752**
	3,464,762	**2,190,272**	**516,785**	**6,171,819**	**5,832,218**

			2018		
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March HK$'000
Bank loans and other borrowings	1,797,578	680,645	1,249,962	3,728,185	3,322,651
Trade and bills payables	959,629	–	–	959,629	959,629
Accruals and other payables (excluding value-added-tax payables, receipts in advance and warranty provision)	1,178,594	–	–	1,178,594	1,178,594
Obligations under finance leases	120,120	12,982	–	133,102	127,823
Liability component of convertible bonds	124,480	32,000	755,000	911,480	646,494
Obligations under redeemed convertible bonds *(Note)*	–	760,752	–	760,752	760,752
	4,180,401	1,486,379	2,004,962	7,671,742	6,995,943

5. FINANCIAL INSTRUMENTS (CONTINUED)

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

(ii) Liquidity risk (Continued)

Notes:

Based on a court judgment dated 5 March 2013, the Group has been given an unconditional leave to defend to the extent of the Set-Off (as defined in Note 39) and based on which, the Group is entitled to a stay of execution of payment for the obligations under redeemed convertible bonds before the conclusion of the relevant legal proceedings.

As further detailed in Note 39, based on an opinion of the Company's instructing counsel obtained, payment of the obligations under redeemed convertible bonds would likely not arise for at least 12 months after the end of the reporting period. Accordingly, the Board considered it was appropriate to classify the amount in the category to be repayable earliest from 1 to 2 years after the end of the reporting period (2018: 1 to 2 years).

(iii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable rate loan receivables, bank balances and bank loans and fair value interest rate risk in relation to fixed rate loan receivables, bank balances, bank loans, other borrowings, obligations under finance leases and liability components of convertible bonds.

	2019		2018	
	Effective interest rate	**HK$'000**	Effective interest rate	HK$'000
Variable rate loan receivables	**6.00%**	**360**	6.00%	398
Fixed rate loan receivables	**6.00% to 28.50%**	**125,134**	6.00% to 28.50%	187,590
Variable rate bank balances	**0.001% to 0.46%**	**161,772**	0.001% to 0.46%	675,842
Fixed rate bank balances	**0.17% to 2.20%**	**95,658**	0.17% to 2.20%	272,626
Variable rate bank loans	**4.75% to 6.18%**	**(1,347,695)**	4.75% to 6.18%	(676,994)
Fixed rate bank loans	**5.23% to 5.44%**	**(228,497)**	4.12% to 11.50%	(1,272,208)
Fixed rate other borrowings	**4.80% to 21.00%**	**(1,152,278)**	4.80% to 18.00%	(1,373,449)
Fixed rate obligations under finance leases	**5.37% to 6.00%**	**(79,143)**	5.37% to 6.00%	(127,823)
Fixed rate liability components of convertible bonds	**8.40% to 18.48%**	**(601,006)**	8.40% to 18.48%	(646,494)

Sensitivity analysis

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

At 31 March 2019, it is estimated that a general increase or decrease of 100 basis points in interest rates in respect of variable rate loan receivables, bank balances, and bank loans, with all other variable held constant, would increase or decrease the Group's loss after tax for the year and accumulated losses by approximately HK$11,856,000 (2018: HK$8,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next annual reporting period. The analysis is performed on the same basis for 2018.

5. FINANCIAL INSTRUMENTS (CONTINUED)

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

(iv) Currency risk

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

The following table details the Group's exposure at the end of the reporting period to currency risk arising from the following assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. Financial assets and liabilities denominated in RMB relate to entities with functional currency being RMB and have no exposure to currency risk. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the end of the reporting period. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

	2019		2018	
	United States Dollars		United States Dollars	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	**HK$'000**	HK$'000	HK$'000
Cash and cash equivalents	**1,590**	**–**	6,730	–
Trade and bills receivables	**532**	**–**	35,624	–
Loan and other receivables	**3,072**	**–**	28,804	–
Financial assets at FVPL	**6,207**	**–**	7,005	–
Bank loans and other borrowings	**–**	**–**	–	(4,939)
Other payables	**–**	**(70,532)**	–	(3,081)
	11,401	**(70,532)**	78,163	(8,020)

	2019		2018	
	Euros		Euros	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	**HK$'000**	HK$'000	HK$'000
Bank loans and other borrowings	**–**	**(214,991)**	–	(235,541)

5. FINANCIAL INSTRUMENTS (CONTINUED)

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

(iv) Currency risk (Continued)

Sensitivity analysis

As Hong Kong dollars are pegged to United States dollars ("US$"), the Group considers the risk of movements in exchange rates between Hong Kong dollars and United States dollars to be insignificant. Therefore, no sensitivity analysis for United States dollars is prepared.

The following table indicates the instantaneous change in the Group's loss after tax (and accumulated losses) that would arise if foreign exchange rates of Euros against HK$ had changed at that date, assuming all other risk variables remained constant.

	2019		2018	
	Increase/ (decrease) in foreign exchange rates	**Increase/ (decrease) in loss after tax and accumulated losses HK$'000**	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in loss after tax and accumulated losses HK$'000
Euros	**5%**	**8,062**	5%	8,833
	(5%)	**(8,062)**	(5%)	(8,833)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the group entities' loss after tax and equity measured in the respective functional currencies, translated into HK$ at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of each reporting period. The analysis is performed on the same basis for 2018.

(v) Equity price risk

The Group is exposed to equity price changes arising from investments in equity securities classified as financial assets at FVPL (see Note 28).

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

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

The Group's listed investments are listed on the Stock Exchange. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the other listed investments in the Stock Exchange and other industry indicators, as well as the Group's liquidity needs.

5. FINANCIAL INSTRUMENTS (CONTINUED)

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

(v) Equity price risk (Continued)

At 31 March 2019, it is estimated that an increase/(decrease) of 10% (2018: 10%) in the relevant share market price, with all other variables held constant, would (decrease)/increase the Group's loss after tax and accumulated losses as follows:

	2019		2018	
	Higher/ (lower) in the Company's own share price	**Increase/ (decrease) in loss after tax and accumulated losses HK$'000**	Higher/ (lower) in the Company's own share price	Increase/ (decrease) in loss after tax and accumulated losses HK$'000
Held-for-trading investments – listed equity securities	**10%**	**(23)**	10%	(1,549)
	(10%)	**23**	(10%)	1,549

The sensitivity analysis indicate the instantaneous change in the Group's loss after tax and accumulated losses that would arise assuming that the changes in the share market price had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant share market price, and that all other variables remain constant. The analysis is performed on the same basis for 2018.

The Group is also exposed to equity price risk arising from changes in the share prices of the Company to the extent that the Company's equity instruments underlie the fair values of derivative financial instruments of the Company. As at the end of the reporting period, the Group is exposed to this risk through the early redemption and mandatory conversion options attached to the convertible bonds issued by the Company as disclosed in Note 35.

As at 31 March 2018, the Group was also exposed to equity price risk arising from changes in the share prices of a listed subsidiary of the Company to the extent that the listed subsidiary's equity instruments underlie the fair value of financial asset designated at FVPL, which was derived from the disposal of the convertible bonds issued by a listed subsidiary to an independent third party, details of which are disclosed in Note 35(e). As at 31 March 2018, the Group was exposed to this risk through the contingent receivable derived from the disposal of convertible bonds issued by the listed subsidiary as disclosed in Note 35(e).

5. FINANCIAL INSTRUMENTS (CONTINUED)

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

(v) Equity price risk (Continued)

At 31 March 2019, it is estimated that an increase/(decrease) of 10% (2018: 10%) in the share price of the Company, with all other variables held constant, would (decrease)/increase the Group's loss after tax and accumulated losses as follows:

	2019		2018	
	Higher/ (lower) in the share price of the Company	**Increase/ (decrease) in loss after tax and accumulated losses HK$'000**	Higher/ (lower) in the share price of the Company	Increase/ (decrease) in loss after tax and accumulated losses HK$'000
Derivative financial instruments	**10%**	**(41)**	10%	(3,987)
	(10%)	**30**	(10%)	1,920

The sensitivity analysis indicate the instantaneous change in the Group's loss after tax and accumulated losses that would arise assuming that the changes in the share price of the Company had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period, and that all other variables remain constant. The analysis is performed on the same basis in 2018.

At 31 March 2019, it is estimated that an increase/(decrease) of 10% (2018: 10%) in the share price of the listed subsidiary of the Company, with all other variables held constant, would (decrease)/increase the Group's loss after tax and accumulated losses as follows:

	2019		2018	
	Higher/ (lower) in the share price of the Company	**Increase/ (decrease) in loss after tax and accumulated losses HK$'000**	Higher/ (lower) in the share price of the Company	Increase/ (decrease) in loss after tax and accumulated losses HK$'000
Financial assets designated as at FVPL	**10%**	**–**	10%	(7,997)
	(10%)	**–**	(10%)	8,971

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

5. FINANCIAL INSTRUMENTS (CONTINUED)

(c) FAIR VALUE MEASUREMENT

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

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

- Level 1 valuations: Fair value measured using only Level 1 inputs, that is, unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs, that is, observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

An external independent valuation company, with appropriate recognised professional qualifications, is engaged to value the derivative financial instruments at each financial reporting period. Appropriate valuation methods and assumptions with reference to market conditions existing at each financial reporting period to determine the fair value of the derivative financial instruments are adopted. The basis for determining the fair value is disclosed in Note 35.

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, based on the degree to which the inputs to the fair value measurements are observable.

Financial assets/(liabilities)	Fair value as at 31 March **2019** **HK$'000**	2018 HK$'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs(s)	Relationship of unobservable inputs to fair value
Held-for-trading investments:						
– Listed equity securities	**231**	15,495	Level 1	Quoted bid prices in active markets	N/A	N/A
– Unlisted funds	**6,207**	7,005	Level 2	Quoted prices in the over-the-counter markets	N/A	N/A
Derivative financial instruments:						
– Early redemption and mandatory conversion options embedded in convertible bonds	**68**	19,183	Level 3	Binomial pricing model	Expected volatility *(Note (a))*	The higher/ lower of expected volatility, the higher/ lower of fair value
Designated:						
– Contingent receivable	**-**	57,054	Level 3	Binomial pricing model	Expected volatility *(Note (b))*	The higher/ lower of expected volatility, the higher/ lower of fair value

5. FINANCIAL INSTRUMENTS (CONTINUED)

(c) FAIR VALUE MEASUREMENT (CONTINUED)

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

Fair value hierarchy (Continued)

Notes:

(a) The fair values of redemption and mandatory conversion options embedded in convertible bonds are determined using binomial pricing model and the significant unobservable input used in the fair value measurement is expected volatility. The fair value measurement is positively correlated to the expected volatility. As at 31 March 2019, it is estimated that with all other variables held constant, an increase/decrease in the expected volatility by 10% would have decreased the Group's loss by HK$286,000 (2018: HK$8,916,000)/increased the Group's loss by HK$65,000 (2018: HK$6,520,000), respectively.

(b) The fair value of contingent receivable was determined using binomial pricing model and the significant unobservable input used in the fair value measurement was expected volatility. The fair value measurement is positively correlated to the expected volatility. As at 31 March 2019, it is estimated that with all other variables held constant, an increase/decrease in the expected volatility by 10% would have decreased the Group's loss by Nil (2018: HK$2,463,000)/increased the Group's loss by Nil (2018: HK$2,714,000), respectively.

During the years ended 31 March 2019 and 2018, there were no transfer between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise the transfer between levels of fair value hierarchy as at the end of the reporting period in which it occurs.

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

	2019 HK$'000	2018 HK$'000
Early redemption and mandatory conversion options embedded in convertible bonds		
At 1 April	**19,183**	21,233
Additions from issue of convertible bonds	**–**	11,180
Transferred to equity upon conversion of convertible bonds	**–**	–
Changes in fair value recognised in profit or loss during the year	**(19,115)**	(13,230)
At 31 March	**68**	19,183
	HK$'000	HK$'000
Contingent receivable		
At 1 April	**57,054**	–
Arising from disposal of convertible bonds issued by a subsidiary	**–**	115,491
Transferred to equity upon conversion of convertible bonds	**–**	(10,589)
Changes in fair value recognised in profit or loss during the year	**(57,054)**	(47,848)
At 31 March	**–**	57,054

5. FINANCIAL INSTRUMENTS (CONTINUED)

(c) FAIR VALUE MEASUREMENT (CONTINUED)

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

Fair value hierarchy (Continued)

The losses arising from the remeasurement of early redemption and mandatory conversion options embedded in convertible bonds as derivative financial instruments are presented in "Fair value loss on derivative financial instruments" included in "Finance costs" in the consolidated statement of profit or loss.

The losses arising from the remeasurement of contingent receivable as financial asset designated at FVPL is presented in "Net loss on financial assets designated as at fair value through profit or loss" included in "Other gains and losses, net" in the consolidated statement of profit or loss.

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

The directors of the Company consider that the carrying amounts of the Group's financial assets and liabilities carried at cost or amortised cost approximate their fair values as at 31 March 2019 and 2018.

6. REVENUE

Revenue represents the aggregate of gross proceeds from sales of electric vehicles, income from leasing of electric vehicles, gross proceeds from sales of cathode materials for lithium-ion batteries and provision of processing services and income from direct investments which includes loan financing, securities trading and asset investment. As disclosed in Note 40, the gross proceeds from sales of lithium-ion batteries and its related products under the battery products business has been reclassified as discontinued operation. The amount of each category of revenue from continuing operations and discontinued operation recognised during the year as follows:

	2019 HK$'000	2018 HK$'000 (Restated)
Continuing operations		
Sales of electric vehicles	**227,389**	730,189
Income from leasing of electric vehicles	**–**	1
Sales of cathode materials for lithium-ion batteries	**102,680**	219,180
Provision of processing services related to cathode materials for lithium-ion batteries	**9,600**	–
	339,669	949,370
Income from direct investments	**5,942**	12,219
	345,611	961,589
Discontinued operation		
Sales of lithium-ion batteries and its related products	**149,781**	96,885
	495,392	1,058,474
Timing of revenue recognition from contract with customers		
A point in time	**489,450**	1,046,255

7. SEGMENT REPORTING

Operating segments are identified on the basis of internal reports which provide information about components of the Group. These information are reported to and reviewed by the Board, the chief operating decision maker of the Group, for the purposes of resources allocation and performance assessment. On 22 March 2019, the Group has entered into sale and purchase agreements to dispose of its subsidiaries principally engaged in the battery production business, which is classified as discontinued operation for the year ended 31 March 2019. The Board considers that the Group is organised into business units based on their products and services, and has reportable operating segments as follows:

CONTINUING OPERATIONS

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

(b) the electric vehicle leasing segment represents the provision of leasing services of electric vehicles under both operating lease and finance lease terms, which was scaled down and is not regarded as a reportable segment for the year ended 31 March 2019;

(c) the battery materials production segment, which includes the research and development, manufacture and sales of cathode materials for nickel-cobalt-manganese lithium-ion batteries and lithium ferrous phosphate batteries, and the provision of processing services; and

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

DISCONTINUED OPERATION

The battery products segment includes the research and development, manufacture and sales of lithium-ion batteries and its related products.

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

(i) Reportable segment profit/(loss) before tax represents the profit earned by/(loss from) each segment without allocation of central administration costs, central finance costs and other income earned which is not attributable to any reportable segment. Reportable segment profit/(loss) before tax also excludes the elimination of inter-segment profit/(loss);

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

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

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

7. SEGMENT REPORTING (CONTINUED)

The Group's reportable segments for the years ended 31 March 2019 and 2018 are as follows:

	2019					
	Continuing operations				Discontinued operation	
	Vehicle design & electric vehicle production HK$'000	Battery materials production HK$'000	Direct investments HK$'000	Total continuing operations HK$'000	Battery products HK$'000	Total HK$'000
Revenue from external customers	227,389	112,280	5,942	345,611	149,781	495,392
Inter-segment revenue	–	–	5,538	5,538	1,087	6,625
Reportable segment revenue	227,389	112,280	11,480	351,149	150,868	502,017
Reportable segment loss before tax	(1,806,310)	(450,969)	(43,283)	(2,300,562)	(346,245)	(2,646,807)
Other segment information:						
Interest income	13,816	111	5,605	19,532	1,143	20,675
Depreciation and amortisation	(230,357)	(38,599)	–	(268,956)	(42,273)	(311,229)
Finance costs	(78,988)	(18,684)	(19,415)	(117,087)	(36,069)	(153,156)
Write-down of inventories	(53,435)	(2,472)	–	(55,907)	(42,613)	(98,520)
Share of results of joint ventures	(129,814)	–	5,264	(124,550)	–	(124,550)
Gain on remeasurement of previously held interest in a joint venture	129,811	–	–	129,811	–	129,811
Share of results of associates	–	(82,443)	–	(82,443)	(76)	(82,519)
Impairment on interests in associates	–	(15,920)	–	(15,920)	(2,536)	(18,456)
Impairment on trade receivables	(273,540)	–	–	(273,540)	–	(273,540)
Impairment on contract assets	(339,400)	–	–	(339,400)	–	(339,400)
Impairment on loan and other receivables	(204,761)	–	(35,803)	(240,564)	(18,699)	(259,263)
Impairment on goodwill	(153,765)	(307,000)	–	(460,765)	–	(460,765)
Impairment on property, plant and equipment	(43,835)	–	–	(43,835)	(216,910)	(260,745)
Impairment on intangible assets	(7,220)	–	–	(7,220)	(920)	(8,140)
Additions to non-current assets	698,271	32,590	–	730,861	29,330	760,191
Reportable segment assets	5,588,255	723,042	247,481	6,558,778	756,827	7,315,605
Reportable segment liabilities	(3,823,946)	(355,019)	(175,341)	(4,354,306)	(695,996)	(5,050,302)

7. SEGMENT REPORTING (CONTINUED)

The Group's reportable segments for the years ended 31 March 2019 and 2018 are as follows: (Continued)

	2018 (Restated)						
	Continuing operations					Discontinued operation	
	Vehicle design & electric vehicle production HK$'000	Electric vehicle leasing HK$'000	Battery materials production HK$'000	Direct investments HK$'000	Total continuing operations HK$'000	Battery products HK$'000	Total HK$'000
Revenue from external customers	730,189	1	219,180	12,219	961,589	96,885	1,058,474
Inter-segment revenue	–	–	–	30,904	30,904	37,389	68,293
Reportable segment revenue	730,189	1	219,180	43,123	992,493	134,274	1,126,767
Reportable segment loss before tax	(1,359,571)	(484)	(326,648)	(453,715)	(2,140,418)	(564,525)	(2,704,943)
Other segment information:							
Interest income	24,027	28	325	12,219	36,599	1,551	38,150
Depreciation and amortisation	(249,842)	(29)	(33,003)	–	(282,874)	(156,314)	(439,188)
Finance costs	(73,132)	–	(10,805)	(7,025)	(90,962)	(23,353)	(114,315)
Write-down of inventories	(8,111)	–	–	–	(8,111)	(71,210)	(79,321)
Share of results of joint ventures	(120,544)	–	–	3,493	(117,051)	–	(117,051)
Impairment on interest in a joint venture	(42,145)	–	–	–	(42,145)	–	(42,145)
Share of results of associates	–	–	(49,667)	–	(49,667)	41	(49,626)
Impairment on interest in an associate	–	–	(61,000)	–	(61,000)	–	(61,000)
Impairment on trade receivables	(251,382)	–	(7,553)	–	(258,935)	(11,052)	(269,987)
Impairment on deposits paid for non-current assets	(1,816)	–	–	–	(1,816)	–	(1,816)
Impairment on goodwill	(87,511)	–	(152,969)	(427,916)	(668,396)	–	(668,396)
Impairment on property, plant and equipment	(110,207)	–	–	–	(110,207)	–	(110,207)
Impairment on intangible assets	–	–	–	–	–	(197,790)	(197,790)
Additions to non-current assets	617,681	–	222,721	–	840,402	110,518	950,920
Reportable segment assets	7,420,930	21,200	1,274,307	306,588	9,023,025	1,298,986	10,322,011
Reportable segment liabilities	(4,410,796)	(2,196)	(410,013)	(176,579)	(4,999,584)	(1,567,967)	(6,567,551)

7. SEGMENT REPORTING (CONTINUED)

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

	2019 HK$'000	2018 HK$'000 (Restated)
Revenue		
Reportable segment revenue	**502,017**	1,126,767
Elimination of inter-segment revenue	**(6,625)**	(68,293)
Reclassification to discontinued operation, net of inter-segment revenue	**(149,781)**	(96,885)
Consolidated revenue from continuing operations	**345,611**	961,589
Loss		
Reportable segment loss before tax	**(2,646,807)**	(2,704,943)
Elimination of inter-segment loss	**107**	20,921
Reportable segment loss derived from the Group's external customers	**(2,646,700)**	(2,684,022)
Reclassification to discontinued operation, net of inter-segment loss	**346,120**	560,581
Other income and other gains and losses, net	**(64,503)**	(36,065)
Depreciation	**(1,649)**	(1,366)
Finance costs	**(255,446)**	(274,920)
Write-down of inventories	**–**	(37,743)
Unallocated corporate expenses	**(121,377)**	(129,234)
Consolidated loss before tax from continuing operations	**(2,743,555)**	(2,602,769)
Assets		
Reportable segment assets	**7,315,605**	10,322,011
Unallocated corporate assets:		
Derivative financial instruments	**68**	19,183
Cash and cash equivalents	**12,556**	101,157
Other unallocated corporate assets	**37,257**	203,936
Consolidated total assets	**7,365,486**	10,646,287
Liabilities		
Reportable segment liabilities	**(5,050,302)**	(6,567,551)
Unallocated corporate liabilities:		
Bank loans and other borrowings	**(1,190,367)**	(1,289,617)
Liability components of convertible bonds	**(601,006)**	(548,415)
Obligation under redeemed convertible bonds	**(760,752)**	–
Other unallocated corporate liabilities	**(298,542)**	(92,299)
Consolidated total liabilities	**(7,900,969)**	(8,497,882)

7. SEGMENT REPORTING (CONTINUED)

GEOGRAPHICAL INFORMATION

(a) Revenue from external customers

	2019 HK$'000	2018 HK$'000 (Restated)
Continuing operations		
European countries	–	2,357
The PRC	335,452	926,928
The US	3,834	20,084
Hong Kong	5,942	12,220
Others	383	–
	345,611	961,589
Discontinued operation		
European countries	82,731	49,708
The PRC	46,792	31,777
The US	197	–
Australia	5,019	5,804
Hong Kong	455	318
Others	14,587	9,278
	149,781	96,885
	495,392	1,058,474

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

7. SEGMENT REPORTING (CONTINUED)

GEOGRAPHICAL INFORMATION (CONTINUED)

(b) Non-current assets (other than loan receivables)

	2019 HK$'000	2018 HK$'000
The PRC	**4,152,405**	5,772,512
The US	**452,256**	242,424
Hong Kong	**391**	1,082
Taiwan	**213,902**	375,735
	4,818,954	6,391,753

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

INFORMATION ABOUT MAJOR CUSTOMERS

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

	2019 HK$'000	2018 HK$'000 (Restated)
Continuing operations		
Customer A – revenue from sales of electric vehicles	**76,453**	N/A#
Customer B – revenue from sales of cathode materials	**72,003**	N/A#
Customer C – revenue from sales of electric vehicles	**51,049**	N/A#
Customer D – revenue from sales of electric vehicles	**N/A#**	260,128
Customer E – revenue from sales of electric vehicles	**N/A#**	106,799
Customer F – revenue from sales of cathode materials	**N/A#**	104,203

The transactions with these customers did not contribute 10% or more of total revenue of the Group during the years ended 31 March 2019 or 2018, as the case may be.

8. OTHER INCOME/OTHER GAINS AND LOSSES, NET/IMPAIRMENT LOSS, NET OF REVERSAL ON FINANCIAL ASSETS AT AMORTISED COST AND CONTRACT ASSETS

OTHER INCOME

	2019			2018 (Restated)		
	Continuing operations HK$'000	Discontinued operation HK$'000	Total HK$'000	Continuing operations HK$'000	Discontinued operation HK$'000	Total HK$'000
Interest income	14,000	1,143	15,143	30,370	1,551	31,921
Government grants *(Note (a))*	14,024	8,177	22,201	31,152	5,071	36,223
Consultancy income	–	–	–	346	–	346
Gain on disposal of scraps	–	1,959	1,959	599	938	1,537
Others	7,616	5,861	13,477	10,101	2,337	12,438
	35,640	17,140	52,780	72,568	9,897	82,465

OTHER GAINS AND LOSSES, NET

	2019			2018 (Restated)		
	Continuing operations HK$'000	Discontinued operation HK$'000	Total HK$'000	Continuing operations HK$'000	Discontinued operation HK$'000	Total HK$'000
Exchange (losses)/gains, net	(12,056)	8,660	(3,396)	(10,106)	(7,459)	(17,565)
Net (loss)/gain on held-for-trading investment	(7,257)	–	(7,257)	13,721	–	13,721
Net loss on financial assets designated as at fair value through profit or loss *(Note (b))*	(57,054)	–	(57,054)	(48,376)	–	(48,376)
Write-down of inventories *(Note 25)*	(55,907)	(42,613)	(98,520)	(45,854)	(71,210)	(117,064)
Reversal of write-down of inventories	–	–	–	2,520	–	2,520
Impairment loss on deposits paid for non-current assets	–	–	–	(1,816)	–	(1,816)
Impairment loss on property, plant and equipment *(Note 19(d))*	(43,835)	(216,910)	(260,745)	(110,207)	–	(110,207)
Provision for guarantee *(Note (d))*	(38,567)	–	(38,567)	–	–	–
Gain on re-measurement of previously held interest in a joint venture *(Note 16(a))*	129,811	–	129,811	–	–	–
Impairment loss on interest in a joint venture	–	–	–	(42,145)	–	(42,145)
Impairment loss on interests in associates	(15,920)	(2,536)	(18,456)	(61,000)	–	(61,000)
Loss on disposal of subsidiaries, net *(Note (c))*	(6,388)	–	(6,388)	–	–	–
Loss on disposal of property, plant and equipment, net	(2,059)	(1,101)	(3,160)	(753)	(513)	(1,266)
	(109,232)	(254,500)	(363,732)	(304,016)	(79,182)	(383,198)

8. OTHER INCOME/OTHER GAINS AND LOSSES, NET/IMPAIRMENT LOSS, NET OF REVERSAL ON FINANCIAL ASSETS AT AMORTISED COST AND CONTRACT ASSETS (CONTINUED)

IMPAIRMENT LOSS, NET OF REVERSAL ON FINANCIAL ASSETS AT AMORTISED COST AND CONTRACT ASSETS

	2019			2018 (Restated)		
	Continuing operations HK$'000	**Discontinued operation HK$'000**	**Total HK$'000**	Continuing operations HK$'000	Discontinued operation HK$'000	Total HK$'000
Impairment loss on trade receivables	**(273,540)**	**–**	**(273,540)**	(258,935)	(11,052)	(269,987)
Impairment loss on contract assets	**(339,400)**	**–**	**(339,400)**	–	–	–
Impairment loss on loan and other receivables	**(240,564)**	**(18,699)**	**(259,263)**	–	–	–
Reversal of impairment loss on trade receivables	**9,716**	**16,829**	**26,545**	607	2,357	2,964
Reversal of impairment loss on loan and other receivables	**8,068**	**–**	**8,068**	–	–	–
	(835,720)	**(1,870)**	**(837,590)**	(258,328)	(8,695)	(267,023)

Notes:

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

(b) On 30 October 2017, the convertible bonds issued by FDG Kinetic Limited ("FKL", a non-wholly-owned listed subsidiary of the Company) (the "FKL CB") with the principal amount of HK$110,000,000 held by Union Grace Holdings Limited ("Union Grace", a wholly-owned subsidiary of the Company) were disposed of to an independent third party purchaser at a consideration equal to the aggregate of (i) HK$110,000,000 which has been received from the purchaser on the date of the sale and purchase agreement by way of cashier's orders; and (ii) in the event the conversion right of any of the FKL CB is exercised, HK$0.36 per conversion share so converted payable on the date of such exercise by way of cash (the "Contingent Assets"). Such Contingent Assets are designated and measured at fair value and included in financial assets at fair value through profit or loss. Thereafter, any change in fair value of the Contingent Assets is dealt with in profit or loss. The FKL CB matured during the year ended 31 March 2019 and was fully settled. During the year ended 31 March 2019, net loss on financial assets designated as at fair value through profit or loss of HK$57,054,000 (2018: HK$48,376,000) was recognised in the consolidated statement of profit or loss.

(c) It represented a loss on disposal of the subsidiaries related to Giant Industry Holdings Limited of approximately HK$9,743,000 (Note 16(b)), net off with a gain on disposal of 82% interest in another subsidiary of the Group of approximately HK$3,355,000.

(d) A non-wholly-owned subsidiary of the Group has provided guarantee in respect of a finance lease entered into between an independent electric vehicle customer of the Group and a finance lease company, under which the customer obtained financing of approximately RMB33,000,000 from the finance lease company through selling and leasing back certain electric vehicles sold by the Group to that customer. During the year ended 31 March 2019, the finance lease company claimed against the customer as the borrower, and the subsidiary of the Group as the guarantor, for the default in repayment under the finance lease. As at 31 March 2019 and up to the date of approval of the consolidated financial statements, the default has not yet been resolved. The management assessed that a provision for such guarantee was required as at 31 March 2019, and an amount of approximately HK$38,567,000 (2018: nil) was charged to the consolidated statement of profit or loss.

9. FINANCE COSTS

	2019			2018 (Restated)		
	Continuing operations HK$'000	**Discontinued operation HK$'000**	**Total HK$'000**	Continuing operations HK$'000	Discontinued operation HK$'000	Total HK$'000
Interest expenses on convertible bonds						
– Issued by the Company	**85,822**	**–**	**85,822**	52,738	–	52,738
– Issued by a listed subsidiary of the Company	**5,121**	**–**	**5,121**	5,888	–	5,888
Interest on finance leases	**5,670**	**–**	**5,670**	7,985	–	7,985
Interest on bank loans and other borrowings wholly repayable within five years	**255,923**	**36,069**	**291,992**	279,231	21,444	300,675
Other borrowing costs	**6,951**	**–**	**6,951**	29,164	1,909	31,073
Total interest expenses on financial liabilities not at fair value through profit or loss	**359,487**	**36,069**	**395,556**	375,006	23,353	398,359
Less: Interest expenses capitalised into construction in progress *(Note)*	**(6,069)**	**–**	**(6,069)**	(22,354)	–	(22,354)
	353,418	**36,069**	**389,487**	352,652	23,353	376,005
Fair value loss on derivative financial instruments	**19,115**	**–**	**19,115**	13,230	–	13,230
	372,533	**36,069**	**408,602**	365,882	23,353	389,235

Note: During the year ended 31 March 2019, borrowing costs were capitalised to qualifying assets at the rate of 5.23% (2018: ranging from 5.23% to 6.18%) per annum.

10. LOSS BEFORE TAX

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

	2019			2018 (Restated)		
	Continuing operations HK$'000	**Discontinued operation HK$'000**	**Total HK$'000**	Continuing operations HK$'000	Discontinued operation HK$'000	Total HK$'000
Interest income	**(19,605)**	**(1,143)**	**(20,748)**	(42,589)	(1,551)	(44,140)
Auditor's remuneration *(Note (a))*						
– audit service	**2,655**	**365**	**3,020**	2,505	375	2,880
– non-audit service	**395**	**–**	**395**	480	–	480
Cost of inventories recognised as expenses						
– included in cost of sales	**311,517**	**114,529**	**426,046**	848,957	66,292	915,249
– included in selling and distribution costs	**106**	**570**	**676**	1,691	2,092	3,783
– included in research and development expenses	**154**	**2,629**	**2,783**	27,759	20,471	48,230
– included in other gains and losses	**55,907**	**42,613**	**98,520**	43,333	71,211	114,544
Amortisation of intangible assets	**110,808**	**148**	**110,956**	133,425	97,299	230,724
Depreciation of property, plant and equipment	**154,640**	**38,385**	**193,025**	159,450	42,418	201,868
Amortisation of interests in leasehold land held for own use under operation leases	**5,157**	**3,740**	**8,897**	5,225	2,737	7,962
Warranty provision	**4,996**	**1,294**	**6,290**	49,622	4,731	54,353
Other operating expenses *(Note (b))*	**128,595**	**–**	**128,595**	79,475	–	79,475
Impairment on property, plant and equipment *(Note (d))*	**43,835**	**216,910**	**260,745**	110,207	–	110,207
Impairment on goodwill *(Note (c))*	**460,765**	**–**	**460,765**	668,396	–	668,396
Impairment on intangible assets *(Note (d))*	**7,220**	**920**	**8,140**	–	197,790	197,790
Minimum lease payment under operating leases	**19,419**	**3,760**	**23,179**	60,612	5,920	66,532
Staff costs (including directors' emoluments)						
– salaries and allowances	**219,666**	**43,642**	**263,308**	308,989	69,944	378,933
– equity-settled share-based payments	**4,433**	**–**	**4,433**	42,813	–	42,813
– contributions to retirement benefits schemes	**24,054**	**9,280**	**33,334**	35,305	13,470	48,775

10. LOSS BEFORE TAX (CONTINUED)

Notes:

(a) The amount excludes remuneration paid to other auditors of certain subsidiaries, amounting to HK$2,474,000 (2018: HK$2,397,000) and HK$963,000 (2018: HK$564,000) for audit and non-audit services, respectively.

(b) The other operating expenses represent certain indirect operating expenses arising from the under-utilisation of production capacity of the electric vehicle production plants in Hangzhou (2018: Hangzhou and Yunnan).

(c) Goodwill is tested for impairment by allocating to the Group's cash generating units ("CGUs") identified in each operating segment. During the year ended 31 March 2019, management assessed that goodwill from vehicle design and electric vehicle production segment in Hangzhou was impaired by HK$153,765,000 (2018: nil) resulting in the net carrying amount of the goodwill was HK$169,801,000 as at 31 March 2019 (2018: HK$345,972,000), and goodwill from battery materials production segment operated by the Chongqing factory was impaired by HK$307,000,000 (2018: HK$152,969,000) resulting in the net carrying amount of the goodwill was HK$6,755,000 as at 31 March 2019 (2018: HK$335,878,000), as the recoverable amounts from these CGUs were less than their carrying amounts. During the year ended 31 March 2018, goodwill from direct investments operated by FKL was impaired by HK$427,916,000. In addition, the Group disposed of the electric vehicle production site in Yunnan on 3 May 2018 (the "Giant Group Disposal"). As the proceeds from the Giant Group Disposal is less than its carrying amount, certain assets including goodwill of HK$87,511,000, were fully impaired during the year ended 31 March 2018.

(d) During the year ended 31 March 2019, the Group appointed an independent firm of professionally qualified valuers, to perform a professional valuation on the recoverable amounts of the CGU of battery products business segment. The valuation was based on higher of value-in-use or fair value less costs of disposal calculation basis (2018: value-in-use basis). The value-in-use calculation uses cash flow projections based on financial budgets covering a five-year period approved by the management. The pre-tax discount rate applied to the cash flow forecasts was 18.33% (2018: 20.00%) to reflect specific risks relating to the CGU. The cash flows beyond the five-year period are extrapolated using a terminal growth rate of 3% (2018: 3%) per annum. The fair value calculation uses comparable market information that are available to estimate the individual fair values of non-current assets which are carried at cost less depreciation and amortisation. Based on the valuation, the management assessed that the property, plant and equipment and intangible assets attributable to battery products segment, were impaired by approximately HK$216,910,000 (2018: nil) and HK$920,000 (2018: HK$197,790,000), respectively, as a result of weaker than expected sales performance and continuous loss-making status.

During the year ended 31 March 2018, the Group appointed an independent firm of professionally qualified valuers to perform a professional valuation on the recoverable amounts of the CGU for which the intangible assets representing patent using rights within battery products segment were allocated. The valuation was based on value-in-use calculation. The calculation uses cash flow projections based on financial budgets covering a five-year period approved by the management. The pre-tax discount rate applied to the cash flow forecasts was 20.00% to reflect specific risks relating to the CGU. The cash flows beyond the five-year period are extrapolated using a terminal growth rate of 3% per annum. The growth rate used is determined based on the expected long-term inflation in the PRC. Based on the valuation, the management assessed that intangible assets attributable to battery products segment were impaired by HK$197,790,000, as the carrying amount of this CGU exceeds its recoverable amounts due to the changes of the business prospects, the demand of battery products decreased due to the new energy subsidy policies in the PRC and the expected future cash flows decrease.

11. RETIREMENT BENEFIT SCHEMES

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

The employees of the Group's PRC subsidiaries are members of the retirement schemes operated by the PRC local authorities. The subsidiaries are required to contribute at a rate ranging from 13% to 20% (2018: 13% to 20%) of the eligible employees' salaries to these schemes. The only obligation of the Group with respect to these schemes is the required contributions under the schemes.

The Group's total contributions to these schemes for continuing operations and discontinued operation charged to the consolidated statement of profit or loss for the year ended 31 March 2019 amounted to HK$24,054,000 and HK$9,280,000 (2018: HK$35,305,000 and HK$13,470,000), respectively.

12. INCOME TAX

	2019			2018 (Restated)		
	Continuing operations HK$'000	**Discontinued operation HK$'000**	**Total HK$'000**	Continuing operations HK$'000	Discontinued operation HK$'000	Total HK$'000
Current tax charge for the year:						
– The PRC Enterprise Income Tax ("EIT")	**99**	**–**	**99**	655	768	1,423
– Overseas	**1,193**	**–**	**1,193**	790	–	790
	1,292	**–**	**1,292**	1,445	768	2,213
Deferred tax credit	**(83,587)**	**–**	**(83,587)**	(25,964)	(72,468)	(98,432)
Total tax credit for the year	**(82,295)**	**–**	**(82,295)**	(24,519)	(71,700)	(96,219)

No provision for the Hong Kong profits tax has been made as the Group incurred losses for taxation purposes in Hong Kong for the years ended 31 March 2019 and 2018. The provision for the PRC EIT is calculated on the estimated assessable profits of the Group's subsidiaries in the PRC at 25% (except for certain subsidiaries which are subject to a preferential tax rate of 15%) for the years ended 31 March 2019 and 2018. Taxes on overseas profits have been calculated at the rates of taxation prevailing in the jurisdictions in which the entity operates. The deferred tax of HK$83,587,000 (2018: HK$98,432,000) that has been credited to the consolidated statement of profit or loss arose from the origination and reversal of temporary differences mainly in respect of fair value adjustments arising from the acquisition of subsidiaries.

12. INCOME TAX (CONTINUED)

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

	2019			2018 (Restated)		
	Continuing operations HK$'000	**Discontinued operation HK$'000**	**Total HK$'000**	Continuing operations HK$'000	Discontinued operation HK$'000	Total HK$'000
Loss before tax	**(2,743,555)**	**(346,120)**	**(3,089,675)**	(2,602,769)	(560,581)	(3,163,350)
Notional tax on loss before tax, calculated at the rates applicable to the tax jurisdiction concerned	**(582,516)**	**(83,736)**	**(666,252)**	(466,769)	(162,745)	(629,514)
Tax effect of non-deductible expenses	**118,776**	**919**	**119,695**	213,837	3,078	216,915
Tax effect of non-taxable income	**(11,204)**	**(65)**	**(11,269)**	(36,879)	(6,186)	(43,065)
Tax effect of temporary differences not recognised	**247,265**	**44,460**	**291,725**	35,375	73,964	109,339
Tax effect of tax losses not recognised	**117,890**	**42,415**	**160,305**	206,813	20,537	227,350
Tax effect of prior years' tax losses utilised	**–**	**(4,637)**	**(4,637)**	(4,148)	(358)	(4,506)
Tax effect of share of results of joint ventures and associates	**26,301**	**644**	**26,945**	26,462	10	26,472
Withholding tax	**1,193**	**–**	**1,193**	790	–	790
Income tax credit for the year	**(82,295)**	**–**	**(82,295)**	(24,519)	(71,700)	(96,219)

13. DIVIDEND

No dividend was paid or declared by the Company during the year (2018: nil).

14. LOSS PER SHARE

(a) BASIC LOSS PER SHARE

The basic loss per share is calculated based on (i) the consolidated loss for the year attributable to owners of the Company of HK$1,665,239,000 and HK$324,470,000 (2018: HK$1,776,976,000 and HK$453,395,000) from continuing operations and discontinued operation, respectively and (ii) the weighted average number of 23,828,630,000 (2018: 22,407,637,000) ordinary shares in issue during the year.

	2019 Weighted average number of ordinary shares '000	2018 Weighted average number of ordinary shares '000
Issued ordinary shares at the beginning of the reporting period	**22,413,076**	22,398,476
Effect of issue of shares pursuant to share placing	**7,398**	–
Effect of issue of shares pursuant to share subscriptions	**1,289,315**	–
Effect of issue of shares upon exercise of share options	**–**	9,161
Effect of issue of shares upon acquisition transactions	**118,841**	–
Weighted average number of ordinary shares at the end of the reporting period	**23,828,630**	22,407,637

(b) DILUTED LOSS PER SHARE

The calculation of diluted loss per share does not assume the exercise of the Company's outstanding share options or conversion of outstanding convertible bonds of the Group which had an anti-dilutive effect and would result in a reduction in loss per share for the years ended 31 March 2019 and 2018. Therefore, the diluted loss per share is the same as the basic loss per share for both years.

15. DIRECTORS' EMOLUMENTS

(a) DIRECTORS' EMOLUMENTS

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

2019	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Equity-settled share-based payments HK$'000	Retirement benefit schemes contributions HK$'000	Total HK$'000
Executive Directors					
Mr. Cao Zhong (Chief Executive Officer and Chairman)	3,155	5,200	2,074	36	10,465
Mr. Miao Zhenguo *(Note (i))*	360	720	371	8	1,459
Mr. Tong Zhiyuan *(Note (ii))*	–	299	–	–	299
Dr. Chen Yanping *(Note (iii))*	750	3,689	1,253	92	5,784
Mr. Jaime Che	2,025	3,250	1,141	36	6,452
Mr. Lo Wing Yat *(Note (vi))*	1,740	–	228	–	1,968
Non-executive Directors					
Mr. Lo Wing Yat *(Note (vi))*	–	344	102	–	446
Mr. Tong Zhiyuan *(Note (ii))*	–	62	–	–	62
Mr. Wong Kwok Yiu *(Note (iv))*	–	–	–	–	–
Independent non-executive Directors					
Mr. Chan Yuk Tong	480	–	278	–	758
Mr. Fei Tai Hung	480	–	278	–	758
Mr. Tse Kam Fow	480	–	278	–	758
Mr. Xu Jingbin *(Note (v))*	420	–	(1,062)	–	(642)
	9,890	13,564	4,941	172	28,567

15. DIRECTORS' EMOLUMENTS (CONTINUED)

(a) DIRECTORS' EMOLUMENTS (CONTINUED)

	2018				
	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Equity-settled share-based payments HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive Directors					
Mr. Cao Zhong (Chief Executive Officer and Chairman)	3,000	5,200	9,675	36	17,911
Mr. Miao Zhenguo *(Note (i))*	1,800	3,900	8,909	36	14,645
Mr. Tong Zhiyuan *(Note (ii))*	–	3,863	–	11	3,874
Dr. Chen Yanping *(Note (iii))*	1,800	3,882	7,508	91	13,281
Mr. Jaime Che	1,800	3,250	7,483	36	12,569
Mr. Lo Wing Yat *(Note (vi))*	2,400	–	1,639	–	4,039
Non-executive Director					
Mr. Wong Kwok Yiu *(Note (iv))*	–	–	–	–	–
Independent non-executive Directors					
Mr. Chan Yuk Tong	480	–	1,253	–	1,733
Mr. Fei Tai Hung	480	–	1,253	–	1,733
Mr. Tse Kam Fow	480	–	1,253	–	1,733
Mr. Xu Jingbin *(Note (v))*	480	–	1,062	–	1,542
	12,720	20,095	40,035	210	73,060

Notes:

(i) Mr. Miao Zhenguo resigned as an executive director of the Company with effect from 12 June 2018.

(ii) Mr. Tong Zhiyuan was the Chief Operating Officer of the Group and an executive director of the Company, and has been re-designated from an executive director of the Company to a non-executive director of the Company and ceased to be the Chief Operating Officer of the Group with effect from 3 May 2018. On 4 June 2018, Mr. Tong resigned as a non-executive director of the Company.

(iii) Dr. Chen Yanping is the Chief Technical Officer and an executive director of the Company.

(iv) Mr. Wong Kwok Yiu agreed to waive his emoluments for the years ended 31 March 2019 and 2018. Mr. Wong resigned as a non-executive director of the Company with effect from 25 November 2018.

(v) Mr. Xu Jingbin resigned as an independent non-executive director of the Company with effect from 15 February 2019. The Group recorded a net reversal of share option expenses for Mr. Xu Jingbin for the amount of HK$1,062,000 for the year ended 31 March 2019 (2018: share option expenses of HK$1,062,000) due to certain unvested share options lapsed upon his resignation.

(vi) Mr. Lo Wing Yat has been re-designated from an executive director of the Company to a non-executive director of the Company with effect from 22 November 2018.

15. DIRECTORS' EMOLUMENTS (CONTINUED)

(a) DIRECTORS' EMOLUMENTS (CONTINUED)

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

	2019 HK$'000	2018 HK$'000
Fees		
Executive Directors	**8,030**	10,800
Non-executive Directors	**–**	–
Independent non-executive Directors	**1,860**	1,920
	9,890	12,720
Other emoluments for Directors		
Basic salaries, allowances and benefit in kind	**13,564**	20,095
Equity-settled share-based payments	**4,941**	40,035
Retirement benefit scheme contributions	**172**	210
	18,677	60,340
	28,567	73,060

The above emoluments included the fair value of share option granted to certain Directors under the Company's share option scheme. The details are disclosed in Note 43.

No emoluments of the Directors were incurred as an inducement to join or upon joining the Company or as compensation for loss of office during the years ended 31 March 2019 and 2018.

Except for as disclosed in Note 15(a)(iv), no Directors waived or agreed to waive any emolument during the years ended 31 March 2019 and 2018.

(b) FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals of the Group include four (2018: five) Directors, details of whose emoluments are set out in Note 15(a) to the consolidated financial statements. Details of the emoluments of the remaining one (2018: Nil) individual for the year are as follows:

	2019 HK$'000	2018 HK$'000
Basic salaries, allowances and benefits in kind	**2,600**	–
Retirement benefit schemes contributions	**18**	–
	2,618	–

The emoluments of the one individual other than Directors with the highest emoluments fell within HK$2,500,000 to HK$3,000,000 band.

16. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

(a) ACQUISITION OF ADDITIONAL INTERESTS IN A JOINT VENTURE, CHANJE ENERGY, INC., RESULTING IN CONTROL

On 18 October 2018, a settlement agreement (the "Chanje Settlement Agreement") was entered into by, among others, the Company, FDG Strategic Investment Limited ("FDG Strategic", a wholly-owned subsidiary of the Company), Chanje, a company incorporated under the laws of the State of Delaware in the US, being a then joint venture of the Group and Smith Electric Vehicles Corp ("Smith", a joint venture partner of Chanje). Pursuant to the settlement agreement, among others, (i) Smith will transfer its approximately 16.84% equity interest in Chanje to the Company; (ii) the Company will allot and issue 476,666,666 ordinary shares of the Company to Smith and pay an amount of US$1,312,661.25 to Smith; (iii) Smith will assign to the Company all of its rights, title, and interests granted to it by Chanje pursuant to the contribution agreement dated 4 May 2015 entered into between Smith and Chanje (the "Smith Contribution Agreement"), including but not limited to the contractual right to designate two members to the board of directors of Chanje; (iv) the Company shall release and return to Smith all the Company's common and series E shares in Smith and cancel any rights arising therefrom; and (v) Chanje shall transfer and release to Smith all of Smith's rights and property contributed, transferred or in any manner granted to Chanje and all of the licensed intellectual property contributed by Smith pursuant to the Smith Contribution Agreement and an intellectual property license agreement dated 4 May 2015 entered into between Smith and Chanje provided that Chanje and the Company shall be permitted to continue to utilise on a non-exclusive basis as agreed (the "Chanje Settlement").

Upon the completion of the transfer of approximately 16.84% equity interest in Chanje by Smith to the Company on 31 December 2018 (the "Chanje Settlement Date"), Chanje has been owned as to 94.74% by the Group and 5.26% by the employee benefit trust established by the Company. As the Group has the right to nominate and appoint the majority of the directors of Chanje, Chanje has become an indirect subsidiary of the Group.

16. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (CONTINUED)

(a) ACQUISITION OF ADDITIONAL INTERESTS IN A JOINT VENTURE, CHANJE ENERGY, INC., RESULTING IN CONTROL (CONTINUED)

Chanje is principally engaged in the sales and distribution of electric vehicles in the US. The fair values of the identifiable assets and liabilities of Chanje as at the Chanje Settlement Date, were as follows:

	Fair value recognised on the Chanje Settlement Date HK$'000
Intangible assets	68,316
Property, plant and equipment	4,291
Inventories	3,199
Trade receivables	1,107
Loan receivables from the Group	23,489
Other receivables	3,701
Cash and cash equivalents	88
Other payables	(57,116)
Loan payables to the Group	(73,143)
Deferred tax liabilities	(18,445)
Total identifiable net liabilities at fair value	(44,513)
Less: Total consideration for the acquisition	(56,780)
Less: Re-measurement of previously held interests	(281,172)
Goodwill	(382,465)

	HK$'000
Total consideration for the acquisition:	
Fair value of ordinary shares of the Company issued	23,357
Indebtedness due to Chanje by Smith	23,250
Cash consideration	10,173
Net consideration paid	56,780

Net consideration paid represents (i) the fair value of 476,666,666 new ordinary shares of the Company issued amounting to HK$23,357,000 based on HK$0.049 per share, being the closing market price of the Company's ordinary shares on 31 December 2018, Chanje Settlement Date; (ii) the debts assumed of US$3,000,000, equivalent to HK$23,250,000, due to Chanje by Smith by ways of promissory note dated 31 October 2018; and (iii) cash consideration of US$1,312,661.25, equivalent to approximately HK$10,173,000, pursuant to the Chanje Settlement Agreement.

16. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (CONTINUED)

(a) ACQUISITION OF ADDITIONAL INTERESTS IN A JOINT VENTURE, CHANJE ENERGY, INC., RESULTING IN CONTROL (CONTINUED)

	HK$'000
Fair value of previously held interest on the Chanje Settlement Date	281,172
Less: Carrying value of previously held interests	(151,361)
Gain on re-measurement of previously held interest in a joint venture	129,811

The Group incurred transaction costs of HK$796,000 for the Chanje Settlement. These transaction costs have been expensed and are included in general and administrative expenses in the consolidated statement of profit or loss for the year ended 31 March 2019.

	HK$'000
Cash and cash equivalents acquired and included in cash flows from investing activities	(10,085)
Transaction costs of the Chanje Settlement included in cash flows from operating activities	(796)
Net cash outflows arising from the Chanje Settlement	(10,881)

Since the completion of the Chanje Settlement, Chanje does not contribute to the Group's revenue and incurred a loss of HK$18,552,000 recognised in the consolidated profit or loss for the year ended 31 March 2019.

Had the Chanje Settlement taken place at the beginning of the reporting period, the revenue and the loss of the Group for the year ended 31 March 2019 would have been HK$345,511,000 and HK$3,034,330,000, respectively.

16. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (CONTINUED)

(b) DISPOSAL OF GIANT INDUSTRY HOLDINGS LIMITED AND ITS SUBSIDIARIES

On 3 May 2018, the Company, Preferred Market Limited ("PML", a wholly-owned subsidiary of the Company) and Hong Kong ShengHai DeYong Investment Limited (the "Giant Purchaser", an independent third party to the Company), entered into a sale and purchase agreement pursuant to which PML agreed to sell and the Giant Purchaser agreed to purchase the entire issued share capital of Giant Industry Holdings Limited (the "Giant Group"), which indirectly holds 50% interests in Yunnan FDG Automobile Co., Ltd[Δ] (雲南五龍汽車有限公司), for a net consideration of RMB73,436,000 (equivalent to approximately HK$90,639,000), representing the gross consideration of RMB80,000,000 (equivalent to HK$98,741,000) net of a deduction of RMB6,564,000 (equivalent to HK$8,102,000), being the excess of net accounts payable over the guaranteed amount in the completion account pursuant to the sale and purchase agreement based on our preliminary assessments of the Group. The disposal transaction was completed on 3 May 2018, and loss on disposal of subsidiaries of HK$9,743,000 was recognised in the consolidated statement of profit or loss.

Particulars of the disposal transaction are as follows:

	HK$'000
Assets and liabilities at the date of disposal:	
Inventories	98,405
Trade and bills receivables	94,219
Contract assets	116,425
Loan and other receivables	106,436
Cash and cash equivalents	482
Bank loans and other borrowings	(84,957)
Trade and bills payables	(204,625)
Accruals and other payables	(201,512)
Obligations under finance leases	(2,568)
Net amounts due to fellow subsidiaries	(281,436)
Non-controlling interests	173,543
Net liabilities disposed of	(185,588)
Loss on disposal of subsidiaries:	
Net liabilities disposed of	185,588
The fair value of the contractual right of licensing associated brand and trademarks	(11,140)
Release of exchange reserve	6,606
Waiver of net amounts due to fellow subsidiaries	(281,436)
Total net consideration	90,639
	(9,743)

Δ *For identification purpose only*

16. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (CONTINUED)

(b) DISPOSAL OF GIANT INDUSTRY HOLDINGS LIMITED AND ITS SUBSIDIARIES (CONTINUED)

	HK$'000
Consideration was satisfied by:	
Cash consideration received	61,713
Cash consideration receivable	37,028
	98,741
Less: the excess of net accounts payable over the guaranteed amount	(8,102)
Total net cash consideration	90,639
An analysis of the cash flows in respect of the disposal is as follows:	
Cash consideration received	61,713
Cash and cash equivalents disposed of	(482)
	61,231

(c) CHANGES IN OWNERSHIP INTERESTS IN FDG KINETIC LIMITED AND ITS SUBSIDIARIES WITHOUT CHANGE OF CONTROL

For the year ended 31 March 2018

The changes in ownership interests in subsidiaries without change of control during the year ended 31 March 2018 mainly arose from (i) a conversion on 27 October 2017 of FKL CB with a principal amount of HK$540,000,000 held by an indirect wholly-owned subsidiary of the Company into 1,588,235,294 ordinary shares of FKL which increased the Company's shareholdings in FKL from approximately 67.19% to approximately 74.89%; and (ii) a conversion on 16 January 2018 of FKL CB with a principal amount of HK$10,000,000 held by a third party into 29,411,764 ordinary shares of FKL, with net proceeds of approximately HK$10,589,000, which reduced the Company's shareholdings in FKL from approximately 74.89% to approximately 74.56%.

The Group accounted for the additional acquisition and partial disposal of interests in subsidiaries without loss of control as equity transactions and the loss of HK$22,635,000 being the difference between the changes in the carrying amount of the non-controlling interests and the fair value of the considerations received was recognised in equity as set out in the consolidated statement of changes in equity.

17. GOODWILL

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

	Vehicle design & electric vehicle production in Hangzhou HK$'000	Vehicle design & electric vehicle production in Yunnan HK$'000	Electric vehicle sales and distribution in the US HK$'000	Battery products HK$'000	Battery materials production HK$'000	Direct investments HK$'000	Total HK$'000
Cost							
At 1 April 2017	903,481	83,634	–	904,240	441,216	427,916	2,760,487
Exchange adjustments	97,535	9,029	–	–	47,631	–	154,195
At 31 March 2018 and 1 April 2018	1,001,016	92,663	–	904,240	488,847	427,916	2,914,682
Acquisition of a subsidiary *(Note 16(a))*	–	–	382,465	–	–	–	382,465
Disposal of subsidiaries	–	(86,775)	–	–	–	–	(86,775)
Reclassified as held for sale	–	–	–	(904,240)	–	–	(904,240)
Exchange adjustments	(65,933)	(5,888)	–	–	(32,198)	–	(104,019)
At 31 March 2019	**935,083**	**–**	**382,465**	**–**	**456,649**	**427,916**	**2,202,113**
Accumulated impairment							
At 1 April 2017	591,219	–	–	904,240	–	–	1,495,459
Impairment loss for the year *(Note 10(c))*	–	87,511	–	–	152,969	427,916	668,396
Exchange adjustments	63,825	5,152	–	–	–	–	68,977
At 31 March 2018 and 1 April 2018	655,044	92,663	–	904,240	152,969	427,916	2,232,832
Disposal of subsidiaries	–	(86,775)	–	–	–	–	(86,775)
Reclassified as held for sale	–	–	–	(904,240)	–	–	(904,240)
Impairment loss for the year *(Note 10(c))*	153,765	–	–	–	307,000	–	460,765
Exchange adjustments	(43,527)	(5,888)	–	–	(10,075)	–	(59,490)
At 31 March 2019	**765,282**	**–**	**–**	**–**	**449,894**	**427,916**	**1,643,092**
Carrying amount							
At 31 March 2019	**169,801**	**–**	**382,465**	**–**	**6,755**	**–**	**559,021**
At 31 March 2018	345,972	–	–	–	335,878	–	681,850

17. GOODWILL (CONTINUED)

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

(A) Vehicle design and electric vehicle production in Hangzhou

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

	Vehicle design & electric vehicle production in Hangzhou	
	2019	2018
Discount rate	**24.16%**	23.19%
Growth rate	**3.00%**	3.00%

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

Projected cash flow – The projected cash flow of this unit is based on the past performance of its business and management's expectation on the market development.

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

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

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

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

Management believes that any reasonably possible change in any of these key assumptions would not cause the aggregate carrying amount of this unit to exceed its recoverable amount. As a result, the expected future cash flows are expected to decrease and impairment losses in respect of goodwill attributable to the vehicle design and electric vehicle production in Hangzhou of HK$153,765,000 (2018: nil) was recognised during the year ended 31 March 2019 resulting in net carrying amount being HK$169,801,000 as at 31 March 2019 (2018: HK$345,972,000).

(B) Vehicle design and electric vehicle production in Yunnan – as at 31 March 2018

On 3 May 2018, the Group entered into a sales and purchase agreement with the Giant Purchaser, pursuant to which the Group agreed to sell and the Giant Purchaser agreed to purchase the entire issued share capital of Giant Group, which represented the cash-generating unit of vehicle design and electric vehicle production in Yunnan. Taking into account the consideration for the Giant Group Disposal in determining the recoverable amount of the cash generating unit, an impairment of approximately HK$87,511,000 was fully provided for vehicle design and electric vehicle production in Yunnan for the year ended 31 March 2018.

17. GOODWILL (CONTINUED)

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

(C) Electric vehicle sales and distribution in the US

The goodwill of HK$382,465,000 in relation to the Chanje Settlement of arose mainly from the expected future profitability in the electric vehicle market in the US.

The recoverable amount of the electric vehicle sales and distribution unit in the US has been determined based on fair value less costs of disposal calculation. That calculation uses cash flow projections based on financial budgets covering a five-year period approved by management. The discount rate applied to the cash flow projections and the growth rate used to extrapolate the cash flows of these cash-generating units beyond the five-year period are as follows:

	Electric vehicle sales and distribution in the US 2019
Discount rate	**33.29%**
Growth rate	**2.00%**

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

Projected cash flow – The projected cash flow of this unit is based on the past performance of its business and management's expectation on the market development.

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

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

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

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

Management believes that any reasonably possible change in any of these key assumptions would not cause the aggregate carrying amount of this unit to exceed its recoverable amount. There was no impairment recognised as the recoverable amount of this unit was higher than its carrying amount as at 31 March 2019.

17. GOODWILL (CONTINUED)

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

(D) Direct investments – as at 31 March 2018

The direct investments segment mainly represents the Group's investment in a listed subsidiary, FKL, which is mainly engaged in the battery materials production and the investment in associates for the businesses of battery production and cathode materials production. The recoverable amount of cash-generating unit relating to the direct investments has been determined based on a value-in-use calculation. The calculation uses cash flow projections based on financial budgets covering a five-year period approved by management. The discount rate applied to the cash flow projections is approximately 21.75% per annum. The growth rate used to extrapolate the cash flows of this cash-generating unit beyond the five-year period is 3% per annum. Other key assumptions for the value-in-use calculations relate to the estimation of the performance of investment decisions, which is based on the past performance of this cash-generating unit and management's expectations for market development.

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

Projected cash flow – The projected cash flow of this unit is based on the past performance of its business and management's expectation on the market development.

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

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

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

Management determined that the recoverable amount of the direct investment segment is less than its carrying value due to changes in the prospects of the business, including battery production and battery materials production businesses. The expected future cash flows decreased as a result of business prospect change and the demand of battery products decreased while the battery related industry is influenced by the new subsidy policies in the PRC on the quality of the lithium-ion batteries. Accordingly, impairment losses in respect of goodwill attributable to direct investments segment of HK$427,916,000 was fully recognised during the year ended 31 March 2018.

17. GOODWILL (CONTINUED)

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

(E) Battery materials production

The recoverable amount of the battery materials production unit has been determined based on fair value less costs of disposal. The fair value less costs of disposal of this cash-generating unit was assessed by management based on a business valuation performed by a firm of independent qualified valuers appointed by the Group. The calculation uses cash flow projections based on the financial budgets covering a five-year period approved by management and a discount rate of 22.56% (2018: 23.17%) determined by the independent valuer using the Capital Assets Pricing Model, which is within Level 3 fair value hierarchy. The cash flow projections included future capital expenditure on the cash-generating unit to increase the production capacity, which are expected to result in a substantial increase in the net cash inflows derived from this cash-generating unit. The cash flows beyond the five-year period are extrapolated using a terminal growth rate of 3% (2018: 3%) per annum.

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

Projected cash flow – The projected cash flow of this unit is based on the past performance of its business and management's expectation on the market development.

Budgeted gross margins – Budgeted gross margins are based on the past performance of its business and management's expectation on the market development.

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

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

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

Management determined that the recoverable amount of the battery materials segment is less than its carrying value affected by the tightening of credit control, the sales and production on existing customers decreased in current year. Furthermore, the Group defers the launching of the new products and completion of construction of new production lines due to its tight cash flows. These three factors resulted in a decrease of the expected future cash flows which resulted in an impairment loss on goodwill amounting to approximately HK$307,000,000 (2018: approximately HK$152,969,000) being recognised in the current year. As at 31 March 2019, the carrying amount of goodwill after impairment loss was approximately HK$6,755,000 (2018: approximately HK$335,878,000).

18. INTANGIBLE ASSETS

	Patents and patent using rights HK$'000	Industrial proprietary rights HK$'000	Technical know-hows HK$'000	Lease contractual right HK$'000	Software HK$'000	Total HK$'000
Cost						
At 1 April 2017	3,676,501	51,230	601,950	33,342	–	4,363,023
Additions	–	–	–	–	17,054	17,054
Additions from internal development	–	–	189,655	–	–	189,655
Written-off	–	–	–	(34,887)	–	(34,887)
Exchange adjustments	196	5,531	78,291	1,545	1,004	86,567
At 31 March 2018 and 1 April 2018	3,676,697	56,761	869,896	–	18,058	4,621,412
Additions from internal development	–	–	105,987	–	–	105,987
Additions from acquisition of a subsidiary *(Note 16(a))*	–	–	68,316	–	–	68,316
Disposal of subsidiaries	–	(27,406)	(24,495)	–	–	(51,901)
Reclassified as held for sale	(1,890)	–	–	–	–	(1,890)
Exchange adjustments	(195)	(2,142)	(56,194)	–	(1,189)	(59,720)
At 31 March 2019	**3,674,612**	**27,213**	**963,510**	**–**	**16,869**	**4,682,204**
Accumulated amortisation and impairment losses						
At 1 April 2017	3,353,736	5,566	185,380	32,237	–	3,576,919
Charge for the year	97,299	24,670	106,764	1,157	834	230,724
Impairment loss for the year *(Note 10(d))*	197,790	–	–	–	–	197,790
Written-off	–	–	–	(34,887)	–	(34,887)
Exchange adjustments	76	2,054	26,300	1,493	49	29,972
At 31 March 2018 and 1 April 2018	3,648,901	32,290	318,444	–	883	4,000,518
Charge for the year	5,214	1,090	101,344	–	3,308	110,956
Disposal of subsidiaries	–	(27,406)	(24,495)	–	–	(51,901)
Impairment loss for the year *(Note 10)*	7,251	–	889	–	–	8,140
Reclassified as held for sale	(1,890)	–	–	–	–	(1,890)
Exchange adjustments	(58)	(533)	(19,751)	–	(66)	(20,408)
At 31 March 2019	**3,659,418**	**5,441**	**376,431**	**–**	**4,125**	**4,045,415**
Carrying amount						
At 31 March 2019	**15,194**	**21,772**	**587,079**	**–**	**12,744**	**636,789**
At 31 March 2018	27,796	24,471	551,452	–	17,175	620,894

18. INTANGIBLE ASSETS (CONTINUED)

Notes:

(a) Intangible assets mainly represent:

(1) the exclusive using rights of certain licensed patents granted to the Group through various acquisitions in previous financial years;

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

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

(4) the lease contractual right represents the fair value of leasing the land and manufacturing factory from Yunnan Meidi Vehicle Industry Holdings Co., Ltd.[Δ] (雲南美的汽車產業控股有限公司), a non-controlling shareholder of Yunnan FDG Automobile Co., Limited, a former subsidiary which was disposed during the year ended 31 March 2019, for a term of three years from 7 May 2014 at nil consideration. Such fair value of the lease contractual nights was fully amortised and written-off during the year ended 31 March 2018.

(b) As at 31 March 2019 and 2018, the recoverable amounts of the cash generating units for which the intangible assets were allocated were assessed by the Board by reference to the professional valuations performed by an independent firm of professionally qualified valuers. The valuations performed were based on higher of value-in-use and fair value less costs of disposal, using cash flow forecasts approved by the Board. The pre-tax discount rate applied to the cash flow forecasts ranged from 22.56% to 33.29% (2018: 20.00% to 23.19%) per annum. The Board is of the opinion that, based on the valuations, an impairment loss on intangible assets for patent using rights and technical know-hows (2018: patent using rights) attributable to the battery products and vehicle design & electric vehicle production (2018: battery products) segment of HK$920,000 and HK$7,220,000 (2018: HK$197,790,000), respectively, were recognised in the Group's consolidated statement of profit or loss for the year ended 31 March 2019.

Δ *For identification purpose*

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

	Land under finance leases and buildings HK$'000	Buildings held for own use HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Electric vehicles HK$'000	Construction in progress HK$'000	Property plant and equipment HK$'000	Interests in leasehold land held for own use under operating leases HK$'000	Total HK$'000
Cost											
At 1 April 2017	102,934	1,038,914	32,353	1,066,965	101,188	19,387	4,193	1,120,173	3,486,107	357,979	3,844,086
Additions	–	–	9,122	29,363	7,819	12,418	–	293,834	352,556	–	352,556
Transfers	–	106,466	1,050	40,543	1,390	–	–	(149,449)	–	–	–
Disposals	–	(801)	–	(1,556)	(473)	(768)	(3,969)	–	(7,567)	–	(7,567)
Exchange adjustments	11,112	118,377	3,362	110,529	10,740	2,355	219	129,405	386,099	38,645	424,744
At 31 March 2018 and 1 April 2018	114,046	1,262,956	45,887	1,245,844	120,664	33,392	443	1,393,963	4,217,195	396,624	4,613,819
Additions	–	121	115	101,436	11,876	1,730	–	179,907	295,185	–	295,185
Additions from acquisition of a subsidiary *(Note 16(a))*	–	–	–	–	823	3,468	–	–	4,291	–	4,291
Transfers	–	–	–	3,230	81,824	175	–	(85,229)	–	–	–
Disposals	–	–	–	(2,495)	(1,991)	(1,819)	(350)	–	(6,655)	–	(6,655)
Disposal of subsidiaries	–	–	(28,816)	(101,908)	(5,463)	(1,459)	–	(5,575)	(143,221)	–	(143,221)
Reclassified as held for sales	(106,535)	(89,333)	(6,349)	(279,458)	(29,832)	(14,143)	–	(415,725)	(941,375)	(123,519)	(1,064,894)
Exchange adjustments	(7,511)	(83,185)	(677)	(73,982)	(7,232)	(1,777)	(93)	(89,473)	(263,930)	(24,619)	(288,954)
At 31 March 2019	**–**	**1,090,559**	**10,160**	**892,667**	**170,669**	**19,567**	**–**	**977,868**	**3,161,490**	**248,486**	**3,409,976**
Accumulated depreciation and amortisation and impairment losses											
At 1 April 2017	16,473	46,293	10,345	195,437	39,091	11,805	3,640	–	323,084	25,670	348,754
Charge for the year	4,659	57,312	4,107	113,310	18,232	4,248	–	–	201,868	7,962	209,830
Impairment loss for the year *(Notes (d) and 8)*	–	–	21,105	77,950	2,701	934	–	7,517	110,207	–	110,207
Disposals	–	(140)	–	(1,476)	(461)	(733)	(3,438)	–	(6,248)	–	(6,248)
Exchange adjustments	2,053	8,365	2,329	30,202	5,047	1,152	191	443	49,782	3,240	53,022
At 31 March 2018 and 1 April 2018	23,185	111,830	37,886	415,423	64,610	17,406	393	7,960	678,693	36,872	715,565
Charge for the year	4,620	55,868	4	110,723	15,632	6,178	–	–	193,025	8,897	201,922
Impairment loss for the year *(Notes (d) and 8)*	42,203	5,620	8,042	71,356	577	–	–	132,947	260,745	–	260,745
Disposals	–	–	–	(509)	(1,224)	(808)	(303)	–	(2,844)	–	(2,844)
Disposal of subsidiaries	–	–	(28,816)	(101,908)	(5,463)	(1,459)	–	(5,575)	(143,221)	–	(143,221)
Reclassified as held for sales	(68,365)	(37,852)	(6,308)	(211,165)	(21,723)	(8,949)	–	(134,821)	(489,183)	(18,158)	(507,341)
Exchange adjustments	(1,643)	(7,519)	(648)	(19,847)	(3,694)	(813)	(90)	(511)	(34,765)	(2,401)	(37,166)
At 31 March 2019	**–**	**127,947**	**10,160**	**264,073**	**48,715**	**11,555**	**–**	**–**	**462,450**	**25,210**	**487,660**
Carrying amount											
At 31 March 2019	**–**	**962,612**	**–**	**628,594**	**121,954**	**8,012**	**–**	**977,868**	**2,699,040**	**223,276**	**2,922,316**
At 31 March 2018	90,861	1,151,126	8,001	830,421	56,054	15,986	50	1,386,003	3,538,502	359,752	3,898,254

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

Notes:

(a) All of the Group's land and buildings were held in the PRC under medium-term leases as at 31 March 2019 and 2018.

(b) As at 31 March 2019, certain land and buildings, plant and machinery and construction in progress of the Group with a total carrying amount of HK$2,185,403,000 (2018: HK$2,497,659,000) were pledged as securities for the Group's bank loans and other borrowings (Notes 31(a) and (b)).

(c) As at 31 March 2019, the carrying amount of plant and machinery held under finance leases was HK$224,437,000 (2018: HK$162,031,000) (Note 34).

(d) On 3 May 2018, the Group disposed of a wholly-owned subsidiary, Giant which indirectly held 50% interests in Yunnan FDG Automobile Co., Ltd which operated the electric vehicle production site in Yunnan. As the proceeds from the disposal was less than the carrying amount of the Group's investment in Giant, an impairment loss on property, plant and equipment of approximately HK$110,207,000 was recognised in the consolidated statement of profit or loss for the year ended 31 March 2018.

As at 31 March 2019 and 2018, the recoverable amounts of the other cash generating units for which the property, plant and equipment and interests in leasehold land held for own use under operating leases were allocated were assessed by the Board with reference to the professional valuations performed by an independent firm of professionally qualified valuers. The valuations were based on higher of value-in-use and fair value less costs of disposal, using cash flow forecasts approved by the Board. The pre-tax discount rate applied to the cash flow forecasts ranged from 22.56% to 33.29% (2018: 20.00% to 23.19%) per annum. The Board is of the opinion that, based on the valuations, an impairment loss on property, plant and equipment of HK$260,745,000 (2018: nil) was recognised in the Group's consolidated statement of profit or loss for the year ended 31 March 2019.

20. SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 March 2019 are as follows:

Name	Place of incorporation and operation	Issued and fully paid capital/ registered capital	Percentage of equity interest held by the Company Directly 2019	Directly 2018	Indirectly 2019	Indirectly 2018	Principal activities
Agnita Limited	British Virgin Islands	US$10,000	**–**	–	**100%**	100%	Investment holding
Basland Enterprises Ltd.	British Virgin Islands	US$100	**100%**	100%	**–**	–	Investment holding
Chanje Energy, Inc. ("Chanje") *(Note 1)*	The US	US$4.75	**–**	–	**100%**	–	Sales and distribution of electric vehicles
FDG Kinetic Limited#	Bermuda	HK$1,350,658,782	**–**	–	**74.56%**	74.56%	Investment holding
Five Dragons Electric Vehicle Limited	Hong Kong	HK$100	**–**	–	**100%**	100%	Investment holding
Glory Era Limited	Hong Kong	HK$10,000	**100%**	100%	**–**	–	Human resources, administrative management and consultancy services
Lucky Metro Trading Ltd.	British Virgin Islands	US$100	**–**	–	**100%**	100%	Investment holding
Preferred Market Limited	British Virgin Islands	US$1	**100%**	100%	**–**	–	Investment holding
Qiyang Limited	British Virgin Islands	US$1	**100%**	100%	**–**	–	Investment holding
Sinopoly Battery International Limited	Hong Kong	HK$1	**–**	–	**100%**	100%	Distribution and sale of battery products
Sinopoly Battery Limited	Hong Kong	HK$1	**–**	–	**93.64%**	93.64%	Investment holding
Sinopoly Battery Research Center Limited	Hong Kong	HK$1	**–**	–	**93.64%**	93.64%	Research and development
Synergy Dragon Limited	British Virgin Islands	US$100	**–**	–	**93.64% *(Note 4)***	93.64% *(Note 4)*	Investment holding
Thunder Sky Energy Technology Limited	Hong Kong	HK$1,000,000	**–**	–	**100%**	100%	Investment holding
Union Grace Holdings Limited	British Virgin Islands	US$1,000	**–**	–	**100%**	100%	Investment holding
Sinopoly New Energy Investment Co., Ltd. *(Note 2)*	The PRC	HK$350,000,000*	**–**	–	**93.64%**	93.64%	Investment holding, purchase of battery raw materials and sale of battery products
天津中聚新能源科技有限公司 (Tianjin Sinopoly New Energy Technology Co., Ltd.△) *(Note 2)*	The PRC	HK$818,000,000	**–**	–	**93.64%**	93.64%	Manufacture and sale of battery products

20. SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries as at 31 March 2019 are as follows: (Continued)

Name	Place of incorporation and operation	Issued and fully paid capital/ registered capital	Percentage of equity interest held by the Company				Principal activities
			Directly		Indirectly		
			2019	2018	**2019**	2018	
吉林中聚新能源科技有限公司 (Jilin Sinopoly New Energy Technology Co., Ltd.△) *(Note 2)*	The PRC	HK$177,000,000*	**–**	–	**93.64%**	93.64%	Manufacture and sale of battery products
北京中聚力佳科技有限公司 (Beijing Sinopoly Li Jia Technology Co., Ltd.△) *(Note 2)*	The PRC	HK$1,000,000*	**–**	–	**93.64%**	93.64%	Research and development, purchase of battery raw materials and sale of battery products
深圳中聚電池有限公司 (Shenzhen Sinopoly Battery Co., Ltd.△) *(Note 2)*	The PRC	RMB8,487,950*	**–**	–	**93.64%**	93.64%	Sale of battery products
天津中聚新能源設備有限公司 (Tianjin Sinopoly New Energy Equipment Co., Ltd.△) *(Note 3)*	The PRC	RMB10,000,000*	**–**	–	**93.64%**	93.64%	Manufacture and sale of battery–related products
上海中聚佳華電池科技有限公司 (Shanghai Sinopoly Jia Hua Battery Technology Co., Ltd.△) *(Note 3)*	The PRC	RMB10,000,000*	**–**	–	**93.64%**	93.64%	Research and development
簡式國際汽車設計(北京)有限公司 (Jasmin International Auto R&D (Beijing) Co., Ltd.△) *(Note 3)*	The PRC	RMB80,000,000*	**–**	–	**80% *(Note 5)***	80% *(Note 5)*	Design of electric vehicles
杭州長江汽車有限公司 (Hangzhou Changjiang Automobile Co., Ltd.△) *(Note 3)*	The PRC	RMB1,000,000,000*	**–**	–	**49.94% *(Note 6)***	49.94% *(Note 6)*	Manufacture and distribution of electric vehicles
五龍動力(重慶)鋰電材料有限公司 (FDG Kinetic (Chongqing) Lithium Ion Battery Materials Co., Ltd.△) *(Note 3)*	The PRC	USD43,200,000*	**–**	–	**74.56%**	74.56%	Manufacture and trading of cathode materials for nickel-cobalt-manganese lithium-ion battery
杭州長江乘用車有限公司 (Hangzhou Changjiang Passenger Vehicles Co., Ltd.△) *(Note 3)*	The PRC	RMB267,000,000*	**–**	–	**43.68% *(Note 7)***	43.68% *(Note 7)*	Manufacture and distribution of electric passenger vehicles
貴州長江汽車有限公司 (Guizhou Changjiang Automobile Co., Ltd.△) *(Note 3)*	The PRC	RMB1,100,000,000	**–**	–	**37.98% *(Note 8)***	37.98% *(Note 8)*	Manufacture and distribution of electric vehicles

20. SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries as at 31 March 2019 are as follows: (Continued)

Note 1: As at 31 March 2018, Chanje was 82.22% owned by Group. As the Group could not command controlling votes in the board of directors of Chanje, Chanje was accounted for as a joint venture of the Group as at 31 March 2018. Upon the completion of the Chanje Settlement on 31 December 2018, the Group indirectly holds 100% interest of Chanje and has then been able to exercise control over the board of Chanje. Accordingly, Chanje has been accounted for as a subsidiary of the Company since 31 December 2018. The details of the Chanje Settlement are disclosed in Note 16(a) to the consolidated financial statements.

Note 2: These subsidiaries established in the PRC are wholly-foreign-owned enterprises.

Note 3: These subsidiaries established in the PRC are limited liability companies.

Note 4: Synergy Dragon Limited ("SDL") was 75% owned by Union Grace Holdings Limited which was a wholly-owned subsidiary of the Group, and 25% owned by Cherrylink Investments Limited which was wholly-owned by FKL, a 74.56% non-wholly-owned subsidiary of the Group. Accordingly, the Group owned 93.64% effective interest in SDL and its wholly-owned subsidiaries.

Note 5: Jasmin International Auto R&D (Beijing) Co., Ltd.$^{\Delta}$ ("Jasmin Beijing") was 80% owned by Agnita Limited ("Agnita") which was wholly-owned by the Group. Accordingly, the Group owned 80% effective interest in Jasmin Beijing.

Note 6: Hangzhou Changjiang Automobile Co., Ltd.$^{\Delta}$ ("Hangzhou Changjiang") was 49% owned by Agnita and 1.17% owned by Jasmin Beijing which was controlled by the Group through Agnita (Note 5). Accordingly, the Group owned 49.94% effective interest in Hangzhou Changjiang. As the Group has the right to nominate and appoint the majority of the directors to control the board of Hangzhou Changjiang. Hangzhou Changjiang was regarded as subsidiary of the Company.

Note 7: Hangzhou Changjiang Passenger Vehicles Co., Ltd.$^{\Delta}$ ("Changjiang Passenger") was 34% owned by Jasmin Beijing and 33% owned by Hangzhou Changjiang. Accordingly, the Group owned 43.68% effective interest in Changjiang Passenger. As Hangzhou Changjiang and Jasmin Beijing together have the right to nominate and appoint the majority of the directors to control the board of Changjiang Passenger. Changjiang Passenger was regarded as a subsidiary of the Company.

Note 8: Guizhou Changjiang Automobile Co., Ltd.$^{\Delta}$ ("Guizhou Changjiang") was 26% owned by Hangzhou Changjiang, and 25% owned by FDG Electric Vehicles (Guian) Holdings Limited ("FDG Guian") which was 100% owned by the Group. Accordingly, the Group owned 37.98% effective interest in Guizhou Changjiang. As Hangzhou Changjiang and FDG Guian together have the right to nominate and appoint the majority of the directors to control the board of Guizhou Changjiang, Guizhou Changjiang was regarded as a subsidiary of the Company.

* The registered capital has been fully paid-up.
Δ For identification purpose.
\# Listed on the Main Board of The Stock Exchange of Hong Kong Limited.

20. SUBSIDIARIES (CONTINUED)

The following table lists out the information of the subsidiaries of the Group which have material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	2019				
	Guizhou Changjiang HK$'000	**Changjiang Passenger HK$'000**	**Jasmin Beijing HK$'000**	**Hangzhou Changjiang HK$'000**	**FKL HK$'000**
NCI percentage	**62.02%**	**56.32%**	**20%**	**50.06%**	**25.44%**
Current assets	**648,349**	**113,687**	**396,448**	**769,553**	**321,395**
Non-current assets	**344,314**	**557,420**	**453,725**	**2,665,985**	**749,220**
Current liabilities	**(184,515)**	**(492,453)**	**(190,805)**	**(3,996,015)**	**(646,984)**
Non-current liabilities	**–**	**–**	**(540,814)**	**(861,383)**	**(10,048)**
Net assets/(liabilities)	**808,148**	**178,654**	**118,554**	**(1,421,860)**	**413,583**
Carrying amount of NCI	**529,613**	**28,029**	**22,667**	**(708,293)**	**105,133**
Revenue	**65,824**	**1,294**	**46,221**	**163,425**	**123,760**
Loss for the year	**(85,276)**	**(64,814)**	**(52,067)**	**(1,497,169)**	**(628,582)**
Loss allocated to NCI	**(52,875)**	**(36,504)**	**(10,413)**	**(743,247)**	**(226,313)**
Total comprehensive loss	**(107,115)**	**(81,808)**	**(74,412)**	**(1,463,022)**	**(682,409)**
Dividend paid to NCI	**–**	**–**	**–**	**–**	**–**
Cash flows generated from/(used in) operating activities	**(112,035)**	**2,266**	**(102,220)**	**(141,342)**	**17,018**
Cash flows generated from/(used in) investing activities	**(188,422)**	**(4,596)**	**99,411**	**418,846**	**(43,793)**
Cash flows generated from/(used in) financing activities	**–**	**–**	**3,430**	**(306,071)**	**(39,014)**

	2018					
	Guizhou Changjiang HK$'000	Changjiang Passenger HK$'000	Jasmin Beijing HK$'000	Hangzhou Changjiang HK$'000	Yunnan FDG HK$'000	FKL HK$'000
NCI percentage	62.02%	56.32%	20%	50.06%	50%	25.44%
Current assets	834,926	102,324	483,345	2,530,796	463,887	505,513
Non-current assets	189,783	591,810	552,882	3,000,797	311	1,311,621
Current liabilities	(68,494)	(433,671)	(197,997)	(4,245,939)	(806,779)	(644,964)
Non-current liabilities	–	–	(645,203)	(1,209,012)	–	(76,420)
Net assets/(liabilities)	956,215	260,463	193,027	76,642	(342,581)	1,095,750
Carrying amount of NCI	623,418	68,986	35,386	35,443	(171,291)	278,758
Revenue	87,791	–	58,930	574,646	305,475	262,303
Loss for the year	(56,531)	(66,589)	(132,646)	(701,538)	(228,033)	(1,026,653)
Loss allocated to NCI	(35,058)	(37,504)	(26,529)	(351,218)	(114,016)	(272,435)
Total comprehensive loss	(23,154)	(38,261)	(93,433)	(667,391)	(251,313)	(862,668)
Dividend paid to NCI	–	–	–	–	–	–
Cash flows generated from/(used in) operating activities	(241,236)	(11,351)	(78,262)	(581,429)	(67,909)	49,749
Cash flows generated from/(used in) investing activities	(176,251)	(32,575)	(105,151)	(91,897)	(14,807)	6,089
Cash flows generated from/(used in) financing activities	–	46,665	179,882	564,846	80,506	(44,810)

21. INTERESTS IN ASSOCIATES

	2019 HK$'000	2018 HK$'000
Net assets of the associates attributable to the Group	**279,806**	375,128
Goodwill, net of impairment losses	**45,094**	61,014
Carrying amount of the Group's interests in associates	**324,900**	436,142

Particulars of the principal associates at 31 March 2019 are as follows:

Name	Place of incorporation and operation	Issued and fully paid capital/ registered capital	Proportion of ownership interest: Group's effective interest 2019	Group's effective interest 2018	Held by a subsidiary 2019	Held by a subsidiary 2018	Principal activities
Advanced Lithium Electrochemistry (Cayman) Co., Ltd. ("ALEEES")	The Cayman Islands/Taiwan	New Taiwan Dollar ("NT$") 2,105,736,540 (210,573,654 shares of NT$10 each)	**16.29%**	16.29%	**21.85%**	21.85%	Production, research and development and sales and marketing of cathode materials for lithium ferrous phosphate batteries
立凱電能科技(貴州)有限公司 (ALEEES (GuiZhou) Co., Ltd△) ("ALEEES GuiZhou")	The PRC	RMB250,000,000	**38.03%**	38.03%	**51%**	51%	Research and development, sales and manufacturing of new energy battery materials

△ *For identification purpose.*

All of the above associates are accounted for using the equity method in the consolidated financial statements.

21. INTERESTS IN ASSOCIATES (CONTINUED)

Summarised financial information of ALEEES, a material associate, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	2019 HK$'000	2018 HK$'000
Gross amounts of the associate's:		
Non-current assets	**645,707**	908,215
Current assets	**134,197**	167,312
Non-current liabilities	**(48,797)**	(63,515)
Current liabilities	**(130,604)**	(35,828)
Net assets	**600,503**	976,184
Revenue	**44,440**	153,106
Loss for the year	**(377,463)**	(227,227)
Other comprehensive income for the year	**1,785**	71,446
Total comprehensive loss for the year	**(375,678)**	(155,781)
Dividend received from the associate	**–**	–
Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:		
Net assets of the associate	**600,503**	976,184
Less: Net assets of the associate attributable to non-controlling interests of the associate	**(1)**	(3)
	600,502	976,181
Proportion of the Group's ownership interest in the associate	**21.85%**	21.85%
Net assets of the associate attributable to the Group	**131,181**	213,247
Goodwill	**122,014**	122,014
Accumulated impairment losses recognised	**(76,920)**	(61,000)
Carrying amount of the Group's interest in the associate	**176,275**	274,261
Aggregate amounts of the Group's share of the associate's		
– Loss for the year	**(82,475)**	(49,649)
– Other comprehensive income	**390**	15,610

Note: As at 31 March 2019, the carrying amount of the interest in ALEEES exceeded its recoverable amount which was based on its market value less costs of disposal. The management therefore considered that additional provision for impairment loss of HK$15,920,000 (2018: HK$61,000,000) should be made and recognised in the consolidated statement of profit or loss for the year ended 31 March 2019. The decrease in recoverable amount was caused by the decrease in demand of battery products under the new energy subsidy policies which in turn influenced the demand of cathode materials for batteries. With the changes in business prospects, the expected future cash flows decreased.

21. INTERESTS IN ASSOCIATES (CONTINUED)

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

	2019 HK$'000	2018 HK$'000
Aggregate carrying amount of individually immaterial associates in the consolidated statement of financial position	**148,625**	161,881

	2019 HK$'000	2018 HK$'000
Aggregate amounts of the Group's share of the associates'		
– Profit from continuing operations	**14**	12
– Other comprehensive (loss)/income from continuing operations	**(10,481)**	270
– Total comprehensive (loss)/income from continuing operations	**(10,467)**	282

22. INTERESTS IN JOINT VENTURES

	2019 HK$'000	2018 HK$'000
Share of net assets	**106,241**	354,692

Particulars of the principal joint ventures at 31 March 2019 are as follows:

Name	Place of incorporation and operation	Issued and fully paid capital/ registered capital	Proportion of ownership interest – Group's effective interest **2019**	Group's effective interest 2018	Held by a subsidiary **2019**	Held by a subsidiary 2018	Principal activities
Chanje	The US	US$4.75 (47,500 common stocks of US$0.0001 each)	**–** ***(Note)***	82.22% *(Note)*	**–**	82.22%	Sales and distribution of electric vehicles
華能壽光風力發電有限公司 (Hua Neng Shou Guang Wind Power Generation Limited△)	The PRC	RMB186,730,000	**33.55%**	33.55%	**45%**	45%	Investment, construction and operation of wind power electricity facility, development, generation and sale of wind power electricity; provision of consultancy and relate services in respect of electricity projects

△ *For identification purpose.*

22. INTERESTS IN JOINT VENTURES (CONTINUED)

Note: As at 31 March 2018, Chanje was owned as to approximately 82.22% by the Group and as to approximately 17.78% by Smith. As the Group could not exercise controlling votes in the board of Chanje, Chanje was accounted for as a joint venture of the Group as at 31 March 2018.

Upon the completion of the Chanje Settlement on 31 December 2018, the Group indirectly holds 100% interest of Chanje and has been able to exercise control over the board of Chanje. Accordingly, Chanje has been accounted for as a subsidiary of the Company since 31 December 2018. The details of the Chanje Settlement are disclosed in Note 16(a) to the consolidated financial statements.

Summarised financial information of Chanje, a material joint venture, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	2018 HK$'000
Gross amounts of the joint venture's	
Non-current assets	511,564
Current assets	9,048
Current liabilities	(95,491)
Net assets	425,121
Revenue	21,894
Loss for the year	(146,938)
Other and total comprehensive loss	(146,938)
Dividend received from the joint venture	–
Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:	
Net assets of the joint venture	425,121
Proportion of the Group's ownership interest in the joint venture	82.22%
Net assets of the joint venture attributable to the Group	349,534
Goodwill	4,689
Impairment loss recognised	(42,145)
Adjusted by the Group's interest in the excess (the "Excess") of the agreed consideration of intangible assets contributed by the Group upon being transferred to Chanje over the carrying amount of such intangible assets after deducting the impact arising through the Group's interest in Chanje from the Excess	(69,654)
Carrying amount of the Group's interest in the joint venture	242,424

22. INTERESTS IN JOINT VENTURES (CONTINUED)

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

	2019 HK$'000	2018 HK$'000
Aggregate carrying amount of individually immaterial joint venture in the consolidated statement of financial position	**106,241**	112,268

	2019 HK$'000	2018 HK$'000
Aggregate amounts of the Group's share of the joint venture's		
– Profit from continuing operations	**5,264**	3,493
– Other comprehensive (loss)/income	**(11,290)**	10,837
– Total comprehensive (loss)/income	**(6,026)**	14,330

23. DEPOSITS PAID FOR NON-CURRENT ASSETS

As at 31 March 2019, deposits paid of HK$264,914,000 (2018: HK$392,505,000) were mainly represents the deposits for purchase of machineries and equipment and moulding for the Group's production plants.

24. OTHER NON-CURRENT ASSETS

	2019 HK$'000	2018 HK$'000
Prepaid expenses	**4,406**	7,049
Club debentures	**367**	367
	4,773	7,416

25. INVENTORIES

	2019 HK$'000	2018 HK$'000
Raw materials	**170,024**	274,153
Work in progress	**96,179**	95,185
Finished goods	**22,178**	197,491
	288,381	566,829

Note: During the year ended 31 March 2019, write-down of inventories amounted to HK$98,520,000 (2018: HK$117,064,000) mainly arising from certain types of battery products, electric vehicles and their related raw materials which were less compatible with new electric vehicle requirements.

26. TRADE AND BILLS RECEIVABLES/CONTRACT ASSETS

	31.3.2019 HK$'000	1.4.2018 HK$'000	31.3.2018 HK$'000
Trade receivables			
Trade receivables *(Note (a))*	**735,680**	947,619	1,732,436
Bills receivable	**–**	14,682	14,682
Less: Allowance for impairment loss *(Notes (a), (b) and (e))*	**(424,864)**	(233,556)	(337,951)
Trade and bill receivables, net *(Notes (d) and (e))*	**310,816**	728,745	1,409,167

	31.3.2019 HK$'000	1.4.2018 HK$'000	31.3.2018 HK$'000
Contract assets			
National subsidies receivable as settlement on behalf of electric vehicle customers *(Note (a))*	**676,912**	784,817	–
Less: Allowance for impairment loss *(Notes (a), (c) and (e))*	**(436,077)**	(104,395)	–
Contract assets, net *(Notes (d) and (e))*	**240,835**	680,422	–

26. TRADE AND BILLS RECEIVABLES/CONTRACT ASSETS (CONTINUED)

Notes:

(a) As at 31 March 2018, certain portion of the trade receivables for the Group's sales of electric vehicles will be settled by the PRC government, on behalf of customers, through subsidising part of their purchase cost by the way of national subsidies in accordance with the Circular on Financial Support Policies for the Promotion and Application of New Energy Vehicles 2016-2020 (Cai Jian [2015] 134) and other relevant and applicable government's notices and policies promulgated by the PRC government, and the sales contracts entered into between the Group and these customers. The Group's entitlement to these receivables was conditional upon the customers reaching the specified usage mileage of their electric vehicles purchased. As at 31 March 2019, the subsidy receivables from the PRC government of HK$676,912,000, less allowance for impairment loss of HK$436,077,000, amounted to HK$240,835,000. As at 31 March 2018, the subsidies receivable from the PRC government of HK$784,817,000 less provision for impairment loss of HK$104,395,000, amounting to HK$680,422,000, which were reclassified as contract assets upon adoption of HKFRS 15 on 1 April 2018.

(b) Impairment assessment of trade and bills receivables

The Group determines the provision for impairment of trade and bills receivables on a forward-looking basis and expected lifetime losses are recognised from the initial recognition of the assets.

The provision for impairment loss on trade and bills receivables from the sales of electric vehicles in the PRC is determined based on the historical mileage record of the electric vehicles sold, for which the settlement would be substantially covered by the grants receivable by the customers. For other trade and bills receivables, a provision matrix is determined based on the Group's historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates.

In making the judgement, management considers available reasonable and supportive forward-looking information such as actual or expected significant changes in operating results and financial positions of the customers, past payment history of the customers, and actual or adverse changes in business, financial or economic conditions that are expected to cause a significant change in the customers' ability to meet their obligations.

At the end of each reporting period, the historical observed default rates are updated and changes in the forward-looking estimates are analysed by the Group's management.

(c) Impairment assessment of contract assets

Contract assets represent part of the trade receivables to be settled by the PRC government, on behalf of the customers of the Group, for their purchase of electric vehicles, by the way of national subsidies. The Group assessed the credit loss rate of contract assets in the same way as the trade and bills receivables derived from the sales of electric vehicles in the PRC.

(d) Ageing analysis

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

	2019 **HK$'000**	2018 HK$'000
Within 1 month	**7,263**	54,731
Over 1 month but within 3 months	**1,796**	114,645
Over 3 months but within 6 months	**90,166**	251,596
Over 6 months but within 9 months	**3,460**	154,976
Over 9 months but within 1 year	**13,756**	126
Over 1 year	**194,375**	833,093
	310,816	1,409,167

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 one month to six months is allowed. Credit limits are set for those customers. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. Overdue balances are regularly reviewed by senior management of the Group.

26. TRADE AND BILLS RECEIVABLES/CONTRACT ASSETS (CONTINUED)

Notes: (Continued)

(d) Ageing analysis (Continued)

As at 31 March 2018, an amount of HK$680,422,000 represented the subsidies receivable from the PRC government as detailed in note (a) above, which are principally grouped under the age band of over 1 year, are subject to the relevant subsidy policies and were not considered past due.

(e) Expected credit loss on trade and bills receivables and contract assets

In order to determine the expected credit losses for the portfolio of contract assets and trade and bills receivables at the end of each reporting period, the Group categorises its contract assets and trade and bills receivable into those derived from sales of electric vehicles in the PRC and those otherwise. For those derived from sales of electric vehicles in the PRC, the provision matrix is based on the historical mileage archived by the electric vehicles sold, while for other trade and bills receivables, the provision matrix is based on the historical observed default rates, both of which are adjusted for forward-looking estimates and market conditions. At the end of each reporting period, the historical mileage, the historical observed default rates and the forward looking estimates are updated.

The following table provides information about the Group's exposures to credit risk and ECLs for contract assets and trade and bills receivables as at 31 March 2019:

	Lifetime ECL %	Gross carrying amount HK$'000	Lifetime ECL HK$'000	Net carrying amount HK$'000	Credit impaired Yes/No
Derived from sales of electric vehicles in the PRC					
Mileage achieved	–	393,604	–	393,604	No
Mileage not achieved					
75% – 99% achieved	2%	22,753	(469)	22,284	No
50% – 75% achieved	4%	11,071	(469)	10,602	No
25% – 50% achieved	58%	21,093	(12,200)	8,893	No
Less than 25% achieved	67%	300,638	(201,388)	99,250	No
Credit impaired	100%	645,546	(645,546)	–	Yes
		1,394,705	(860,072)	534,633	
Derived from other operations					
Not past due	–	7,135	–	7,135	No
Past due					
Less than 1 month	–	–	–	–	No
Between 1 to 3 months	–	1,490	–	1,490	No
Between 3 to 6 months	–	2,928	–	2,928	No
Between 6 to 9 months	–	1,866	–	1,866	No
Between 9 months to 1 year	43%	2,005	(869)	1,136	No
Between 1 year to 2 years	–	2,463	–	2,463	No
Credit impaired	–	–	–	–	Yes
		17,887	(869)	17,018	
Total contract assets and trade and bills receivables		1,412,592	(860,941)	551,651	
Represented by:					
Trade and bills receivables		735,680	(424,864)	310,816	
Contract assets		676,912	(436,077)	240,835	
		1,412,592	(860,941)	551,651	

26. TRADE AND BILLS RECEIVABLES/CONTRACT ASSETS (CONTINUED)

Notes: (Continued)

(e) Expected credit loss on trade and bills receivables and contract assets (Continued)

Expected loss rates for other operations are based on actual loss experience over the past two years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. As at 31 March 2019, certain electric vehicles sold were pledged to the Group as collaterals by some customers against the Group's trade receivables amounting to HK$11,751,000 (2018: nil).

Comparative information under HKAS 39

Prior to 1 April 2018, an impairment loss was recognised only when there was objective evidence of impairment (see Note 2(k)(i)(B) – policy applicable prior to 1 April 2018). At 31 March 2018, trade receivables of HK$337,951,000 was determined to be impaired. The ageing analysis of trade and bills receivables that are neither individually nor collectively considered to be impaired is as follows:

	2018 HK$'000
Neither past due nor impaired	944,503
Less than 1 month past due	2,279
Between 1 and 3 months past due	55,248
Between 3 and 6 months past due	91,583
Between 6 and 9 months past due	2,854
Between 9 months and 1 year past due	108,625
More than 1 year past due	204,075
Past due but not impaired	464,664
	1,409,167

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

Receivables that were past due but not impaired relate to a number of independent customers that have good track records of repayment to the Group and/or sound financial background. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. As at 31 March 2018, the Group does not hold any collateral over these balances.

26. TRADE AND BILLS RECEIVABLES/CONTRACT ASSETS (CONTINUED)

Notes: (Continued)

(f) Movements in allowance for impairment loss for trade receivables and contract assets are as follows:

	2019 HK$'000	2018 HK$'000
Allowance for doubtful debts for trade receivables		
At 1 April	**233,556**	50,161
Impairment loss recognised *(Note 8)*	**273,540**	269,987
Reversal of impairment on trade receivables *(Note 8)*	**(26,545)**	(2,964)
Written off	**(8,805)**	(98)
Reclassified as held for sale	**(31,071)**	–
Exchange adjustments	**(15,811)**	20,865
At 31 March	**424,864**	337,951
Reclassified to contract assets upon adoption of HKFRS 15		(104,395)
At 1 April		233,556
Allowance for doubtful debts for contract assets		
At 1 April	**104,395**	–
Impairment loss recognised *(Note 8)*	**339,400**	–
Exchange adjustments	**(7,718)**	–
At 31 March	**436,077**	–
Reclassified from trade receivables upon adoption of HKFRS 15		104,395
At 1 April		104,395

The Group performed recoverability assessments on trade receivables and contract assets as at 31 March 2019 and 2018 as detailed in Note (e) above. An amount of HK$273,540,000 (2018: HK$269,987,000) was recognised as allowance for impairment loss which was mainly for the trade receivables attributable to the vehicle design and electric vehicle production segment. Based on the current government policies, the sold electric vehicles need to have an usage of above 20,000 kilometres before the relevant subsidies would be settled by the PRC government. As at 31 March 2019, accumulated usage of some of the sold electric vehicles were less than the prescribed mileage usage rate. Based on these information, the Board formed the view that longer than expected time may be required for the Group to receive those government subsidies and due to such uncertainty in recovering in full the contract assets, allowance for impairment loss on the contract assets was made. Furthermore, after reviewing the financial status and repayment records of some individual customers, additional allowance for impairment loss on trade receivables was made.

As at 31 March 2019, trade receivables of HK$859,665,000 (2018: HK$794,475,000), which were determined to be in doubt of their recoverability, mainly related to electric vehicle customers with certain electric vehicles purchased from the Group with less than normal mileage usage. According to the assessments performed by the management, allowances for impairment loss of HK$424,864,000 (2018: HK$337,951,000) were recognised.

27. LOAN AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Loan receivables *(Note (a))*	**157,394**	211,344
Other receivables	**454,112**	418,615
Less: Allowance for doubtful debts *(Note (b))*	**(290,039)**	(73,432)
	321,467	556,527
Deposits and prepayments	**157,319**	244,366
Value-added-tax receivables	**204,856**	391,240
	683,642	1,192,133

	2019 HK$'000	2018 HK$'000
Presented by:		
Non-current assets	**321**	16,128
Current assets	**683,321**	1,176,005
	683,642	1,192,133

Notes:

(a) The loans receivables were secured by the borrowers' property and assets, listed and unlisted equity securities and, a mining right of an iron ore mine as collaterals. Loan receivables bear interest ranging from 6.00% to 28.50% (2018: 6.00% to 28.50%) per annum. Out of these loans, a secured loan of HK$59,978,000 (2018: HK$59,925,000) (the "Loan") for which the borrower pledged a mining right of an iron ore mine as collateral, was acquired through the acquisition of FKL and was past due for over one year (2018: over one year) as at 31 March 2019. On 17 December 2015, the Group appointed CITIC International Assets Management Limited ("CIAM") as its exclusive agent in handling and collecting the Loan and its outstanding accrued interest for twenty four calendar months from 17 December 2015 (the "Contract Period"). On 17 December 2017, CIAM and the agent signed a supplemental agreement to extend the collecting period from 17 December 2017 to 17 June 2018, and thereafter further extended in several occasions to 17 January 2019 (the "Extend Period"). CIAM paid deposits by instalments of RMB56,000,000 (equivalent to HK$65,285,000) in total to the Group. CIAM undertook to collect RMB56,000,000 (the "Agreed Amount") for the Group and, should the amount collected exceed the Agreed Amount, the excess will be paid to CIAM as agency fee. The Group also has the right to exercise a put option to sell the Loan to CIAM at the consideration of the Agreed Amount less any amount recovered from the Loan during the Contract Period and the Extend Period and use deposits received from CIAM to offset. Subsequent to 31 March 2019, the Group entered a sales and purchase agreement with CIAM pursuant to the disposal of the subsidiary which hold such Loan to CIAM. As at the date of approval of the consolidated financial statements, the transaction was not yet been completed.

In the opinion of the directors of the Company, the fair value of the put option is insignificant as the collateral is worth more than the exercise price of the put option. The deposits received are included in accruals and other payables.

27. LOAN AND OTHER RECEIVABLES (CONTINUED)

Notes: (Continued)

(b) Movements in allowance for impairment loss for loan and other receivables are as follows:

	2019 HK$'000	2018 HK$'000
At 1 April	**73,432**	71,283
Impairment loss charged to profit or loss *(Note 8)*	**259,263**	–
Written-off	**(15,170)**	–
Reversal of impairment on loan and other receivables *(Note 8)*	**(8,068)**	–
Reclassified as held for sale	**(17,487)**	–
Exchange adjustments	**(1,931)**	2,149
At 31 March	**290,039**	73,432

Included in loan and other receivables is an amount of HK$28,785,000 (2018: HK$28,785,000) due from certain of the Chung Parties (as defined in Note 39), in respect of the receipt of trade sales amounts receivable by the Group as reduced by the amount of payments made for purchases payable by the Group to the Chung Parties. However, the Chung Parties had failed and refused to remit such amount to the Group. Impairment losses in respect of the other receivables are recognised.

Included in loan and other receivables is an amount of HK$86,941,000 (2018: HK$92,996,000), representing the secured loan as described in Note 27(a) and related accrued interest and consultancy fee income receivables. Based on the impairment assessment on the individually loan and other receivables performed by the management, no allowance for impairment loss was recognised for the years ended 31 March 2019 and 2018. As at 31 March 2019, accumulated impairment allowance amounted to HK$21,656,000 (2018: HK$23,108,000).

As at 31 March 2019, loan and other receivables of HK$456,288,000 (2018: HK$182,087,000), including the amounts per discussed above, were determined to be in doubt of their recoverability, in accordance with the available reasonable and supportive forward-looking information and past payment history of these receivables. According to the assessments performed by the management, allowances for impairment loss of HK$290,039,000 (2018: HK$73,432,000) were recognised.

Except for loans receivables of HK$321,000 (2018: HK$16,128,000) which are expected not to be recovered within one year, all of the loan and other receivables (net of allowance for impairment loss) are expected to be recovered or recognised as expense within one year.

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 **HK$'000**	2018 HK$'000
Held-for-trading investments:		
Listed equity securities	**231**	15,495
Unlisted funds	**6,207**	7,005
Financial asset designated as at fair value through profit or loss	**–**	57,054
	6,438	79,554

All listed and unlisted securities classified as financial assets at fair value through profit or loss were issued by corporate entities. The fair value changes of these securities are recognised and included in other gains and losses, net.

Financial asset designated as at fair value through profit or loss as at 31 March 2018 represented contingent receivable derived from the disposal of the convertible bonds issued by FKL to an independent third party, details of which are disclosed in Note 35(e) to the consolidated financial statements. The amount was derecognised during the year ended 31 March 2019 upon the maturity of the convertible bonds on 4 August 2018.

29. PLEDGED BANK DEPOSITS

As at 31 March 2019, bank deposits of HK$94,250,000 (2018: HK$180,136,000), nil (2018: HK$54,181,000) and HK$1,383,000 (2018: HK$1,000,000) were pledged as security for the issuance of bills payables, bank loans and other borrowings, and other banking facilities of the Group, respectively.

As at 31 March 2019, pledged bank deposits of HK$95,633,000 (2018: HK$234,317,000) relating to the PRC subsidiaries were denominated in RMB. RMB is not freely convertible into other currencies and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

30. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) CASH AND CASH EQUIVALENTS

	2019 **HK$'000**	2018 HK$'000
Cash at bank and in hand	**163,892**	703,722
Short-term bank deposits	**–**	48,629
Cash and cash equivalents	**163,892**	752,351

At the end of the reporting period, cash and cash equivalents of the PRC subsidiaries denominated in RMB amounted to HK$157,933,000 (2018: HK$654,001,000). RMB is not freely convertible into other currencies and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

30. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(b) 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$'000	Bank loans and other borrowings HK$'000 *(Note 31)*	Deposits from a subscriber HK$'000 *(Note 33)*	Obligations under finance leases HK$'000 *(Note 34)*	Liability components of convertible bonds HK$'000 *(Note 35)*	Total HK$'000
At 1 April 2018	41,328	3,322,651	–	127,823	646,494	4,138,296
Changes from financing cash flows:						
– Proceeds from bank loans and other borrowings, and a subscriber	–	741,033	100,000	–	–	841,033
– Repayment of bank loans and other borrowings, finance leases and convertible bonds	–	(759,366)	–	(40,361)	(100,000)	(899,727)
– Interest paid	(251,573)	–	–	(5,670)	–	(257,243)
Net changes from financing cash flows	(251,573)	(18,333)	100,000	(46,031)	(100,000)	(315,937)
Non-cash items:						
– Interest expenses recognised in consolidated profit or loss *(Note 9)*	335,374	–	–	5,670	54,512	395,556
– Interest recognised and capitalised in construction in progress *(Note 9)*	(6,069)	–	–	–	–	(6,069)
– Disposal of subsidiaries	–	(84,957)	–	–	–	(84,957)
– Reclassified as held for sales	–	(313,482)	–	–	–	(313,482)
– Deemed contribution from shareholder loan	–	(24,422)	–	–	–	(24,422)
Exchange adjustments	–	(152,987)	–	(8,319)	–	(161,306)
Net changes from non-cash items	329,305	(575,848)	–	(2,649)	54,512	(194,680)
At 31 March 2019	**119,060**	**2,728,470**	**100,000**	**79,143**	**601,006**	**3,627,679**

30. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(b) RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONTINUED)

	Interest payable HK$'000	Bank loans and other borrowings HK$'000 *(Note 31)*	Obligations under finance leases HK$'000 *(Note 34)*	Liability components of convertible bonds HK$'000 *(Note 35)*	Total HK$'000
At 1 April 2017	36,284	2,435,259	69,891	704,835	3,246,269
Changes from financing cash flows:					
– Proceeds from bank loans and other borrowings	–	2,208,160	–	–	2,208,160
– Proceeds from sale and leaseback transactions classified as finance leases	–	–	117,860	–	117,860
– Receipt on disposal of convertible bonds of a subsidiary, attributable to liability component *(Note 35(e))*	–	–	–	105,411	105,411
– Proceeds from issuance of convertible bonds, net of issuing costs, attributable to liability component *(Note 35(c))*	–	–	–	331,617	331,617
– Repayment of bank loans and other borrowings, finance leases and convertible bonds	–	(1,999,075)	(70,275)	(69,878)	(2,139,228)
– Interest paid	(318,131)	–	(7,985)	(1,140)	(327,256)
– Reclassification upon maturities of convertible bonds	–	459,500	–	(459,500)	–
Net changes from financing cash flows	(318,131)	668,585	39,600	(93,490)	296,564
Non-cash items:					
– Interest expenses recognised in consolidated profit or loss *(Note 9)*	345,529	–	7,985	44,845	398,359
– Interest recognised and capitalised in construction in progress *(Note 9)*	(22,354)	–	–	–	(22,354)
– Conversion to ordinary shares of a subsidiary *(Note 35(e))*	–	–	–	(9,696)	(9,696)
Exchange adjustments	–	218,807	10,347	–	229,154
Net changes from non-cash items	323,175	218,807	18,332	35,149	595,463
At 31 March 2018	**41,328**	**3,322,651**	**127,823**	**646,494**	**4,138,296**

31. BANK LOANS AND OTHER BORROWINGS

At 31 March 2019, bank loans and other borrowings were repayable as follows:

	2019 **HK$'000**	2018 HK$'000
Within 1 year	**1,582,334**	1,628,383
After 1 year but within 2 years	**912,976**	564,901
After 2 years but within 5 years	**233,160**	1,129,367
	2,728,470	3,322,651

	2019 **HK$'000**	2018 HK$'000
Presented by:		
Current liabilities	**1,582,334**	1,628,383
Non-current liabilities	**1,146,136**	1,694,268
	2,728,470	3,322,651

At 31 March 2019, bank loans and other borrowings were secured as follows:

	2019 **HK$'000**	2018 HK$'000
Bank loans		
– secured *(Note (a))*	**1,576,192**	1,799,442
– unsecured	**–**	149,760
Total bank loans *(Note (c))*	**1,576,192**	1,949,202
Other borrowings		
– secured *(Note (b))*	**883,678**	1,113,949
– unsecured	**268,600**	259,500
Total other borrowings *(Note (c))*	**1,152,278**	1,373,449
	2,728,470	3,322,651

31. BANK LOANS AND OTHER BORROWINGS (CONTINUED)

Notes:

(a) As at 31 March 2019, the bank loans were secured by certain land and buildings, machinery and equipment and construction in progress of the Group with a total carrying amount of HK$2,124,416,000 (2018: HK$2,497,659,000), share charges over certain shares of the subsidiaries of the Company, trade and bills receivables of totally HK$33,864,000 (2018: HK$30,891,000) and intra-group trade receivables of the Group, and guaranteed by two (2018: three) directors of the Company.

(b) As at 31 March 2019, the secured other borrowings included (i) a loan of HK$589,058,000 (2018: HK$583,602,000) which was secured by debentures in favour of the lender by way of the first fixed and floating charges over the tangible moveable property and investments of two wholly-owned subsidiaries of the Company and share charges over all issued shares of the two wholly-owned subsidiaries and 74.56% of the issued shares of FKL, a non-wholly-owned listed subsidiary of the Company; (ii) a loan of HK$175,000,000 (2018: HK$150,000,000) which was secured by a promissory note issued by FKL (2018: certain principal amount of convertible bonds of FKL) held by the Group, a fixed and floating charge over all the undertaking, property and assets of a wholly-owned subsidiary of the Company and a share charge over 75% (2018: 51%) of the issued shares of such wholly-owned subsidiary; (iii) loans of HK$42,718,000 (2018: HK$294,136,000) which were secured by intra-group trade and bill receivables and a bank deposit of nil (2018: HK$54,181,000) of the Group; and (iv) loans of HK$76,902,000 (2018: HK$86,211,000) which were secured by certain machineries of the Group with carrying amount of HK60,987,000 (2018: nil).

(c) As at 31 March 2019, bank loans of HK$1,576,192,000 (2018: HK$1,949,202,000) were denominated in Renminbi ("RMB"), United States dollars or Euro and bearing interest at prevailing market interest rates; and other borrowings of HK$1,152,278,000 (2018: HK$1,373,449,000) were denominated in RMB or Hong Kong dollars and bearing fixed interest rates.

(d) As at 31 March 2019, the Group was unable to make certain principal and/or interest repayments relating to certain bank loans and other borrowings with carrying amounts as at 31 March 2019 of approximately HK$1,103,625,000 (2018: nil), for which the lenders were entitled to request for the immediate repayment of full amounts owed, including a bank loan which has commenced litigations against the Group to repay the outstanding balances due of approximately HK$294,947,000. Included in these bank loans and other borrowings are also other borrowings of approximately HK$589,058,000 with overdue interest repayments, for which the value of the relevant securities provided by the Group has dropped below the required level. During the year ended 31 March 2019, the Group has proposed to offer certain assets as top-up securities to the lender as required under the covenants governing the other borrowings. The lender has also confirmed with the Group that the overdue interests would be capitalised as the Company's issued shares, and the principal amount would be repayable under original terms which is beyond 12 months from the end of the reporting period. In addition, under the supervision and coordination of the local government in Hangzhou, the bank which commenced legal action has also agreed to withdraw the litigation and enter into a standstill and restructuring arrangement in principle to extend and/or to renew all outstanding loans by new terms of not less than 12 months after the original maturity, details of which are set out in Note 45(b) to the consolidated financial statements.

(e) The Company provided guarantees with an aggregate credit limit up to HK$3,166,054,000 in favour of several banks and financial institutions in respect of credit facilities to certain subsidiaries of the Company. As at 31 March 2019, the value of these guarantees provided by the Company was HK$46,139,000 (2018: nil) which was recognised in the separate financial statements of the Company.

32. TRADE AND BILLS PAYABLES

	2019 HK$'000	2018 HK$'000
Trade payables	**533,100**	626,599
Bills payable	**118,310**	333,030
	651,410	959,629

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

	2019 HK$'000	2018 HK$'000
Within 1 month	**101,290**	83,559
Over 1 month but within 3 months	**43,904**	242,510
Over 3 months but within 1 year	**230,394**	521,065
Over 1 year	**275,822**	112,495
	651,410	959,629

The carrying amounts of trade and bills payables approximate their fair values. As at 31 March 2019, bills payable of HK$94,250,000 (2018: HK$179,660,000) were secured by bank deposits of HK$94,250,000 (2018: HK$177,790,000).

33. ACCRUALS AND OTHER PAYABLES

	31 March 2019 HK$'000	1 April 2018 HK$'000	31 March 2018 HK$'000
Bills and other payables for acquisition of non-current assets *(Note (a))*	**201,208**	456,708	456,708
Other payables and accrued expenses	**646,245**	538,795	538,795
Amounts due to directors *(Note (b))*	**15,344**	23,971	23,971
Amount due to an associate *(Note (c))*	**148,640**	159,120	159,120
	1,011,437	1,178,594	1,178,594
Value-added-tax payables	**–**	877	877
Receipts in advance *(Note (d))*	**–**	–	122,094
Contract liabilities *(Note (d))*	**187,937**	122,094	–
Warranty provision *(Note (e))*	**62,481**	74,059	74,059
Deposit from a subscriber	**100,000**	–	–
	1,361,855	1,375,624	1,375,624

Notes:

(a) As at 31 March 2019, bills payables for the acquisition of non-current assets of nil (2018: HK$2,346,000) were secured by bank deposits of nil (2018: HK$2,346,000).

(b) The amounts were unsecured, interest-free and repayable on demand as at 31 March 2019 and 2018. These transactions constituted related party transactions and connected transactions of the Company which however, are fully exempted from shareholders' approval, annual review and all disclosure requirements under the Listing Rules.

(c) As at 31 March 2019, the balance represented the unpaid investment cost in ALEEES GuiZhou, which is interest-free and with maturity within one year. Pursuant to a board resolution of ALEEES GuiZhou passed on 19 November 2018, the Group agreed to dispose of the entire interest in ALEEES GuiZhou to one of its existing shareholders. Up to the date of approval of the consolidated financial statements, the disposal transaction has not yet completed as the terms of the disposal are still under negotiation among the parties.

(d) Upon adoption of HKFRS 15 on 1 April 2018, contract amounts received in advance of sales recognised previously included as receipts in advance were reclassified to contract liabilities.

(e) Movements in warranty provision during the year are as follows:

	HK$'000
At 1 April 2018	74,059
Provision made during the year	6,290
Provision utilised during the year	(5,249)
Disposal of subsidiaries	(4,829)
Reclassified as liabilities associated with disposal group classified as held for sales	(3,192)
Exchange adjustments	(4,598)
At 31 March 2019	**62,481**

The Group generally provides one-year to three-year warranties on certain of its battery products and three-year to five-year warranties on electric vehicles, under which faulty products will be repaired or replaced within the specified warranty period free of charge. The amount of the provision for the warranties is estimated based on sales volumes, and past experience and future expectation of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

34. OBLIGATIONS UNDER FINANCE LEASES

During the year ended 31 March 2019, the Group has entered into various sale and leaseback transactions with independent third parties by way of sale and leasing back of certain plant and machinery. In accordance with the lease agreements, the terms of the leases ranged from one to three years (2018: one to three years) with fixed interest rates ranging from 5.4% to 6.0% (2018: 5.4% to 6.0%) per annum, secured by the lessors' charge over the leased plant and machinery (Note 19(c)). Certain leases are guaranteed by an indirect non-wholly-owned subsidiary of the Company. The ownership of those assets will be transferred back to the Group upon the end of the lease term. Such transaction is considered as a sale and leaseback arrangement resulting in a finance lease.

At 31 March 2019, the Group's total minimum lease payments under finance lease obligations and their present value are as follows:

	Minimum lease payments		**Present value of minimum lease payments**	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases:				
Within one year	**81,475**	120,120	**79,143**	115,235
More than one year, but not exceeding two years	**–**	12,982	**–**	12,588
More than two years, but not exceeding five years	**–**	–	**–**	–
	81,475	133,102	**79,143**	127,823
Less: Future finance charges	**(2,332)**	(5,279)	**–**	–
Present value of lease obligations	**79,143**	127,823	**79,143**	127,823

	2019	2018
	HK$'000	HK$'000
Presented by:		
Current liabilities	**79,143**	115,235
Non-current liabilities	**–**	12,588
	79,143	127,823

As at 31 March 2019, the Group was unable to make certain principal and/or interest repayments relating to all its obligations under finance leases amounted to approximately HK$79,143,000 (2018: nil), for which the creditors were entitled to request for the immediate repayment of full amounts owed. A finance lease creditor had also commenced litigations against the Group for the repayment of the outstanding balances due of approximately HK$34,100,000, details of which are set out in Note 45(b) to the consolidated financial statements.

35. CONVERTIBLE BONDS

	2019		2018	
	Liability components HK$'000	Derivative financial instruments HK$'000	Liability components HK$'000	Derivative financial instruments HK$'000
Convertible bonds due in 2017 *(Note (a))*	–	–	–	–
Convertible bonds due in 2018 *(Note (b))*	–	–	–	–
Convertible bonds due in 2020 *(Note (c))*	376,128	(15)	341,602	(8,303)
Convertible bonds due in 2021 *(Note (d))*	224,878	(53)	206,813	(10,880)
Convertible bonds issued by FKL *(Note (e))*	–	–	98,079	–
	601,006	(68)	646,494	(19,183)
Presented as:				
Current assets	–	(68)	–	(19,183)
Current liabilities	–	–	98,079	–
Non-current liabilities	601,006	–	548,415	–
	601,006	(68)	646,494	(19,183)

Notes:

(a) Convertible bonds due in 2017

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

At initial recognition, the liability component of the 2017 Due CB 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 derivative component of the 2017 Due CB, which were the early redemption and mandatory conversion options held by the Company, were measured at fair value and presented as derivative financial instruments in current assets. The equity component was the residual amount after deducting the fair values of the liability and derivative components from the consideration received for the 2017 Due CB. The effective interest rate of the liability component of the 2017 Due CB was 14.31% per annum.

35. CONVERTIBLE BONDS (CONTINUED)

Notes: (Continued)

(a) Convertible bonds due in 2017 (Continued)

The 2017 Due CB matured on 18 April 2017 and the holder of 2017 Due CB agreed to have the 2017 Due CB fully settled by a short-term promissory note of HK$400,000,000 issued by the Company. As at 31 March 2018, the outstanding balance of the promissory note payable was HK$200,000,000, which was unsecured, bearing interest at 15% per annum and repayable on 15 August 2018. The promissory note payable has been included in other borrowings.

The 2017 Due CB had been split as follows:

	Liability component HK$'000	Equity component HK$'000	Derivative financial instruments HK$'000	Total HK$'000
As at 1 April 2017	399,031	86,075	(174)	484,932
Add: Interest expenses	2,109	–	–	2,109
Less: Interest paid	(1,140)	–	–	(1,140)
Add: Fair value loss on derivative financial instruments	–	–	174	174
Less: Derecognition upon maturity	(400,000)	(86,075)	–	(486,075)
As at 31 March 2018	–	–	–	–

None of the 2017 Due CB was converted during the year ended 31 March 2018. The equity component of the 2017 Due CB of HK$86,075,000 was released to accumulated losses upon maturity on 18 April 2017.

(b) Convertible bonds due in 2018

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

35. CONVERTIBLE BONDS (CONTINUED)

Notes: (Continued)

(b) Convertible bonds due in 2018 (Continued)

At initial recognition, the liability component of the 2018 Due CB 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 derivative component of the 2018 Due CB, which were the early redemption and mandatory conversion options held by the Company, were measured at fair value and presented as derivative financial instruments in current assets. Such derivative financial instruments were re-measured to fair value at the end of each reporting period. The equity component was the residual amount after deducting the fair values of the liability and derivative components from the fair value of the 2018 Due CB. The effective interest rates of the liability component of the 2018 Due CB ranged from 13.07% to 13.64% per annum.

The 2018 Due CB matured on 30 January 2018 and were settled by cash except for a holder of the 2018 Due CB which agreed to have the 2018 Due CB settled by a short-term promissory note of HK$59,500,000 issued by the Company. The promissory note payable is unsecured, bearing interest at 6% per annum and repayable on 31 October 2018. The promissory note payable has been included in other borrowings.

The 2018 Due CB had been split as follows:

	Liability component HK$'000	Equity component HK$'000	Derivative financial instruments HK$'000	Total HK$'000
As at 1 April 2017	115,605	46,648	(1,108)	161,145
Add: Interest expenses	13,773	–	–	13,773
Add: Fair value loss on derivative financial instruments	–	–	1,108	1,108
Less: Derecognition upon maturity	(129,378)	(46,648)	–	(176,026)
As at 31 March 2018	–	–	–	–

None of the 2018 Due CB was converted during the year ended 31 March 2018. The equity component of the 2018 Due CB of HK$46,648,000 was released to accumulated losses upon maturity.

35. CONVERTIBLE BONDS (CONTINUED)

Notes: (Continued)

(c) Convertible bonds due in 2020

On 5 December 2017, the Company issued convertible bonds with an aggregate principal amount of HK$400,000,000 (the "2020 Due CB") pursuant to the agreement dated 28 November 2017 entered into between the Company and a subscriber, which was an independent third party to the Company. The proceeds from the issuance of the 2020 Due CB amounted to HK$387,999,000. The primary reasons for the Company to enter into the agreement are to lower the overall finance cost at the Group level and to improve the Group's liquidity ratios. The 2020 Due CB are interest bearing at 8% per annum, with a maturity date on the third anniversary of the date of their issue (that is, 5 December 2020), and entitle the holder to convert them, in whole or in part, into ordinary shares of the Company at a conversion price of HK$0.465 per share (subject to adjustments) at any time on or after the then issue date up to the seventh day immediately prior to the maturity date.

The Company shall redeem all the outstanding principal amount of the 2020 Due CB on the maturity date at the amount equal to the aggregate of (a) the principal amount outstanding on the 2020 Due CB; (b) the outstanding interest up to the date of redemption; (c) any other outstanding amount due but unpaid under the 2020 Due CB, (the "Applicable Redemption Amount") plus an amount that would make up an aggregate interest on the relevant amount of the 2020 Due CB calculated at the rate of 12% per annum thereon (having included the interest paid but excluding all default interest) from the issue date to, and including the maturity date.

The Company, on the condition that all outstanding principals and interests under certain facility agreement between the Company and the subscriber, are settled in full, may, on the date falling either 24 months or 30 months from the issue date, elect to redeem the whole or part of the then outstanding principal amount of the 2020 Due CB at the Applicable Redemption Amount plus an amount that would make up an aggregate interest on the relevant amount of the 2020 Due CB calculated at the rate of 12% per annum thereon (having included the interest paid but excluding all default interest) from the issue date to, and including the maturity date.

The 2020 Due CB was secured by the debentures in favour of the subscriber by way of the first fixed and floating charges over the tangible moveable property and investments of two wholly-owned subsidiaries of the Company and share charges over all issued shares of such two wholly-owned subsidiaries and 74.56% of issued shares of FKL.

At initial recognition, the liability component of the 2020 Due CB is measured as the present value of the future interest and principal payments, discounted at the market rate for equivalent non-convertible bonds that do not have a conversion option. The derivative component of the 2020 Due CB, which are early redemption and mandatory conversion options held by the Company, are measured at fair value and presented as derivative financial instruments in current assets. The equity component is the residual amount after deducting the fair values of the liability and derivative components from the consideration received for the 2020 Due CB. The effective interest rate of the liability component of the 2020 Due CB is 18.48% (2018: 18.48%) per annum. The valuation of the 2020 Due CB were performed by Asset Appraisal Limited, an independent firm of professional qualified valuers.

35. CONVERTIBLE BONDS (CONTINUED)

Notes: (Continued)

(c) Convertible bonds due in 2020 (Continued)

The following assumptions were used to calculate the fair values of the derivative component of the redemption option of the 2020 Due CB:

	At 31 March 2019	At 31 March 2018	**At issue date**
Closing share prices	**HK$0.059**	HK$0.260	HK$0.320
Conversion price	**HK$0.465**	HK$0.465	HK$0.465
Expected remaining life of the of the convertible bonds	**1.68 years**	2.68 years	3 years
Expected volatility	**51.78%**	40.63%	44.26%
Risk free rate	**1.39%**	1.52%	1.41%
Expected dividend yield	**0%**	0%	0%
Discount rate	**15.33%**	17.69%	18.46%

The 2020 Due CB have been split as follows:

	Liability component HK$'000	**Equity component HK$'000**	**Derivative financial instruments HK$'000**	**Total HK$'000**
Issued during the year ended 31 March 2018	341,578	69,602	(11,180)	400,000
Less: Transaction costs	(9,961)	(2,040)	–	(12,001)
Add: Interest expenses	20,242	–	–	20,242
Less: Interest payable	(10,257)	–	–	(10,257)
Add: Fair value loss on derivative financial instruments	–	–	2,877	2,877
As at 31 March 2018 and 1 April 2018	341,602	67,562	(8,303)	400,861
Add: Interest expenses	67,757	–	–	67,757
Less: Interest payable	(33,231)	–	–	(33,231)
Add: Fair value loss on derivative financial instruments	–	–	8,288	8,288
As at 31 March 2019	**376,128**	**67,562**	**(15)**	**443,675**

None of the 2020 Due CB was converted during the years ended 31 March 2019 and 2018.

During the year ended 31 March 2019, the Group was unable to make certain interest repayments relating to the 2020 Due CB, for which the holder was entitled to request for the immediate repayment of full amounts owed. On 30 June 2019, the Group entered into a subscription agreement with the 2020 Due CB holder, pursuant to which the outstanding interest payable to the 2020 Due CB holder would be settled by the issuance of the shares of the Company, and the 2020 Due CB will be repayable in accordance with original maturity terms.

35. CONVERTIBLE BONDS (CONTINUED)

Notes: (Continued)

(d) Convertible bonds due in 2021

On 25 August 2016, the Company issued convertible bonds with an aggregate principal amount of HK$275,000,000 (the "2021 Due CB") pursuant to the subscription agreement dated 14 April 2016 entered into between the Company and ALEEES. The 2021 Due CB are non-interest-bearing with a maturity date on the fifth anniversary of the date of their issue (that is, 25 August 2021) and entitled the holder to convert them, in whole or in part, into ordinary shares of the Company at a conversion price of HK$0.50 per share (subject to adjustments) at any time on or after the then issue date up to the maturity date. The Company may at any time from the 183rd day after the second anniversary of the completion date of the agreement up to and excluding the commencement of the seven calendar day period ending on and including the maturity date, by written notice to the holder, elect to redeem the whole or part (being an authorised denomination) of the then outstanding principal amount of the 2021 Due CB in a pro rata manner at an amount equal to 100% of the principal amount of the 2021 Due CB sought to be redeemed. In addition, at any time prior to the maturity date, if the average closing price per ordinary share of the Company as quoted on the Stock Exchange for each of the last thirty consecutive trading days immediately preceding and excluding such day exceeds HK$0.60 (subject to adjustments), the 2021 Due CB shall be fully and mandatorily converted into the ordinary shares of the Company at a conversion price of HK$0.50 per share (subject to adjustments).

At initial recognition, the liability component of the 2021 Due CB is measured as the present value of the future principal payments, discounted at the market rate for equivalent non-convertible bonds that do not have a conversion option. The derivative component of the 2021 Due CB, which are early redemption and mandatory conversion options held by the Company, are measured at fair value and presented as derivative financial instruments in current assets. Such derivative financial instruments are re-measured to fair value at the end of each reporting period. The equity component is the residual amount after deducting the fair values of the liability and derivative components from the consideration received for the 2021 Due CB. The effective interest rate of the liability component of the 2021 Due CB is 8.40% (2018: 8.40%) per annum. Valuations of the 2021 Due CB were performed by Asset Appraisal Limited, an independent firm of professional qualified valuers.

The following assumptions are used to calculate the fair values of the derivative component of redemption option of the 2021 Due CB:

	At 31 March 2019	At 31 March 2018
Closing share prices	**HK$0.059**	HK$0.26
Conversion price	**HK$0.50**	HK$0.50
Expected remaining life of the convertible bonds	**2.40 years**	3.40 years
Expected volatility	**46.15%**	45.53%
Risk free rate	**1.36%**	1.63%
Expected dividend yield	**0%**	0%
Discount rate	**15.30%**	17.80%

35. CONVERTIBLE BONDS (CONTINUED)

Notes: (Continued)

(d) Convertible bonds due in 2021 (Continued)

The 2021 Due CB have been split as follows:

	Liability component HK$'000	Equity component HK$'000	Derivative financial instruments HK$'000	Total HK$'000
As at 1 April 2017	190,199	119,148	(19,951)	289,396
Add: Interest expenses	16,614	–	–	16,614
Add: Fair value loss on derivative financial instruments	–	–	9,071	9,071
As at 31 March 2018 and 1 April 2018	206,813	119,148	(10,880)	315,081
Add: Interest expenses	18,065	–	–	18,065
Add: Fair value loss on derivative financial instruments	–	–	10,827	10,827
As at 31 March 2019	**224,878**	**119,148**	**(53)**	**343,973**

None of the 2021 Due CB was converted during the years ended 31 March 2019 and 2018.

(e) Convertible bonds issued by FKL

On 30 October 2017, an independent third party (the "Purchaser") purchased the convertible bonds in the principal amount of HK$110,000,000 issued by FKL on 4 August 2015 (the "FKL CB") from Union Grace Holdings Limited, a wholly-owned subsidiary of the Company, at a consideration equals to the aggregate of (a) HK$110,000,000 which has been paid by the Purchaser on the date of the sale and purchase agreement by way of cashier's orders; and additionally (b) contingent receivable in the event the conversion right of any of the FKL CB is exercised, HK$0.36 per conversion share so converted payable on the date of such exercise by way of cash, which was measured at the fair value of HK$115,491,000 at the disposal date. The FKL CB are interest bearing at 8% per annum, with a maturity date on the third anniversary of the issue date (that is, 4 August 2018) and entitled the holder to convert them, in whole or in part, into ordinary shares of FKL at a conversion price of HK$0.34 (after subdivision adjustments).

At initial recognition, the liability component of the FKL CB is measured as the present value of the future interest and principal payments, discounted at the market rate for equivalent non-convertible bonds that do not have a conversion option. The equity component is the residual amount after deducting the fair value of the liability component from the consideration received for the FKL CB. The effective interest rate of the liability component of the FKL CB is 13.78% (2018: 13.78%) per annum.

During the year ended 31 March 2019, the FKL CB was fully settled by cash on the maturity date 4 August 2018.

35. CONVERTIBLE BONDS (CONTINUED)

Notes: (Continued)

(e) Convertible bonds issued by FKL (Continued)

The FKL CB have been split as follows:

	Liability component HK$'000	Equity component HK$'000	Total HK$'000
Initially recognised during the year ended 31 March 2018	105,411	120,080	225,491
Add: Interest expenses	5,888	–	5,888
Less: Interest payable	(3,524)	–	(3,524)
Less: Converted during the year	(9,696)	(10,916)	(20,612)
As at 31 March 2018 and 1 April 2018	98,079	109,164	207,243
Add: Interest expenses	5,121	–	5,121
Less: Interest payable	(3,200)	–	(3,200)
Less: Derecognition upon maturity	(100,000)	(109,164)	(209,164)
As at 31 March 2019	**–**	**–**	**–**

None of the FKL CB was converted during the year ended 31 March 2019. During the year ended 31 March 2018, the FKL CB with an aggregate principal amount of HK$10,000,000 were converted into 29,412,000 ordinary shares of FKL at the conversion price of HK$0.34 per share, and additional consideration of HK$10,589,000 was received by the Group.

The equity component of the FKL CB of HK$109,164,000 was released to accumulated losses upon maturity on 4 August 2018.

36. RECEIPTS IN ADVANCE

	2019 HK$'000	2018 HK$'000
Funding received for a design project *(Note (a))*	**534,027**	624,000
Funding received for acquisition of a land in the PRC *(Note (b))*	**–**	52,113
	534,027	676,113

Notes:

(a) An amount of RMB500,000,000 (equivalent to approximately HK$582,900,000 (2018: HK$624,000,000) represents the first instalment of funding received by Jasmin Beijing in connection with an entrustment agreement in which Guizhou Guian Asset Investment Co., Ltd.△ (貴州貴安產業投資有限公司), as a non-controlling shareholder of Guizhou Changjiang, has entrusted Jasmin Beijing to provide electric vehicles research, design and development related services to Guizhou Changjiang for a period from 4 November 2016 to 31 December 2021. An amount of approximately RMB41,922,000 (equivalent to approximately HK$48,994,000) (2018: nil) was transferred to deferred income (Note 37) upon the approval of relevant expenditure of the design project during the year ended 31 March 2019, leaving RMB458,078,000 (equivalent to approximately HK$534,027,000) as receipt in advance as at 31 March 2019.

(b) The amount represents a grant received by the Group from a government authority in Tianjin, the PRC for subsidising the Group's acquisition of a land for the construction of a lithium-ion batteries production plant. The grant is subject to certain conditions to be complied with by the Group and was reclassified as liabilities associated with disposal group classified as held for sales.

△ *For identification purpose.*

37. DEFERRED INCOME

The following are the major deferred income balances recognised and movements thereon during the years ended 31 March 2019 and 2018:

	HK$'000
At 1 April 2017	66,253
Additions during the year *(Note)*	429,651
Released to consolidated profit or loss during the year	(8,306)
Exchange adjustments	32,135
At 31 March 2018 and 1 April 2018	519,733
Additions during the year	25,772
Transferred from receipts in advance *(Note 36(a))*	48,994
Released to consolidated profit or loss during the year	(25,742)
Reclassified as liabilities associated with disposal group classified as held for sales	(81,606)
Exchange adjustments	(35,685)
At 31 March 2019	**451,466**

37. DEFERRED INCOME (CONTINUED)

	2019 HK$'000	2018 HK$'000
Presented by:		
Amounts included in other payables and accrued expenses under current liabilities *(Note 33)*	**20,635**	16,789
Deferred income under non-current liabilities	**430,831**	502,944
	451,466	519,733

Note: The amounts mainly included government grants of RMB310,000,000 (equivalent to approximately HK$386,880,000) for research and development of electric vehicles and battery products to be used by the factories to be constructed in the Sichuan province, the PRC, received by the Group during the year ended 31 March 2018.

The Group received government grants for research and development activities and the acquisition of plant and equipment. Government grants for research and development activities received for which the related expenditures were not yet incurred are included in other payables and accrual expenses as deferred income under current liabilities. Government grant for research and development of technical know-hows received for which the related electric vehicle production and battery products were not yet commenced are classified as deferred income under non-current liabilities. Government grants for the acquisition of plant and equipment are classified as deferred income under non-current liabilities and will be released as income in profit or loss over the expected useful life of the relevant assets to match with the depreciation charge on the assets.

38. DEFERRED TAX LIABILITIES

The major deferred tax balances recognised and movements thereon during the years ended 31 March 2019 and 2018 are as follows:

	Property, plant and equipment and interest in leasehold land held for own use under operating lease HK$'000	**Intangible assets HK$'000**	**Others HK$'000**	**Total HK$'000**
At 1 April 2017	19,692	160,714	(81)	180,325
Credit to profit or loss *(Note 12)*	(459)	(97,973)	–	(98,432)
Exchange adjustments	2,099	2,199	–	4,298
At 31 March 2018 and 1 April 2018	21,332	64,940	(81)	86,191
Acquisition of subsidiary *(Note 16(a))*	–	18,445	–	18,445
Credit to profit or loss *(Note 12)*	(455)	(83,132)	–	(83,587)
Exchange adjustments	(1,404)	(757)	–	(2,161)
At 31 March 2019	**19,473**	**(504)**	**(81)**	**18,888**

At 31 March 2019, the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK$2,172,827,000 (2018: HK$2,681,859,000) and deductible temporary differences of HK$1,866,692,000 (2018:HK$969,806,000), as it is not probable that future taxable profits against which the tax losses and deductible temporary differences can be utilised will be available in the relevant taxation authority of the relevant taxable entity. The tax losses do not expire under current tax legislation, except for an amount of PRC tax losses in aggregate of HK$1,175,550,000 (2018: HK$1,309,984,000) that will expire in the coming one to five years.

39. OBLIGATIONS UNDER REDEEMED CONVERTIBLE BONDS

On 8 March 2011, the Company issued a redemption notice to Mei Li New Energy Limited ("Mei Li") which was beneficially wholly-owned by Mr. Winston Chung (formerly known as Chung Hing Ka) ("Mr. Chung") for the redemption of convertible bonds at face value of approximately HK$760,752,000 (the "Redemption Amount"). In the legal proceedings instituted against Mr. Chung and/or companies which are controlled and/or owned by him (together the "Chung Parties") for breaches of various agreements in relation to the acquisition completed by the Group in 2010 (the "High Court Proceedings"), the damages claimed by the Group (the "Claim Amount"), as supported by an independent forensic accountant report commissioned by the Group, are estimated to be substantially larger than the Redemption Amount. The Group has sought to set off a portion of the Claim Amount against the Redemption Amount (the "Set-Off").

On 5 March 2013, the High Court of Hong Kong (the "HK Court") issued a judgement in favour of the Company, granting the Company unconditional leave to defend to the extent of the Set-Off in the High Court Proceedings (the "5 March 2013 Judgement"). Effectively, since 5 March 2013, the Company's payment obligations under the redeemed convertible bonds are subject to a stay of execution pending determination of the High Court Proceedings. Any claim to payment under convertible bonds may be subject to the Company's argument of the Set-Off.

On 27 February 2013, Mr. Chung was adjusted bankruptcy and the bankruptcy has been extended for a period of 4 years from 26 February 2017 by an order of the HK Court on 26 February 2017. Mei Li was taken over by the trustee of the bankrupt (the "Trustee") under the Bankruptcy. In addition, various interlocutory applications of the parties have taken place during the period.

The Company's instructing counsels has reviewed the whole case and, based on their opinion, the Company has prepared amendments to the Statement of Claim, which would be the next step in strengthening and pushing the case forward. Before proceeding with applying for the amendment, the Company is in discussions to explore settlement concurrently. Based on legal opinion, the parties are at least 12 months away from being ready for trial and payment of the Redemption Amount regarding the convertible bonds would likely not arise for at least 12 months after the end of the reporting period.

Under such circumstances, the directors of the Company do not expect that the Company will be required to settle the Redemption Amount regarding the convertible bonds in the near future and the Board considered it was appropriate to classify the obligations under the redeemed convertible bonds of approximately HK$760,752,000 under non-current liabilities.

40. DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 22 March 2019, Union Grace, an indirect wholly-owned subsidiary of the Company, and Blossom Ray Limited (the "SDL & SBIL Purchaser", a company incorporated in the British Virgin Islands and wholly-owned by a director of certain subsidiaries of the Group) entered into a sales and purchase agreement. Pursuant to the agreement, Union Grace agreed to sell and the SDL & SBIL Purchaser agreed to purchase 75% equity interest in SDL, which holds the entire battery products business in the PRC, and 100% equity interest in Sinopoly Battery International Limited ("SBIL"), at a consideration of HK$2 in total (the "SDL & SBIL Disposal"). Upon the completion of the SDL & SBIL Disposal, the Group would retain 25% equity interests in SDL through a non-wholly-owned subsidiary and SDL would be accounted for as an associate under the direct investment segment, and the assets and liabilities of SBIL would be derecognised from the consolidated financial statements of the Group.

The assets and liabilities attributable to the operations in SDL and SBIL, which are expected to be sold within 12 months, have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position as at 31 March 2019.

(a) The loss for the years ended 31 March 2019 and 2018 from discontinued operation is analysed as follows:

	Note	**2019 HK$'000**	2018 HK$'000
Revenue	*6*	**149,781**	96,885
Cost of sales		**(118,297)**	(67,760)
Gross profit		**31,484**	29,125
Other income	*8*	**17,140**	9,897
Other gains and losses, net	*8*	**(254,500)**	(79,182)
Selling and distribution costs		**(12,651)**	(23,242)
General and administrative expenses		**(73,348)**	(94,275)
Research and development expenses		**(15,162)**	(75,808)
Finance costs	*9*	**(36,069)**	(23,353)
Impairment loss, net of reversal on financial assets at amortised cost and contract assets	*8*	**(1,870)**	(8,695)
Impairment on intangible assets	*10*	**(920)**	(197,790)
Amortisation of intangible assets		**(148)**	(97,299)
Share of results of associates		**(76)**	41
Loss before tax from discontinued operation	*10*	**(346,120)**	(560,581)
Income tax credit	*12*	**–**	71,700
Loss for the year from discontinued operation		**(346,120)**	(488,881)

40. DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTINUED)

(b) The major classes of assets and liabilities of the disposal group classified as held for sale as at 31 March 2019 (2018: nil) are as follows:

	2019 HK$'000
Assets	
Property, plant and equipment	**452,192**
Interests in leasehold land held for own use under operating leases	**105,361**
Deposits paid for non-current assets	**5,650**
Other non-current assets	**3,303**
Inventories	**42,028**
Trade and bills receivables	**55,919**
Loan and other receivables	**29,873**
Pledged bank deposits	**58,290**
Cash and cash equivalents	**31,024**
Total assets for the disposal group	**783,640**
Less: Elimination of intra-group bill receivables	**(26,813)**
Assets associated with the disposal group classified as held for sales	**756,827**

	HK$'000
Liabilities	
Bank loans and other borrowings *(Note (i))*	**(313,482)**
Trade and bills payables	**(89,600)**
Accruals and other payables	**(162,627)**
Net amounts due to the Group *(Note (ii) and (iii))*	**(224,304)**
Receipts in advance	**(48,681)**
Deferred income	**(81,606)**
Total liabilities for the disposal group	**(920,300)**
Less: Elimination of intra-group balances *(Note (ii) and (iii))*	**224,304**
Liabilities associated with the disposal group classified as held for sales	**(695,996)**

Notes:

(i) As at 31 March 2019, the Group was unable to make certain principal and/or interest repayments relating to certain bank loans and other borrowings under discontinued operation with carrying amounts as at 31 March 2019 of approximately HK$26,697,000 (2018: nil), for which the lenders were entitled to request for the immediate repayment of full amount owed.

(ii) The amounts are fully eliminated in the consolidated statement of financial position of the Group.

40. DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTINUED)

(b) The major classes of assets and liabilities of the disposal group classified as held for sale as at 31 March 2019 (2018: nil) are as follows: (Continued)

Notes: (Continued)

(iii) Net amounts due to the Group are interest-free, unsecured, repayable on demand, except amounts due to the Group of HK$412,309,000 which bear interest at rates ranging from 6% to 7.5% per annum and amounts due to the Group of HK$29,157,000 which are repayable within 5 years. The amounts are fully eliminated in the consolidated statement of financial position.

The net cash flows incurred by SDL and SBIL for the years ended 31 March 2019 and 2018 are as follows:

	2019 **HK$'000**	2018 HK$'000
Net cash used in operating activities	**(116,258)**	(35,990)
Net cash (used in)/generated from investing activities	**(44,696)**	69,340
Net cash generated from/(used in) financing activities	**171,058**	(152,995)
Net cash inflow/(outflow)	**10,104**	(119,645)

41. SHARE CAPITAL

	2019 **No. of shares** **'000**	**2019** **HK$'000**	2018 No. of shares '000	2018 HK$'000
Authorised:				
At beginning of the reporting period				
Ordinary shares of HK$0.01 each	**50,000,000**	**500,000**	50,000,000	500,000
Increase in authorised share capital *(Note (a))*	**50,000,000**	**500,000**	–	–
At end of the reporting period				
Ordinary shares of HK$0.01 each	**100,000,000**	**1,000,000**	50,000,000	500,000
Issued and fully paid:				
At beginning of the reporting period				
Ordinary shares of HK$0.01 each	**22,413,076**	**224,131**	22,398,476	223,985
Issue of new shares:				
– pursuant to placing agreement *(Note (b))*	**1,000,000**	**10,000**	–	–
– pursuant to subscription agreement *(Note (c))*	**2,600,000**	**26,000**	–	–
– pursuant to settlement agreement *(Note (d))*	**476,667**	**4,767**	–	–
– upon exercise of share options *(Note (e))*	**–**	**–**	14,600	146
At end of the reporting period				
Ordinary shares of HK$0.01 each	**26,489,743**	**264,898**	22,413,076	224,131

41. SHARE CAPITAL (CONTINUED)

Notes:

(a) Pursuant to an ordinary resolution passed at annual general meeting of the Company on 31 August 2018, the authorised share capital of the Company was increased from HK$500,000,000 divided into 50,000,000,000 shares of HK$0.01 each to HK$1,000,000,000 divided into 100,000,000,000 shares of HK$0.01 each.

(b) During the year ended 31 March 2019, the Company issued a total of 1,000,000,000 ordinary shares of HK$0.01 each at the placing price of HK$0.109 per share pursuant to the placing agreement dated 25 June 2018.

(c) During the year ended 31 March 2019, the Company issued 2,600,000,000 ordinary shares of HK$0.01 each at the subscription price of HK$0.09 per share pursuant to the subscription agreement dated 28 July 2018.

(d) During the year ended 31 March 2019, the Company issued 476,666,666 ordinary shares of HK$0.01 each at the price of HK$0.09 per share pursuant to the settlement agreement dated 18 October 2018.

(e) During the year ended 31 March 2018, share options to subscribe for 14,600,000 ordinary shares of the Company were exercised. The net consideration for the exercise of the share options was HK$3,358,000 of which HK$146,000 was credited to share capital account and the balance of HK$3,212,000 was credited to share premium account. An amount of HK$1,648,000 was transferred from share option reserve account to share premium account upon the exercise of the share options.

All the new ordinary shares issued and allotted during the years ended 31 March 2019 and 2018 rank pari passu in all respects with the then existing ordinary shares of the Company.

42. RESERVES

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

THE COMPANY

	Share premium HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Equity component of convertible bonds HK$'000	Share option reserve HK$'000	Retained earnings/ (accumulated losses) HK$'000	Total HK$'000
At 1 April 2017	2,057,457	1,419,585	1,868	251,871	36,734	1,010,073	4,777,588
Proceed from shares issued upon exercise of share options	4,860	–	–	–	(1,648)	–	3,212
Settlement of convertible bonds *(Notes 35(a) & (b))*	–	–	–	(132,723)	–	132,723	–
Issue of convertible bonds *(Note 35(c))*	–	–	–	67,562	–	–	67,562
Share option lapsed	–	–	–	–	(1,478)	1,478	–
Equity-settled share-based payments	–	–	–	–	42,813	–	42,813
Loss and total comprehensive loss for the year	–	–	–	–	–	(3,077,594)	(3,077,594)
At 31 March 2018 and 1 April 2018	2,062,317	1,419,585	1,868	186,710	76,421	(1,933,320)	1,813,581
Issue of new shares *(Note 41(b), (c) & (d))*	320,677	–	–	–	–	–	320,677
Deemed contribution from shareholder loan	–	24,422	–	–	–	–	24,422
Share option lapsed	–	–	–	–	(2,108)	2,108	–
Equity-settled share-based payments	–	–	–	–	4,433	–	4,433
Loss and total comprehensive loss for the year	–	–	–	–	–	(2,911,658)	(2,911,658)
At 31 March 2019	**2,382,994**	**1,444,007**	**1,868**	**186,710**	**78,746**	**(4,842,870)**	**(748,545)**

42. RESERVES (CONTINUED)

Notes:

(a) Share premium

The application of share premium account is governed by the relevant provisions set out in the Company's Bye-laws and the Companies Act 1981 of Bermuda.

(b) Exchange reserve

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

(c) Contributed surplus

The contributed surplus represents the surplus arising from capital reductions pursuant to the Group's reorganisation in 2004 and 2005, and the deemed contribution from a shareholder resulted from a below-market interest rate loan. The amount may apply to offset the accumulated losses of the Company.

(d) Capital redemption reserve

In prior years, the Company repurchased its own shares. The capital redemption reserve represents the amount equivalent to the nominal value of the shares cancelled from repurchases of own shares transferred from retained profits.

(e) Equity component of convertible bonds

The reserve comprises the value of the unexercised equity component of convertible bonds issued by the Group recognised in accordance with the accounting policy adopted for convertible bonds in Note 2(o).

(f) Share option reserve

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

(g) Investment revaluation reserve

Investment revaluation reserve represented 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.

(h) Accumulated losses

Accumulated losses comprise (i) an accumulated amount of profit or loss for the current and prior years exclude amounts distributed to shareholders as dividends; and (ii) reserves which arose from the acquisition of additional interests in subsidiaries that do not result in a change of control by the Group, and represents any differences between the amount by which the non-controlling interests are adjusted (to reflect the changes in the interests in the subsidiaries) and the fair value of the consideration paid or received.

(i) Distributability of reserve

As at 31 March 2019, the Company had no reserves available for distribution (2018: nil). Under the Companies Act 1981 of Bermuda, contributed surplus is available for distribution to shareholders. However, the Company shall not declare or pay a dividend, or make a distribution out of contributed surplus if the Company is, or would after the payment be, unable to pay its liabilities as they become due; or the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities.

43. SHARE OPTION SCHEME

Pursuant to the approval by the shareholders of the Company at the special general meeting held on 28 February 2014, the previous share option scheme adopted by the Company on 30 March 2004 (the "2004 Scheme") was terminated and a share option scheme (the "2014 Scheme") which was in compliance with the requirements set out in the Listing Rules was adopted by the Company, both effective on 28 February 2014. No further options can be granted under the 2004 Scheme. Howsoever, the options granted under the 2004 Scheme remain exercisable.

A summary of the principal terms of the 2014 Scheme is set out below:

PURPOSE

The purpose of the 2014 Scheme is to enable the Group 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.

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, the Company, or any of its subsidiaries, or any entity in which any member of the Group holds any equity interest (the "Invested Entity");

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

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

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

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

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

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

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

and, for the purposes of the 2014 Scheme, an offer for the grant of an option may be made to any company wholly owned by one or more Eligible Participants.

43. 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 2014 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 2014 Scheme and any other share option schemes) to be granted under the 2014 Scheme and any other share option schemes must not in aggregate exceed 10% of the shares of the Company in issue as at the date of refreshment of share option mandates from time to time.

As at the date of approval of the consolidated financial statements, the total number of shares of the Company that may be issued upon exercise of all options granted and vested but not yet exercised was 318,500,000, which represented approximately 1.17% of the issued share capital of the Company on that date.

MAXIMUM ENTITLEMENT OF EACH PARTICIPANT

An offer for the grant of an option to any director, chief executive or substantial shareholder of the Company, or any of their respective associates must be approved by the independent non-executive directors (excluding any independent non-executive director who or whose associate is the proposed grantee of an option). Where any grant of options to a substantial shareholder of the Company or an independent non-executive director, or any of their respective associates, would result in the shares issued and to be issued upon the exercise of all options already granted and to be granted under the 2014 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 meeting of the Company.

Subject to the aforesaid, the total number of shares issued and which may fall to be issued upon the exercise of any options granted under the 2014 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 meeting of the Company with such grantee and his close associates (or his associates if the grantee is a connected person) abstaining from voting.

43. SHARE OPTION SCHEME (CONTINUED)

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 2014 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 2014 SCHEME

The 2014 Scheme commenced on 28 February 2014 and shall continue in force until the tenth anniversary of such date.

43. SHARE OPTION SCHEME (CONTINUED)

Details of the options and movements in such holdings during the year ended 31 March 2019 are as follows:

		Number of options									
Category of participants	Date of grant	Outstanding as at 1.4.2018	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Re-classified during the year	Outstanding as at 31.3.2019	Exercise Period	Exercise price per option HK$	Weighted average closing price of the shares immediately before the dates on which the options were exercised HK$
Directors											
Mr. Cao Zhong	28.4.2014	10,000,000	–	–	–	–	–	10,000,000	28.4.2016 – 27.4.2024 *(Note 2)*	0.630	–
	31.7.2017	220,000,000	–	–	–	–	–	220,000,000	31.7.2017 –30.7.2027 *(Note 5)*	0.400	–
Dr. Chen Yanping	28.4.2014	12,000,000	–	–	–	–	–	12,000,000	28.4.2016 – 27.4.2024 *(Note 2)*	0.630	–
	31.7.2017	150,000,000	–	–	–	–	–	150,000,000	31.7.2017 –30.7.2027 *(Note 5)*	0.400	–
Mr. Jaime Che	4.9.2013	12,000,000	–	–	–	–	–	12,000,000	4.9.2015 – 3.9.2023 *(Note 2)*	0.450	–
	28.4.2014	4,000,000	–	–	–	–	–	4,000,000	28.4.2016 – 27.4.2024 *(Note 2)*	0.630	–
	31.7.2017	150,000,000	–	–	–	–	–	150,000,000	31.7.2017 –30.7.2027 *(Note 5)*	0.400	–
Mr. Lo Wing Yat	8.5.2009	16,200,000	–	–	–	–	–	16,200,000	8.5.2010 – 7.5.2019 *(Note 3)*	0.061	–
	4.9.2013	8,000,000	–	–	–	–	–	8,000,000	4.9.2015 – 3.9.2023 *(Note 2)*	0.450	–
	28.4.2014	4,000,000	–	–	–	–	–	4,000,000	28.4.2016 – 27.4.2024 *(Note 2)*	0.630	–
	31.7.2017	30,000,000	–	–	–	–	–	30,000,000	31.7.2017 –30.7.2027 *(Note 5)*	0.400	–

43. SHARE OPTION SCHEME (CONTINUED)

Details of the options and movements in such holdings during the year ended 31 March 2019 are as follows: (Continued)

Category of participants	Date of grant	Number of options: Outstanding as at 1.4.2018	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Re-classified during the year	Outstanding as at 31.3.2019	Exercise Period	Exercise price per option HK$	Weighted average closing price of the shares immediately before the dates on which the options were exercised HK$
Mr. Chan Yuk Tong	8.5.2009	900,000	–	–	–	–	–	900,000	8.11.2010 – 7.5.2019 *(Note 4)*	0.061	–
	4.9.2013	8,000,000	–	–	–	–	–	8,000,000	4.9.2015 – 3.9.2023 *(Note 2)*	0.450	–
	28.4.2014	4,000,000	–	–	–	–	–	4,000,000	28.4.2016 – 27.4.2024 *(Note 2)*	0.630	–
	31.7.2017	22,000,000	–	–	–	–	–	22,000,000	31.7.2017 –30.7.2027 *(Note 5)*	0.400	–
Mr. Fei Tai Hung	8.5.2009	900,000	–	–	–	–	–	900,000	8.11.2010 – 7.5.2019 *(Note 4)*	0.061	–
	4.9.2013	8,000,000	–	–	–	–	–	8,000,000	4.9.2015 – 3.9.2023 *(Note 2)*	0.450	–
	28.4.2014	4,000,000	–	–	–	–	–	4,000,000	28.4.2016 – 27.4.2024 *(Note 2)*	0.630	–
	31.7.2017	22,000,000	–	–	–	–	–	22,000,000	31.7.2017 –30.7.2027 *(Note 5)*	0.400	–
Mr. Tse Kam Fow	8.5.2009	900,000	–	–	–	–	–	900,000	8.11.2010 – 7.5.2019 *(Note 4)*	0.061	–
	4.9.2013	8,000,000	–	–	–	–	–	8,000,000	4.9.2015 – 3.9.2023 *(Note 2)*	0.450	–
	28.4.2014	4,000,000	–	–	–	–	–	4,000,000	28.4.2016 – 27.4.2024 *(Note 2)*	0.630	–
	31.7.2017	22,000,000	–	–	–	–	–	22,000,000	31.7.2017 –30.7.2027 *(Note 5)*	0.400	–
Mr. Miao Zhenguo *(resigned on 12 June 2018)*	4.9.2013	12,000,000	–	–	–	–	(12,000,000) *(Note 6)*	–	4.9.2015 – 3.9.2023 *(Note 2)*	0.450	–
	28.4.2014	3,000,000	–	–	–	–	(3,000,000) *(Note 6)*	–	28.4.2016 – 27.4.2024 *(Note 2)*	0.630	–
	31.7.2017	180,000,000	–	–	–	–	(180,000,000) *(Note 6)*	–	31.7.2017 –30.7.2027 *(Note 5)*	0.400	–
Mr. Tong Zhiyuan *(resigned on 4 June 2018)*	31.7.2017	200,000,000	–	–	–	(200,000,000) *(Note 8)*	–	–	31.7.2017 –30.7.2027 *(Note 5)*	0.400	–
Mr. Xu Jingbin *(resigned on 15 February 2019)*	31.7.2017	22,000,000	–	–	(22,000,000) *(Note 8)*	–	–	–	31.7.2017 –30.7.2027 *(Note 5)*	0.400	–

43. SHARE OPTION SCHEME (CONTINUED)

Details of the options and movements in such holdings during the year ended 31 March 2019 are as follows: (Continued)

Category of participants	Date of grant	Number of options							Exercise Period	Exercise price per option	Weighted average closing price of the shares immediately before the dates on which the options were exercised
		Outstanding as at 1.4.2018	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Re-classified during the year	Outstanding as at 31.3.2019		HK$	HK$
Employees	4.9.2013	142,900,000	–	–	(3,200,000) *(Note 8)*	–	(4,000,000) *(Note 7)*	135,700,000	4.9.2015 – 3.9.2023 *(Note 2)*	0.450	–
	28.4.2014	91,800,000	–	–	(40,200,000) *(Note 8)*	–	–	51,600,000	28.4.2016 – 27.4.2024 *(Note 2)*	0.630	–
Others	4.9.2013	20,000,000	–	–	–	–	16,000,000 *(Notes 6 and 7)*	36,000,000	4.9.2015 – 3.9.2023 *(Note 2)*	0.450	–
	28.4.2014	10,000,000	–	–	–	–	3,000,000 *(Note 6)*	13,000,000	28.4.2016 – 27.4.2024 *(Note 2)*	0.630	–
	31.7.2017	1,100,000,000	–	–	–	–	180,000,000 *(Note 6)*	1,280,000,000 *(Note 9)*	31.7.2017 –30.7.2027 *(Note 5)*	0.400	–
		2,502,600,000	–	–	(65,400,000)	(200,000,000)	–	2,237,200,000			
Weighted average exercise price *(HK$)*		0.415	–	–	0.544	0.400	–	0.413			
Exercisable as at 31.3.2019								18,900,000		0.061	
								215,700,000		0.450	
								54,300,000		0.630	

43. SHARE OPTION SCHEME (CONTINUED)

Details of the options and movements in such holdings during the year ended 31 March 2018 are as follows:

Category of participants	Date of grant	Number of options Outstanding as at 1.4.2017	Granted during the year *(Note 11)*	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31.3.2018	Exercise period	Exercise price per option HK$	Weighted average closing price of the shares immediately before the dates on which the options were exercised HK$
Director & Substantial Shareholder										
Mr. Cao Zhong	28.4.2014	10,000,000	–	–	–	–	10,000,000	28.4.2016 – 27.4.2024 *(Note 2)*	0.630	–
	31.7.2017	–	220,000,000	–	–	–	220,000,000	31.7.2017 – 30.7.2027 *(Note 5)*	0.400	–
Directors										
Mr. Miao Zhenguo	4.9.2013	12,000,000	–	–	–	–	12,000,000	4.9.2015 – 3.9.2023 *(Note 2)*	0.450	–
	28.4.2014	3,000,000	–	–	–	–	3,000,000	28.4.2016 – 27.4.2024 *(Note 2)*	0.630	–
	31.7.2017	–	180,000,000	–	–	–	180,000,000	31.7.2017 – 30.7.2027 *(Note 5)*	0.400	–
Mr. Tong Zhiyuan	31.7.2017	–	200,000,000	–	–	–	200,000,000	31.7.2017 – 30.7.2027 *(Note 5)*	0.400	–
Dr. Chen Yanping	28.4.2014	12,000,000	–	–	–	–	12,000,000	28.4.2016 – 27.4.2024 *(Note 2)*	0.630	–
	31.7.2017	–	150,000,000	–	–	–	150,000,000	31.7.2017 – 30.7.2027 *(Note 5)*	0.400	–
Mr. Lo Wing Yat	23.8.2007	14,600,000	–	(14,600,000) *(Note 12)*	–	–	–	23.8.2008 – 22.8.2017 *(Note 3)*	0.230	0.310
	8.5.2009	16,200,000	–	–	–	–	16,200,000	8.5.2010 – 7.5.2019 *(Note 3)*	0.061	–
	4.9.2013	8,000,000	–	–	–	–	8,000,000	4.9.2015 – 3.9.2023 *(Note 2)*	0.450	–
	28.4.2014	4,000,000	–	–	–	–	4,000,000	28.4.2016 – 27.4.2024 *(Note 2)*	0.630	–
	31.7.2017	–	30,000,000	–	–	–	30,000,000	31.7.2017 – 30.7.2027 *(Note 5)*	0.400	–

43. SHARE OPTION SCHEME (CONTINUED)

Details of the options and movements in such holdings during the year ended 31 March 2018 are as follows: (Continued)

		Number of options								
Category of participants	Date of grant	Outstanding as at 1.4.2017	Granted during the year *(Note 11)*	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31.3.2018	Exercise period	Exercise price per option HK$	Weighted average closing price of the shares immediately before the dates on which the options were exercised HK$
Mr. Jaime Che	4.9.2013	12,000,000	–	–	–	–	12,000,000	4.9.2015 – 3.9.2023 *(Note 2)*	0.450	–
	28.4.2014	4,000,000	–	–	–	–	4,000,000	28.4.2016 – 27.4.2024 *(Note 2)*	0.630	–
	31.7.2017	–	150,000,000	–	–	–	150,000,000	31.7.2017 – 30.7.2027 *(Note 5)*	0.400	–
Mr. Chan Yuk Tong	8.5.2009	900,000	–	–	–	–	900,000	8.11.2010 – 7.5.2019 *(Note 4)*	0.061	–
	4.9.2013	8,000,000	–	–	–	–	8,000,000	4.9.2015 – 3.9.2023 *(Note 2)*	0.450	–
	28.4.2014	4,000,000	–	–	–	–	4,000,000	28.4.2016 – 27.4.2024 *(Note 2)*	0.630	–
	31.7.2017	–	22,000,000	–	–	–	22,000,000	31.7.2017 – 30.7.2027 *(Note 5)*	0.400	–
Mr. Fei Tai Hung	8.5.2009	900,000	–	–	–	–	900,000	8.11.2010 – 7.5.2019 *(Note 4)*	0.061	–
	4.9.2013	8,000,000	–	–	–	–	8,000,000	4.9.2015 – 3.9.2023 *(Note 2)*	0.450	–
	28.4.2014	4,000,000	–	–	–	–	4,000,000	28.4.2016 – 27.4.2024 *(Note 2)*	0.630	–
	31.7.2017	–	22,000,000	–	–	–	22,000,000	31.7.2017 – 30.7.2027 *(Note 5)*	0.400	–
Mr. Tse Kam Fow	8.5.2009	900,000	–	–	–	–	900,000	8.11.2010 – 7.5.2019 *(Note 4)*	0.061	–
	4.9.2013	8,000,000	–	–	–	–	8,000,000	4.9.2015 – 3.9.2023 *(Note 2)*	0.450	–
	28.4.2014	4,000,000	–	–	–	–	4,000,000	28.4.2016 – 27.4.2024 *(Note 2)*	0.630	–
	31.7.2017	–	22,000,000	–	–	–	22,000,000	31.7.2017 – 30.7.2027 *(Note 5)*	0.400	–
Mr. Xu Jingbin	31.7.2017	–	22,000,000	–	–	–	22,000,000	31.7.2017 – 30.7.2027 *(Note 5)*	0.400	–

43. SHARE OPTION SCHEME (CONTINUED)

Details of the options and movements in such holdings during the year ended 31 March 2018 are as follows: (Continued)

Category of participants	Date of grant	Number of options: Outstanding as at 1.4.2017	Granted during the year *(Note 11)*	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31.3.2018	Exercise period	Exercise price per option HK$	Weighted average closing price of the shares immediately before the dates on which the options were exercised HK$
Employees	4.9.2013	146,200,000	–	–	(3,300,000) *(Note 12)*	–	142,900,000	4.9.2015 – 3.9.2023 *(Note 2)*	0.450	–
	28.4.2014	103,400,000	–	–	(11,600,000) *(Note 12)*	–	91,800,000	28.4.2016 – 27.4.2024 *(Note 2)*	0.630	–
Others	23.8.2007	7,200,000	–	–	(7,200,000) *(Note 12)*	–	–	23.8.2008 – 22.8.2017 *(Note 3)*	0.230	–
	4.9.2013	24,000,000	–	–	(1,000,000) *(Note 12)*	(3,000,000) *(Note 12)*	20,000,000	4.9.2015 – 3.9.2023 *(Note 2)*	0.450	–
	28.4.2014	12,000,000	–	–	–	(2,000,000) *(Note 12)*	10,000,000	28.4.2016 – 27.4.2024 *(Note 2)*	0.630	–
	31.7.2017	–	1,100,000,000	–	–	–	1,100,000,000 *(Note 9)*	31.7.2017 – 30.7.2027 *(Note 5)*	0.400	–
		427,300,000	2,118,000,000	(14,600,000)	(23,100,000)	(5,000,000)	2,502,600,000			
Weighted average exercise price *(HK$)*		0.489	0.400	0.230	0.472	0.522	0.415			
Exercisable as at 31.3.2018							18,900,000 110,950,000 74,400,000	0.061 0.450 0.630		

43. SHARE OPTION SCHEME (CONTINUED)

Notes:

1. Number of options refers to the number of underlying shares of the Company covered by the options granted under both the 2004 Scheme and the 2014 Scheme.

2. Options granted are subject to a vesting period up to five years with half of the options becoming exercisable 24 months after the relevant date of grant and the remainder becoming exercisable 60 months after the relevant date of grant.

3. Options granted are subject to a vesting period up to two years with 50%, 25% and 25% of the options becoming exercisable 12 months, 18 months and 24 months after the date of grant respectively.

4. Options granted are subject to a vesting period up to two years with half of the options becoming exercisable 18 months after the date of grant and the remainder becoming exercisable 24 months after the date of grant.

5. Options granted are subject to vesting conditions of: (1) half of the options becoming exercisable if, as stated in the audited consolidated financial statements of the Company for any financial year within the validity period, (i) revenue and other income exceed HK$2 billion; or (ii) net profit before tax exceeds HK$200 million; and (2) the remainder becoming exercisable if, as stated in the audited consolidated financial statements of the Company for any financial year within the validity period, (i) revenue and other income exceed HK$5 billion; or (ii) net profit before tax exceeds HK$500 million.

6. Mr. Miao Zhenguo resigned as a director of the Company on 12 June 2018 but remained as a director of certain subsidiaries of the Company. His outstanding options entitling him to subscribe for 12,000,000 shares of the Company with an exercise price of HK$0.450 per share, 3,000,000 shares of the Company with an exercise price of HK$0.630 per share and 180,000,000 shares of the Company with an exercise price of HK$0.400 per share were therefore re-classified from the category of "Directors" to the category of "Others" during the year ended 31 March 2019.

7. An optionholder was employed by the Company as a consultant following his resignation as an employee. His outstanding options entitling him to subscribe for a total of 4,000,000 shares of the Company with an exercise price of HK$0.450 per share were therefore re-classified from the category of "Employees" to the category of "Others" during the year ended 31 March 2019.

8. During the year ended 31 March 2019, a total of 22,250,000 vested options and 43,150,000 unvested options lapsed following the cessation of optionholders to be employees of the Company or eligible participants of the 2004 Scheme and/or the 2014 Scheme and 200,000,000 unvested options were cancelled.

9. The number of options included the options granted to FDG EBT (Share Option) Limited entitling it to subscribe for 1,100,000,000 shares of the Company.

10. No options were granted or exercised during the year ended 31 March 2019.

11. Options to subscribe for 2,118,000,000 shares of the Company were granted on 31 July 2017. The Company received an aggregate consideration of HK$11 for the grant of these options. The closing price of the shares of the Company on the trading date immediately before the date on which these options were granted was HK$0.310.

12. During the year ended 31 March 2018, a total of 14,600,000 options were exercised, 7,950,000 vested options and 7,950,000 unvested options lapsed following the cessation of optionholders to be employees of the Company or eligible participants of the 2004 Scheme and/or the 2014 Scheme, 7,200,000 vested options lapsed on 23 August 2017 upon the expiry of the exercise period concerned, and 5,000,000 unvested options were cancelled.

43. SHARE OPTION SCHEME (CONTINUED)

Notes: (Continued)

13. The weighted average fair values of the options granted during the year ended 31 March 2018 calculated using the Binomial Option-Pricing Model and the inputs into such model were as follows:

	1,320,000,000 options granted on 31 July 2017 and approved in the special general meeting held on 29 August 2017	798,000,000 options granted on 31 July 2017
Weighted average fair value	HK$0.076	HK$0.121
Closing price of the shares on approval date/grant date	HK$0.310	HK$0.315
Exercise price	HK$0.400	HK$0.400
Expected volatility	54.24%	54.36%
Option life	9.9 years	10 years
Risk-free interest rate	1.52%	1.53%
Expected dividend yield	0%	0%

Expected volatility was determined by using the annualised standard deviations of the continuously compounded rates of return on the share prices of the other three comparable companies. The result of the Binomial Option-Pricing Model can be materially affected by changes in these variables and assumptions. Therefore, an option's actual value may differ from the estimated fair value of the options due to limitations of the Binomial Option-Pricing Model. The expected vesting period is based on the expected timing of achieving the performance targets with best estimates by the Board.

14. The Group recognised total expenses of approximately HK$4,433,000 for the year ended 31 March 2019 (2018: HK$42,813,000) in relation to the options granted by the Company. The options outstanding as at 31 March 2019 had a weighted average remaining contractual life of 7.7 years (2018: 8.7 years). As at 31 March 2019, a total of 288,900,000 (2018: 204,250,000) options were exercisable with weighted-average exercise price of HK$0.458 (2018: HK$0.479) per option.

44. COMMITMENTS

(a) COMMITMENTS UNDER OPERATING LEASES

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

	2019 HK$'000	2018 HK$'000
Within one year	**26,855**	30,268
In the second to fifth year	**25,279**	59,292
	52,134	89,560

Leases are negotiated for terms from one to four years (2018: one to four years) with a fixed monthly rental over the terms of the leases. None of the leases include contingent rentals.

(b) CAPITAL COMMITMENTS

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

	2019 HK$'000	2018 HK$'000
Contracted, but not provided for capital commitments in respect of:		
– capital expenditures of the Group's factories in the PRC *(Note)*	**1,665,006**	1,434,146
– investment in a joint venture	**–**	38,750
– investments in associates	**157,150**	13,603
	1,822,156	1,486,499

Note: As at 31 March 2019, the amounts of HK$1,181,450,000 (2018: HK$703,613,000) related to capital expenditures of electric vehicle production plants in Guizhou will be financed with the assistance of the Guizhou local government.

45. LITIGATIONS

(a) LITIGATIONS INVOLVING MR. WINSTON CHUNG

The Company and two of its subsidiaries are involving in litigations with the Chung Parties in the High Court Proceedings, which were instituted against the Chung Parties for, inter alia, breaches of various agreements in relation to the acquisition completed by the Group on 25 May 2010. In the same action, the Chung Parties issued a counterclaim based on certain documents.

After the Group instituted the High Court Proceedings against the Chung Parties, the Chung Parties attempted to claim against a subsidiary of the Company by filing a lawsuit in the Shenzhen Intermediate Court of the PRC (the "SZ Court") for breaches of various agreements in relation to the production of battery products (the "SZ Case"). On 2 June 2015, the SZ Court ruled that the evidence provided by the Chung Parties did not support the Chung Parties' claims, thus dismissed the SZ Case and ordered the Chung Parties to pay the SZ Court's costs (the "SZ Court Order").

On 27 February 2013, the HK Court made an order for bankruptcy against Mr. Chung (the "Bankruptcy"). Despite being adjudged bankrupt, Mr. Chung failed to submit relevant documents to the Trustee as required under the Bankruptcy Ordinance. The HK Court issued a warrant of arrest to apprehend Mr. Chung on 4 September 2014 (the "Warrant of Arrest"). However, on 26 February 2017, the HK Court ordered that Mr. Chung's Bankruptcy be extended by 4 years.

Regarding the Bankruptcy proceedings, the Trustee has taken over four companies owned and/or controlled by Mr. Chung, including Mei Li, one of the defendants of the High Court Proceedings in mid-2018.

Based on legal advice sought, the directors of the Company do not believe that it is probable that the courts will find against the Group in the High Court Proceedings. In light of the SZ Court Order which casts serious doubt on the Chung Parties' credibility, together with the fact that Mr. Chung has disappeared since the Warrant of Arrest was issued in 2014, the directors of the Company are of the view that the defence and counterclaim of the Chung Parties are frivolous, vexatious and based on unsubstantiated and invalid grounds. In the meantime, the Company has prepared amendments to the Statement of Claim, which would be the next step in strengthening and pushing the case forward. Before proceeding with applying for the amendment, the Company is in discussions to explore settlement concurrently. In any event, the parties are at least 12 months away from being ready for trial and no provision for claims has therefore been made in respect of these litigations.

(b) LITIGATIONS COMMENCED BY CREDITORS AND A BANK

As at 31 March 2019, there were outstanding litigations commenced by certain suppliers, other creditors, a bank and a finance lease creditor against certain subsidiaries of the Group requesting such subsidiaries to repay the outstanding trade payables, other payables, bank loans and obligations under a finance lease under continuing operations, amounting to approximately HK$113,831,000, HK$126,663,000, HK$294,947,000 and HK$34,100,000, respectively. The outstanding litigations on outstanding trade payables under discontinued operation amounted to approximately HK$22,227,000. The Group is negotiating with the creditors and the bank to settle these litigations. Under the supervision and coordination of the local government in Hangzhou, the bank which commenced legal action has agreed to withdraw the litigation and enter into a standstill and restructuring arrangement in principle to extend and/or renew all outstanding loans by new terms of not less than 12 months after the original maturity.

46. RELATED PARTY TRANSACTIONS

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

(a) SALES/PURCHASE OF GOODS AND OTHER TRANSACTIONS

	2019 **HK$'000**	2018 HK$'000
Sales of goods to a joint venture	**4,324**	20,084
Service income charged to a joint venture	**–**	2,713
Purchase of goods from an associate	**(4,721)**	(19,712)
Research and development expenses charged by an associate	**(2,881)**	(31,828)

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

(b) KEY MANAGEMENT PERSONNEL REMUNERATION

Remuneration of key management personnel, including amounts paid to the Company's directors as disclosed in Note 15(a) and certain of the highest paid employees as disclosed in Note 15(b), is as follows:

	2019 **HK$'000**	2018 HK$'000
Short-term employee benefits	**23,454**	32,815
Retirement benefit schemes contributions	**172**	210
Equity-settled share-based payments	**4,941**	40,035
	28,567	73,060

(c) YEAR-END BALANCES ARISING FROM SALES/PURCHASE OF GOODS AND OTHER TRANSACTIONS

	2019 **HK$'000**	2018 HK$'000
Trade receivables from a joint venture	**–**	23,686
Trade and other payables to associates	**(39,505)**	(42,259)

The receivables from the joint venture as at 31 March 2018 arose mainly from sale transactions with credit period generally within 3 months. The receivables were unsecured and non-interest-bearing. No allowance for impairment loss had been made on the receivables from the joint venture. The payables to the associates arise mainly from the purchase of raw materials and research and development expenses charged. The payables are unsecured, non-interest-bearing and repayable within 1 year.

46. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) LOANS TO RELATED PARTIES

	2019 HK$'000	2018 HK$'000
Loans to a joint venture:		
At 1 April	**28,215**	43,714
Loans advanced during year	**57,106**	21,700
Loan repayments received	**–**	(1,550)
Interest charged	**2,547**	3,101
Conversion of debt to capital injection	**(14,725)**	(38,750)
Derecognition upon obtaining control on the joint venture	**(73,143)**	–
At 31 March	**–**	28,215

As at 31 March 2018, the balances are due within one year, bearing interest ranging from 0% to 8% per annum and secured by a lien on any and all properties, rights and assets of the joint venture, now owned or hereafter acquired.

As at 31 March 2018, no allowance for impairment loss has been made on the loans to the joint venture.

47. EVENTS AFTER THE REPORTING PERIOD

(a) On 29 March 2019, the Company entered into a placing and subscription agreement with Right Precious Limited ("Right Precious", an existing shareholder of the Company) and a placing agent, pursuant to which (i) Right Precious has appointed the placing agent and the placing agent has agreed to act as the placing agent for Right Precious, on a best efforts basis, to procure a placee to purchase up to 833,330,000 placing shares at HK$0.048 per share (the "Placing"); and (ii) Right Precious has conditionally agreed to subscribe for new shares issued by the Company following completion of the Placing at HK$0.048 per share (the "Top-up Subscription"). The number of new shares of the Company subscribed by Right Precious in the Top-up Subscription shall be equal to the number of existing shares of the Company placed by the placing agent in the Placing. Following the completion of the Placing, the Top-up Subscription was completed on 11 April 2019. A total of 833,330,000 new shares of the Company have been allotted and issued to Right Precious. The net proceeds from the Top-up Subscription was HK$38,500,000.

(b) On 9 September 2018, the Company entered into a subscription agreement to conditionally allot and issue 7,000,000,000 ordinary shares of the Company under specific mandate to a subscriber. However, the subscriber only paid a total of RMB87,000,000 (equivalent to HK$100,029,893.99) as a deposit for the subscription and was unable to make available the remaining subscription money. The subscription agreement had been terminated on 25 January 2019 without any claim against each other on condition that the subscriber shall provide three loan facilities in the amount of RMB87,000,000, RMB50,000,000 and RMB100,000,000 respectively to the Company for a term of two years at an interest rate of 1% per annum (the "Settlement Agreement"). The deposit for the subscription of RMB87,000,000 was regarded as one of the above three loan facilities according to the Settlement Agreement.

47. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

(b) (Continued)

On 3 April 2019, the subscriber failed to provide the Company with the above remaining two loan facilities of RMB50,000,000 and RMB100,000,000 within the prescribed time in accordance with the Settlement Agreement, and the Company and the subscriber entered into a supplemental settlement agreement pursuant to which the subscriber shall provide loan facilities in the amount of HK$600,000, HK$20,000,000 and HK$151,865,334.47 respectively to the Company for a term of two years at an interest rate of 1% per annum to replace the two initial loan facilities of RMB50,000,000 and RMB100,000,000. In April 2019, a loan of HK$600,000 was provided to the Company. The remaining two loan facilities in the amounts of HK$20,000,000 and HK$151,865,334.47 respectively, as mentioned above, were replaced by a second supplemental settlement agreement dated 11 June 2019 (the "Second Supplemental Settlement Agreement") pursuant to which (i) the subscriber shall provide loan facilities in the amount of HK$20,000,000 to the Company for a term of two years with nil interest; (ii) the subscriber shall, or procure its designated party who is not a connected person of the Company to, enter into a subscription agreement with the Company on or before 30 June 2019 to subscribe for the new shares of the Company with total subscription amount of not less than HK$200,000,000, failing which the subscriber is required to pay an amount of HK$5,000,000 as a penalty to the Company; and (iii) an associate of the subscriber shall provide guarantee for all obligations, liabilities and undertakings of the subscriber in favour of the Company without taking any security under the Second Supplemental Settlement Agreement. On 11 June 2019, a loan of HK$20,000,000 was provided to the Company.

(c) On 17 April 2019, the Board has resolved to allot and issue 1,300,000,000 new shares of the Company under general mandate to the trustee of the employee's share award scheme of the Company (as adopted on 29 June 2015 and amended on 28 November 2016) for grant of share awards to selected participants by way of allotment of new shares pursuant to the scheme. Up to the date of approval of the consolidated financial statements, the 1,300,000,000 new shares of the Company have not yet been issued and allotted subject to regulatory clearance.

(d) On 14 June 2019, Chanje, a non-wholly owned subsidiary of the Company, and an investor entered into an unsecured convertible promissory note in the total principal amount of US$20,000,000 at the interest rate of 10% per annum (the "Convertible Promissory Note"), pursuant to which and in consideration for the principal amount, (i) Chanje has agreed to pay to the investor or its nominee the outstanding principal amount and all accrued and unpaid interest pursuant to the terms thereof; and (ii) the investor is granted with the optional conversion right upon receipt of the principal amount in full by Chanje in which the investor has the right and option to convert all or part of the outstanding principal amount of the Convertible Promissory Note and any accrued interest into the common stocks of Chanje at any time prior to the maturity date subject to approval of board of directors of Chanje.

(e) On 13 June 2019, under the supervision and coordination of a local government in Hangzhou, the PRC, all the creditor banks of a non-wholly-owned subsidiary of the Company, to which the subsidiary owed approximately HK$1,318 million (including approximately HK$295 million payable to a creditor banker that commenced legal action for immediate repayment and subsequently agreed to withdraw the litigation) as at 31 March 2019, agreed not to take any legal action for repayment nor reduce credit facility and credit rating, and agreed to a standstill and restructuring arrangement in principle to extend and/or to renew all these banks loans upon maturity by new terms of not less than 12 months after the original maturity.

(f) On 30 June 2019, the Company entered into a subscription agreement with a subscriber who is the lender of another borrowing and the holder of the 2020 Due CB in which the subscriber conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue 4,086,323,694 new ordinary shares of the Company. The gross proceed of the subscription will be approximately HK$110,331,000 which will be used to set off against the total outstanding interest owed by the Company to the subscriber in relation to the other borrowing and the 2020 Due CB. Further details are set out in the Company's announcement dated 30 June 2019.

48. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances.

The capital structure of the Group consists of the equity attributable to owners of the Company, comprising issued capital and reserves. No material changes were made in the objectives, policies or processes during the years ended 31 March 2019 and 2018.

The management of the Group reviews the capital structure and considers the cost of capital regularly. The Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, issue new shares as well as the raising of debts and bank borrowings.

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

The Group monitors its capital structure on the basis of net debt to equity ratio, which is net debt divided by capital. Net debt includes the Group's total borrowings (including bank loans and other borrowings and obligations under redeemed convertible bonds) less cash and cash equivalents and deposit in a security account as shown in consolidated statement of financial position. Total capital includes all components of equity attributable to owners of the Company and the liability components of convertible bonds. The net debt to equity ratio as at the end of the reporting period is as follows:

	2019 **HK$'000**	2018 HK$'000
Bank loans and other borrowings	**2,728,470**	3,322,651
Obligations under finance leases	**79,143**	127,823
Obligations under redeemed convertible bonds *(Note)*	**760,752**	760,752
Total borrowings	**3,568,365**	4,211,226
Less: Cash and cash equivalents	**(163,892)**	(752,351)
Net debt	**3,404,473**	3,458,875
Total equity attributable to owners of the Company	**(511,921)**	1,168,540
Liability components of convertible bonds	**601,006**	646,494
Adjusted capital	**89,085**	1,815,034
Net debt to equity ratio	**3,822%**	191%

Note: Based on a court judgment dated 5 March 2013, the Group has been given an unconditional leave to defend to the extent of the Set-Off (as defined in Note 39) and based on which, the Group is entitled to a stay of execution of payment for the obligations under redeemed convertible bonds before the conclusion of the relevant legal proceedings. If the obligations under redeemed convertible bonds were excluded, the net debt to equity ratio would be 2,968% and 149% as at 31 March 2019 and 2018, respectively.

49. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	**2019 HK$'000**	2018 HK$'000
Non-current assets			
Interests in subsidiaries		**2,014,711**	4,287,005
		2,014,711	4,287,005
Current assets			
Amounts due from subsidiaries		**370,000**	195,000
Other receivables		**1,443**	5,427
Derivative financial instruments		**68**	19,183
Cash and cash equivalents		**742**	32,247
		372,253	251,857
Current liabilities			
Amounts due to subsidiaries		**(309,868)**	(135,023)
Bank loan and other borrowings		**(264,500)**	(409,500)
Other payables		**(220,188)**	(63,858)
Provision for obligations under financial guarantees		**(46,139)**	–
		(840,695)	(608,381)
Net current liabilities		**(468,442)**	(356,524)
Total assets less current liabilities		**1,546,269**	3,930,481
Non-current liabilities			
Bank loan and other borrowings		**(668,158)**	(583,602)
Liability components of convertible bonds		**(601,006)**	(548,415)
Obligations under redeemed convertible bonds		**(760,752)**	(760,752)
		(2,029,916)	(1,892,769)
NET (LIABILITIES)/ASSETS		**(483,647)**	2,037,712
CAPITAL AND RESERVES			
Issued capital	*41*	**264,898**	224,131
Reserves	*42*	**(748,545)**	1,813,581
TOTAL (DEFICIT IN EQUITY)/EQUITY		**(483,647)**	2,037,712

50. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board on 2 July 2019.