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

(Incorporated in Bermuda with limited liability)

(Stock Code: 729)

FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2018

The board of directors (the "Board") of FDG Electric Vehicles Limited (the "Company") presents the audited consolidated final results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2018, together with the comparative figures for last year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2018

	Note	**2018** ***HK$'000***	2017 *HK$'000*
Revenue	2	**1,058,474**	1,513,179
Cost of sales		**(916,718)**	(1,021,210)
Gross profit		**141,756**	491,969
Other income		**82,465**	72,125
Other gains and losses, net	4	**(650,221)**	40,331
Selling and distribution costs		**(176,740)**	(96,246)
General and administrative expenses		**(618,869)**	(492,230)
Research and development expenses		**(209,444)**	(128,714)
Finance costs	5	**(389,235)**	(363,536)
Other operating expenses	6	**(79,475)**	—
Impairment on goodwill	6	**(668,396)**	—
Impairment on intangible assets	6	**(197,790)**	—
Amortisation of intangible assets		**(230,724)**	(179,825)
Share of results of associates		**(49,626)**	(17,833)
Share of results of joint ventures		**(117,051)**	(68,210)
Loss before tax	6	**(3,163,350)**	(742,169)
Income tax	7	**96,219**	16,965

CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(Continued)*

For the year ended 31 March 2018

	Note	**2018** **HK$'000**	2017 *HK$'000*
Loss for the year		**(3,067,131)**	(725,204)
Attributable to:			
Owners of the Company		**(2,230,371)**	(554,849)
Non-controlling interests		**(836,760)**	(170,355)
		(3,067,131)	(725,204)
		HK cents	*HK cents*
Loss per share attributable to owners of the Company	9		
— Basic and diluted		**(9.95)**	(2.50)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

	2018	2017
	HK$'000	*HK$'000*
Loss for the year	**(3,067,131)**	(725,204)
Other comprehensive income/(loss) for the year, net of nil tax:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	**460,839**	(238,537)
Share of other comprehensive income/(loss) of associates	**15,878**	(6,649)
Share of other comprehensive income/(loss) of joint ventures	**10,837**	(6,276)
	487,554	(251,462)
Total comprehensive loss for the year	**(2,579,577)**	(976,666)
Attributable to:		
Owners of the Company	**(1,882,099)**	(756,013)
Non-controlling interests	**(697,478)**	(220,653)
Total comprehensive loss for the year	**(2,579,577)**	(976,666)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	Note	2018 *HK$'000*	2017 *HK$'000*
Non-current assets			
Goodwill		**681,850**	1,265,028
Intangible assets		**620,894**	786,104
Property, plant and equipment	10	**3,538,502**	3,163,023
Interests in leasehold land held for own use under operating leases		**359,752**	332,309
Interests in associates		**436,142**	371,770
Interests in joint ventures		**354,692**	425,550
Deposits paid for non-current assets		**392,505**	144,908
Loan receivables	12	**16,128**	398
Other non-current assets		**7,416**	8,162
		6,407,881	6,497,252
Current assets			
Inventories		**566,829**	657,967
Trade and bills receivables	11	**1,409,167**	1,251,782
Loan and other receivables	12	**1,176,005**	877,684
Financial assets at fair value through profit or loss		**79,554**	50,000
Derivative financial instruments		**19,183**	21,233
Pledged bank deposits		**235,317**	160,163
Cash and cash equivalents		**752,351**	1,321,410
		4,238,406	4,340,239
Current liabilities			
Bank loans and other borrowings	13	**(1,628,383)**	(1,340,776)
Trade and bills payables	14	**(959,629)**	(745,544)
Accruals and other payables		**(1,375,624)**	(740,144)
Tax payables		**(39,661)**	(36,853)
Obligations under finance leases		**(115,235)**	(28,394)
Liability components of convertible bonds		**(98,079)**	(514,636)
		(4,216,611)	(3,406,347)
Net current assets		**21,795**	933,892
Total assets less current liabilities		**6,429,676**	7,431,144

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

As at 31 March 2018

	Note	**2018**	2017
		HK$'000	*HK$'000*
Non-current liabilities			
Receipts in advance		**(676,113)**	(610,235)
Deferred income	15	**(502,944)**	(54,067)
Bank loans and other borrowings	13	**(1,694,268)**	(1,094,483)
Obligations under finance leases		**(12,588)**	(41,497)
Liability components of convertible bonds		**(548,415)**	(190,199)
Deferred tax liabilities		**(86,191)**	(180,325)
Obligations under redeemed convertible bonds	16	**(760,752)**	(760,752)
		(4,281,271)	(2,931,558)
NET ASSETS		**2,148,405**	4,499,586
CAPITAL AND RESERVES			
Issued capital		**224,131**	223,985
Reserves		**944,409**	2,724,640
Total equity attributable to owners of the Company		**1,168,540**	2,948,625
Non-controlling interests		**979,865**	1,550,961
TOTAL EQUITY		**2,148,405**	4,499,586

NOTES:

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation of the consolidated financial statements

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term include all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and accounting principles generally accepted in Hong Kong. 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"). These consolidated financial statements have been prepared under the historical cost basis, except for financial assets at fair value through profit or loss and derivative financial instruments which have been measured at fair value.

The Group incurred a loss of approximately HK$3,067 million for the year ended 31 March 2018 and as at that date, the Group had net current assets of approximately HK$22 million and capital commitments of approximately HK$1,486 million. Notwithstanding the aforesaid conditions, the consolidated financial statements have been prepared on a going concern basis because the Board is of the opinion that the Group can meet its financial obligations as and when they fall due in the next twelve months, after taking into consideration of the followings:

(1) Based on the cash flow forecast of the Group for the next twelve months ending 31 March 2019, the Group will have sufficient working capital for its financial and capital expenditure requirements for the next twelve months;

(2) A placing agreement was entered into by the Company with a placing agent to place up to 1,000,000,000 new shares of the Company at a price of HK$0.109 per share based on which the Company will raise net funds of approximately HK$103.9 million, as disclosed in the announcement of the Company dated 25 June 2018; and

(3) The Group is also considering various future fundraising and financing activities to support its working capital requirements.

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

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to restate the values 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.

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Impact of new and revised Hong Kong Financial Reporting Standards

The Group has where applicable adopted the following amendments to HKFRSs issued by the HKICPA for the first time in the current year's consolidated financial statements:

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

Except additional disclosure included in these consolidated financial statements to satisfy the new disclosure requirements introduced by the amendments to HKAS 7, Disclosure Initiative, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, the application of these amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or the disclosures set out in these consolidated financial statements.

The Group has not early adopted any amendments and new standards that have been issued but are not yet effective for the current financial year in these consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers
HKFRS 16	Leases
Amendments to HKFRSs	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRS 2015-2017 Cycle
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and Its Associates or Joint Venture
Amendments to HKAS 28	Long-term interests in Associates and Joint Ventures
HK (IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration
HK (IFRIC) - Int 23	Uncertainty over Income Tax Treatments

The Group is in the process of making an assessment of what the impact of these new standards, amendments and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have significant impact on the financial performance and position of the Group.

2. REVENUE

Revenue represents the aggregate of gross proceeds from sales of electric vehicles, gross proceeds from sales of lithium-ion batteries and its related products, income from leasing of electric vehicles, gross proceeds from sales of cathode materials for nickel-cobalt-manganese ("NCM") lithium-ion batteries, and income from direct investments which includes loan financing, securities trading and asset investment.

	2018	2017
	HK$'000	*HK$'000*
Sales of electric vehicles	**730,189**	1,178,909
Sales of lithium-ion batteries and its related products	**96,885**	87,465
Income from leasing of electric vehicles	**1**	3
Sales of cathode materials for NCM lithium-ion batteries	**219,180**	234,201
Income from direct investments	**12,219**	12,601
Total	**1,058,474**	1,513,179

3. 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. The Board considers that the Group is organised into business units based on their products and services, and has reportable operating segments as follows:

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

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

(c) the electric vehicle leasing segment represents the provision of leasing services of electric vehicles including operating leases and finance leases;

(d) the battery materials production segment includes research and development, manufacture and sales of cathode materials for (1) NCM lithium-ion batteries and (2) lithium ferrous phosphate batteries; and

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

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 basis:

(i) Reportable segment profit/(loss) before tax represents the profit earned by/(loss from) each segment without allocation of central administration costs, central finance costs and other income earned which is not attributable to any reportable segment. Reportable segment profit/(loss) before tax also excludes the elimination of inter-segment profit/(loss);

3. **SEGMENT REPORTING** *(Continued)*

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

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

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

The Group's reportable segments for the years ended 31 March 2018 and 2017 are as follows:

	2018					
	Vehicle design & electric vehicle production	**Battery products**	**Electric vehicle leasing**	**Battery materials production**	**Direct investments**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	730,189	96,885	1	219,180	12,219	1,058,474
Inter-segment revenue	—	37,389	—	—	30,904	68,293
Reportable segment revenue	730,189	134,274	1	219,180	43,123	1,126,767
Reportable segment loss before tax	(1,359,571)	(564,525)	(484)	(326,648)	(453,715)	(2,704,943)
Other segment information:						
Interest income	24,027	1,551	28	325	12,219	38,150
Depreciation and amortisation	(249,842)	(156,314)	(29)	(33,003)	—	(439,188)
Finance costs	(73,132)	(23,353)	—	(10,805)	(7,025)	(114,315)
Write-down of inventories	(8,111)	(71,210)	—	—	—	(79,321)
Share of results of joint ventures	(120,544)	—	—	—	3,493	(117,051)
Impairment on interest in a joint venture	(42,145)	—	—	—	—	(42,145)
Interests in joint ventures	242,424	—	—	—	112,268	354,692
Share of results of associates	—	41	—	(49,667)	—	(49,626)
Impairment on interest in an associate	—	—	—	(61,000)	—	(61,000)
Interests in associates	—	2,789	—	433,353	—	436,142
Impairment on trade receivables	(251,382)	(11,052)	—	(7,553)	—	(269,987)
Impairment on deposits paid for non-current assets	(1,816)	—	—	—	—	(1,816)
Impairment on goodwill	(87,511)	—	—	(152,969)	(427,916)	(668,396)
Impairment on property, plant and equipment	(110,207)	—	—	—	—	(110,207)
Impairment on intangible assets	—	(197,790)	—	—	—	(197,790)
Additions to non-current assets	617,681	110,518	—	222,721	—	950,920
Reportable segment assets	7,420,930	1,298,986	21,200	1,274,307	306,588	10,322,011
Reportable segment liabilities	(4,410,796)	(1,567,967)	(2,196)	(410,013)	(176,579)	(6,567,551)

3. SEGMENT REPORTING *(Continued)*

The Group's reportable segments for the years ended 31 March 2018 and 2017 are as follows: *(Continued)*

	2017					
	Vehicle design & electric vehicle production *HK$'000*	Battery products *HK$'000*	Electric vehicle leasing *HK$'000*	Battery materials production *HK$'000*	Direct investments *HK$'000*	Total *HK$'000*
Revenue from external customers	1,178,909	87,465	3	234,201	12,601	1,513,179
Inter-segment revenue	—	285,523	—	—	33,431	318,954
Reportable segment revenue	1,178,909	372,988	3	234,201	46,032	1,832,133
Reportable segment profit/(loss) before tax	(76,951)	(159,834)	(417)	(61,192)	17,289	(281,105)
Other segment information:						
Interest income	9,665	1,085	22	712	12,601	24,085
Depreciation and amortisation	(135,380)	(152,604)	(216)	(32,192)	—	(320,392)
Finance costs	(71,208)	(18,210)	—	(7,516)	—	(96,934)
Share of results of joint ventures	(68,753)	—	—	—	543	(68,210)
Interests in joint ventures	327,612	—	—	—	97,938	425,550
Share of results of associates	—	(524)	—	(17,309)	—	(17,833)
Interests in associates	—	2,478	—	369,292	—	371,770
Impairment on trade receivables	—	(34,674)	—	(1,225)	—	(35,899)
Gain on bargain purchase arising from the acquisition of additional interest in a joint venture	133,850	—	—	—	—	133,850
Additions to non-current assets	542,310	277,992	—	395,380	—	1,215,682
Reportable segment assets	6,771,198	1,615,136	25,019	1,305,797	740,897	10,458,047
Reportable segment liabilities	(2,888,614)	(1,432,938)	(1,102)	(246,524)	(68,317)	(4,637,495)

3. SEGMENT REPORTING *(Continued)*

Reconciliations of reportable segment revenue, profit or loss, assets and liabilities

	2018	2017
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	**1,126,767**	1,832,133
Elimination of inter-segment revenue	**(68,293)**	(318,954)
Consolidated revenue	**1,058,474**	1,513,179
Loss		
Reportable segment loss before tax	**(2,704,943)**	(281,105)
Elimination of inter-segment loss	**20,921**	3,830
Reportable segment loss derived from the Group's external customers	**(2,684,022)**	(277,275)
Other income and other gains and losses, net	**(36,065)**	(26,648)
Depreciation	**(1,366)**	(1,581)
Finance costs	**(274,920)**	(266,602)
Unallocated corporate expenses	**(166,977)**	(170,063)
Consolidated loss before tax	**(3,163,350)**	(742,169)
Assets		
Reportable segment assets	**10,322,011**	10,458,047
Unallocated corporate assets:		
Derivative financial instruments	**19,183**	21,233
Cash and cash equivalents	**101,157**	109,369
Other unallocated corporate assets	**203,936**	248,842
Consolidated total assets	**10,646,287**	10,837,491
Liabilities		
Reportable segment liabilities	**(6,567,551)**	(4,637,495)
Unallocated corporate liabilities:		
Bank loans and other borrowings	**(1,289,617)**	(900,000)
Liability components of convertible bonds	**(548,415)**	(704,835)
Other unallocated corporate liabilities	**(92,299)**	(95,575)
Consolidated total liabilities	**(8,497,882)**	(6,337,905)

3. SEGMENT REPORTING *(Continued)*

Geographical information

(a) Revenue from external customers

	2018	2017
	HK$'000	*HK$'000*
European countries	**52,065**	52,479
The People's Republic of China (the "PRC")	**958,705**	1,426,570
The United States of America (the "US")	**20,084**	9,314
Australia	**5,804**	4,518
Hong Kong	**12,538**	12,265
Others	**9,278**	8,033
	1,058,474	1,513,179

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

(b) Non-current assets (other than loan receivables)

	2018	2017
	HK$'000	*HK$'000*
The PRC	**5,772,512**	5,256,914
The US	**242,424**	327,612
Hong Kong	**1,082**	430,455
Taiwan	**375,735**	481,873
	6,391,753	6,496,854

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:

	2018	2017
	HK$'000	*HK$'000*
Customer A – revenue from sales of electric vehicles	**260,128**	N/A#
Customer B – revenue from sales of electric vehicles	**106,799**	N/A#
Customer C – revenue from sales of electric vehicles	**N/A#**	317,104
Customer D – revenue from sales of electric vehicles	**N/A#**	200,089
Customer E – revenue from sales of cathode materials	**N/A#**	156,125

\# The transactions with these customers did not contribute 10% or more of total revenue of the Group during the years ended 31 March 2018 or 2017, as the case may be.

4. OTHER GAINS AND LOSSES, NET

	2018	2017
	HK$'000	*HK$'000*
Net gains in respect of Smith and Chanje		
Gain on bargain purchase arising from the acquisition of additional interest in a joint venture *(Note (a))*	**—**	133,850
Impairment on available-for-sale investments	**—**	(23,884)
Impairment on loan and other receivables	**—**	(7,658)
	—	102,308
Other items		
Exchange losses, net	**(17,565)**	(35,338)
Net gain on held-for-trading investments	**13,721**	10,669
Net (loss)/gain on financial assets designated as at fair value through profit or loss *(Note (b))*	**(48,376)**	273
Write-down of inventories	**(117,064)**	(1,574)
Reversal of write-down of inventories	**2,520**	—
Impairment on property, plant and equipment	**(110,207)**	—
Impairment on deposits paid for non-current assets	**(1,816)**	—
Impairment on interest in a joint venture	**(42,145)**	—
Impairment on interest in an associate	**(61,000)**	—
Impairment on trade receivables	**(269,987)**	(35,899)
Reversal of impairment on trade receivables	**2,964**	—
Loss on disposal of property, plant and equipment, net	**(1,266)**	(108)
	(650,221)	(61,977)
	(650,221)	40,331

Notes:

(a) The Group and a joint venture partner, Smith Electric Vehicles Corp. ("Smith") entered into a loan agreement on 11 December 2015 (the "Loan Agreement") pursuant to which the Group granted a secured loan (the "Secured Loan") amounting to US$2,000,000 (equivalent to approximately HK$15,500,000) to Smith. The repayment date of the Secured Loan was 14 February 2016. The Secured Loan was secured by 10,000,000 common stocks of Chanje Energy, Inc. ("Chanje", being a joint venture of the Group) owned by Smith (the "Security"), as collateral. As a result of Smith's default in repayment under the Loan Agreement, the Group commenced the foreclosure process on 26 February 2016 and a public secured party auction was conducted on the Security on 1 June 2016 (the "Public Auction"). At the Public Auction, the Group acquired the subject 10,000,000 common stocks of Chanje with a credit-bid of US$500,000 (equivalent to approximately HK$3,875,000), being credit deducted from the outstanding monies owed by Smith to the Group under the Loan Agreement. During the year ended 31 March 2017, a gain on bargain purchase arose from the acquisition of this additional interest in the joint venture of HK$133,850,000 being calculated with reference to the fair value of Chanje based on the valuation report dated 31 May 2016 issued by an independent firm of professional qualified valuers.

4. OTHER GAINS AND LOSSES, NET *(Continued)*

Notes: (Continued)

(b) The amounts mainly included a net loss on financial assets designated as at fair value through profit or loss of HK$47,848,000 (2017: nil). On 30 October 2017, the convertible bonds issued by FDG Kinetic Limited ("FKL") ("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 (a) 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 additionally (b) in the event the conversion right of any 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.

5. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest expenses on convertible bonds		
- issued by the Company	**52,738**	81,496
- issued by a listed subsidiary of the Company	**5,888**	—
Interest on finance leases	**7,985**	2,975
Interest on bank loans and other borrowings wholly repayable within five years	**300,675**	235,135
Other borrowing costs	**31,073**	6,033
Total interest expenses on financial liabilities not at fair value through profit or loss	**398,359**	325,639
Less: Interest expenses capitalised into construction in progress	**(22,354)**	—
	376,005	325,639
Fair value loss on derivative financial instruments	**13,230**	37,897
	389,235	363,536

6. LOSS BEFORE TAX

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

	2018	2017
	HK$'000	*HK$'000*
Interest income	**(44,140)**	(28,748)
Auditor's remuneration *(Note (a))*		
- audit service	**2,880**	2,750
- non-audit service	**480**	180
Cost of inventories recognised as expenses		
- included in cost of sales	**915,249**	1,020,057
- included in selling and distribution costs	**3,783**	2,105
- included in research and development expenses	**48,230**	20,761
- included in other gains and losses	**114,544**	1,574
Amortisation of intangible assets	**230,724**	179,825
Depreciation of property, plant and equipment	**201,868**	134,380
Amortisation of interests in leasehold land held for own use under operating leases	**7,962**	7,768
Warranty provision	**54,353**	28,730
Other operating expenses *(Note (b))*	**79,475**	—
Impairment on goodwill *(Note (c))*	**668,396**	—
Impairment on intangible assets *(Note (d))*	**197,790**	—
Minimum lease payments under operating leases	**66,532**	20,767
Staff costs (including directors' emoluments)		
- salaries and allowances	**378,933**	321,468
- equity-settled share-based payments	**42,813**	5,849
- contributions to retirement benefits schemes	**48,775**	31,926

Notes:

(a) The disclosed amounts excluded remuneration paid to other auditors of certain subsidiaries, amounting to HK$2,397,000 (2017: HK$2,347,000) and HK$564,000 (2017: HK$1,001,000) for audit and non-audit services, respectively.

(b) During the year ended 31 March 2018, the other operating expenses represent certain indirect operating expenses arising from the temporary under-utilisation of production capacity of the electric vehicle production plants in Hangzhou and Yunnan as the Group has incurred resources to upgrade and re-configurate the production lines, enhance production efficiency and apply for listing in the new catalogue of new energy automobile models published by the PRC government in order to meet the new specification requirements on electric vehicles under the PRC government new subsidy policies. Such upgrades, re-configurations and applications have been successfully completed in July 2017 and the electric vehicle production plants are gradually increasing production afterwards.

6. LOSS BEFORE TAX *(Continued)*

Notes: (Continued)

(c) Goodwill is tested for impairment by allocating to the Group's cash generating units ("CGUs") identified in accordance with the operating segment. During the year ended 31 March 2018, management assessed that goodwill from battery materials production segment operated by Chongqing factory, was impaired by HK$152,969,000 and goodwill from direct investments operated by FKL, was impaired by HK$427,916,000, as the recoverable amounts from these CGUs were less than their carrying amounts. In addition, the Group disposed of the electric vehicle production site in Yunnan on 3 May 2018 (the "Disposal"). As the proceeds from the 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 2018, the battery products segment engaged in the manufacturing and sales of lithium-ion batteries and related products, was subject to the new subsidy policies in the PRC and resulted in weaker than expected sales performance. Management assessed that intangible assets from battery products segment, were impaired by HK$197,790,000, as the carrying amount of this CGU exceeds its recoverable amounts.

7. INCOME TAX

	2018	2017
	HK$'000	*HK$'000*
Current tax charge for the year		
- PRC Enterprise Income Tax ("EIT")	**1,423**	24,130
- Overseas	**790**	816
	2,213	24,946
Deferred tax credit	**(98,432)**	(41,911)
Total tax credit for the year	**(96,219)**	(16,965)

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 2018 and 2017. The provision for PRC EIT is calculated on the estimated assessable profits of the Group's PRC subsidiaries at 25% (except for certain subsidiaries which are subject to a preferential tax rate of 15%) for the years ended 31 March 2018 and 2017. 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$98,432,000 (2017: HK$41,911,000) 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.

8. DIVIDEND

No dividend was paid or declared by the Company during the year (2017: nil).

9. 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$2,230,371,000 (2017: HK$554,849,000) and (ii) the weighted average number of 22,407,637,000 (2017: 22,222,352,000) ordinary shares in issue during the year.

	2018 Weighted average number of ordinary shares	2017 Weighted average number of ordinary shares
	’000	*’000*
Issued ordinary shares at the beginning of the reporting period	**22,398,476**	21,963,580
Effect of issue of shares upon conversion of convertible bonds	**—**	772
Effect of issue of shares pursuant to share subscriptions	**—**	258,000
Effect of issue of shares upon exercise of share options	**9,161**	—
Weighted average number of ordinary shares at the end of the reporting period	**22,407,637**	22,222,352

(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 2018 and 2017. Therefore, the diluted loss per share is the same as the basic loss per share for both years.

10. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 March 2018, the Group’s additions to property, plant and equipment amounted to HK$352,556,000 (2017: HK$649,792,000), which mainly represented construction in progress for the development of the Group’s electric vehicle production plants in Hangzhou and Guizhou.

11. TRADE AND BILLS RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**1,732,436**	1,291,007
Bills receivable	**14,682**	10,936
Less: Allowance for doubtful debts	**(337,951)**	(50,161)
	1,409,167	1,251,782

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

	2018	2017
	HK$'000	*HK$'000*
Within 1 month	**54,731**	35,721
Over 1 month but within 3 months	**114,645**	52,386
Over 3 months but within 6 months	**251,596**	851,732
Over 6 months but within 9 months	**154,976**	145,784
Over 9 months but within 1 year	**126**	113,734
Over 1 year	**833,093**	52,425
	1,409,167	1,251,782

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.

During the year ended 31 March 2018, the Group performed recoverability assessments on those long overdue customers. Amount of HK$269,987,000 (2017: HK$35,899,000) was recognised as allowance for doubtful debts after reviewing the financial status and repayment records of those individual customers, as well as the status of the electric vehicles sold to them. The carrying amounts of the receivables approximate their fair values.

Certain portion of the above trade receivables will be settled by the PRC government, on behalf of the customers of the Group, for the sales of electric vehicles, 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. As at 31 March 2018, the subsidies receivable from the PRC government amounting to HK$680,422,000 (2017: HK$499,615,000), which are principally grouped under the age bands of over 1 year (2017: over 3 months but within 6 months), are subject to the relevant subsidy policies and were not considered past due.

12. LOAN AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Loan receivables	**211,344**	221,507
Other receivables	**418,615**	323,556
Less: Allowance for doubtful debts	**(73,432)**	(71,283)
	556,527	473,780
Deposits and prepayments	**244,366**	123,580
Value-added-tax receivables	**391,240**	280,722
	1,192,133	878,082

	2018	2017
	HK$'000	*HK$'000*
Presented by:		
Non-current assets	**16,128**	398
Current assets	**1,176,005**	877,684
	1,192,133	878,082

13. BANK LOANS AND OTHER BORROWINGS

At 31 March 2018, bank loans and other borrowings were repayable as follows:

	2018	2017
	HK$'000	*HK$'000*
Within 1 year	**1,628,383**	1,340,776
After 1 year but within 2 years	**564,901**	319,917
After 2 years but within 5 years	**1,129,367**	774,566
	3,322,651	2,435,259

	2018	2017
	HK$'000	*HK$'000*
Presented by:		
Current liabilities	**1,628,383**	1,340,776
Non-current liabilities	**1,694,268**	1,094,483
	3,322,651	2,435,259

13. BANK LOANS AND OTHER BORROWINGS *(Continued)*

At 31 March 2018, bank loans and other borrowings were as follows:

	2018	2017
	HK$'000	*HK$'000*
Bank loans		
- secured *(Note (a))*	**1,799,442**	1,547,556
- unsecured	**149,760**	157,696
	1,949,202	1,705,252
Other borrowings		
- secured *(Note (b))*	**1,113,949**	697,457
- unsecured	**259,500**	32,550
	1,373,449	730,007
	3,322,651	2,435,259

Notes:

(a) As at 31 March 2018, 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$2,497,659,000 (2017: HK$2,332,690,000), share charges over certain shares of the subsidiaries of the Company, trade and bills receivables of HK$30,891,000 (2017: nil), bank deposits of nil (2017: HK$55,194,000) and intra-group trade receivables of the Group and guaranteed by three executive directors of the Company.

(b) As at 31 March 2018, secured other borrowings included (i) a loan of 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 its 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$150,000,000 which was secured by 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 51% of issued shares of its wholly-owned subsidiary; (iii) loans of HK$294,136,000 which were secured by intra-group trade and bill receivables and a bank deposit of HK$54,181,000 of the Group; and (iv) loans of HK$86,211,000 which were secured by certain machineries of the Group.

As at 31 March 2017, other borrowings of HK$697,457,000 were secured by, inter alia, debentures in favour of the lender by way of the first fixed and floating charges over all the undertaking, property and assets of the Company and from two wholly-owned subsidiaries and a share charge over certain shares of FKL, and the guarantee from two executive directors of the Company. When any events of default under the loan agreement occurred and is continuing, the lender will be entitled to sell 51.41% of the issued shares of FKL to satisfy any sum due and payable but unpaid to the lender.

(c) As at 31 March 2018, bank loans of HK$1,949,202,000 (2017: HK$1,705,252,000) were denominated in Renminbi ("RMB"), US dollars and/or Euro and bearing interest at prevailing market interest rates; and other borrowings of HK$1,373,449,000 (2017: HK$730,007,000) were denominated in RMB, Hong Kong dollars and/or US dollars and bearing fixed interest rates.

14. TRADE AND BILLS PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**626,599**	578,479
Bills payable	**333,030**	167,065
	959,629	745,544

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

	2018	2017
	HK$'000	*HK$'000*
Within 1 month	**83,559**	93,343
Over 1 month but within 3 months	**242,510**	131,114
Over 3 months but within 1 year	**521,065**	474,561
Over 1 year	**112,495**	46,526
	959,629	745,544

The carrying amounts of trade and bills payables approximate their fair values. As at 31 March 2018, bills payable of HK$179,660,000 (2017: HK$127,131,000) were secured by bank deposits of HK$177,790,000 (2017: HK$94,429,000).

15. DEFERRED INCOME

During the year ended 31 March 2018, the Group received government grants of RMB310,000,000 (equivalent to approximately HK$386,880,000) for research and development of electric vehicles and battery products in the Sichuan province, the PRC.

16. OBLIGATIONS UNDER REDEEMED CONVERTIBLE BONDS AND LITIGATION UPDATES

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") (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 judgment in favour of the Company, granting the Company unconditional leave to defend the Claim Amount and to argue 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 Set-Off.

On 26 May 2016, HK Court refused Mei Li's application for leave to appeal the 5 March 2013 Judgment and ordered Mei Li to pay costs to the Company on an indemnity basis.

By reason of the 5 March 2013 Judgment stands and considering the complexity of the High Court Proceedings and time required for various interlocutory applications of the parties, in addition to the fact that, Mr. Chung was adjudged bankrupt on 27 February 2013 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. The directors of the Company do not expect that the Company will be required to settle the Redemption Amount in the near future.

The Company's external counsel has reviewed the whole case and, based on their opinion, payment of the Redemption Amount 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 meantime, the Company's external counsel is preparing the relevant papers to proceed with the case.

17. CAPITAL COMMITMENTS

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

	2018	2017
	HK$'000	*HK$'000*
Contracted, but not provided for capital commitments in respect of:		
- capital expenditures of the Group's factories in the PRC	**1,434,146**	744,413
- investment in a joint venture	**38,750**	38,750
- investments in associates	**13,603**	12,278
	1,486,499	795,441

18. EVENTS AFTER THE REPORTING PERIOD

(a) On 3 May 2018, Preferred Market Limited ("PML", a wholly-owned subsidiary of the Company) and Hong Kong ShengHai DeYong Investment Limited (the "Purchaser", an independent third party of the Company), entered into a sale and purchase agreement. Pursuant to the agreement, PML agreed to sell and the Purchaser agreed to purchase the entire issued share capital of Giant Industry Holdings Limited, which indirectly holds 50% interests in Yunnan FDG Automobile Co., Ltd.* (雲南五龍汽車有限公司) ("Yunnan FDG"), for a consideration of RMB80,000,000 (equivalent to approximately HK$99,840,000). Certain assets of Yunnan FDG were impaired during the year ended 31 March 2018 and the management does not expect further material loss will be incurred upon disposal.

(b) On 25 June 2018, the Company entered into a placing agreement with a placing agent to place up to 1,000,000,000 shares of the Company, representing approximately 4.46% of issued share capital of the Company, at a placing price of HK$0.109 per share. Further details are set out in the Company's announcement dated 25 June 2018. At the date of this announcement, the transaction has not yet completed.

* For identification purpose only

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The auditor will express an unqualified opinion in the independent auditor's report, but will draw attention by adding material uncertainty related to going concern paragraph as follows:

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2(b) to the consolidated financial statements, which indicates that the Group incurred a loss of approximately HK$3,067 million for the year ended 31 March 2018 and as at that date, the Group had net current assets of approximately HK$22 million and capital commitments of approximately HK$1,486 million. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

FDG Electric Vehicles Limited (the “Company” or “FDG”) 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, and manufacturing and sales of pure electric vehicles; manufacturing and sales of lithium-ion batteries and cathode materials for lithium-ion batteries. FDG Kinetic Limited (“FKL”, stock code: 378) is an indirect non-wholly-owned subsidiary of the Company. FDG’s mission is to replace and electrify the world’s internal combustion engine (ICE) vehicles in the fastest adoption segment.

MARKET OVERVIEW

China’s gross domestic product growth rate hiked to 6.9% year-on-year in 2017, beating global growth at 3.1%, the first acceleration for China’s economy since 2010. Oil prices, an indicator which reflects how the economy had been doing, soared over 34% in 2017. Increasing oil consumption means increased emissions. As such, the determination by policymakers to curb global emissions as the global economy flourishes have never been stronger. The by-products of oil consumption, emissions such as carbon dioxide (CO_2), nitrogen oxide (NOx) and particulates (PM2.5), are largely contributed by ICE vehicles on the roads. Inevitably, governments would have to decipher a replacement for the population’s mobility needs which could eradicate emissions at the spot of mobility use. Hence, the electric vehicle trend has been escalated by both demand and supply side factors whilst policymakers aim to balance both economic growth as well as sustainability concerns. China has been at the forefront of new energy vehicles globally; of which pure electric vehicles accounted for approximately 84% in all new energy vehicles sold in 2017, more than any country in the world.

Nevertheless, 2017 was also a challenging year of transformation for the Chinese electric vehicle industry. Market conditions remain challenging as more stringent policies were introduced to the electric vehicle sector so as to push the entire industry to the highest standards ever achieved, which should benefit consumers and the industry in the long run. We acknowledged that in the short run, players in the industry would still need to leap over hurdles as the macro environment turns positive.

The Universal Aspiration for Fresh Air has Driven Demand for Electric Vehicles

The world is on a quest for cleaner air. Countries such as Germany, Britain, France and the Netherlands have committed to cut emissions and have been exploring a more sustainable way of mobility for its people since consensus achieved in the Paris Agreement in December 2015. Even oil-rich nations such as Norway has pledged to use 100% battery electric vehicles by 2025. India sets its target to 2030 while the Netherlands would like to implement sales of electric vehicles only as early as 2025. The French government has also announced France’s five-year plan to ban all petrol and diesel vehicles by 2040 as part of the Paris Agreement. China, too, has adopted strict anti-pollution measures throughout 2017 with rigorous changes in policy requirements for electric vehicles. This leads to industry consolidation and forces some poor-quality electric vehicle manufacturers to be out-of-business. The vice minister of China's Ministry of Industry and Information Technology (“MIIT”), Mr. Xin Guobin, announced in an industry forum that the government was considering a gradual phase-out of fossil fuel vehicles in China. Although no solid date was given by Mr. Xin, China finalised the New Energy Vehicle mandate in September 2017 with the publication of the Dual New Energy Vehicle Credits policy.

The goal of this policy was interpreted as to gradually shift the existing direct subsidising towards a more market-oriented support, in which ICE vehicle producers would need to buy credits from new energy vehicle manufacturers, providing an additional stream of cash flow for those who invested to produce new energy vehicles. In February 2018, the Government has announced its new policy on new energy vehicle subsidies for 2018 to be implemented in June 2018. The subsidy reduction has been in-line with the aim for the government to drive from direct cash handouts to a more market-oriented and sustainable way for industry transformation.

China has emerged as a leader in both the supply and demand of electric vehicles. China Association of Automobile Manufacturers (CAAM) announced that new energy vehicle sales totalled to 777,000 units in 2017, a 53% increase year-on-year. Among which sales of commercial electric vehicles reached 184,000 units, an increase of 22% year-on-year. Strong electric vehicle demand in China surpasses all other countries.

Sales of Automobiles and New Energy Vehicles in China:

	(Thousand Units)		
	2017	2016	2015
Automobiles	28,879	28,030	24,600
New Energy Vehicles	777	507	331
% of New Energy Vehicles	2.70%	1.80%	1.30%

Matching Batteries' Supply and Demand and the Discussion Regarding the After Life of Batteries

The global demand for batteries remained steady during 2017. The market trend for batteries was largely impelled by the demand for electric vehicles as the battery is the most essential component of an electric vehicle. Other uses of batteries such as in electric cycles, digital devices, and energy storage account for the rest of the demand. According to Bloomberg, approximately 55% of global lithium-ion battery production plants are already based in China, compared with only 10% in the United States. By 2021, China's share of battery production plants is forecasted to grow to 65%.

According to the data compiled by Gaogong Industry Research Institute (GGII), China's battery output was 44.5GWh in 2017, a significant increase of 44% compared to 2016. The battery market in China has grown to an approximate worth of RMB72.5bn, an increase of 12% year-on-year. The mismatched supply and demand were primarily due to the adjustments in government policies in 2017, decreased government subsidies and the shift of costs from OEMs (Original Equipment Manufacturers) to battery makers. In 2017, batteries installed by OEMs for new energy vehicles totalled 36.2GWh, an increase of 29% compared to 2016's 28GWh. Most of the batteries were installed in the second half of 2017 as most OEMs accelerated electric vehicles production after adopting to the change in policies at the beginning of the year.

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

Downstream Demand Propelled Upstream Cathode Materials Supply in Volume and Prices on a Combined Basis

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

BUSINESS REVIEW

FDG's stock price has been through some turbulent times in the market from May 2018 onwards. The recent forced sale of the Chairman's holdings in FDG was an unfortunate incident due to his personal financial circumstances. From management's perspective, the Chairman holds interest in a company which owns approximately 50% of Hangzhou Changjiang Automobile Co., Ltd. ("Hangzhou Changjiang"), while the Group owns the remaining of Hangzhou Changjiang. Hangzhou Changjiang remains the core manufacturing base for FDG, as such, the Chairman's interest is in line with FDG's.

2017 was one of the most challenging years as macro factors impacted the electric vehicle industry. Subsidies were less; Criteria to obtain the subsidies were tightened; cash flow was squeezed as the expected time for subsidies to be received took much longer; profits for making batteries and cathode materials shrank; account receivables increased significantly as the Group is still waiting for the subsidies to be received after sales are made. Our impairment on trade receivables increased significantly because of regulatory requirement for electric vehicles to run above 20,000 km before they could qualify for subsidies, whilst we may only be able to recover these subsidies when these vehicles complete their 20,000 km journey one day. All of these factors contributed to the poor performance of FDG and has turned the period under review to become one of the worst years for FDG in our corporate history. However, this was also a year of considerable progress. We made our first step into the province of Guizhou; and, most importantly, marked our first step into the United States by exporting the first ever Chinese-made pure electric logistics vehicles in the last-mile delivery segment. This export to the United States does not only reveal the recognition of our technological expertise in electric vehicles but is also a statement to show that even international blue-chip fleet managers can trust FDG.

FDG would like to report Group revenue of HK$1.06 billion for the financial year ended 31 March 2018, which includes the gradual stabilising sales in China as well as the first batch of electric vehicles exported to the United States. Net loss attributable to shareholders was HK$2.23 billion, including HK$1.35 billion of one-off impairment. Management is focused on rigorously managing all costs, without adversely impacting the product's quality and safety standards.

FDG is a true believer in the real reason of electric vehicles adoption lies in the total cost of ownership of electric vehicles. Even though at the broader level environmental concerns would be of prevalence especially to policymakers; for end users, one of the most important criteria for an individual or a corporation to consider going electric will be economics – whether it is worthwhile to switch from petrol/diesel to charging. Past concerns such as a short driving range, insufficient charging infrastructure and charging times are no longer an issue at all these days when adopting electric vehicles. Consequently, the total cost of ownership prevails in decision making – as long as the initial acquisition costs are alike, charging costs versus the diesel/petrol costs as well as the maintenance costs for an electric vehicle versus an ICE vehicle are lower, naturally, end-users would choose to go down the electrification route.

FDG believes that focusing on the B2B segment in commercial vehicles would be the way for the Group to move forward. We will focus on our core B2B segment in commercial electric vehicles because they are ready now, they are the fruits of our investment and they reduce more carbon emissions. A study shows that one FDG electric panel van could save emissions more than five electric passenger cars combined. We believe that the B2B segment is the most valuable asset for the Group. FDG's first mover advantage in the B2B segment, total cost of ownership concerns from fleet operators and increasing environmental awareness from fleet operators should drive the inflection point for commercial electric vehicles forward.

With increasingly tightened subsidy policy in the electric vehicle segment and tightened cash policies from the banks, FDG would shift the focal point to concentrate on our primary business in B2B commercial electric vehicles. Focusing on our primary strength in B2B commercial vehicles means that we would no longer need to pursue the vertically-integrated model by building everything from scratch perfectly from head to toe in our supply chain; instead, we would work under a specialisation model and would become a focused commercial electric vehicle manufacturer.

Electric Vehicle Business

There can be no doubt that 2017 was one of the most challenging years on record for the electric vehicle industry, as China's continued ever more stringent yet positive requirements imposed on the industry. Nevertheless, FDG achieved commendable sales volume particularly in the second half of 2017, and managed to open a new production base on trial basis in Guizhou on time.

The industry's structural transition to a more market-oriented subsidised electric vehicle manufacturing was due to more stringent requirements. In the second half of 2017, electric vehicle sales recovered after a sluggish first half, and with FDG's case, we made 91.2% of sales of electric vehicles in the second half. FDG actively managed our business to meet the evolving requirements, reallocating our production facilities to our highest and best use, particularly, taking the loss-making arm based in Yunnan away, and reaffirmed the Group's specialisation in electric commercial vehicles as the quickest segment to become profitable.

Although the operating environment was tough in the period under review, FDG's electric vehicles segment made laudable accomplishments, such as the finalised exclusive partnership with Ryder Systems Inc. ("Ryder", NYSE: R). Through this partnership, FDG could leverage on Ryder's network of 800 locations in the United States which enables our vehicles to be sold to other blue-chip logistics customers offering original equipment manufacturer (OEM) level of maintenance services by Ryder. Leveraging on their network, our end-users are then able to maximize their vehicles' uptime, lower their maintenance costs and keep their businesses moving. In 2017, we have also cooperated with strategic partners to offer a whole range of post-sales services and energy solutions to provide our end-users a better experience from lowering their total cost of ownership to managing their electricity charges. These behind-the-scene efforts have laid out a perfect centre stage for the crest of the electrification revolution to be materialised in the logistics segment. In the past year, FDG partnered with eMotorWerks on smart charging; FDG's Guizhou production base started operations and delivered the first batch of Guizhou-made electric vehicles; and, FDG made our first step internationally by exporting the first ever Chinese-made pure electric logistics vehicles to the United States. In the B2C area for electric vehicles, FDG became the fifth company in China to be granted with a passenger vehicle license issued by both the MIIT and the National Development and Reform Commission (NDRC). This marks Hangzhou Changjiang to become one of the only six new electric vehicle companies in China with dual-license status.

FDG's endeavour to become a world-class electric vehicle manufacturer has never been so strong. In 2017, FDG's electric vehicle business management team made significant achievements in the improvement in the quality of the products, lowered the overall production costs, built a systematic quality and patents scheme as well as expanded into various market segments. Firstly, we implemented a value-chain quality improvement system and executed on a strict, quality-control mechanism; we have also decreased wastage by strengthening the supplier management system. Secondly, we have also effectively implemented a cost control programme to cut unnecessary costs. Consequently, some of our key models have achieved a lowered cost as much as over 20%. Similarly, we have restlessly promoted internally for energy saving, produced less wastage as well as educated middle managers to keep cost savings in mind. In our factory, we strengthened the systematic scheme for quality and patents to standardise manufacturing operating procedures, improved key production indicators such as average employee productivity, inventory level and plan production activities in advance to maximise the production line's utilisation. Finally, FDG made immense exertions to expand geographically as well as in different markets. We sold commercial electric vehicles to customers such as logistics companies, hotels, airports, travel leasing companies and local governments. Our business is now having access to more provinces in China than ever before. Lastly and most importantly, we made history in the Chinese auto industry by selling the first ever batch of Chinese-made, pure electric logistics vehicles to the United States.

Battery Business

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

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

In November 2017, FDG announced a plan to construct a whole new electric vehicle and battery production base in Jianyang, in the province of Sichuan. The completion of the battery factory could support FDG's future ramp-up of the imminent electric vehicle demand. Through this cooperation with the local government, FDG has also been named as the preferred supplier for Sichuan province's electric bus purchasing need. When the construction of the Group's planned gigafactories is fully ramped, FDG would have achieved a maximum battery production capacity of 6.3GWh.

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

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

Cathode Material Business

FDG's two existing production lines A1 and A2 in Chongqing have been in full-on production in 2017, with a maximum annual designed capacity of 2,400 tonnes. Production lines A3 & A4 are expected to be completed in 2018 which would enable the Chongqing cathode materials factory to produce a maximum of 4,800 tonnes annually. In October 2017, FDG expanded upstream to manufacture cathode materials through our subsidiary FKL. FKL partnered with Guizhou Guian Asset Investment Co., Ltd. and Advanced Lithium Electrochemistry (Cayman) Co., Ltd. ("ALEEES") to build a production base to manufacture cathode materials with a maximum annual production of 30,000 tonnes of both LFP and NCM materials.

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

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

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

FINANCIAL REVIEW

Revenue

During the year under review, the Group's revenue significantly decreased by approximately 30.0% to approximately HK$1,058.5 million as compared with the revenue of approximately HK$1,513.2 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$730.2 million in the current financial year, a decline of approximately 38.1% as compared to a revenue of approximately HK$1,178.9 million of the last financial year mainly resulting from the longer than expected time for electric vehicles industry to adapt the new subsidy policies in the PRC and the impact of new specification requirements on electric vehicles under the new subsidy policies; (ii) a slight increase in sales of lithium-ion battery products of approximately HK$9.4 million to external customers as compared to that of the last financial year; and (iii) the slight decrease in sales of cathode materials from the battery materials production business, represented by a revenue of approximately HK$219.2 million, a decrease of approximately 6.4% as compared with a revenue of approximately HK$234.2 million of the last financial year.

Gross profit and margin

The Group's gross profit decreased to approximately HK$141.8 million of the current financial year from approximately HK$492.0 million of the last financial year, representing a substantial decrease of approximately HK$350.2 million. The overall gross profit ratio was at approximately 13.4% of the current financial year as compared with approximately 32.5% of the last financial year, representing a decrease of approximately 19.1%. Such substantial decrease was mainly attributable to the reduction of new energy subsidies in the PRC.

Other gains and losses, net

The Group's net other losses amounted to approximately HK$650.2 million of the current financial year as compared with approximately HK$40.3 million of net other gains of the last financial year. It was mainly attributable to the recognition of (i) the impairments on certain assets of the electric vehicle business in Yunnan by reference to their recoverable amounts determined based on the disposal of the business subsequent to the current financial year; (ii) write-down of inventories of approximately HK$117.1 million mainly arising from certain types of raw materials and battery products which were less compatible with new electric vehicle requirements and reflect the net realisable value of some aged inventories; and (iii) the impairment on trade receivables of approximately HK$270.0 million after the recoverability assessments made by the directors of the Company during the current financial year.

Selling and distribution costs

For the year under review, selling and distribution costs amounted to approximately HK$176.7 million, representing an increase of approximately HK$80.5 million comparing with the last financial year of approximately HK$96.2 million, which was mainly attributable to the Group's expansion of the sales teams and actively participated in exhibitions and marketing events in order to catch business opportunities as well as increase in warranty provision for electric vehicle after-sale services.

General and administrative expenses

For the year under review, general and administrative expenses amounted to approximately HK$618.9 million, representing an increase of approximately HK$126.7 million comparing with the last financial year of approximately HK$492.2 million, which was mainly attributable to (i) the increase in equity-settled share-based payments of approximately HK$37.0 million comparing with the last financial year and mainly arising from approximately 1,018 million share options granted to the directors of the Company for the current financial year; (ii) the increase in administrative expenditures of approximately HK$35.6 million incurred by the Group's electric vehicle production segment to support the scale of the electric vehicle business to well-equip for its future developments and strengthen the professional production lines in the passenger vehicles sector; and (iii) the increase in administrative expenditures of approximately HK$48.3 million to build up the new production lines in the Guizhou electric vehicle production base.

Research and development expenses

For the year under review, research and development expenses amounted to approximately HK$209.4 million, representing an increase of approximately HK$80.7 million comparing with the last financial year of approximately HK$128.7 million, was mainly attributable to the increase in the research and development on battery sector including the enhancement of battery capacity and density and electric vehicle sector including new model designs on commercial electric vehicles and logistics vehicles and various enhancements.

Finance costs

For the year under review, finance costs amounted to approximately HK$389.2 million, representing an increase of approximately HK$25.7 million comparing with the last financial year of approximately HK$363.5 million, was mainly attributable to the increase in interest expenses on bank loans and other borrowings in line with the increase in the Group's bank loans and other borrowings for electric vehicles business.

Other operating expenses

For the year under review, other operating expenses amounted to approximately HK$79.5 million in respect of certain indirect operating expenses was mainly arising from the temporary under-utilisation of production capacity of the electric vehicle production plants in Hangzhou and Yunnan during the first half of the current financial year as the Group has spent certain period of time to upgrade and re-configure the production lines, enhance production efficiency and apply for listing in the new catalogue of new energy automobile models published by the PRC government in order to meet the new specification requirements on electric vehicles under the PRC government new subsidy policies.

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$153.0 million and goodwill from direct investments, that was operated by FKL, was impaired by approximately HK$427.9 million, as the recoverable amounts from these businesses were less than their carrying amounts. In addition, the Group disposed of the electric vehicle production site that operated in Yunnan on 3 May 2018 (the "Disposal"). As the proceeds from the Disposal is less than its carrying amounts, certain assets including the goodwill of approximately HK$87.5 million was fully impaired during the current financial year.

Impairment on intangible assets

During the year under review, battery products segment that engaged in the manufacturing and sales of lithium-ion batteries and its related products, facing the challenge from the new subsidy policies in the PRC resulted in weaker than expected sales performance. Management assessed that its recoverable amounts was less than its carrying amounts that lead to an impairment loss on intangible assets of approximately HK$197.8 million.

Amortisation of intangible assets

For the year under review, amortisation of intangible assets amounted to approximately HK$230.7 million, representing an increase of approximately HK$50.9 million comparing with the last financial year of approximately HK$179.8 million, which was attributable to additions of the intangible assets during the current financial year.

Share of results of associates and impairment on interest in an associate

For the year under review, share of net losses of associates amounted to approximately HK$49.6 million, representing an increase of approximately HK$31.8 million comparing with the last financial year of approximately HK$17.8 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. With the decreased sales and lower gross margin affected by the new energy policies in the PRC, the share of loss of ALEEES increased comparing with the last financial year.

Furthermore, due to the decrease in demand of battery products under the new energy subsidy policies which in return influence the demand of cathode materials for batteries, with the changes of the business prospects of this business, the expected future cash flows decreased and an impairment on interest in an associate, ALEEES, of approximately HK$61.0 million was recognised during the current financial year and grouped under "Other gains and losses, net".

Share of results of joint ventures and impairment on interest in a joint venture

For the year under review, share of net losses of joint ventures amounted to approximately HK$117.1 million, representing an increase of approximately HK$48.9 million comparing with the last financial year of approximately HK$68.2 million, was mainly attributable to the increase in share of loss of a joint venture, Chanje Energy, Inc. ("Chanje"), which incurred costs to expand the sales team to develop the market in the United States of America (the "US").

As the realisation of sales in the US market requires longer time than expected, the recoverable amounts of Chanje was assessed, and an impairment of approximately HK$42.1 million was recognised in the current financial year and grouped under " Other gains and losses, net".

Loss for the year

The Group has widened its loss for the year to approximately HK$3,067.1 million from approximately HK$725.2 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$2,230.4 million, an increase of approximately HK$1,675.6 million, comparing with approximately HK$554.8 million of the last financial year. Such increase was mainly due to the above-mentioned reasons.

Goodwill

During the year under review, the decrease in goodwill was mainly attributable to the recognition of goodwill impairment in respect of battery materials production segment, direct investment segment and electric vehicle production business in Yunnan, with details set out in the "Impairment on goodwill" section.

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

As at 31 March 2018, property, plant and equipment and interests in leasehold land held for own use under operating leases totally amounted to approximately HK$3,898.3 million (2017: approximately HK$3,495.3 million), increased by approximately HK$403.0 million, which was mainly attributable to additions of property, plant and equipment in relation to the electric vehicle production segment.

Inventories

As at 31 March 2018, inventories amounted to approximately HK$566.8 million, decreased by approximately HK$91.2 million comparing with approximately HK$658.0 million as at 31 March 2017. During the year under review, some raw materials and battery products were written down to reflect their net realisable values.

Trade and bills receivables

Trade and bill receivables amounted to approximately HK$1,409.2 million (2017: approximately HK$1,251.8 million) as at 31 March 2018 which mainly included (i) trade receivables of approximately HK$1,317.4 million from the sale of electric vehicles and (ii) trade receivables of approximately HK$69.7 million from the sale of battery materials. The increase was mainly arising from electric vehicle production segment.

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.

As at 31 March 2018, trade receivables that were past due but not impaired were approximately HK$464.7 million (2017: approximately HK$429.6 million). They are mainly attributable to the change in the PRC subsidy policies which had direct impact on the customers' ability to settle debts promptly and make payment as a result of the delayed timing in receipt of subsidies by the customers, which in turn delayed their repayment to the Group. 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. During the year under review, amount of approximately HK$270.0 million was provided as allowance for doubtful debts, after reviewing the financial status and repayment records of those individual customers as well as the status of the electric vehicles sold to them.

Loan and other receivables

The increase in loan and other receivables (including current and non-current portions) by approximately HK$314.0 million from approximately HK$878.1 million as at 31 March 2017 to approximately HK$1,192.1 million as at 31 March 2018, was mainly attributable to the increase in other receivables, deposit and prepayment and value-added-tax recoverables from electric vehicle production segment.

Trade and bills payables

Trade and bills payables amounted to approximately HK$959.6 million (2017: approximately HK$745.5 million) as at 31 March 2018, increased by approximately HK$214.1 million, which was mainly attributable to the increase in bills payable of approximately HK$166.0 million, mainly arising from the electric vehicle production segment.

Accruals and other payables

The increase in accruals and other payables by approximately HK$635.5 million from approximately HK$740.1 million as at 31 March 2017 to approximately HK$1,375.6 million as at 31 March 2018, was mainly attributable to the combined effect of (i) the increase in bills and other payables for acquisition of non-current assets of approximately HK$70.5 million, mainly arising from the electric vehicle production segment; (ii) increase in other payables including payable for the investment cost in an associate of approximately HK$159.1 million; and (iii) the increase in receipts in advance of approximately HK$104.5 million and warranty provision of approximately HK$45.6 million, mainly arising from the electric vehicle production segment.

Convertible bonds

As at 31 March 2018, the Group had three tranches of convertible bonds including the convertible bonds due in 2020 and 2021 of the Company and the convertible bonds due in 2018 of a listed subsidiary of the Company, FKL. The liability components of convertible bonds as at 31 March 2018 amounted to approximately HK$646.5 million (including current and non-current portion), decreased by approximately HK$58.3 million as compared with approximately HK$704.8 million as at 31 March 2017, which were mainly attributable to the net effect of (i) convertible bonds due in 2017 and 2018 matured and settled by both cash and short-term promissory notes issued by the Group; and (ii) the Company issued new convertible bonds with principal amount of HK$400 million during the current financial year.

Segment Information

Vehicle design and electric vehicle production business

During the year under review, the segment revenue decreased significantly by approximately 38.1% to approximately HK$730.2 million, comparing with approximately HK$1,178.9 million of the last financial year. It is mainly attributable to the impact of new specification requirements on electric vehicles under new subsidy policies on electric vehicles, leading to a significant decline in the sale of electric vehicles in the first half of the current financial year. The sales had gradually increased thereafter. The sales of electric vehicles in the second half of the current financial year represent approximately 91.2% of the total sales of electric vehicles in the current financial year.

The gross profit ratio from the electric vehicle production business before elimination of inter-segment transactions was approximately 11.4% of the current financial year comparing with approximately 26.8% of the last financial year. The substantial decrease was mainly attributable to the reduction of new energy subsidies and the increased cost per unit with the temporary reduced production outputs.

The segment loss before tax for the current financial year was approximately HK$1,359.6 million, a substantial increase in loss of approximately HK$1,282.6 million as comparing with approximately HK$77.0 million of the last financial year, which was mainly attributable to the combined effect of (i) the decrease in segment gross profit; (ii) the other operating expenses of approximately HK$79.5 million as detailed under the section heading "Other operating expenses"; (iii) the impairments on goodwill and other assets of Yunnan electric vehicle business; (iv) the impairment on trade receivables; and (v) the one-off gain on bargain purchase arising from the acquisition of additional interest in a joint venture of approximately HK$133.9 million of the last financial year which did not recur in the current financial year.

Battery products business

The revenue from battery products business before the elimination of inter-segment transactions decreased from approximately HK$373.0 million of the last financial year to approximately HK$134.3 million of the current financial year, representing a decrease of approximately 64.0%. It is mainly attributable to the decrease in internal demand from electric vehicle production segment under new energy subsidy policies. The Group continue to enhance battery density, provide energy storage and recharging solutions to the customers to broaden the customer bases as well as continue to expand the oversea markets.

The gross profit ratio from the battery products business from external customers decreased from approximately 36.3% of the last financial year to approximately 30.1% of the current financial year. Such decrease was mainly attributable to the decreased selling prices to cope with the keen competition in the market and the increase in unit cost per battery product as a result of the lower battery production volume.

During the year under review, the battery products business widened its segment loss before tax to approximately HK$564.5 million from approximately HK$159.8 million of the last financial year, which was principally attributable to the increase of write-down of battery raw material and products, the increase in research and development for battery-related improvements and the recognition of the one-off impairment of intangible assets of approximately HK$197.8 million as the carrying amount of this business unit exceeds its recoverable amount due to reduced expected future cash flows generated from this business unit.

Electric vehicle leasing business

The electric vehicle leasing business was not active during the year under review. The segment loss before tax for the current financial year was approximately HK$0.5 million, an increase of approximately HK$0.1 million as comparing with approximately HK$0.4 million of the last financial year. The Group will maintain the existing operating and marketing channels to cope with the Group's vertical integration business model. The demand for electric vehicle financing lease services are expected to remain strong in the future under the growing development of the finance leasing industry in the PRC.

Battery materials production business

During the year under review, the sales of cathode materials for NCM lithium-ion batteries in the Chongqing factory amounted to approximately HK$219.2 million, representing a slight decrease of approximately 6.4% as compared with approximately HK$234.2 million of the last financial year, which was mainly attributable to tightening of credit control on existing customers which limited our sales. The segment loss before tax was approximately HK$326.6 million for the year under review, representing an increase of approximately HK$265.4 million comparing with approximately HK$61.2 million of the last financial year. It was mainly attributable to the increase in share of the loss of an associate, ALEEES, the non-recurring impairment loss on ALEEES of approximately HK$61.0 million and the impairment loss on goodwill of battery material production business of approximately HK$153.0 million.

Following the cooperation agreement signed on 26 March 2018 by the Group with a customer, the Group's capacity was nearly full, which achieve a steady gross profit margin to the Group. With the construction of new production lines requiring longer than expected time schedules and the longer time was needed to launch the new products, impairment loss on goodwill of approximately HK$153.0 million was recognised for battery material business in Chongqing.

Direct investments business

The interest income from direct investments business for the current financial year was approximately HK$43.1 million, representing a decrease of approximately HK$2.9 million as compared with approximately HK$46.0 million of the last financial year before the elimination of inter-segment transactions. The segment loss before tax for the current financial year of approximately HK$453.7 million, a decrease of approximately HK$471.0 million comparing with the last financial year profit of approximately HK$17.3 million, was mainly attributable to the impairment on goodwill for the Group's investment in FKL, with details set out in the "Impairment on goodwill" section.

Liquidity and Financial Resources

As at 31 March 2018, the cash and cash equivalents of the Group amounted to approximately HK$752.4 million (31 March 2017: approximately HK$1,321.4 million). The amounts were mainly denominated in Hong Kong dollars, Renminbi ("RMB") and United States dollars.

As at 31 March 2018, the Group recorded net current assets of approximately HK$21.8 million, representing a decrease of approximately HK$912.1 million, as compared with net current assets of approximately HK$933.9 million as at 31 March 2017. The decrease in net current assets was primarily due to the net increase in accruals and other payables and bank loans and other borrowings, the net proceeds of which were mainly used for additions of plant and machinery and working capital requirements of the electric vehicle production business.

Total bank loans and other borrowings as at 31 March 2018 were approximately HK$3,322.7 million (31 March 2017: approximately HK$2,435.3 million). The increase was mainly attributable to the combined effect of (i) the increase in bank loans and other borrowing in support of the operations of the Hangzhou electric vehicle production base; and (ii) short-term promissory notes obtained to finance the settlement of the convertible bonds due in 2017 and 2018. The Group's bank loans and other borrowings are mostly event driven, with little seasonality. Details of the maturity profile and security of bank loans and other borrowings are set out in note 13 of this announcement.

As at 31 March 2018, the Group's obligations under finance leases amounted to approximately HK$127.8 million (31 March 2017: approximately HK$69.9 million), out of which approximately HK$115.2 million (31 March 2017: approximately HK$28.4 million), approximately HK$12.6 million (31 March 2017: approximately HK$30.1 million) and nil (31 March 2017: approximately HK$11.4 million) were repayable within one year, within one to two years and within three to five years, respectively. The obligations under finance leases were secured by certain machineries of the Group with an aggregate carrying amount of approximately HK$162.0 million (31 March 2017: approximately HK$78.3 million).

As at 31 March 2018, the Group had obligations under redeemed convertible bonds of approximately HK$760.8 million which was classified as non-current liabilities. The Group had remaining three tranches of convertible bonds that will be due in 2018, 2020 and 2021.

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 (31 March 2017: approximately HK$760.8 million) and the liability components of convertible bonds of approximately HK$646.5 million (31 March 2017: approximately HK$704.8 million), was approximately 160.6% (31 March 2017: approximately 55.7%) calculated on the basis of bank loans and other borrowings and obligations under finance leases of total approximately HK$3,450.5 million (31 March 2017: approximately HK$2,505.2 million) to total equity of approximately HK$2,148.4 million (31 March 2017: approximately HK$4,499.6 million) as at 31 March 2018. On 25 June 2018, the Company entered into a placing agreement with a placing agent to place up to 1,000,000,000 shares of the Company at a price of HK$0.109 per share to raise fund for repayment of debt and general working capital purposes, as detailed in note 18 of this announcement.

Foreign Exchange Exposure

The Group's transactions were mainly denominated in RMB, Hong Kong dollars and United States dollars. Exchange rates between United States dollars and Hong Kong dollars were pegged with fixed rates and relatively stable during the year under review. The Group has transactional currency exposures in RMB 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. The Board will closely monitor the foreign exchange exposure and consider appropriate hedging instruments when necessary.

Capital Structure

On 5 December 2017, 8% secured convertible bonds due 2020 in the principal amount of HK$400,000,000 (the "Convertible Bonds due 2020") were issued pursuant to a subscription agreement entered into between the Company and Sino Power Resources Inc. on 28 November 2017. Based on the initial conversion price of HK$0.465, the Convertible Bonds due 2020 will be converted into 860,215,052 new shares of the Company under the general mandate to issue shares granted at the Company's annual general meeting held on 29 August 2017 upon full conversion.

During the year ended 31 March 2018, (i) 2,118,000,000 share options were granted under the share option scheme of the Company, of which 1,018,000,000 share options were granted to the directors of the Company and 1,100,000,000 share options were granted to FDG EBT (Share Option) Limited which is a company under the employee benefit trust established by the Company for the employees of the Group and other persons as designated by the Company; and (ii) a total of 14,600,000 new shares of the Company were issued and allotted upon exercise of share options granted under the Company's share option scheme.

As a result, the number of shares of the Company in issue increased from 22,398,477,108 as at 1 April 2017 to 22,413,077,108 as at 31 March 2018.

As at 31 March 2018, the Company has (i) outstanding share options entitling holders to subscribe for a total of 2,502,600,000 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 2018.

Material Acquisitions and Disposals

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

Pledge of Assets and Contingent Liabilities

There were pledge of assets as at 31 March 2018 and 2017 with details disclosed under the section heading "Liquidity and Financial Resources" and in note 13 of this announcement. In addition, pledged bank deposits of approximately HK$235.3 million (31 March 2017: approximately HK$160.2 million) were pledged to secure mainly for bank loans and other borrowings and bills payables.

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

Litigation

Details of the litigation updates of the Group are set out in note 16 of this announcement.

Capital Commitment

Details of the capital commitments of the Group are set out in note 17 of this announcement.

Employees and Remuneration Policies

As of 31 March 2018, the Group had 75 employees (31 March 2017: 75 employees) in Hong Kong and 2,793 employees (31 March 2017: 2,761 employees) in the PRC. Total staff costs (including directors' emoluments and equity-settled-share-based payments) during the year amounted to approximately HK$470.5 million (2017: approximately HK$359.2 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

FDG performed poorly in the year under review in the midst of challenging market conditions. Nevertheless, the successful US homologations obtained and the subsequent first-ever sales made to the United States has transformed FDG's already compelling electric vehicle product to an internationally credible one, repositioned the business to a less government subsidy reliant segment and increased market share in the home base market in China in the second half of the year under review.

According to research by McKinsey's Center for Future Mobility, China now stands firmly in the global lead of electric vehicles. 2017 also marked a key milestone of China surpassing the United States, and has become the biggest market for electric vehicles globally, excelling in both the demand dimension as well as the supply dimension. FDG believes that one day electric vehicles will overtake all ICE vehicles as the blueprint for future development in scale has already been crafted.

Concentrating on FDG's first mover advantage in commercial electric vehicles

We continue to place emphasis on our first mover advantage in developing fully electric commercial vehicles. Transit vehicles (passenger carriers) and logistics vehicles (goods carriers) carry similar characteristics in terms of business patterns and charging patterns, as both work best with a concentrated spot of charging that saves costs for fleet managers. Additionally, for commercial fleets, the economic factor is of prime importance for mass adoption. This is the reason why we are a firm believer that the first inflection point of electrification will happen in the commercial vehicle segment.

Replacement rather than Infiltration

The Group has now identified a niche segment – the commercial electric vehicles segment where we focus on both transit and logistics vehicles. We will use a replacement strategy aiming at our customers so that they could replace their existing fleets quickly with as little disruption to their business as possible. This is what FDG eyes on - the start of an electrification revolution. Other electric vehicle makers, whether knowingly or not, only tried to penetrate the market to increase market share whereas FDG aims to replace all vehicles in our identified niche.

Specialisation instead of vertical integration

With increasingly tightened subsidy policy in the electric vehicle segment and tightened cash policies from the banks, FDG would shift the focal point to concentrate on our primary business in B2B commercial electric vehicles going forward. Focusing on our primary strength in B2B commercial vehicles means that we would no longer need to pursue the vertically-integrated model by building everything from scratch perfectly from head to toe in our supply chain; instead, we would work under a specialisation model and would become a focused commercial electric vehicle manufacturer.

Revaluation of business strategy and converge resources to the core

Looking ahead, FDG will focus on building the best quality commercial electric vehicles as our core business. While we used to be strategically vertically-integrated, the Group may consider focusing on one core business only, excel in that business and then progress onwards. We have identified our commercial electric vehicles business as the core. Other segments, such as battery and cathode materials manufacturing, will be secondary businesses for the Group. We will focus on our core B2B segment in commercial electric vehicles because they are ready now, they are the fruits of our investment and they reduce more carbon emissions, even more than five electric passenger cars combined. Furthermore, aligned with our fundamental value of "Green and Growth", commercial vehicles, given its longer road-traveling time and larger in volume, can contribute more positively to the carbon emission reduction compared to passenger vehicles. In fact, per calculation based on emission data from United States Environmental Protection Agency and comparable ICE commercial vehicles, the switch to 1 FDG electric vehicle can result in the carbon emission reduction of the switch to nearly 6 passenger vehicles. Disposing the non-profit generating arm in Yunnan was just the start of converging efforts to the core. At this point, we will concentrate the Group's business resources to the core, ramp up production, generate revenue and we may consider unloading non-core segments going forward.

Scaling up the domestic and international market

As well as continually tapping into the domestic electric vehicle demand in China, the Group continues to explore development opportunities internationally. The export of the vehicles to blue-chip American fleet managers was only the first milestone to prove that our ambition does not only stay within the domestic border, we see ourselves as a world-leading electric vehicle manufacturer in the future. FDG will continually explore valuable opportunities that bring value to our shareholders, in particular, the European market, after the successful sales announced in the United States.

Outlook

While it is too early to call an absolute stabilisation, supportive policies from the Chinese Government in the industry, sequential growth in the electric vehicle segment in China, greater clarity on the structural shift of the subsidies towards a more market-oriented approach, repeating orders from Chinese fleet managers and promising orders from blue-chip American companies should be viewed positively. FDG has already had a full strategic blueprint in place in anticipation of future orders. Nevertheless, we expect the global economy to experience a wide range of challenges which may result in less predictive trends and greater volatility in the short term.

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

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 throughout the year ended 31 March 2018 and up to the date of this announcement, except for the following deviations.

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.

Code provision F.1.2

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code for securities transactions by directors (the "Securities Code"), which is largely based on the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. The Securities Code is on terms no less exacting than the required standard set out in the Model Code. All directors of the Company have confirmed, following specific enquiry by the Company, their compliance with the required standard set out in the Model Code and the Securities Code throughout the year ended 31 March 2018.

During the period of 60 days immediately preceding and including the publication date of this announcement on final results, certain shares of the Company held by each of Mr. Cao Zhong ("Mr. Cao", the chairman and 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 date of this announcement, and the shareholding interest in the Company of Mr. Miao reduced from approximately 8.79% to approximately 8.29% up to the date of his resignation (further reduced to approximately 4.30% as of the date of this announcement). 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.

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

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

EVENTS AFTER REPORTING PERIOD

Events occurred after the reporting period are detailed in note 18 to this announcement.

REVIEW OF FINAL RESULTS

The Audit Committee of the Company has reviewed with the management and the Company's independent auditor the audited results of the Group for the year ended 31 March 2018.

On behalf of the Board
FDG Electric Vehicles Limited
Cao Zhong
Chairman & Chief Executive Officer

Hong Kong, 28 June 2018

As at the date of this announcement, the Board comprises Mr. Cao Zhong (Chairman and Chief Executive Officer), Dr. Chen Yanping (Chief Technical Officer), Mr. Lo Wing Yat and Mr. Jaime Che (Senior Vice President) as executive directors; Mr. Wong Kwok Yiu as non-executive director; and Mr. Chan Yuk Tong, Mr. Fei Tai Hung, Mr. Tse Kam Fow and Mr. Xu Jingbin as independent non-executive directors.

Website: http://www.fdgev.com

** For identification purpose only*