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FDG Kinetic Limited

五龍動力有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 378)

FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2019

The board of directors (the "Board") of FDG Kinetic Limited (the "Company") presents the audited consolidated final results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2019 together with the comparative figures for the year ended 31 March 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Notes	**2019**	2018
		HK$'000	*HK$'000*
Revenue			
Goods and services		**112,280**	219,180
Interest		**11,480**	43,123
Total Revenue	3	**123,760**	262,303
Cost of sales		**(106,492)**	(218,895)
		17,268	43,408
Other income		**591**	3,042
Other gains and losses	5	**(11,427)**	(22,666)
Selling and distribution costs		**(4,556)**	(3,829)
General and administrative expenses		**(60,829)**	(61,490)
Research and development expenses		**(11,585)**	(11,739)
Finance costs	6	**(46,422)**	(96,555)
Impairment loss, net of reversal on financial assets at amortised cost	7	**(31,219)**	(6,946)
Impairment loss on goodwill	9	**(307,000)**	(152,969)
Impairment losses on interests in associates	9	**(15,920)**	(533,184)
Share of results of associates		**(164,666)**	(189,154)
Share of results of a joint venture		**5,263**	3,493
Loss before taxation		**(630,502)**	(1,028,589)
Income tax credit	8	**1,920**	1,936
Loss for the year	9	**(628,582)**	(1,026,653)
Other comprehensive (expense)/income			
Items that may be reclassified subsequently to profit or loss:			
— Exchange differences arising from translation of foreign operations		**(23,903)**	74,908
— Share of investment revaluation reserve of an associate		**—**	16,209
— Share of other comprehensive (expense)/income of associates		**(18,634)**	62,031
— Share of other comprehensive (expense)/income of a joint venture		**(11,290)**	10,837
Other comprehensive (expense)/income for the year		**(53,827)**	163,985
Total comprehensive expense for the year		**(682,409)**	(862,668)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(continued)*

For the year ended 31 March 2019

	Note	**2019**	2018
		HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company		**(628,582)**	(1,026,653)
Other comprehensive (expense)/income for the year attributable to owners of the Company		**(53,827)**	163,985
Total comprehensive expense for the year attributable to owners of the Company		**(682,409)**	(862,668)
		HK cents	*HK cents*
Loss per share	10		
Basic and diluted		**(9.31)**	(17.64)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019

	Notes	**2019**	2018
		HK$'000	*HK$'000*
Non-current assets			
Goodwill		**6,755**	335,878
Intangible assets		**52,823**	72,012
Property, plant and equipment		**240,286**	181,008
Interests in leasehold land held for own use under operating lease		**17,204**	18,836
Interests in associates		**324,900**	524,120
Interest in a joint venture		**106,564**	112,591
Loan receivables	13	**321**	360
Deposits paid for non-current assets		**—**	66,772
Other non-current assets		**367**	367
		749,220	1,311,944
Current assets			
Inventories		**35,485**	45,028
Trade and other receivables	12	**66,732**	122,847
Loan receivables	13	**125,174**	159,963
Financial assets at fair value through profit or loss		**6,438**	22,500
Amount due from an associate		**80,979**	69,699
Pledged bank deposits		**—**	11,375
Cash and cash equivalents		**6,587**	74,101
		321,395	505,513
Current liabilities			
Bank and other borrowings		**219,933**	84,960
Trade and bills payables	14	**5,589**	43,089
Accruals and other payables		**127,298**	127,289
Contract liabilities		**—**	—
Loan from the ultimate holding company		**100,000**	—
Obligations under finance leases		**41,255**	33,389
Liability component of convertible bonds	15	**—**	192,561
Amount due to an associate		**148,640**	159,120
Tax payables		**4,269**	4,556
		646,984	644,964
Net current liabilities		**(325,589)**	(139,451)
Total assets less current liabilities		**423,631**	1,172,493

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

At 31 March 2019

	2019	2018
	HK$'000	*HK$'000*
Non-current liabilities		
Bank and other borrowings	**—**	51,107
Obligations under finance leases	**—**	12,588
Deferred tax liabilities	**10,048**	12,806
	10,048	76,501
NET ASSETS	**413,583**	1,095,992
CAPITAL AND RESERVES		
Share capital	**1,350,659**	1,350,659
Reserves	**(937,076)**	(254,667)
TOTAL EQUITY	**413,583**	1,095,992

NOTES TO THE AUDITED CONSOLIDATED FINAL RESULTS

1. Basis of preparation

During the year ended 31 March 2019, the Group incurred a net loss attributable to owners of the Company of approximately HK$628,582,000 and, as of 31 March 2019, the Group had net current liabilities of approximately HK$325,589,000. The Group's aggregated bank and other borrowings and obligations under finance leases amounted to approximately HK$219,933,000 and HK$41,255,000, respectively, while its cash and cash equivalents amounted to approximately HK$6,587,000 only as at that date. In addition, as at 31 March 2019, repayments in respect of the Group's aggregate other borrowings and obligations under finance leases amounting to approximately HK$176,902,000 and HK$41,255,000, respectively, were overdue but the Group has not been able to obtain extensions of repayments of other borrowings and obligations under finance leases amounting to HK$76,902,000 and HK$41,255,000, respectively, from the financial institution as at the date of approval for issuance of these consolidated financial statements. These overdue borrowings are therefore immediately repayable if and when requested by that financial institution.

In view of such circumstances, the directors of the Company (the "Directors") have given careful consideration to the future liquidity and financial position of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain plans and measures have been taken to mitigate the liquidity position and to improve the Group's financial position which include, but are not limited to, the following:

(i) The Group has been actively negotiating with the financial institution for renewal of or extension of the secured other borrowings of approximately HK$47,757,000, unsecured other borrowings of approximately HK$29,145,000 and obligations under finance leases of approximately HK$41,255,000;

(ii) The Group has obtained financial support from FDG Electric Vehicles Limited ("FDG"), the ultimate holding company, who has agreed to provide adequate funds to enable the Group to meet in full its obligations as they fall due for a period of twelve months from the date the consolidated financial statements are approved for issuance by the Directors. In April and June 2019, the Group obtained loans from FDG in an aggregate amount of approximately HK$41,000,000 to finance its operations; and

(iii) The Group has initiated the plan to dispose of its entire equity interest in an associate, ALEEES (GuiZhou) Co., Ltd. ("ALEEES GuiZhou") in November 2018 to one of the associate existing shareholders, to discharge the Group's obligation for the unpaid investment cost in the associate of approximately HK$148,640,000.

The Directors have reviewed the Group's cash flow projections prepared by the management of the Group. The cash flow projections cover a period of not less than twelve months from 31 March 2019. The Directors are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its obligations and to meet its financial obligations as they fall due not less than twelve months from the date of approval of the consolidated financial statements. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, since the execution of the plans and measures are at a preliminary stage, significant uncertainties exist as to whether management of the Group will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows through the following:

1. **Basis of preparation** *(continued)*

(i) Successful negotiation with the financial institution for the renewal of or extension for repayments of outstanding secured other borrowings of approximately HK$47,757,000, unsecured other borrowings of approximately HK$29,145,000 and obligations under finance leases of approximately HK$41,255,000, including those with overdue principals and interests;

(ii) Successful fund raising by FDG to improve the financial position of the liquidity of FDG itself and also provide adequate funds to enable the Group to meet in full its financial obligations as they fall due for a period of twelve months from the date the consolidated financial statements are approved for issuance by the directors of the Company, given the significant uncertainty in respect of the going concern status of FDG, further details of which are set out in the consolidated financial statements of FDG for the year ended 31 March 2019; and

(iii) Successful disposal of its entire interest in ALEEES GuiZhou to discharge the Group's obligation for the unpaid investment cost in the associate.

Should the Group fail to achieve the above mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to reclassify the Group's non-current assets and non-current liabilities as current assets and current liabilities respectively, to write down the carrying values of the Group's assets to their recoverable amounts and to provide for any provision for any contractual commitments that have become onerous as at the end of the reporting period. The effects of these adjustments have not been reflected in the consolidated financial statements.

2. **Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs")**

New and Amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and 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 on the disclosures set out in these consolidated financial statements.

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") *(continued)*

HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Sale of cathode materials for battery production; and
- Provision of processing services.

Summary of effects arising from initial application of HKFRS 15

The Group has assessed the impact of application of HKFRS 15 and based on its assessment, the adoption has no significant impact on the accumulated losses as at 1 April 2018.

The following adjustment was made to the amounts recognised in the consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2018 *HK\$'000*	Reclassification *HK\$'000*	Carrying amounts under HKFRS 15 at 1 April 2018 *HK\$'000*
Current liabilities			
Accruals and other payable	127,289	(8,705)	118,584
Contract liabilities	—	8,705	8,705

As at 1 April 2018, receipt in advance of approximately HK\$8,705,000 in respect of contracts with customers related to sales of cathode materials previously included in accruals and other payable was reclassified to contract liabilities.

No receipt in advance in respect of contracts with customers relating to sales of cathode materials as at 31 March 2019.

2. **Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs")** *(continued)*

HKFRS 9 "Financial Instruments"

In the current year, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (a) the classification and measurement of financial assets and financial liabilities, (b) expected credit loss ("ECL") for financial assets and (c) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

Summary of effects arising from initial application of HKFRS 9

The effects of the classification and measurement of financial assets (including impairment of financial assets subject to ECL) under HKFRS 9 at the date of initial application, 1 April 2018 are as follows:

(a) Classification and measurement of financial assets

On initial application of HKFRS 9, the Group's financial assets will continue to be measured on the same bases as was previously adopted under HKAS 39.

(b) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables. To measure the ECL, all trade receivables have been assessed individually.

ECL for other financial assets at amortised cost, including other receivables, loan receivables, amount due from an associate, pledged bank deposits and cash and cash equivalents, are measured on 12 months ECL basis as there had been no significant increase in credit risk since initial recognition.

As at 1 April 2018, the Group has assessed and reviewed the existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. No additional credit loss allowance has been recognised against accumulated losses as the amount involved is insignificant.

The Group has not early applied any new amended or interpretation that has been issued but are not yet effective for the current accounting period.

3. Revenue

(i) Disaggregation of revenue from contracts with customers:

	Notes	*2019* *HK$'000*
Revenue from contracts with customers		
- Sales of cathode materials for battery production	(a)	**102,680**
- Provision of processing services	(a)	**9,600**
		112,280
Interest income	(b)	**11,480**
		123,760
Geographical markets		
The People's Republic of China (the "PRC")		**112,280**
Hong Kong		—
Revenue from contracts with customers		**112,280**

Notes:

(a) Sales of cathode materials for battery production and revenue from provision of processing services are classified as revenue under battery materials production segment in the segment information. Both types of revenue are recognised at a point in time.

(b) Interest income is classified as revenue under direct investments in the segment information.

(ii) An analysis of the Group's revenue for the year ended 31 March 2018 is as follows:

	2018 *HK$'000*
Sales of cathode materials for battery production	219,180
Interest income	43,123
Total	262,303

4. Segment Information

The segment information reported to the Directors, being the chief operating decision makers ("CODM") for the purposes of resource allocation and assessment of segment performance, focuses on type of goods delivered or services provided.

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

(i) Battery materials production segment, which includes research and development, manufacture and sales of cathode materials for nickel-cobalt-manganese lithium-ion batteries, lithium ferrous phosphate batteries representing the Group's interest in an associate, Advanced Lithium Electrochemistry (Cayman) Co., Ltd. ("ALEEES") and provision of processing services; and

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

4. Segment Information *(continued)*

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

	Battery Materials Production		Direct Investments		Total	
	2019	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment revenue from external customers	**112,280**	219,180	**11,480**	43,123	**123,760**	262,303
Reportable segment results	**(450,969)**	(326,648)	**(142,007)**	(637,993)	**(592,976)**	(964,641)
Unallocated corporate income					**—**	1,588
Central administrative cost, and directors' remuneration					**(37,526)**	(65,536)
Loss before taxation					**(630,502)**	(1,028,589)

Segment results represent profit or loss attributable to the segment without allocation of corporate income, central administrative costs, write-down of certain inventories and directors' remuneration. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

4. Segment Information *(continued)*

Other segment information:

	Battery Materials Production		Direct Investments		Unallocated		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Amounts included in the measure of segment results or segment assets:								
Bank interest income	**(111)**	(325)	**(48)**	—	**—**	—	**(159)**	(325)
Loss on disposal of property, plant and equipment	**—**	673	**—**	—	**—**	—	**—**	673
Depreciation and amortisation	**19,646**	19,898	**—**	—	**17**	17	**19,663**	19,915
Interest expenses	**18,684**	10,805	**27,738**	85,750	**—**	—	**46,422**	96,555
Impairment loss on goodwill	**307,000**	152,969	**—**	—	**—**	—	**307,000**	152,969
Impairment losses on interests in associates	**15,920**	61,000	**—**	472,184	**—**	—	**15,920**	533,184
Impairment losses on trade receivables	**—**	7,553	**—**	—	**—**	—	**—**	7,553
Impairment loss on loan receivable	**—**	—	**30,844**	—	**—**	—	**30,844**	—
Impairment loss on interest receivable	**—**	—	**4,959**	—	**—**	—	**4,959**	—
Impairment loss on amount due from an associate	**—**	—	**13,200**	—	**—**	—	**13,200**	—
Reversal of impairment losses on trade receivables	**(9,716)**	(607)	**—**	—	**—**	—	**(9,716)**	(607)
Reversal of impairment loss on loan receivable	**—**	—	**(7,750)**	—	**—**	—	**(7,750)**	—
Reversal of impairment loss on interest receivable	**—**	—	**(318)**	—	**—**	—	**(318)**	—
Share of results of associates	**82,444**	49,667	**82,222**	139,487	**—**	—	**164,666**	189,154
Share of results of a joint venture	**—**	—	**(5,263)**	(3,493)	**—**	—	**(5,263)**	(3,493)
Write-down of inventories	**2,472**	—	**—**	—	**—**	37,743	**2,472**	37,743
Reversal of write-down of inventories	**—**	(2,520)	**—**	—	**—**	—	**—**	(2,520)
Interests in associates	**324,900**	433,353	**—**	90,767	**—**	—	**324,900**	524,120
Interest in a joint venture	**—**	—	**106,564**	112,591	**—**	—	**106,564**	112,591
Addition to non-current assets (Note)	**32,590**	222,721	**—**	—	**—**	—	**32,590**	222,721

Note: Non-current assets excluded financial instruments.

4. Segment Information *(continued)*

(a) Segment assets and liabilities

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

	2019	2018
	HK$'000	*HK$'000*
Segment assets		
Battery materials production	**723,042**	1,274,307
Direct investments	**328,783**	467,377
Total segment assets	**1,051,825**	1,741,684
Unallocated assets	**18,790**	75,773
Consolidated assets	**1,070,615**	1,817,457
Segment liabilities		
Battery materials production	**355,019**	410,013
Direct investments	**275,422**	288,440
Total segment liabilities	**630,441**	698,453
Unallocated liabilities	**26,591**	23,012
Consolidated liabilities	**657,032**	721,465

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

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

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

4. **Segment Information** *(continued)*

(b) Geographical Information

The Group's operations are mainly located in Hong Kong, the PRC and Taiwan.

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

	Revenue		**Non-current assets (Note)**	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**11,480**	43,123	**29**	46
The PRC	**112,280**	219,180	**572,595**	1,037,277
Taiwan	**—**	—	**176,275**	274,261
	123,760	262,303	**748,899**	1,311,584

Note: Non-current assets excluded financial instruments.

(c) Information about major customers

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

	2019	2018
	HK$'000	*HK$'000*
Customer A – revenue from battery materials production	**72,003**	N/A#
Customer B – revenue from battery materials production	**21,498**	N/A#
Customer C – revenue from battery materials production	**N/A#**	104,203
Customer D – revenue from battery materials production	**N/A#**	57,735
Customer E – revenue from direct investments	**N/A#**	26,924

No revenue was contributed by these customers for the year ended 31 March 2019 or 2018.

(d) Revenue from major products and services

The Group's revenue from its major products and services is disclosed in Note 3.

5. Other Gains and Losses

	2019	2018
	HK$'000	*HK$'000*
Loss on disposal of property, plant and equipment	—	673
Net foreign exchange loss/(gain)	**1,698**	(60)
Net gain on held-for-trading investments	—	(13,170)
Net loss on financial assets at fair value through profit or loss	**7,257**	—
Reversal of write-down of inventories	—	(2,520)
Write-down of inventories	**2,472**	37,743
	11,427	22,666

6. Finance Costs

	2019	2018
	HK$'000	*HK$'000*
Interest on convertible bonds	**13,445**	84,614
Interest on finance leases	**2,006**	3,855
Interest on bank and other borrowings	**30,971**	8,086
	46,422	96,555

7. Impairment Loss, Net of Reversal on Financial Assets at Amortised Cost

	2019	2018
	HK$'000	*HK$'000*
Impairment losses on trade receivables	—	7,553
Impairment loss on loan receivable	**30,844**	—
Impairment loss on interest receivable	**4,959**	—
Impairment loss on amount due from an associate	**13,200**	—
Reversal of impairment losses on trade receivables	**(9,716)**	(607)
Reversal of impairment loss on loan receivable	**(7,750)**	—
Reversal of impairment loss on interest receivable	**(318)**	—
	31,219	6,946

8. Income Tax Credit

	2019	2018
	HK$'000	*HK$'000*
Deferred tax	**(1,920)**	(1,936)
Total income tax credit for the year	**(1,920)**	(1,936)

8. Income Tax Credit *(continued)*

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

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

The deferred tax of approximately HK$1,920,000 (2018: approximately HK$1,936,000) that has been credited to the consolidated statement of profit or loss and other comprehensive income arose from origination and reversal of temporary differences in respect of fair value adjustment on business combination.

9. Loss for the Year

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

	2019	2018
	HK$'000	*HK$'000*
Contributions to defined contribution retirement plan	**2,036**	1,842
Salaries and other benefits	**27,708**	27,922
Less: Amounts capitalised in inventories	**(8,000)**	(4,668)
Staff costs, including directors' remuneration	**21,744**	25,096
Auditors' remuneration		
- audit service	**2,474**	2,397
- non-audit service	**963**	564
Cost of inventories recognised as expenses	**106,492**	218,895
Amortisation of intangible assets	**14,482**	14,604
Amortisation of interests in leasehold land held for own use under operating lease	**388**	395
Depreciation of property, plant and equipment	**23,747**	18,021
Less: Amounts capitalised in inventories	**(18,954)**	(13,105)
	4,793	4,916
Impairment loss on goodwill (Note (i))	**307,000**	152,969
Impairment losses on interests in associates (Note (ii))	**15,920**	533,184
Impairment losses on trade receivables	**—**	7,553
Reversal of write-down of inventories	**—**	(2,520)
Write-down of inventories	**2,472**	37,743
Operating lease charges in respect of property rentals	**1,225**	1,115
Bank interest income	**(159)**	(325)

Notes:

(i) Affected by the tightening of credit control, the sales and production on existing customers decreased in current year. Furthermore, the Group defers the launching of the new products and completion of construction of new production lines due to its tight cash flows. These three factors resulted in a decrease of the expected future cash flows which resulted in an impairment loss on goodwill amounting to HK$307,000,000 (2018: approximately HK$152,969,000) being recognised in the current year. As at 31 March 2019, the carrying amount of goodwill after impairment loss was approximately HK$6,755,000 (2018: approximately HK$335,878,000).

9. Loss for the Year *(continued)*

(ii) For the interest in ALEEES, its recoverable amount, which was based on its market value less cost of disposal of approximately HK$176,275,000 (2018: approximately HK$274,261,000) at the end of the reporting period. As the recoverable amount is lower than its carrying amount, an impairment loss of approximately HK$15,920,000 (2018: approximately HK$61,000,000) was recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2019.

For the interest in Synergy Dragon Limited ("SDL"), as at 31 March 2018, affected by the new policies in the PRC on the quality of the lithium-ion batteries in the second half of the financial year 2018, the demand of the battery products produced by SDL in the PRC decreased, resulted in a decrease in the expected future cash flows. The carrying amount exceeded the recoverable amount, which was based on its value in use, that led to an impairment loss of approximately HK$472,184,000. The value in use was determined based on the discounted cash flow projections of SDL at the end of reporting period using a discount rate of 25.28%.

As at 31 March 2019, the carrying amount of the interest in SDL dropped to zero after the share of results of SDL and thus no impairment loss was recognised in the consolidated statement of profit or loss other comprehensive income.

10. Loss per Share

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

	2019	2018
	HK$'000	*HK$'000*
Loss:		
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	**(628,582)**	(1,026,653)

	2019	2018
Number of shares:		
Issued ordinary shares at 1 April	**6,753,293,913**	5,135,646,855
Effect of new shares pursuant to conversion of convertible bonds	**—**	684,850,926
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**6,753,293,913**	5,820,497,781

The computation of diluted loss per share for the years ended 31 March 2019 and 2018 did not assume the conversion of the Company's outstanding convertible bonds on or before redemption at 4 August 2018 since their assumed exercise would result in a decrease in loss per share.

11. Dividends

No dividend had been paid or declared during the year. The Board does not recommend the payment of a dividend for the year ended 31 March 2019 (2018: Nil).

12. Trade and Other Receivables

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**17,743**	77,182
Bills receivables	**—**	3,779
	17,743	80,961
Less: allowance for credit losses	**(870)**	(11,307)
	16,873	69,654
Value-added tax receivables	**31,455**	22,455
Interest receivables	**9,306**	11,497
Other receivables	**325**	1,056
Deposits and prepayments	**8,773**	18,185
	66,732	122,847

At 31 March 2018, included in the trade receivables were discounted trade receivables with recourse of approximately HK$ 54,012,000 (2019: Nil).

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

	2019	2018
	HK$'000	*HK$'000*
Within one month	**7,134**	3,582
Between one and three months	**345**	10,888
Over three months	**9,394**	55,184
	16,873	69,654

Trading terms with customers are either on a cash basis or on credit. For those customers who trade on credit, a credit period of 30 days (2018: ranging from 30 to 90 days) is allowed. Credit limits are set for customers. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. Overdue balances are regularly reviewed by the management of the Group. The carrying amounts of the receivables approximate their fair values.

13. Loan Receivables

	2019	2018
	HK$'000	*HK$'000*
Fixed-rate loan receivables	**156,339**	168,073
Less: allowance for credit losses	**(30,844)**	(7,750)
Net fixed-rate loan receivables	**125,495**	160,323
Analysed as:		
Non-current assets	**321**	360
Current assets	**125,174**	159,963
	125,495	160,323

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

	2019	2018
	HK$'000	*HK$'000*
On demand and due within one year	**125,174**	159,963
Over five years	**321**	360
	125,495	160,323

14. Trade and Bills Payables

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**5,589**	31,714
Bills payables	**—**	11,375
	5,589	43,089

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

	2019	2018
	HK$'000	*HK$'000*
Within one month	**—**	5,471
Between one and three months	**538**	13,217
Over three months	**5,051**	24,401
	5,589	43,089

The carrying amounts of trade and bills payables approximate their fair values. All bills payables were secured by pledged bank deposits as at 31 March 2018 (2019: Nil).

15. Convertible Bonds

On 4 August 2018, the entire outstanding convertible bonds with the principal account of HK$200,000,000 remained unexercised and was redeemed and extinguished by the Company upon expiration of the convertible bonds.

16. Capital Commitments

	2019	2018
	HK$'000	*HK$'000*
Capital expenditures contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	—	37,373

17. Events After the Reporting Period

On 12 April 2019, the Company has entered into a sale and purchase agreement with an independent third party to dispose of the entire issued share capital of All Victory Limited ("All Victory"), a wholly-owned subsidiary of the Company (the "Disposal"). All Victory is an investment holding company which holds 100% equity interest in a subsidiary named 事安投資諮詢(深圳)有限公司 (CIAM Investment Advisory (Shenzhen) Ltd.*) ("CIAM SZ"). CIAM SZ had a loan receivable of approximately HK$55,978,000 as at 31 March 2019. At the date of this announcement, the Disposal has not yet been completed.

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

EXTRACT FROM THE INDEPENDENT AUDITOR'S REPORT

The Company's independent auditor's report for the year ended 31 March 2019 has included a separate section under the heading "Disclaimer Opinion" and "Basis for Disclaimer of Opinion", an extract of which is as follows:

Disclaimer Opinion

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

Basis for Disclaimer of Opinion

As described in Note 1 to the consolidated financial statements, the Group incurred a net loss attributable to owners of the Company of approximately HK$628,582,000 during the year ended 31 March 2019 and, as of 31 March 2019, the Group had net current liabilities of approximately HK$325,589,000. The Group's aggregate bank and other borrowings and obligations under finance leases amounted to approximately HK$219,933,000 and HK$41,255,000, respectively, while its cash and cash equivalents amounted to only approximately HK$6,587,000 only as at the same date. In addition, as at 31 March 2019, repayments in respect of the Group's aggregate other borrowings and obligations under finance leases amounting to approximately HK$176,902,000 and HK$41,255,000, respectively, were overdue but the Group has not been able to obtain extensions of repayments of other borrowings and obligations under finance leases amounting to approximately HK$76,902,000 and HK$41,255,000, respectively, from the financial institution as at the date of this report. These overdue borrowings are therefore immediately repayable if and when requested by that financial institution.

The directors of the Company have undertaken a number of plans and measures to improve the Group's liquidity and financial position, and to remediate the delayed repayments to the financial institution, as set out in Note 1 to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these plans and measures, which are subject to multiple uncertainties, including (i) the successful negotiation with the financial institution for the renewal of or extension of repayments of outstanding secured other borrowings of approximately HK$47,757,000, unsecured other borrowings of approximately HK$29,145,000 and obligations under finance leases of approximately HK$41,255,000, including those with overdue principals and interests; (ii) the successful fund raising by the Company's ultimate holding company, FDG Electric Vehicles Limited ("FDG") itself and also provide adequate funds to enable the Group to meet in full its financial obligations as they fall due for a period of twelve months from the date the consolidated financial statements are approved for issuance by the directors of the Company, given the significant uncertainty in respect of the going concern status of FDG, further details of which are set out in the consolidated financial statements of FDG for the year ended 31 March 2019; and (iii) the successful disposal of its entire equity interest in an associate to discharge the Group's obligation for the unpaid investment cost in the associate.

Should the Group fail to achieve the above mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to reclassify the Group's non-current assets and non-current liabilities as current assets and current liabilities respectively, to write down the carrying values of the Group's assets to their recoverable amounts and to provide for any provision for any contractual commitments that have become onerous as at the end of the reporting period. The effects of these adjustments have not been reflected in the consolidated financial statements.

Given the execution of the plans and measures by the Group are at a preliminary stage with details as set out in Note 1 to the consolidated financial statements, and in view of the significance of the extent of the uncertainty relating to the ongoing availability of finance to the Group, we disclaim our opinion in respect of year ended 31 March 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

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

MARKET OVERVIEW

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

Battery Business

Li-ion batteries are generally categorised into three main segments, namely consumable batteries, power batteries and energy storage batteries. According to the data from Gaogong Industry Research Institute ("GGII"), benefited from the development of new energy vehicle ("NEV") market, the global demand for power batteries remained strong. The global output of power batteries in 2018 amounted to 106GWh, representing an increase of 55.2% as compared to the last corresponding period. According to the information of GGII, China has been the world's largest country in terms of power battery output since 2015 and continued its leading position in 2018, with continuing rapid growth in power battery output, amounting to 65GWh, representing an increase of 46% as compared to the corresponding period in 2017. However, as foreign battery enterprises enter the mainland market, and domestic and foreign battery enterprises successively increase their production capacity, the battery industry is facing fierce competition resulting in overcapacity and increased pressure on the price of Li-ion batteries.

Cathode Material Business

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

BUSINESS REVIEW

The Group has been committed to developing its core battery and cathode materials business, and actively exploring the local and overseas market in order to further increase the market share of the Group in the battery and cathode materials sector.

During the year under review, affected by macroeconomic factors, the investment sentiment tended to be more prudent. Besides, the battery industry is facing fierce competition due to the changes in policies of domestic NEV industry, reduction of subsidy and entry of foreign battery enterprises into the mainland market, and the Group, without compromise of the quality and safety standards of its products, is determined to implement cost control plans in a pragmatic manner in a bid to enhance market competitiveness of the Group's products. Driven by the demand for power batteries and due to the increase of cathode materials purchase in China by foreign enterprises, the market development and output of cathode materials also maintained rapid growth, and the Group will also grasp opportunities to continue investing and improving product quality, expand production capacity and further reduce costs, in order to increase the market share and influence of the Group in cathode materials market.

Battery Business

The policy regarding reduction of subsidy in China, the influx of foreign battery enterprises in the mainland market, and increased efforts in production capacity building of both local and overseas battery enterprises have all contributed to the excessive production capacities and more intensified competition in the battery industry. Moreover, affected by a decrease in prices of power batteries, the growth in battery market size has slowed down, resulting in a decline in profit margin. During the year under review, the performance of the Group's battery business was sluggish and recorded a loss in general.

Amid the fierce competition in the industry, the Group, without compromise of the quality and safety standards of the batteries, implemented stringent cost control plans in a bid to lower its production cost. Last year, the Group negotiated with its material suppliers for lower prices in purchasing lithium ferrous phosphate, electrolytes and separators. The Group's material purchase cost has therefore decreased by approximately 8% as compared with the last corresponding period.

Cathode Material Business

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

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

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

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

FINANCIAL REVIEW

During the year under review, the Group recorded a revenue of approximately HK$123.8 million, representing a decrease of approximately 52.8% as compared with the revenue of approximately HK$262.3 million of the year ended 31 March 2018. Such decrease was mainly due to the decrease from sales of cathode material of the battery materials production business segment.

The Group's loss attributable to equity shareholders of the Company for the year ended 31 March 2019 amounted to approximately HK$628.6 million, representing a decrease in loss of approximately HK$398.1 million as comparing with the loss of approximately HK$1,026.7 million for the year ended 31 March 2018. The decrease was mainly attributable to the combination effects of the followings:

(i) decrease in sales of cathode material from approximately HK$219.2 million for the year ended 31 March 2018 to approximately HK$112.3 million for the year ended 31 March 2019 and therefore decrease in profit generated. Such decrease was mainly due to delay in time schedule to carry out subcontracting sales to a new customer and provision of processing income to that new customer from the second half of the year;

(ii) decrease in interest and dividend income from approximately HK$43.1 million for the year ended 31 March 2018 to approximately HK$11.5 million for the year ended 31 March 2019, the decrease was mainly due to approximately HK$26.9 million of the interest accrued for the secured bond issued by FDG Electric Vehicles Limited ("FDG") to the Company for the year ended 31 March 2018, which did not incurred during the year;

(iii) net losses from other gains and losses decreased from approximately HK$22.7 million for the year ended 31 March 2018 to approximately HK$11.4 million for the year ended 31 March 2019, mainly due to decrease in write-down of inventories amounted to approximately HK$35.2 million from approximately HK$37.7 million for the year ended 31 March 2018 to approximately HK$2.5 million for the year ended 31 March 2019;

(iv) the finance costs amounted to approximately HK$46.4 million were comprised of the interest expenses on the convertible bonds, finance leases and bank and other borrowings, which representing a decrease of approximately HK$50.2 million as comparing with approximately HK$96.6 million for the year ended 31 March 2018. Such decrease was mainly due to partial repayment of bank and other borrowings and finance leases and fully repayment of the convertible bonds during the year under review;

(v) increase in impairment loss, net of reversal on financial assets at amortised cost from approximately HK$6.9 million for the year ended 31 March 2018 to approximately HK$31.2 million for the year ended 31 March 2019, the increase was mainly due to the impairment loss on a loan receivable to an independent third party amounted to approximately HK$30.8 million recognised for the year ended 31 March 2019 which did not incur in the corresponding last year;

(vi) impairment loss on goodwill of the battery materials production business amounted to approximately HK$307.0 million (year ended 31 March 2018: approximately HK$153.0 million) as a result of the completion of construction of new production lines and launch of new products is longer than expected, and the impact on fixed selling price to a customer with a steady gross margin;

(vii) impairment loss on interest in associates for the year ended 31 March 2019 decreased by approximately HK$517.3 million comparing with last financial year. As impairment loss provided for Advanced Lithium Electrochemistry (Cayman) Co., Ltd. ("ALEEES") amounted to approximately HK$15.9 million for the year under review while impairment loss of approximately HK$61.0 million and HK$472.2 million was provided for ALEEES and Synergy Dragon Limited ("SDL") respectively for the year ended 31 March 2018; and

(viii) the share of loss of associates amounted to approximately HK$164.7 million (year ended 31 March 2018: share of loss of approximately HK$189.2 million) which was mainly attributable from two associates, SDL and ALEEES, amounted to approximately HK$82.2 million (year ended 31 March 2018: approximately HK$139.6 million) and approximately HK$82.5 million (year ended 31 March 2018: approximately HK$49.6 million), respectively. The increase in share of loss of ALEEES was caused by the changes in subsidy policies for batteries and electric vehicles in China and the keen competition in the market, while the decrease in share of loss of SDL due to all interest in SDL has been shared to zero during the year under review.

Segment Information

Battery Materials Production Business

During the year under review, this battery materials production business segment contributed the Group's revenue of approximately HK$112.3 million from the sales of cathode materials for nickel-cobalt manganese ("NCM") lithium-ion batteries and provision of processing services, representing a decrease of approximately 48.8% as compared with the revenue of approximately HK$219.2 million for the year ended 31 March 2018. Such decrease was mainly due to delay in time schedule to carry out subcontracting sales to a new customer and provision of processing income to that new customer from the second half of the year.

This battery materials production business segment brought a loss before tax of approximately HK$451.0 million (year ended 31 March 2018: approximately HK$326.6 million) to the Group during the year under review, which included share of loss of an associate, ALEEES, of approximately HK$82.5 million. The Group holds approximately 21.85% of total issued shares of ALEEES. ALEEES is principally engaged in the business of production, research and development and sales and marketing of cathode materials for lithium ferrous phosphate batteries. As most of the customers of ALEEES were from the People's Republic of China (the "PRC"), and influenced by the new energy subsidy policies and keen competition in the market, ALEEES suffered losses during the year under review.

Without taking into account of share of loss of ALEEES approximately HK$82.5 million (year ended 31 March 2018: approximately HK$49.6 million), the one-off impairment loss on ALEEES and goodwill of battery materials production business of approximately HK$15.9 million (year ended 31 March 2018: approximately HK$61.0 million) and approximately HK$307.0 million (year ended 31 March 2018: approximately HK$153.0 million) respectively and exchanges gain on investment cost payable to an associate of approximately HK$10.5 million for the year ended 31 March 2019, the battery material production business of Chongqing factory incurred a loss before tax of approximately HK$56.1 million during the year under review, which is slightly decreased as comparing with the loss before tax of approximately HK$63.0 million for the year ended 31 March 2018.

On 2 January 2019, the Company announced that most of the Chongqing's production capacity in all production lines have been allocated for carrying out subcontracting sale for a customer until 31 December 2019. The subcontracting sales and provision of processing services have been started during the year under review. As a results, the Group is expecting a guaranteed revenue stream at a steady gross margin from the battery materials production segment going forward. The NCM lithium-ion batteries can be widely used in the telecommunication devices, electric vehicles and energy storage systems. The demand for cathode materials are expected to remain strong in the future to cope with the favorable government policies in the development of new energy vehicle industry.

Direct Investments Business

During the year under review, interest and dividend income of approximately HK$11.5 million (year ended 31 March 2018: approximately HK$43.1 million), the decrease was mainly due to approximately HK$26.9 million of the interest accrued for the secured bond issued by FDG to the Company for the year ended 31 March 2018, which did not incurred during the year.

The Group's investments measured at fair value recorded a net loss of approximately HK$7.3 million for year ended 31 March 2019 (year ended 31 March 2018: net gain of approximately HK$13.2 million).

During the year under review, the interest expenses on the convertible bonds amounted to approximately HK$13.4 million (year ended 31 March 2018: approximately HK$84.6 million).

The Group shared the gain of a joint venture, 華能壽光風力發電有限公司 ("Huaneng Shouguang") of approximately HK$5.3 million for the year ended 31 March 2019 (year ended 31 March 2018: share of gain of approximately HK$3.5 million). Huaneng Shouguang is a wind power electricity developer and operator in the PRC. It generated electricity of 87.9 million kWh and revenue of approximately Renminbi ("RMB") 43.1 million during the year under review.

During the year under review, the Group shared the loss of an associate of approximately HK$82.2 million (year ended 31 March 2018: share of loss of approximately HK$139.6 million) and impairment loss of nil (year ended 31 March 2018: impairment loss of HK$472.2 million), which represented 25% interest in an associate, SDL.

At as 31 March 2019, the carrying value of a loan receivable to an independent third party amounted to approximately HK$69.2 million (31 March 2018: HK$100.0 million). Based on the impairment assessment performed by the management, an individually assessed impairment allowance of approximately HK$30.8 million was provided for the year ended 31 March 2019.

Geographical Analysis of Revenue

During the year ended 31 March 2019, Hong Kong and the PRC contributed approximately 9.3% (year ended 31 March 2018: 16.4%) and 90.7% (year ended 31 March 2018: 83.6%) to the Group's total revenue respectively.

Liquidity and Financial Resources

As at 31 March 2019, the Group's net assets attributable to equity shareholders of the Company amounted to approximately HK$413.6 million (31 March 2018: approximately HK$1,096.0 million). Net assets attributable to equity shareholders of the Company per share were approximately HK$0.06 (31 March 2018: approximately HK$0.16). The Group's total assets of approximately HK$1,070.6 million (31 March 2018: approximately HK$1,817.5 million) mainly consisted of goodwill of approximately HK$6.8 million (31 March 2018: approximately HK$335.9 million), intangible assets of approximately HK$52.8 million (31 March 2018: approximately HK$72.0 million), property, plant and equipment and interests in leasehold land held for own use under operating lease of approximately HK$257.5 million (31 March 2018: approximately HK$199.8 million), interests in associates of approximately HK$324.9 million (31 March 2018: approximately HK$524.1 million), interest in a joint venture of approximately HK$106.6 million (31 March 2018: approximately HK$112.6 million), loan receivables of approximately HK$125.5 million (31 March 2018: approximately HK$160.3 million) and cash and cash equivalents of approximately HK$6.6 million (31 March 2018: approximately HK$74.1 million).

As at 31 March 2019, the non-current assets of approximately HK$749.2 million, comparing with the amount of approximately HK$1,311.9 million as at 31 March 2018, representing a decrease of approximately HK$562.7 million. Such decrease are mainly due to (i) the impairment losses incurred by interests in associates, ALEEES, amounting to approximately HK$15.9 million and share of loss of associates amounted to approximately HK$164.7 million, which was mainly attributable from two associates, SDL and ALEEES, amounted to approximately HK$82.2 million and approximately HK$82.5 million, respectively, and (ii) the goodwill of battery material production segment of approximately HK$6.8 million as at 31 March 2019, decreased by approximately HK$329.1 million as compared with approximately HK$335.9 million as at 31 March 2018.

As at 31 March 2019, the current assets amounted to approximately HK$321.4 million, representing a decrease of approximately 36.4% as compare with the current assets of approximately HK$505.5 million as at 31 March 2018. Such decrease was mainly attributable to (i) the pledged bank deposits and cash and cash equivalents of approximately HK$6.6 million as at 31 March 2019, decreased by approximately HK$78.9 million as compared with approximately HK$85.5 million as at 31 March 2018; and (ii) the trade receivables of approximately HK$16.9 million as at 31 March 2019, decreased by approximately HK$49.0 million as compared with approximately HK$65.9 million as at 31 March 2018, resulting from tightening of credit control on our customers. A credit period of 30 days (31 March 2018: ranging from 30 days to 90 days) is allowed to the customers, the Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk.

As at 31 March 2019, the bank and other borrowings included (i) bank borrowings of approximately HK$43.0 million (31 March 2018: approximately HK$49.9 million), denominated in RMB, were secured, interest bearing at floating rates and repayable within one year. Such bank borrowings were granted under a general banking facilities by a bank in the PRC. The general banking facilities were secured by, inter alia, certain land and buildings of the Group with carrying amounts of approximately HK$107.8 million (31 March 2018: approximately HK$121.8 million) in favour of the lender by way of the fixed charges and floating charges over all the plant and machinery, inventories and certains trade receivables of FDG Kinetic (Chongqing) Lithium Ion Battery Materials Co. Ltd.; (ii) the other borrowings of HK$100 million is denominated in Hong Kong dollars, were unsecured, guaranteed by FDG and interest bearing at a fixed rate and; (iii) the other borrowings of approximately HK$76.9 million (31 March 2018: HK$86.2 million) were repayable within one year. The other borrowings is denominated in RMB, was secured by certain machineries of the Group with carrying amounts of approximately HK$61.0 million (31 March 2018: approximately HK$68.3 million) and trade receivables amounted to nil (31 March 2018: approximately HK$54.0 million), bear fixed interest rate and guaranteed by an indirect wholly-owned subsidiary of an associate.

As at 31 March 2019, the Group's obligations under finance leases amounted to approximately HK$41.3 million (31 March 2018: approximately HK$46.0 million), out of which approximately HK$41.3 million (31 March 2018: approximately HK$33.4 million) and nil (31 March 2018: approximately HK$12.6 million) were repayable within one year and within one to two years, respectively. The obligations under finance leases were secured by certain machineries of the Group with carrying amounts of approximately HK$57.4 million (31 March 2018: approximately HK$74.6 million) and guaranteed by an indirect wholly-owned subsidiary of an associate. Loan from the ultimate holding company as at 31 March 2019 amounted to HK$100.0 million (31 March 2018: nil) is unsecured, interest-free and repayable within one year.

Certain amount of the other borrowings and obligations under finance leases has been overdue and the lender and the Group have agreed in principal to give a 12-month grace period over the overdue amounts.

As at 31 March 2019, the current liabilities of approximately HK$647.0 million representing a slight increase of approximately HK$2.0 million comparing with the amount of approximately HK$645.0 million as at 31 March 2018. Such increase was mainly due to settlement of trade and other payable and accrued of approximately HK$26.1 million, decrease from approximately HK$159.0 million as at 31 March 2018 to approximately HK$132.9 million as at 31 March 2019, net off with the reclassification of other borrowing and obligation under finance lease from non-current liabilities to current liabilities.

As at 31 March 2019, non-current liabilities of approximately HK$10.0 million representing a decrease of approximately HK$66.5 million comparing with the amount of approximately HK$76.5 million as at 31 March 2018, which mainly representing the reclassification of other borrowings and finance leases from non-current liabilities to current liabilities.

As at 31 March 2019, the Group's gearing ratio, without taking into account of the liability component of convertible bonds of nil (31 March 2018: approximately HK$192.6 million), was approximately 63.2% (31 March 2018: approximately 16.6%) calculated on the basis of bank and other borrowings of approximately HK$219.9 million (31 March 2018: approximately HK$136.1 million) and obligations under finance lease of approximately HK$41.3 million (31 March 2018: approximately HK$46.0 million) to total equity of the Company of approximately HK$413.6 million (31 March 2018: approximately HK$1,096.0 million).

Foreign Exchange Exposure

The Group's transactions were mainly denominated in RMB, Hong Kong dollars and United States dollars. Exchange rates between United States dollars and Hong Kong dollars were pegged with fixed rates and relatively stable during the year under review. The Group has transactional currency exposures in RMB. The Group has not entered into any foreign currency exchange forward contracts for hedging purposes during the year. The Board will closely monitor the foreign exchange exposure and consider appropriate hedging instruments when necessary.

Material Acquisitions and Disposals

During the year ended 31 March 2019, the Group had no material acquisitions or disposals of subsidiaries, associate and joint ventures.

Contingent Liabilities and Pledge of Assets

There were pledge of assets as at 31 March 2019 and 31 March 2018 with details disclosed under the section headed "Liquidity and Financial Resources". In addition, certain bank deposits of nil (31 March 2018: approximately HK$11.4 million) were pledged for bills payable.

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

Capital Commitments

Details of the capital commitments of the Group are set out in Note 16 of this announcement.

Human Resources

As of 31 March 2019, the Group had 13 employees in Hong Kong (31 March 2018: 18 employees) and 126 employees in the PRC (31 March 2018: 86 employees). Total staff costs (including directors' remunerations) during the year ended 31 March 2019 amounted to approximately

HK$21.7 million (year ended 31 March 2018: approximately HK$25.1 million). The remuneration policies are determined with reference to market conditions and individual performance of staff. The Group participates in Mandatory Provident Fund Scheme in Hong Kong and state managed retirement benefit schemes in the PRC.

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

There were no material changes in human resources structure and compensation approach during the year ended 31 March 2019. No share option was granted, exercised, cancelled or lapsed under the share option scheme during the year under review.

FUTURE DEVELOPMENT

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

Enhance the quality of cathode material products

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

FDG and FKL continue to focus on developing their respective core businesses

Looking forward, FKL will continue to focus on developing battery and cathode materials business, while FDG, the parent company of FKL, will continue to focus on its core business of electric commercial vehicles. With their respective business expertise, FDG and FKL will respectively consolidate resources to develop their core businesses, improve product quality and increase production capacity with a view to creating revenue and further increasing their influence in the NEV, battery and cathode material market globally, thereby bringing greater returns to the shareholders.

CORPORATE GOVERNANCE

The Company applied the principles of and complied with all the code provisions of the Corporate Governance Code (the “Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) throughout the year ended 31 March 2019 and up to the date of this announcement.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code for securities transactions by directors (the "Securities Code"), which is largely based on the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. The Securities Code is on terms no less exacting than the required standard set out in the Model Code. All directors of the Company have confirmed, following specific enquiry by the Company, their compliance with the required standard set out in the Model Code and the Securities Code throughout the year ended 31 March 2019.

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

During the year ended 31 March 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

EVENTS AFTER THE REPORTING PERIOD

Events occurred after the reporting period are detailed in Note 17 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 2019.

RESUMPTION OF TRADING

Trading in the shares of the Company on the Stock Exchange was suspended from 9:00 a.m. on 2 July 2019 pending the publication of the final results of the Group for the year ended 31 March 2019 (the "2018/19 Final Results"). As the announcement on the 2018/19 Final Results has been published, the Company has made an application to the Stock Exchange for the resumption of trading in the shares of the Company with effect from 9:00 a.m. on 3 July 2019.

On behalf of the Board
FDG Kinetic Limited
Cao Zhong
Chairman

Hong Kong, 2 July 2019

As at the date of this announcement, the Board comprises Mr. Cao Zhong (Chairman), Mr. Miao Zhenguo (Chief Executive Officer) and Mr. Jaime Che as executive directors; and Mr. Hung Chi Yuen Andrew, Professor Sit Fung Shuen Victor and Mr. Toh Hock Ghim as independent non-executive directors.

Website: http://www.fdgkinetic.com

* *For identification purpose only*