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 2019

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 2019, together with the comparative figures for last year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2019

	Note	**2019** *HK$'000*	2018 *HK$'000* (Restated)
Continuing operations			
Revenue	2	**345,611**	961,589
Cost of sales		**(318,910)**	(848,958)
Gross profit		**26,701**	112,631
Other income		**35,640**	72,568
Other gains and losses, net	4	**(109,232)**	(304,016)
Selling and distribution costs		**(85,869)**	(153,498)
General and administrative expenses		**(362,060)**	(524,594)
Research and development expenses		**(126,101)**	(133,636)
Finance costs	5	**(372,533)**	(365,882)
Other operating expenses	6	**(128,595)**	(79,475)
Impairment loss, net of reversal on financial assets at amortised cost and contract assets	4	**(835,720)**	(258,328)
Impairment on goodwill	6	**(460,765)**	(668,396)
Impairment on intangible assets	6	**(7,220)**	—
Amortisation of intangible assets		**(110,808)**	(133,425)
Share of results of associates		**(82,443)**	(49,667)
Share of results of joint ventures		**(124,550)**	(117,051)
Loss before tax from continuing operations	6	**(2,743,555)**	(2,602,769)
Income tax	7	**82,295**	24,519

CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(Continued)*
For the year ended 31 March 2019

	Note	2019 HK$'000	2018 HK$'000 (Restated)
Loss for the year from continuing operations		**(2,661,260)**	(2,578,250)
Discontinued operation			
Loss for the year from discontinued operation	10	**(346,120)**	(488,881)
Loss for the year		**(3,007,380)**	(3,067,131)
Loss for the year attributable to:			
Owners of the Company			
- from continuing operations		**(1,665,239)**	(1,776,976)
- from discontinued operation		**(324,470)**	(453,395)
		(1,989,709)	(2,230,371)
Non-controlling interests			
- from continuing operations		**(996,021)**	(801,274)
- from discontinued operation		**(21,650)**	(35,486)
		(1,017,671)	(836,760)
		(3,007,380)	(3,067,131)
		HK cents	*HK cents*
Loss per share attributable to owners of the Company	9		
Basic and diluted			
- from continuing operations		**(6.99)**	(7.93)
- from discontinued operation		**(1.36)**	(2.02)
		(8.35)	(9.95)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Note	**2019** *HK$'000*	2018 *HK$'000*
Non-current assets			
Goodwill		**559,021**	681,850
Intangible assets		**636,789**	620,894
Property, plant and equipment	12	**2,699,040**	3,538,502
Interests in leasehold land held for own use under operating leases		**223,276**	359,752
Interests in associates		**324,900**	436,142
Interests in joint ventures		**106,241**	354,692
Deposits paid for non-current assets		**264,914**	392,505
Loan receivables	14	**321**	16,128
Other non-current assets		**4,773**	7,416
		4,819,275	6,407,881
Current assets			
Inventories		**288,381**	566,829
Trade and bills receivables	13	**310,816**	1,409,167
Contract assets	13	**240,835**	—
Loan and other receivables	14	**683,321**	1,176,005
Financial assets at fair value through profit or loss		**6,438**	79,554
Derivative financial instruments		**68**	19,183
Pledged bank deposits		**95,633**	235,317
Cash and cash equivalents		**163,892**	752,351
		1,789,384	4,238,406
Assets associated with disposal group classified as held for sales	10	**756,827**	—
		2,546,211	4,238,406
Current liabilities			
Bank loans and other borrowings	15	**(1,582,334)**	(1,628,383)
Trade and bills payables	16	**(651,410)**	(959,629)
Accruals and other payables		**(1,361,855)**	(1,375,624)
Tax payables		**(38,591)**	(39,661)
Obligations under finance leases		**(79,143)**	(115,235)
Liability components of convertible bonds	17	**—**	(98,079)
		(3,713,333)	(4,216,611)
Liabilities associated with disposal group classified as held for sales	10	**(695,996)**	—
		(4,409,329)	(4,216,611)
Net current (liabilities)/assets		**(1,863,118)**	21,795
Total assets less current liabilities		**2,956,157**	6,429,676

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

As at 31 March 2019

	Note	**2019** **HK$'000**	2018 *HK$'000*
Non-current liabilities			
Receipts in advance		**(534,027)**	(676,113)
Deferred income		**(430,831)**	(502,944)
Bank loans and other borrowings	15	**(1,146,136)**	(1,694,268)
Obligations under finance leases		—	(12,588)
Liability components of convertible bonds	17	**(601,006)**	(548,415)
Deferred tax liabilities		**(18,888)**	(86,191)
Obligations under redeemed convertible bonds	18	**(760,752)**	(760,752)
		(3,491,640)	(4,281,271)
NET (LIABILITIES)/ASSETS		**(535,483)**	2,148,405
CAPITAL AND RESERVES			
Issued capital		**264,898**	224,131
Reserves		**(776,819)**	944,409
Total equity attributable to owners of the Company		**(511,921)**	1,168,540
Non-controlling interests		**(23,562)**	979,865
(TOTAL DEFICIENCY IN EQUITY)/TOTAL EQUITY		**(535,483)**	2,148,405

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 for the year ended 31 March 2019 of HK$3,007,380,000, and as at that date, the Group had net current liabilities of HK$1,863,118,000 and net liabilities of HK$535,483,000. In addition, the Group was unable to make certain principal and/or interest repayments relating to certain bank loans and other borrowings, obligations under finance leases and convertible bonds under continuing operations with carrying amounts as at 31 March 2019 of approximately HK$1,103,625,000 (2018: nil), HK$79,143,000 (2018: nil) and HK$376,128,000 (2018: nil), respectively, and certain bank loans and other borrowings under discontinued operation with carrying amount as at 31 March 2019 of approximately HK$26,697,000 (2018: nil), for which the lenders were entitled to request for the immediate repayment of full amounts owed. Certain suppliers, other creditors, a bank and a finance lease creditor had also commenced legal actions against the Group for the repayment of the outstanding trade payables, other payables, bank loans and obligations under a finance lease under continuing operations, amounting to approximately HK$113,831,000, HK$126,663,000, HK$294,947,000 and HK$34,100,000, respectively, and of the outstanding trade payables under discontinued operation amounting to approximately HK$22,227,000, details of which are set out in Note 18(b) to this announcement. 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 following measures and arrangements:

(i) On 11 April 2019, a placing and a top-up subscription of new shares of the Company were completed for which the Company allotted and issued 833,330,000 ordinary shares of the Company under general mandate for HK$0.048 per new share and raised net funds of approximately HK$38,500,000, with details as disclosed in Note 20(a) to this announcements;

(ii) On 13 June 2019, under the supervision and coordination of a local government in Hangzhou, the PRC, all the creditor banks of a non-wholly-owned subsidiary of the Company, to which the subsidiary owed approximately HK$1,318 million (including approximately HK$295 million payable to a creditor banker that commenced legal action for immediate repayment and subsequently agreed to withdraw the litigation) as at 31 March 2019, agreed not to take any legal action for repayment nor reduce credit facility and credit rating, and agreed to a standstill and restructuring arrangement in principle to extend and/or to renew all these banks loans upon maturity by new terms of not less than 12 months after the original maturity;

(iii) On 5 June 2019, a potential investor provided a non-binding letter of intent to Chanje Energy, Inc. ("Chanje", a subsidiary of the Company) regarding its proposed equity investment of US$155 million (equivalent to approximately HK$1,201 million) for certain minority equity stake in Chanje subject to satisfactory results of the due diligence to be completed by the potential investor;

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

(a) Basis of preparation of the consolidated financial statements *(Continued)*

(iv) On 14 June 2019, Chanje and an investor entered into an unsecured convertible promissory note in the total principal amount of US$20,000,000 at the interest rate of 10% per annum (the "Convertible Promissory Note"), pursuant to which and in consideration for the principal amount, (i) Chanje has agreed to pay to the investor or its nominee the outstanding principal amount and all accrued and unpaid interest pursuant to the terms thereof; and (ii) the investor is granted with the optional conversion right upon receipt of the principal amount in full by Chanje in which the investor has the right and option to convert all or part of the outstanding principal amount with any accrued interest of the Convertible Promissory Note into the common stocks of Chanje at any time prior to the maturity date subject to the approval of the board of directors of Chanje or such conversion is following receipt of a prepayment notice. The investor's shareholding interest in Chanje will be 6.25% upon exercise of the optional conversion right and allotment and issue of shares of the common stock by Chanje to the investor;

(v) Chanje is currently in the advanced stage of negotiations with an independent third party lender for a secured revolving trade finance facility of up to US$75 million for three years subject to satisfaction results of the due diligence to be completed by this prospective investor;

(vi) The Group entered into a sales and purchase agreement to dispose of its battery products business to cut further loss and capital expenditures, further details are set out in Note 10 to this announcement;

(vii) The Group is in discussions with a number of investors (including one investor as mentioned in Note 20(b) to this announcement) for raising funds by ways of issuance new shares and/or convertible bonds and various prospective third party lenders for new credit facilities;

(viii) The Group is also currently in serious negotiations with certain banks and financial institutions (other than those mentioned in (ii) above), suppliers and other creditors to extend the payment due dates; and

(ix) The Group has received purchase orders of electric vehicles from blue chip customers including Ryder Vehicle Purchasing, LLC and Federal Express Corporation, etc., in the United States of America (the "US").

In light of the above measures and arrangements implemented to date and to be implemented, the Board is of the view that the Group will have 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:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HK (IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration

Except for HKFRS 9 and HKFRS 15, the adoption of the above new and revised standards 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 disclosure set out in these consolidated financial statements.

HKFRS 9 Financial Instruments

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

The Group has applied HKFRS 9 retrospectively to items that existed at 1 April 2018 in accordance with the transition requirements, and the cumulative effect of initial application would be recognised as an adjustment to the opening equity at 1 April 2018. Therefore, comparative information continues to be reported under HKAS 39. According to the Group's assessments, there is no impact from transition to HKFRS 9 on the Group's accumulated losses and reserves as at 1 April 2018.

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

Classification of financial assets and financial liabilities
HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Except that trade and other receivables of HK$680,422,000 were reclassified to contracts assets as at 1 April 2018 as a result of the initial application of HKFRS 15, there is no reclassification or remeasurement of the financial assets for the adoption of HKFRS 9. The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities as at 1 April 2018 have not been impacted by the initial application of HKFRS 9. The Group did not designate or de-designate any financial asset or financial liability at FVPL as at 1 April 2018.

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

HKFRS 9 Financial Instruments *(Continued)*

Credit losses

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

The Group applies the new ECL model to financial assets measured at amortised cost (including trade and bills receivables, loan and other receivables, pledged bank deposits and cash and cash equivalents), and contract assets as defined in HKFRS 15.

Measurement of ECLs

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

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

The expected cash shortfalls are discounted using the effective interest rate determined at initial recognition or an approximation thereof for fixed rate financial assets and trade and other receivables where the effect of discounting is material.

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

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

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

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

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

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

HKFRS 9 Financial Instruments *(Continued)*

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

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

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

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

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

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

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

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

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

HKFRS 9 Financial Instruments *(Continued)*

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

HKFRS 15 Revenue from Contracts with Customers

The Group has first time adopted HKFRS 15 from 1 April 2018 which resulted in changes in accounting policies. In accordance with the transition provisions of HKFRS 15, the Group has adopted the modified retrospective application and no comparative figures are restated.

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which cover revenue arising from sale of goods and rendering of services and HKAS 11, Construction Contracts, which specified the accounting for construction contracts. Depending on the nature of the contracts, revenue is either recognised over time or at a point in time.

Previously, contract balances relating to the People's Republic of China (the "PRC") national subsidy receivables and receipts in advance from customers were presented in the consolidated statement of financial position under "Trade and bills receivables" and "Accruals and other payables", respectively. Transportation costs were included in selling and distribution costs in the consolidated statement of profit or loss.

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

(i) "PRC national subsidy receivables" of HK$784,817,000 less related allowance for impairment loss of HK$104,395,000, amounting to HK$680,422,000 which were previously included in trade and bills receivables as at 31 March 2018, were reclassified to contract assets on 1 April 2018;

(ii) "Receipts in advance" amounting to HK$122,094,000 which were previously included in accruals and other payables as at 31 March 2018, were reclassified to contract liabilities included in accruals and other payables on 1 April 2018;

(iii) "Transportation costs" were treated as selling and distribution costs before the adoption of HKFRS 15. Under HKFRS 15, the amount included in cost of sales as it constitutes contract cost to fulfill the performance obligation of sales of products to customers; and

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

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

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

HKFRS 15 Revenue from Contracts with Customers *(Continued)*

Except for the above, the adoption of HKFRS 15 has no material impact on the Group's financial position and results of operations based on the current business model, other than presenting additional disclosures.

HK (IFRIC) - Int 22 Foreign Currency Transactions and Advance Consideration

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

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

(c) New and revised HKFRSs issued but not yet effective

The Group has not early adopted the following new standards, amendments to HKFRSs and an interpretation that have been issued but are not yet effective in these consolidated financial statements:

HKFRS 16	Leases
HKFRS 17	Insurance Contracts
Amendments to HKFRSs	Annual Improvements to HKFRS 2015-2017 Cycle
Amendments to HKFRS 3	Definition of a Business
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 1 and HKAS 8	Definition of a Material
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term interests in Associates and Joint Ventures
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 to HKFRSs and an interpretation 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, expect for HKFRS 16 as explained below:

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

(c) ***New and revised HKFRSs issued but not yet effective*** *(Continued)*

HKFRS 16 Leases

Currently, the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. Upon the adoption of HKFRS 16, where the Group is the lessee under the lease, the Group will be required to account for all leases in a similar way to current finance lease accounting, i.e. recognise and measure a lease liability at the present value of the minimum future lease payments and recognise a corresponding "right-of-use" asset at the commencement date of the lease, subject to practical expedients. HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. HKFRS 16 is effective for annual periods beginning on or after 1 April 2019. The Group has decided not to early adopt HKFRS 16 in these consolidated financial statements.

As at 31 March 2019, the Group's future minimum lease payments under non-cancellable operating leases amount to HK$52,134,000, part of which amounting to HK$4,784,000 is payable under leases with terms within 1 year for which the Group will elect not to apply this new accounting model to these short-term leases, with remaining amounting to HK$48,366,000 payable under leases with terms beyond 1 year but within 5 years. Upon the initial adoption of HKFRS 16, the opening balances of lease liabilities and the corresponding right-of-use assets will be adjusted to HK$48,271,000 and HK$48,271,000 respectively, after taking account the effects of discounting, as at 1 April 2019.

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

2. REVENUE

Revenue represents the aggregate of gross proceeds from sales of electric vehicles, income from leasing of electric vehicles, gross proceeds from sales of cathode materials for lithium-ion batteries and provision of processing services and income from direct investments which includes loan financing, securities trading and asset investment. As disclosed in Note 10, the gross proceeds from sales of lithium-ion batteries and its related products under the battery products business has been reclassified as discontinued operation. The amount of each category of revenue from continuing operations and discontinued operation recognised during the year as follows:

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

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. On 22 March 2019, the Group has entered into sale and purchase agreements to dispose of its subsidiaries principally engaged in the battery production business, which is classified as discontinued operation for the year ended 31 March 2019. The Board considers that the Group is organised into business units based on their products and services, and has reportable operating segments as follows:

Continuing operations

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

(b) the electric vehicle leasing segment represents the provision of leasing services of electric vehicles under both operating lease and finance lease terms, which was scaled down and is not regarded as a reportable segment for the year ended 31 March 2019;

3. SEGMENT REPORTING *(Continued)*

Continuing operations *(Continued)*

(c) the battery materials production segment, which includes the research and development, manufacture and sales of cathode materials for nickel-cobalt-manganese lithium-ion batteries and lithium ferrous phosphate batteries, and the provision of processing services; and

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

Discontinued operation

The battery products segment includes the research and development, manufacture and sales of lithium-ion batteries and its related products.

For purposes of assessing segment performance and allocating resources between segments, the Board monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

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

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

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

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

3. SEGMENT REPORTING *(Continued)*

The Group's reportable segments for the years ended 31 March 2019 and 2018 are as follows:

	2019					
	Continuing operations				Discontinued operation	
	Vehicle design & electric vehicle production	Battery materials production	Direct investments	Total continuing operations	Battery products	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	227,389	112,280	5,942	345,611	149,781	495,392
Inter-segment revenue	—	—	5,538	5,538	1,087	6,625
Reportable segment revenue	227,389	112,280	11,480	351,149	150,868	502,017
Reportable segment loss before tax	(1,806,310)	(450,969)	(43,283)	(2,300,562)	(346,245)	(2,646,807)
Other segment information:						
Interest income	13,816	111	5,605	19,532	1,143	20,675
Depreciation and amortisation	(230,357)	(38,599)	—	(268,956)	(42,273)	(311,229)
Finance costs	(78,988)	(18,684)	(19,415)	(117,087)	(36,069)	(153,156)
Write-down of inventories	(53,435)	(2,472)	—	(55,907)	(42,613)	(98,520)
Share of results of joint ventures	(129,814)	—	5,264	(124,550)	—	(124,550)
Interests in joint ventures	—	—	106,241	106,241	—	106,241
Share of results of associates	—	(82,443)	—	(82,443)	(76)	(82,519)
Impairment on interests in associates	—	(15,920)	—	(15,920)	(2,536)	(18,456)
Interests in associates	—	324,900	—	324,900	—	324,900
Impairment on trade receivables	(273,540)	—	—	(273,540)	—	(273,540)
Impairment on contract assets	(339,400)	—	—	(339,400)	—	(339,400)
Impairment on loan and other receivables	(204,761)	—	(35,803)	(240,564)	(18,699)	(259,263)
Impairment on goodwill	(153,765)	(307,000)	—	(460,765)	—	(460,765)
Impairment on property, plant and equipment	(43,835)	—	—	(43,835)	(216,910)	(260,745)
Impairment on intangible assets	(7,220)	—	—	(7,220)	(920)	(8,140)
Additions to non-current assets	698,271	32,590	—	730,861	29,330	760,191
Reportable segment assets	5,588,255	723,042	247,481	6,558,778	756,827	7,315,605
Reportable segment liabilities	(3,823,946)	(355,019)	(175,341)	(4,354,306)	(695,996)	(5,050,302)

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

The Group's reportable segments for the years ended 31 March 2019 and 2018 are as follows: *(Continued)*

	2018 (Restated)						
	Continuing operations					Discontinued operation	
	Vehicle design & electric vehicle production *HK$'000*	Electric vehicle leasing *HK$'000*	Battery materials production *HK$'000*	Direct investments *HK$'000*	Total continuing operations *HK$'000*	Battery products *HK$'000*	Total *HK$'000*
Revenue from external customers	730,189	1	219,180	12,219	961,589	96,885	1,058,474
Inter-segment revenue	—	—	—	30,904	30,904	37,389	68,293
Reportable segment revenue	730,189	1	219,180	43,123	992,493	134,274	1,126,767
Reportable segment loss before tax	(1,359,571)	(484)	(326,648)	(453,715)	(2,140,418)	(564,525)	(2,704,943)
Other segment information:							
Interest income	24,027	28	325	12,219	36,599	1,551	38,150
Depreciation and amortisation	(249,842)	(29)	(33,003)	—	(282,874)	(156,314)	(439,188)
Finance costs	(73,132)	—	(10,805)	(7,025)	(90,962)	(23,353)	(114,315)
Write-down of inventories	(8,111)	—	—	—	(8,111)	(71,210)	(79,321)
Share of results of joint ventures	(120,544)	—	—	3,493	(117,051)	—	(117,051)
Impairment on interest in a joint venture	(42,145)	—	—	—	(42,145)	—	(42,145)
Interests in joint ventures	242,424	—	—	112,268	354,692	—	354,692
Share of results of associates	—	—	(49,667)	—	(49,667)	41	(49,626)
Impairment on interest in an associate	—	—	(61,000)	—	(61,000)	—	(61,000)
Interests in associates	—	—	433,353	—	433,353	2,789	436,142
Impairment on trade receivables	(251,382)	—	(7,553)	—	(258,935)	(11,052)	(269,987)
Impairment on deposits paid for non-current assets	(1,816)	—	—	—	(1,816)	—	(1,816)
Impairment on goodwill	(87,511)	—	(152,969)	(427,916)	(668,396)	—	(668,396)
Impairment on property, plant and equipment	(110,207)	—	—	—	(110,207)	—	(110,207)
Impairment on intangible assets	—	—	—	—	—	(197,790)	(197,790)
Additions to non-current assets	617,681	—	222,721	—	840,402	110,518	950,920
Reportable segment assets	7,420,930	21,200	1,274,307	306,588	9,023,025	1,298,986	10,322,011
Reportable segment liabilities	(4,410,796)	(2,196)	(410,013)	(176,579)	(4,999,584)	(1,567,967)	(6,567,551)

3. SEGMENT REPORTING *(Continued)*

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

	2019	2018
	HK$'000	*HK$'000*
		(Restated)
Revenue		
Reportable segment revenue	**502,017**	1,126,767
Elimination of inter-segment revenue	**(6,625)**	(68,293)
Reclassification to discontinued operation, net of inter-segment revenue	**(149,781)**	(96,885)
Consolidated revenue from continuing operations	**345,611**	961,589
Loss		
Reportable segment loss before tax	**(2,646,807)**	(2,704,943)
Elimination of inter-segment loss	**107**	20,921
Reportable segment loss derived from the Group's external customers	**(2,646,700)**	(2,684,022)
Reclassification to discontinued operation, net of inter-segment loss	**346,120**	560,581
Other income and other gains and losses, net	**(64,503)**	(36,065)
Depreciation	**(1,649)**	(1,366)
Finance costs	**(255,446)**	(274,920)
Write-down of inventories	**—**	(37,743)
Unallocated corporate expenses	**(121,377)**	(129,234)
Consolidated loss before tax from continuing operations	**(2,743,555)**	(2,602,769)
Assets		
Reportable segment assets	**7,315,605**	10,322,011
Unallocated corporate assets:		
Derivative financial instruments	**68**	19,183
Cash and cash equivalents	**12,556**	101,157
Other unallocated corporate assets	**37,257**	203,936
Consolidated total assets	**7,365,486**	10,646,287
Liabilities		
Reportable segment liabilities	**(5,050,302)**	(6,567,551)
Unallocated corporate liabilities:		
Bank loans and other borrowings	**(1,190,367)**	(1,289,617)
Liability components of convertible bonds	**(601,006)**	(548,415)
Obligation under redeemed convertible bonds	**(760,752)**	—
Other unallocated corporate liabilities	**(298,542)**	(92,299)
Consolidated total liabilities	**(7,900,969)**	(8,497,882)

3. SEGMENT REPORTING *(Continued)*

Geographical information

(a) Revenue from external customers

	2019	2018
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
European countries	**—**	2,357
The PRC	**335,452**	926,928
The US	**3,834**	20,084
Hong Kong	**5,942**	12,220
Others	**383**	—
	345,611	961,589
Discontinued operation		
European countries	**82,731**	49,708
The PRC	**46,792**	31,777
The US	**197**	—
Australia	**5,019**	5,804
Hong Kong	**455**	318
Others	**14,587**	9,278
	149,781	96,885
	495,392	1,058,474

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

3. SEGMENT REPORTING *(Continued)*

Geographical information *(Continued)*

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

	2019	2018
	HK$'000	*HK$'000*
The PRC	**4,152,405**	5,772,512
The US	**452,256**	242,424
Hong Kong	**391**	1,082
Taiwan	**213,902**	375,735
	4,818,954	6,391,753

The geographical location of the non-current assets is based on the physical location of the assets (in the case of property, plant and equipment, interests in leasehold land held for own use under operating leases, deposits paid for non-current assets and other non-current assets), the location of the operation to which they are allocated (in the case of goodwill and intangible assets), and the location of the operation (in the case of interests in associates and joint ventures).

Information about major customers

Revenue(s) from customer(s) contributing 10% or more of the total revenue of the Group are as follows:

	2019	2018
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Customer A – revenue from sales of electric vehicles	**76,453**	N/A#
Customer B – revenue from sales of cathode materials	**72,003**	N/A#
Customer C – revenue from sales of electric vehicles	**51,049**	N/A#
Customer D – revenue from sales of electric vehicles	**N/A#**	260,128
Customer E – revenue from sales of electric vehicles	**N/A#**	106,799
Customer F – revenue from sales of cathode materials	**N/A#**	104,203

The transactions with these customers did not contribute 10% or more of total revenue of the Group during the years ended 31 March 2019 or 2018, as the case may be.

4. OTHER GAINS AND LOSSES, NET / IMPAIRMENT LOSS, NET OF REVERSAL ON FINANCIAL ASSETS AT AMORTISED COST AND CONTRACT ASSETS

Other gains and losses, net

	2019			2018 (Restated)		
	Continuing operations	**Discontinued operation**	**Total**	Continuing operations	Discontinued operation	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Exchange (losses)/gains, net	**(12,056)**	**8,660**	**(3,396)**	(10,106)	(7,459)	(17,565)
Net (losses)/gain on held-for-trading investment	**(7,257)**	**—**	**(7,257)**	13,721	—	13,721
Net loss on financial assets designated as at fair value through profit or loss *(Note (a))*	**(57,054)**	**—**	**(57,054)**	(48,376)	—	(48,376)
Write-down of inventories	**(55,907)**	**(42,613)**	**(98,520)**	(45,854)	(71,210)	(117,064)
Reversal of write-down of inventories	**—**	**—**	**—**	2,520	—	2,520
Impairment loss on deposits paid for non-current assets	**—**	**—**	**—**	(1,816)	—	(1,816)
Impairment loss on property, plant and equipment	**(43,835)**	**(216,910)**	**(260,745)**	(110,207)	—	(110,207)
Provision for guarantee	**(38,567)**	**—**	**(38,567)**	—	—	—
Gain on re-measurement of previously held interest in a joint venture *(Note 11(a))*	**129,811**	**—**	**129,811**	—	—	—
Impairment loss on interest in a joint venture	**—**	**—**	**—**	(42,145)	—	(42,145)
Impairment loss on interests in associates	**(15,920)**	**(2,536)**	**(18,456)**	(61,000)	—	(61,000)
Loss on disposal of subsidiaries, net *(Note (b))*	**(6,388)**	**—**	**(6,388)**	—	—	—
Loss on disposal of property, plant and equipment, net	**(2,059)**	**(1,101)**	**(3,160)**	(753)	(513)	(1,266)
	(109,232)	**(254,500)**	**(363,732)**	(304,016)	(79,182)	(383,198)

4. OTHER GAINS AND LOSSES, NET / IMPAIRMENT LOSS, NET OF REVERSAL ON FINANCIAL ASSETS AT AMORTISED COST AND CONTRACT ASSETS *(Continued)*

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

	2019			2018 (Restated)		
	Continuing operations *HK$'000*	**Discontinued operation** *HK$'000*	**Total** *HK$'000*	Continuing operations *HK$'000*	Discontinued operation *HK$'000*	Total *HK$'000*
Impairment loss on trade receivables	**(273,540)**	**—**	**(273,540)**	(258,935)	(11,052)	(269,987)
Impairment loss on contract assets	**(339,400)**	**—**	**(339,400)**	—	—	—
Impairment loss on loan and other receivables	**(240,564)**	**(18,699)**	**(259,263)**	—	—	—
Reversal of impairment loss on trade receivables	**9,716**	**16,829**	**26,545**	607	2,357	2,964
Reversal of impairment loss on loan and other receivables	**8,068**	**—**	**8,068**	—	—	—
	(835,720)	**(1,870)**	**(837,590)**	(258,328)	(8,695)	(267,023)

Notes:

(a) On 30 October 2017, the convertible bonds issued by FDG Kinetic Limited ("FKL", a non-wholly-owned listed subsidiary of the Company) (the "FKL CB") with the principal amount of HK$110,000,000 held by Union Grace Holdings Limited ("Union Grace", a wholly-owned subsidiary of the Company) were disposed of to an independent third party purchaser at a consideration equal to the aggregate of (i) HK$110,000,000 which has been received from the purchaser on the date of the sale and purchase agreement by way of cashier's orders; and (ii) in the event the conversion right of any of the FKL CB is exercised, HK$0.36 per conversion share so converted payable on the date of such exercise by way of cash (the "Contingent Assets"). Such Contingent Assets are designated and measured at fair value and included in financial assets at fair value through profit or loss. Thereafter, any change in fair value of the Contingent Assets is dealt with in profit or loss. The FKL CB matured during the year ended 31 March 2019 and was fully settled. During the year ended 31 March 2019, net loss on financial assets designated as at fair value through profit or loss of HK$57,054,000 (2018: HK$48,376,000) was recognised in the consolidated statement of profit or loss.

(b) It represented a loss on disposal of the subsidiaries related to Giant Industry Holdings Limited of approximately HK$9,743,000 (Note 11(b)), net off with a gain on disposal of 82% interest in another subsidiary of the Group of approximately HK$3,355,000.

5. FINANCE COSTS

	2019			2018 (Restated)		
	Continuing operations	**Discontinued operation**	**Total**	Continuing operations	Discontinued operation	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Interest expenses on convertible bonds						
- Issued by the Company	**85,822**	—	**85,822**	52,738	—	52,738
- Issued by a listed subsidiary of the Company	**5,121**	—	**5,121**	5,888	—	5,888
Interest on finance leases	**5,670**	—	**5,670**	7,985	—	7,985
Interest on bank loans and other borrowings wholly repayable within five years	**255,923**	**36,069**	**291,992**	279,231	21,444	300,675
Other borrowing costs	**6,951**	—	**6,951**	29,164	1,909	31,073
Total interest expenses on financial liabilities not at fair value through profit or loss	**359,487**	**36,069**	**395,556**	375,006	23,353	398,359
Less: Interest expenses capitalised into construction in progress	**(6,069)**	—	**(6,069)**	(22,354)	—	(22,354)
	353,418	**36,069**	**389,487**	352,652	23,353	376,005
Fair value loss on derivative financial instruments	**19,115**	—	**19,115**	13,230	—	13,230
	372,533	**36,069**	**408,602**	365,882	23,353	389,235

6. LOSS BEFORE TAX

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

	2019			2018 (Restated)		
	Continuing operations	**Discontinued operation**	**Total**	Continuing operations	Discontinued operation	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Interest income	**(19,605)**	**(1,143)**	**(20,748)**	(42,589)	(1,551)	(44,140)
Auditor's remuneration *(Note (a))*						
- audit service	**2,655**	**365**	**3,020**	2,505	375	2,880
- non-audit service	**395**	**—**	**395**	480	—	480
Cost of inventories recognised as expenses						
- included in cost of sales	**311,517**	**114,529**	**426,046**	848,957	66,292	915,249
- included in selling and distribution costs	**106**	**570**	**676**	1,691	2,092	3,783
- included in research and development expenses	**154**	**2,629**	**2,783**	27,759	20,471	48,230
- included in other gains and losses	**55,907**	**42,613**	**98,520**	43,333	71,211	114,544
Amortisation of intangible assets	**110,808**	**148**	**110,956**	133,425	97,299	230,724
Depreciation of property, plant and equipment	**154,640**	**38,385**	**193,025**	159,450	42,418	201,868
Amortisation of interests in leasehold land held for own use under operation leases	**5,157**	**3,740**	**8,897**	5,225	2,737	7,962
Warranty provision	**4,996**	**1,294**	**6,290**	49,622	4,731	54,353
Other operating expenses *(Note (b))*	**128,595**	**—**	**128,595**	79,475	—	79,475
Impairment on property, plant and equipment *(Note (d))*	**43,835**	**216,910**	**260,745**	—	—	—
Impairment on goodwill *(Note (c))*	**460,765**	**—**	**460,765**	668,396	—	668,396
Impairment on intangible assets *(Note (d))*	**7,220**	**920**	**8,140**	—	197,790	197,790
Minimum lease payment under operating leases	**19,419**	**3,760**	**23,179**	60,612	5,920	66,532
Staff costs (including directors' emoluments)						
- salaries and allowances	**219,666**	**43,642**	**263,308**	308,989	69,944	378,933
- equity-settled share-based payments	**4,433**	**—**	**4,433**	42,813	—	42,813
- contributions to retirement benefits schemes	**24,054**	**9,280**	**33,334**	35,305	13,470	48,775

6. LOSS BEFORE TAX *(Continued)*

Notes:

(a) The amount excludes remuneration paid to other auditors of certain subsidiaries, amounting to HK$2,474,000 (2018: HK$2,397,000) and HK$963,000 (2018: HK$564,000) for audit and non-audit services, respectively.

(b) The other operating expenses represent certain indirect operating expenses arising from the under-utilisation of production capacity of the electric vehicle production plants in Hangzhou (2018: Hangzhou and Yunnan).

(c) Goodwill is tested for impairment by allocating to the Group's cash generating units ("CGUs") identified in each operating segment. During the year ended 31 March 2019, management assessed that goodwill from vehicle design and electric vehicle production segment in Hangzhou was impaired by HK$153,765,000 (2018: nil) resulting in the net carrying amount of the goodwill was HK$169,801,000 as at 31 March 2019 (2018: HK$345,972,000), and goodwill from battery materials production segment operated by the Chongqing factory was impaired by HK$307,000,000 (2018: HK$152,969,000) resulting in the net carrying amount of the goodwill was HK$6,755,000 as at 31 March 2019 (2018: HK$335,878,000), as the recoverable amounts from these CGUs were less than their carrying amounts. During the year ended 31 March 2018, goodwill from direct investments operated by FKL was impaired by HK$427,916,000. In addition, the Group disposed of the electric vehicle production site in Yunnan on 3 May 2018 (the "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 2019, the Group appointed an independent firm of professionally qualified valuers, to perform a professional valuation on the recoverable amounts of the CGU of battery products business segment. The valuation was based on higher of value-in-use or fair value less costs of disposal calculation basis (2018: value-in-use basis). The value-in-use calculation uses cash flow projections based on financial budgets covering a five-year period approved by the management. The pre-tax discount rate applied to the cash flow forecasts was 18.33% (2018: 20.00%) to reflect specific risks relating to the CGU. The cash flows beyond the five-year period are extrapolated using a terminal growth rate of 3% (2018: 3%) per annum. The fair value calculation uses comparable market information that are available to estimate the individual fair values of non-current assets which are carried at cost less depreciation and amortisation. Based on the valuation, the management assessed that the property, plant and equipment and intangible assets attributable to battery products segment, were impaired by approximately HK$216,910,000 (2018: nil) and HK$920,000 (2018: HK$197,790,000), respectively, as a result of weaker than expected sales performance and continuous loss-making status.

7. INCOME TAX

	2019			2018 (Restated)		
	Continuing operations	**Discontinued operation**	**Total**	Continuing operations	Discontinued operation	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Current tax charge for the year:						
- The PRC Enterprise Income Tax ("EIT")	**99**	**—**	**99**	655	768	1,423
- Overseas	**1,193**	**—**	**1,193**	790	—	790
	1,292	**—**	**1,292**	1,445	768	2,213
Deferred tax credit	**(83,587)**	**—**	**(83,587)**	(25,964)	(72,468)	(98,432)
Total tax credit for the year	**(82,295)**	**—**	**(82,295)**	(24,519)	(71,700)	(96,219)

No provision for the Hong Kong profits tax has been made as the Group incurred losses for taxation purposes in Hong Kong for the years ended 31 March 2019 and 2018. The provision for the PRC EIT is calculated on the estimated assessable profits of the Group's subsidiaries in the PRC at 25% (except for certain subsidiaries which are subject to a preferential tax rate of 15%) for the years ended 31 March 2019 and 2018. Taxes on overseas profits have been calculated at the rates of taxation prevailing in the jurisdictions in which the entity operates. The deferred tax of HK$83,587,000 (2018: HK$98,432,000) that has been credited to the consolidated statement of profit or loss arose from the origination and reversal of temporary differences mainly in respect of fair value adjustments arising from the acquisition of subsidiaries.

8. DIVIDEND

No dividend was paid or declared by the Company during the year (2018: 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$1,665,239,000 and HK$324,470,000 (2018: HK$1,776,976,000 and HK$453,395,000) from continuing operations and discontinued operation, respectively and (ii) the weighted average number of 23,828,630,000 (2018: 22,407,637,000) ordinary shares in issue during the year.

	2019 Weighted average number of ordinary shares	2018 Weighted average number of ordinary shares
	'000	*'000*
Issued ordinary shares at the beginning of the reporting period	**22,413,076**	22,398,476
Effect of issue of shares pursuant to share placing	**7,398**	—
Effect of issue of shares pursuant to share subscriptions	**1,289,315**	—
Effect of issue of shares upon exercise of share options	**—**	9,161
Effect of issue of shares upon acquisition transactions	**118,841**	—
Weighted average number of ordinary shares at the end of the reporting period	**23,828,630**	22,407,637

(b) Diluted loss per share

The calculation of diluted loss per share does not assume the exercise of the Company's outstanding share options or conversion of outstanding convertible bonds of the Group which had an anti-dilutive effect and would result in a reduction in loss per share for the years ended 31 March 2019 and 2018. Therefore, the diluted loss per share is the same as the basic loss per share for both years.

10. DISCONTINUED OPERATION AND ASSETS/LIABILITIES CLASSIFIED AS HELD FOR SALE

On 22 March 2019, Union Grace, an indirect wholly-owned subsidiary of the Company, and Blossom Ray Limited (the "SDL & SBIL Purchaser", a company incorporated in the British Virgin Islands and wholly-owned by a director of certain subsidiaries of the Group) entered into a sales and purchase agreement. Pursuant to the agreement, Union Grace agreed to sell and the SDL & SBIL Purchaser agreed to purchase 75% equity interest in Synergy Dragon Limited ("SDL"), which holds the entire battery products business in the PRC, and 100% equity interest in Sinopoly Battery International Limited ("SBIL"), at a consideration of HK$2 in total (the "SDL & SBIL Disposal"). Upon the completion of the SDL & SBIL Disposal, the Group would retain 25% equity interests in SDL through a non-wholly-owned subsidiary and SDL would be accounted for as an associate under the direct investment segment, and the assets and liabilities of SBIL would be derecognised from the consolidated financial statements of the Group.

The assets and liabilities attributable to the operations in SDL and SBIL, which are expected to be sold within 12 months, have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position as at 31 March 2019.

(a) The loss for the years ended 31 March 2019 and 2018 from discontinued operation is analysed as follows:

	Note	**2019** ***HK$'000***	2018 *HK$'000*
Revenue	2	**149,781**	96,885
Cost of sales		**(118,297)**	(67,760)
Gross profit		**31,484**	29,125
Other income		**17,140**	9,897
Other gains and losses, net	4	**(254,500)**	(79,182)
Selling and distribution costs		**(12,651)**	(23,242)
General and administrative expenses		**(73,348)**	(94,275)
Research and development expenses		**(15,162)**	(75,808)
Finance costs	5	**(36,069)**	(23,353)
Impairment loss, net of reversal on financial assets at amortised cost	4	**(1,870)**	(8,695)
Impairment on intangible assets	6	**(920)**	(197,790)
Amortisation of intangible assets		**(148)**	(97,299)
Share of results of associates		**(76)**	41
Loss before tax from discontinued operation	6	**(346,120)**	(560,581)
Income tax credit	7	**—**	71,700
Loss for the year from discontinued operation		**(346,120)**	(488,881)

10. DISCONTINUED OPERATION AND ASSETS/LIABILITIES CLASSIFIED AS HELD FOR SALE *(Continued)*

(b) The major classes of assets and liabilities of the disposal group classified as held for sale as at 31 March 2019 (2018: nil) are as follows:

	2019
	HK$'000
Assets	
Property, plant and equipment	**452,192**
Interests in leasehold land held for own use under operating leases	**105,361**
Deposits paid for non-current assets	**5,650**
Other non-current assets	**3,303**
Inventories	**42,028**
Trade and bills receivables	**55,919**
Loan and other receivables	**29,873**
Pledged bank deposits	**58,290**
Cash and cash equivalents	**31,024**
Total assets for the disposal group	**783,640**
Less: Elimination of intra-group bill receivables	**(26,813)**
Assets associated with the disposal group classified as held for sale	**756,827**

	HK$'000
Liabilities	
Bank loans and other borrowings *(Note (i))*	**(313,482)**
Trade and bills payables	**(89,600)**
Accruals and other payables	**(162,627)**
Net amounts due to the Group *(Note (ii))*	**(224,304)**
Receipts in advance	**(48,681)**
Deferred income	**(81,606)**
Total liabilities for the disposal group	**(920,300)**
Less: Elimination of intra-group balances *(Note (ii))*	**224,304**
Liabilities associated with the disposal group classified as held for sale	**(695,996)**

Notes:

(i) As at 31 March 2019, the Group was unable to make certain principal and/or interest repayments relating to certain bank loans and other borrowings under discontinued operation with carrying amounts as at 31 March 2019 of approximately HK$26,697,000 (2018: nil), for which the lenders were entitled to request for the immediate repayment of full amount owed.

(ii) The amounts are fully eliminated in the consolidated statement of financial position of the Group.

11. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

(a) Acquisition of additional interests in a joint venture, Chanje Energy, Inc., resulting in control

On 18 October 2018, a settlement agreement (the "Chanje Settlement Agreement") was entered into by, among others, the Company, FDG Strategic Investment Limited ("FDG Strategic", a wholly-owned subsidiary of the Company), Chanje, a company incorporated under the laws of the State of Delaware in the US, being a then joint venture of the Group and Smith Electric Vehicles Corp ("Smith", a joint venture partner of Chanje). Pursuant to the settlement agreement, among others, (i) Smith will transfer its approximately 16.84% equity interest in Chanje to the Company; (ii) the Company will allot and issue 476,666,666 ordinary shares of the Company to Smith and pay an amount of US$1,312,661.25 to Smith; (iii) Smith will assign to the Company all of its rights, title, and interests granted to it by Chanje pursuant to the contribution agreement dated 4 May 2015 entered into between Smith and Chanje (the "Smith Contribution Agreement"), including but not limited to the contractual right to designate two members to the board of directors of Chanje; (iv) the Company shall release and return to Smith all the Company's common and series E shares in Smith and cancel any rights arising therefrom; and (v) Chanje shall transfer and release to Smith all of Smith's rights and property contributed, transferred or in any manner granted to Chanje and all of the licensed intellectual property contributed by Smith pursuant to the Smith Contribution Agreement and an intellectual property license agreement dated 4 May 2015 entered into between Smith and Chanje provided that Chanje and the Company shall be permitted to continue to utilise on a non-exclusive basis as agreed (the "Chanje Settlement").

Upon the completion of the transfer of approximately 16.84% equity interest in Chanje by Smith to the Company on 31 December 2018 (the "Chanje Settlement Date"), Chanje has been owned as to 94.74% by the Group and 5.26% by the employee benefit trust established by the Company. As the Group has the right to nominate and appoint the majority of the directors of Chanje, Chanje has become an indirect subsidiary of the Group.

11. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

(a) Acquisition of additional interests in a joint venture, Chanje Energy, Inc., resulting in control *(Continued)*

Chanje is principally engaged in the sales and distribution of electric vehicles in the US. The fair values of the identifiable assets and liabilities of Chanje as at the Chanje Settlement Date, were as follows:

	Fair value recognised on the Chanje Settlement Date *HK$'000*
Intangible assets	**68,316**
Property, plant and equipment	**4,291**
Inventories	**3,199**
Trade receivables	**1,107**
Loan receivables from the Group	**23,489**
Other receivables	**3,701**
Cash and cash equivalents	**88**
Other payables	**(57,116)**
Loan payables to the Group	**(73,143)**
Deferred tax liabilities	**(18,445)**
Total identifiable net liabilities at fair value	**(44,513)**
Less: Total consideration for the acquisition	**(56,780)**
Less: Re-measurement of previously held interests	**(281,172)**
Goodwill	**(382,465)**

	HK$'000
Total consideration for the acquisition:	
Fair value of ordinary shares of the Company issued	**23,357**
Indebtedness due to Chanje by Smith	**23,250**
Cash consideration	**10,173**
Net consideration paid	**56,780**

Net consideration paid represents (i) the fair value of 476,666,666 new ordinary shares of the Company issued amounting to HK$23,357,000 based on HK$0.049 per share, being the closing market price of the Company's ordinary shares on 31 December 2018, Chanje Settlement Date; (ii) the debts undertaken of US$3,000,000, equivalent to HK$23,250,000, due to Chanje by Smith by ways of promissory note dated 31 October 2018; and (iii) cash consideration of US$1,312,661.25, equivalent to approximately HK$10,173,000, pursuant to the Chanje Settlement Agreement.

11. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

(a) Acquisition of additional interests in a joint venture, Chanje Energy, Inc., resulting in control *(Continued)*

	HK$'000
Fair value of previously held interest on the Chanje Settlement Date	**281,172**
Less: Carrying value of previously held interests	**(151,361)**
Gain on re-measurement of previously held interest in a joint venture	**129,811**

The Group incurred transaction costs of HK$796,000 for the Chanje Settlement. These transaction costs have been expensed and are included in general and administrative expenses in the consolidated statement of profit or loss for the year ended 31 March 2019.

	HK$'000
Cash and cash equivalents acquired and included in cash flows from investing activities	**10,085**
Transaction costs of the Chanje Settlement included in cash flows from operating activities	**(796)**
Net cash outflows arising from the Chanje Settlement	**9,289**

Since the completion of the Chanje Settlement, Chanje does not contribute to the Group's revenue and incurred a loss of HK$18,552,000 recognised in the consolidated profit or loss for the year ended 31 March 2019.

Had the Chanje Settlement taken place at the beginning of the reporting period, the revenue and the loss of the Group for the year ended 31 March 2019 would have been HK$345,511,000 and HK$3,034,330,000, respectively.

11. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) Disposal of Giant Industry Holdings Limited and its subsidiaries

On 3 May 2018, the Company, Preferred Market Limited ("PML", a wholly-owned subsidiary of the Company) and Hong Kong ShengHai DeYong Investment Limited (the "Purchaser", an independent third party to the Company), entered into a sale and purchase agreement pursuant to which PML agreed to sell and the Purchaser agreed to purchase the entire issued share capital of Giant Industry Holdings Limited (the "Giant Group"), which indirectly holds 50% interests in Yunnan FDG Automobile Co., Ltd* (雲南五龍汽車有限公司), for a net consideration of RMB73,436,000 (equivalent to approximately HK$90,639,000), representing the gross consideration of RMB80,000,000 (equivalent to HK$98,741,000) net of a deduction of RMB6,564,000 (equivalent to HK$8,102,000), being the excess of net accounts payable over the guaranteed amount in the completion account pursuant to the sale and purchase agreement based on our preliminary assessments of the Group. The disposal transaction was completed on 3 May 2018, and loss on disposal of subsidiaries of HK$9,743,000 was recognised in the consolidated statement of profit or loss.

Particulars of the disposal transaction are as follows:

	HK$'000
Assets and liabilities at the date of disposal:	
Inventories	**98,405**
Trade and bills receivables	**94,219**
Contract assets	**116,425**
Loan and other receivables	**106,436**
Cash and cash equivalents	**482**
Bank loans and other borrowings	**(84,957)**
Trade and bills payables	**(204,625)**
Accruals and other payables	**(201,512)**
Obligations under finance leases	**(2,568)**
Net amounts due to fellow subsidiaries	**(281,436)**
Non-controlling interests	**173,543**
Net liabilities disposed of	**(185,588)**

Loss on disposal of subsidiaries:	
Net liabilities disposed of	**185,588**
The fair value of the contractual right of licensing associated brand and trademarks	**(11,140)**
Release of exchange reserve	**6,606**
Waiver of net amounts due to fellow subsidiaries	**(281,436)**
Total net consideration	**90,639**
	(9,743)

** For identification purpose only*

11. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) Disposal of Giant Industry Holdings Limited and its subsidiaries *(Continued)*

	HK$'000
Consideration was satisfied by:	
Cash consideration received	**61,713**
Cash consideration receivable	**37,028**
	98,741
Less: the excess of net accounts payable over the guaranteed amount	**(8,102)**
Total net cash consideration	**90,639**

An analysis of the cash flows in respect of the disposal is as follows:

Cash consideration received	**61,713**
Cash and cash equivalents disposed of	**(482)**
	61,231

12. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 March 2019, the Group's additions to property, plant and equipment amounted to HK$295,185,000 (2018: HK$352,556,000), which mainly represented construction in progress for the development of the Group's electric vehicle production plants in Hangzhou and Guizhou.

13. TRADE AND BILLS RECEIVABLES / CONTRACT ASSETS

	2019	2018
	HK$'000	*HK$'000*
Trade receivables		
Trade receivables	**735,680**	1,732,436
Bills receivable	**—**	14,682
Less: Allowance for impairment loss *(Note (b))*	**(424,864)**	(337,951)
Trade and bill receivables, net	**310,816**	1,409,167

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 1 month	**7,263**	54,731
Over 1 month but within 3 months	**1,796**	114,645
Over 3 months but within 6 months	**90,166**	251,596
Over 6 months but within 9 months	**3,460**	154,976
Over 9 months but within 1 year	**13,756**	126
Over 1 year	**194,375**	833,093
	310,816	1,409,167

Trading terms with customers are either on a cash basis or on credit. For those customers who trade on credit, a credit period generally ranging from one month to six months is allowed. Credit limits are set for those customers. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. Overdue balances are regularly reviewed by senior management of the Group.

As at 31 March 2019, certain electric vehicles sold were pledged to the Group as collaterals by certain customers against certain portion of Group's trade receivables amounting to HK$11,751,000 (2018: nil).

	31.3.2019	1.4.2018	31.3.2018
	HK$'000	***HK$'000***	*HK$'000*
Contract assets			
National subsidies receivable as settlement on behalf of electric vehicle customers *(Note (a))*	**676,912**	**784,817**	—
Less: Allowance for impairment loss *(Note (c))*	**(436,077)**	**(104,395)**	—
Contract assets, net *(Note (a))*	**240,835**	**680,422**	—

13. TRADE AND BILLS RECEIVABLES / CONTRACT ASSETS *(Continued)*

Notes:

(a) Certain portion of the trade receivables for the Group's sales of electric vehicles will be settled by the PRC government, on behalf of customers, through subsidising part of their purchase cost by the way of national subsidies in accordance with the Circular on Financial Support Policies for the Promotion and Application of New Energy Vehicles 2016-2020 (Cai Jian [2015] 134) and other relevant and applicable government's notices and policies promulgated by the PRC government, and the sales contracts entered into between the Group and these customers. The Group's entitlement to these receivables was conditional upon the customers reaching the specified usage mileage of their electric vehicles purchased. As at 31 March 2019, the subsidy receivables from the PRC government of HK$676,912,000, less allowance for impairment loss of HK$436,077,000, amounted to HK$240,835,000. As at 31 March 2018, the subsidies receivable from the PRC government of HK$784,817,000 less provision for impairment loss of HK$104,395,000, amounting to HK$680,422,000, which were reclassified as contract assets upon adoption of HKFRS 15 on 1 April 2018.

(b) Impairment assessment of trade and bills receivables

The Group determines the provision for impairment of trade and bills receivables on a forward-looking basis and expected lifetime losses are recognised from the initial recognition of the assets.

The provision for impairment loss on trade and bills receivables from the sales of electric vehicles in the PRC is determined based on the historical mileage record of the electric vehicles sold, for which the settlement would be substantially covered by the grants receivable by the customers. For other trade and bills receivables, a provision matrix is determined based on the Group's historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates.

In making the judgement, management considers available reasonable and supportive forward-looking information such as actual or expected significant changes in operating results and financial positions of the customers, past payment history of the customers, and actual or adverse changes in business, financial or economic conditions that are expected to cause a significant change in the customers' ability to meet their obligations.

At the end of each reporting period, the historical observed default rates are updated and changes in the forward-looking estimates are analysed by the Group's management.

(c) Impairment assessment of contract assets

Contract assets represent part of the trade receivables to be settled by the PRC government, on behalf of the customers of the Group, for their purchase of electric vehicles, by the way of national subsidies. The Group assessed the credit loss rate of contract assets in the same way as the trade and bills receivables derived from the sales of electric vehicles in the PRC.

14. LOAN AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Loan receivables	**157,394**	211,344
Other receivables	**454,112**	418,615
Less: Allowance for doubtful debts	**(290,039)**	(73,432)
	321,467	556,527
Deposits and prepayments	**157,319**	244,366
Value-added-tax receivables	**204,856**	391,240
	683,642	1,192,133

	2019	2018
	HK$'000	*HK$'000*
Presented by:		
Non-current assets	**321**	16,128
Current assets	**683,321**	1,176,005
	683,642	1,192,133

15. BANK LOANS AND OTHER BORROWINGS

At 31 March 2019, bank loans and other borrowings were repayable as follows:

	2019	2018
	HK$'000	*HK$'000*
Within 1 year	**1,582,334**	1,628,383
After 1 year but within 2 years	**912,976**	564,901
After 2 years but within 5 years	**233,160**	1,129,367
	2,728,470	3,322,651

	2019	2018
	HK$'000	*HK$'000*
Presented by:		
Current liabilities	**1,582,334**	1,628,383
Non-current liabilities	**1,146,136**	1,694,268
	2,728,470	3,322,651

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

At 31 March 2019, bank loans and other borrowings were secured as follows:

	2019	2018
	HK$'000	*HK$'000*
Bank loans		
- secured *(Note (a))*	**1,576,192**	1,799,442
- unsecured	**—**	149,760
Total bank loans *(Note (c))*	**1,576,192**	1,949,202
Other borrowings		
- secured *(Note (b))*	**883,678**	1,113,949
- unsecured	**268,600**	259,500
Total other borrowings *(Note (c))*	**1,152,278**	1,373,449
	2,728,470	3,322,651

Notes:

(a) As at 31 March 2019, the bank loans were secured by certain land and buildings, machinery and equipment and construction in progress of the Group with a total carrying amount of HK$2,124,416,000 (2018: HK$2,497,659,000), share charges over certain shares of the subsidiaries of the Company, trade and bills receivables of totally HK$33,864,000 (2018: HK$30,891,000) and intra-group trade receivables of the Group, and guaranteed by two (2018: three) directors of the Company.

(b) As at 31 March 2019, the secured other borrowings included (i) a loan of HK$589,058,000 (2018: HK$583,602,000) which was secured by debentures in favour of the lender by way of the first fixed and floating charges over the tangible moveable property and investments of two wholly-owned subsidiaries of the Company and share charges over all issued shares of the two wholly-owned subsidiaries and 74.56% of the issued shares of FKL, a non-wholly-owned listed subsidiary of the Company; (ii) a loan of HK$175,000,000 (2018: HK$150,000,000) which was secured by a promissory note issued by FKL (2018: certain principal amount of convertible bonds of FKL) held by the Group, a fixed and floating charge over all the undertaking, property and assets of a wholly-owned subsidiary of the Company and a share charge over 75% (2018: 51%) of the issued shares of such wholly-owned subsidiary; (iii) loans of HK$42,718,000 (2018: HK$294,136,000) which were secured by intra-group trade and bill receivables and a bank deposit of nil (2018: HK$54,181,000) of the Group; and (iv) loans of HK$76,902,000 (2018: HK$86,211,000) which were secured by certain machineries of the Group with carrying amount of HK60,987,000 (2018: nil).

(c) As at 31 March 2019, bank loans of HK$1,576,192,000 (2018: HK$1,949,202,000) were denominated in Renminbi ("RMB"), United States dollars or Euro and bearing interest at prevailing market interest rates; and other borrowings of HK$1,152,278,000 (2018: HK$1,373,449,000) were denominated in RMB or Hong Kong dollars and bearing fixed interest rates.

(d) As at 31 March 2019, the Group was unable to make certain principal and/or interest repayments relating to certain bank loans and other borrowings with carrying amounts as at 31 March 2019 of approximately HK$1,103,625,000 (2018: nil), for which the lenders were entitled to request for the immediate repayment of full amount owed, including a bank loan which has commenced litigations against the Group to repay the outstanding balances due of approximately HK$294,947,000. Included in these bank loans and other borrowings are also other borrowings of approximately HK$589,058,000 with overdue interest repayments, for which the value of the relevant securities provided by the Group has dropped below the required level. During the year ended 31 March 2019, the Group has proposed to offer certain assets as top-up securities to the lender as required under the covenants governing the other borrowings. The lender has also confirmed with the Group that the overdue interests would be capitalised as the Company's issued shares, and the principal amount would be repayable under original terms which is beyond 12 months from the end of the reporting period. In addition, under the supervision and coordination of the local government in Hangzhou, the bank which commenced legal action has also agreed to withdraw the litigation and enter into a standstill and restructuring arrangement in principle to extend and/or to renew all outstanding loans by new terms of not less than 12 months after the original maturity, details of which are set out in Note 18(b) to this announcement.

16. TRADE AND BILLS PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**533,100**	626,599
Bills payable	**118,310**	333,030
	651,410	959,629

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

	2019	2018
	HK$'000	*HK$'000*
Within 1 month	**101,290**	83,559
Over 1 month but within 3 months	**43,904**	242,510
Over 3 months but within 1 year	**230,394**	521,065
Over 1 year	**275,822**	112,495
	651,410	959,629

The carrying amounts of trade and bills payables approximate their fair values. As at 31 March 2019, bills payable of HK$94,250,000 (2018: HK$179,660,000) were secured by bank deposits of HK$94,250,000 (2018: HK$177,790,000).

17. CONVERTIBLE BONDS

As at 31 March 2019, the liabilities components of convertible bonds of HK$601,006,000 (2018 : HK$548,415,000) classified as non-current liabilities, represents convertible bonds with an aggregate principal amount of HK$400,000,000 issued by the Company (the "the 2020 Due CB") and convertible bonds with an aggregate principal amount of HK$275,000,000 issued by the Company. As at 31 March 2018, the liabilities component of convertible bonds of HK$98,079,000 classified as current liabilities, represents convertible bonds with an aggregate principal amount of HK$100,000,000 issued by FKL.

As at 31 March 2019, the Group was unable to make certain interest repayments relating to the 2020 Due CB, for which the holder of the 2020 Due CB was entitled to request for the immediate repayment of the full amount owed. The holder of the 2020 Due CB has confirmed with the Group that the overdue interests would be capitalised as the Company's issued shares, and the principal amount would be repayable under original terms which is beyond 12 months from the end of the reporting period.

18. OBLIGATIONS UNDER REDEEMED CONVERTIBLE BONDS AND LITIGATION UPDATES

(a) 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 to the extent of the Set-Off (the "5 March 2013 Judgment"). Effectively, since 5 March 2013, the Company's payment obligations under the redeemed convertible bonds are subject to a stay of execution pending determination of the High Court Proceedings. Any claim to payment under convertible bonds may be subject to the Company's argument of Set-Off.

On 27 February 2013, Mr. Chung was adjusted bankruptcy and the bankruptcy has been extended for a period of 4 years from 26 February 2017 by an order of the HK Court on 26 February 2017. Mei Li was taken over by the Trustee under the Bankruptcy. In addition, various interlocutory applications of the parties have taken place during the period.

The Company's instructing counsels has reviewed the whole case afresh and based on their opinion, the Company has prepared amendments to the Statement of Claim, which would be the next step in strengthening and pushing the case forward. Before proceeding with applying for the amendment, the Company is in discussions to explore settlement concurrently.

Based on the legal opinion, the parties are at least 12 months away from being ready for trial and payment of the Redemption Amount regarding the convertible bonds would likely not arise for at least 12 months after the end of the reporting period. Under such circumstances, the Board considered it was appropriate to classify the obligations under the redeemed convertible bonds of approximately HK$760,752,000 under non-current liabilities.

(b) As at 31 March 2019, there were outstanding litigations commenced by certain suppliers, other creditors, a bank and a finance lease creditor against certain subsidiaries of the Group requesting such subsidiaries to repay the outstanding trade payables, other payables, bank loans and obligations under a finance lease under continuing operations, amounting to approximately HK$113,831,000, HK$126,663,000, HK$294,947,000 and HK$34,100,000, respectively. The outstanding litigations on outstanding trade payables under discontinued operation amounted to approximately HK$22,227,000. The Group is negotiating with the creditors and the bank to settle these litigations. Under the supervision and coordination of the local government in Hangzhou, the bank which commenced legal action has agreed to withdraw the litigation and enter into a standstill and restructuring arrangement in principle to extend and/or to renew all outstanding loans by new terms of not less than 12 months after the original maturity.

19. CAPITAL COMMITMENTS

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

	2019	2018
	HK$'000	*HK$'000*
Contracted, but not provided for capital commitments in respect of:		
- capital expenditures of the Group's factories in the PRC *(Note)*	**1,665,006**	1,434,146
- investment in a joint venture	—	38,750
- investments in associates	**157,150**	13,603
	1,822,156	1,486,499

Note:

As at 31 March 2019, the amounts of HK$1,181,450,000 (2018: HK$703,613,000) related to capital expenditures of electric vehicle production plants in Guizhou will be financed with the assistance of the Guizhou local government.

20. EVENTS AFTER THE REPORTING PERIOD

(a) On 29 March 2019, the Company entered into a placing and subscription agreement with Right Precious Limited ("Right Precious", an existing shareholder of the Company) and a placing agent, pursuant to which (i) Right Precious has appointed the placing agent and the placing agent has agreed to act as the placing agent for Right Precious, on a best efforts basis, to procure a placee to purchase up to 833,330,000 placing shares at HK$0.048 per share (the "Placing"); and (ii) Right Precious has conditionally agreed to subscribe for new shares issued by the Company following completion of the Placing at HK$0.048 per share (the "Top-up Subscription"). The number of new shares of the Company subscribed by Right Precious in the Top-up Subscription shall be equal to the number of existing shares of the Company placed by the placing agent in the Placing. Following the completion of the Placing, the Top-up Subscription was completed on 11 April 2019. A total of 833,330,000 new shares of the Company have been allotted and issued to Right Precious. The net proceeds from the Top-up Subscription was HK$38,500,000.

(b) On 9 September 2018, the Company entered into a subscription agreement to conditionally allot and issue 7,000,000,000 ordinary shares of the Company under specific mandate to a subscriber. However, the subscriber only paid a total of RMB87,000,000 (equivalent to HK$100,029,893.99) as a deposit for the subscription and was unable to make available the remaining subscription money. The subscription agreement had been terminated on 25 January 2019 without any claim against each other on condition that the subscriber shall provide three loan facilities in the amount of RMB87,000,000, RMB50,000,000 and RMB100,000,000 respectively to the Company for a term of two years at an interest rate of 1% per annum (the "Settlement Agreement"). The deposit for the subscription of RMB87,000,000 was regarded as one of the above three loan facilities according to the Settlement Agreement.

On 3 April 2019, the subscriber failed to provide the Company with the above remaining two loan facilities of RMB50,000,000 and RMB100,000,000 within the prescribed time in accordance with the Settlement Agreement, and the Company and the subscriber entered into a supplemental settlement agreement pursuant to which the subscriber shall provide loan facilities in the amount of HK$600,000, HK$20,000,000 and HK$151,865,334.47 respectively to the Company for a term of two years at an interest rate of 1% per annum to replace the two initial loan facilities of RMB50,000,000 and RMB100,000,000. In April 2019, a loan of HK$600,000 was provided to the Company. The remaining two loan facilities in the amounts of HK$20,000,000 and HK$151,865,334.47 respectively, as mentioned above, were replaced by a second supplemental settlement agreement dated 11 June 2019 (the "Second Supplemental Settlement Agreement") pursuant to which (i) the subscriber shall provide loan facilities in the amount of HK$20,000,000 to the Company for a term of two years with nil interest; (ii) the subscriber shall, or procure its designated party who is not a connected person of the Company to, enter into a subscription agreement with the Company on or before 30 June 2019 to subscribe for the new shares of the Company with total subscription amount of not less than HK$200,000,000, failing which the subscriber is required to pay an amount of HK$5,000,000 as a penalty to the Company; and (iii) an associate of the subscriber shall provide guarantee for all obligations, liabilities and undertakings of the subscriber in favour of the Company without taking any security under the Second Supplemental Settlement Agreement. On 11 June 2019, a loan of HK$20,000,000 was provided to the Company.

20. EVENTS AFTER THE REPORTING PERIOD *(Continued)*

(c) On 17 April 2019, the Board has resolved to allot and issue 1,300,000,000 new shares of the Company under general mandate to the trustee of the employee's share award scheme of the Company (as adopted on 29 June 2015 and amended on 28 November 2016) for grant of share awards to selected participants by way of allotment of new shares pursuant to the scheme. Up to the date of this announcement, the 1,300,000,000 new shares of the Company have not yet been issued and allotted subject to regulatory clearance.

(d) On 14 June 2019, Chanje, a non-wholly owned subsidiary of the Company, and an investor entered into an unsecured convertible promissory note in the total principal amount of US$20,000,000 at the interest rate of 10% per annum (the "Convertible Promissory Note"), pursuant to which and in consideration for the principal amount, (i) Chanje has agreed to pay to the investor or its nominee the outstanding principal amount and all accrued and unpaid interest pursuant to the terms thereof; and (ii) the investor is granted with the optional conversion right upon receipt of the principal amount in full by Chanje in which the investor has the right and option to convert all or part of the outstanding principal amount of the Convertible Promissory Note and any accrued interest into the common stocks of Chanje at any time prior to the maturity date subject to approval of board of directors of Chanje.

(e) On 13 June 2019, under the supervision and coordination of a local government in Hangzhou, the PRC, all the creditor banks of a non-wholly-owned subsidiary of the Company, to which the subsidiary owed approximately HK$1,318 million (including approximately HK$295 million payable to a creditor banker that commenced legal action for immediate repayment and subsequently agreed to withdraw the litigation) as at 31 March 2019, agreed not to take any legal action for repayment nor reduce credit facility and credit rating, and agreed to a standstill and restructuring arrangement in principle to extend and/or to renew all these banks loans upon maturity by new terms of not less than 12 months after the original maturity.

(f) On 30 June 2019, the Company entered into a subscription agreement with a subscriber who is the lender of an other borrowing and the holder of the 2020 Due CB in which the subscriber conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue 4,086,323,694 new ordinary shares of the Company. The gross proceed of the subscription will be approximately HK$110,331,000 which will be used to set off against the total outstanding interest owed by the Company to the subscriber in relation to the other borrowing and the 2020 Due CB. Further details are set out in the Company's announcement dated 30 June 2019.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The section below sets out an extract of the independent auditor's report regarding the consolidated financial statements of the Group for the year ended 31 March 2019:

DISCLAIMER OF OPINION

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

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

BASIS FOR DISCLAIMER OF OPINION

Multiple uncertainties relating to going concern

We draw attention to Note 2(b) to the consolidated financial statements, which indicates that the Group incurred a net loss of approximately HK$3,007,380,000 for the year ended 31 March 2019, comprising losses of approximately HK$2,661,260,000 from continuing operations and approximately HK$346,120,000 from discontinued operation and, as at 31 March 2019, the Group had net current liabilities of approximately HK$3,531,160,000. As at the same date, the Group had total bank loans and other borrowings of approximately HK$2,728,470,000, of which approximately HK$2,649,370,000 were included in current liabilities, while the Group had cash and cash equivalents of approximately HK$163,892,000.

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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

MARKET OVERVIEW

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

Electric Vehicle Business

With rising public awareness of environmental protection, the proactive actions taken by enterprises to shoulder environmental responsibilities and the efforts of various governments in promoting energy conservation and carbon reduction and tightening waste gas emission standards, the new energy vehicle ("NEV") industry has developed rapidly around the world. According to the global sales data of electric vehicles published by Bloomberg New Energy Finance, benefited from subsidy policies for NEVs in various countries and gradual improvement of public charging infrastructure for electric vehicles, the global sales of electric vehicles in 2018 amounted to as high as 2,000,000 units, of which over half of the sales was from Chinese market. According to the statistics of Ministry of Industry and Information Technology of China ("MIIT"), the accumulated production volume and sales volume of vehicles in China in 2018 reached 27,810,000 units and 28,080,000 units, respectively, representing a decrease of 4.2% and

2.8% as compared to the last corresponding period, the first decline after domestic vehicle sales has experienced growth for 28 consecutive years; however, the production volume and sales volume of NEVs continued their rapid growth, reaching 1,270,000 units and 1,260,000 units, respectively, representing an increase of 59.9% and 61.7% as compared to that in 2017. Despite the general downward trend of the vehicle market in China, the production volume and sales volume of NEVs maintained growth amid the adverse circumstances, which demonstrated the increasing demand for NEVs in the market and its development potential in the future.

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

Sales of Automobiles and NEVs in China:

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

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

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

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

Cathode Material Business

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

BUSINESS REVIEW

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

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

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

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

Electric Vehicle Business

Since 2018, affected by the impact of policy regarding reduction of subsidy of the NEV and the extension of the expected time for subsidies to be received in China, the revenue of FDG's EV business decreased by 69% year-on-year, resulting in the decreased cash flow of the Group and hence affected the Group's original business operation plan. As such, the management of the Group has developed a strategic plan, pursuant to which the Group consolidated its businesses, streamlined the Group's structure and executed financing plans when appropriate with a view to developing the EV business, the most promising business of the Group. Furthermore, through years of investment, research and development, the Company's electric commercial vehicles are the most competitive products in the industry and FDG's electric commercial vehicles not only reduced carbon emission, but also assisted its fleet operators in realising the goal of sustainable development and reducing their total cost of ownership. During the year under review, the

Company proactively expanded the US market and established a partnership with Ryder and established customers such as FedEx through Chanje, FDG's subsidiary, and entered into orders with the two companies last year. Based on the orders from existing and potential customers and the reduction of production costs due to mass production, it is expected that the Group's EV business will generate positive cash flows to the Group in the future.

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

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

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

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

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

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

Cathode Material Business

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

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

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

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

FINANCIAL REVIEW

Continuing operations

Revenue

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

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

Gross profit and margin

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

Other gains and losses, net

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

Selling and distribution costs

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

General and administrative expenses

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

Research and development expenses

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

Finance costs

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

Other operating expenses

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

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

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

Impairment on goodwill

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

Amortisation of intangible assets

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

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

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

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

Share of results of joint ventures

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

Loss for the year

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

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

Goodwill

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

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

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

Inventories

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

Trade and bills receivables/Contract assets

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

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

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

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

Loan and other receivables

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

Trade and bills payables

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

Accruals and other payables

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

Convertible bonds

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

Segment Information

Vehicle design and electric vehicle production business

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

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

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

Battery materials production and provision of processing services business

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

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

Direct investments business

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

Battery products business (discontinued operation)

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

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

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

Liquidity and Financial Resources

As at 31 March 2019, the cash and cash equivalents of the Group amounted to approximately HK$163.9 million (31 March 2018: approximately HK$752.4 million). The amounts were mainly denominated in Hong Kong dollars, Renminbi ("RMB") and United States dollars.

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

Total bank loans and other borrowings as at 31 March 2019 were approximately HK$2,728.5 million, representing a decrease of approximately HK$594.2 million as comparing with approximately HK$3,322.7 million as at 31 March 2018. Details of the bank loans and other borrowings are set out in note 15 of this announcement.

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

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

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

On 11 April 2019, a placing and the top-up subscription of new shares of the Company were completed for which the Company allotted and issued 833,330,000 ordinary shares of the Company under general mandate for HK$0.048 per new share and raised net funds of approximately HK$38.5 million.

Foreign Exchange Exposure

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

Capital Structure

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

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

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

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

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

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

Material Acquisition and Disposal

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

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

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

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

Pledge of Assets and Contingent Liabilities

There were pledge of assets as at 31 March 2019 and 2018 with details disclosed under the section heading "Liquidity and Financial Resources" and in note 15 of this announcement. In addition, pledged bank deposits of approximately HK$95.6 million (31 March 2018: approximately HK$235.3 million) were pledged to secure mainly bank loans and other borrowings and bills payables.

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

Litigation

Details of the litigation updates of the Group are set out in note 18 of this announcement.

Capital Commitments

Details of the capital commitments of the Group are set out in note 19 of this announcement.

Employees and Remuneration Policies

As of 31 March 2019, the Group had 56 employees (31 March 2018: 75 employees) in Hong Kong, 1,653 employees (31 March 2018: 2,793 employees) in the PRC and 29 employees (31 March 2018: nil) in the US. Total staff costs (including directors' emoluments and equity-settled-share-based payments) during the year under review amounted to approximately HK$301.1 million (2018: approximately HK$470.5 million). The remuneration policies are determined with reference to market conditions and individual performance of staff. The Group participates in Mandatory Provident Fund Scheme in Hong Kong and state-managed retirement benefit schemes in the PRC. The Group has share option schemes, share award schemes and employee benefit trusts for the benefit of its directors and eligible participants.

FUTURE DEVELOPMENT

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

Capitalising on competitive advantage in electric commercial vehicle market

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

Continuous development and exploration of overseas electric vehicle market

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

Proactively reduce the production costs of pure electric vehicles

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

Enhance the quality of cathode material products

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

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

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

CORPORATE GOVERNANCE

The Company applied the principles of and complied with all the code provisions of the Corporate Governance Code (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31 March 2019 and up to the date of this announcement, except for the following deviation.

Code provision A.2.1

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

DIRECTORS' SECURITIES TRANSACTIONS

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

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

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 20 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 Electric Vehicles Limited
Cao Zhong
Chairman & Chief Executive Officer

Hong Kong, 2 July 2019

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

Website: http://www.fdgev.com

** For identification purpose only*