FDG Kinetic Limited

五龍動力有限公司

(Receivers and Managers Appointed)
(Incorporated in Bermuda with limited liability)
(Stock Code: 378)

FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020

As disclosed in the joint announcements of FDG Kinetic Limited (Receivers and Managers Appointed) (the “Company”, together with its subsidiaries, the “Group”) and FDG Electric Vehicles Limited (Provisional Liquidators Appointed) dated 31 May 2020, 18 June 2020 and 30 June 2020, despite numerous requests and demands from the board (the “Board”) of directors (the “Directors”) of the Company to the legal representative and senior management of FDG Kinetic (Chongqing) Lithium Ion Battery Materials Co., Ltd.* 五龍動力（重慶）鋰電材料有限公司, a subsidiary of the Company (the “Uncooperative Subsidiary”) in the People’s Republic of China (the “PRC”), the Company has been encountering difficulties in obtaining the requisite information and records from the Uncooperative Subsidiary to complete the audit (the “Audit”) in relation to the final results of the Group for the year ended 31 March 2020 (the “2019/20 Annual Results”). As such, the audit process for the 2019/20 Annual Results has been delayed. Upon the management of the head office physically visiting the Uncooperative Subsidiary with the local lawyers, and conducted face-to-face liaising with the senior management, most staff of the Uncooperative Subsidiary are cooperative and aware of their duties, the Group and our auditor have collected the financial data and information for the auditor to complete the audit procedures and resolved the various outstanding matters.

The Board presents the audited consolidated final results of the Group for the year ended 31 March 2020 together with the comparative information for the year ended 31 March 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Notes	**2020** **HK$'000**	2019 *HK$'000*
Revenue	3		
Goods and services		**36,230**	112,280
Interest income		**5,747**	11,480
Total revenue		**41,977**	123,760
Cost of sales		**(38,737)**	(106,492)
		3,240	17,268
Other income		**236**	591
Other losses	5	**(32,404)**	(4,170)
Selling and distribution costs		**(1,744)**	(4,556)
General and administrative expenses		**(45,027)**	(60,829)
Research and development expenses		**(6,807)**	(11,585)
Finance costs	6	**(46,804)**	(46,422)
Other operating expenses	9	**(15,111)**	—
Net loss on financial assets at fair value through profit or loss	9	**(67,630)**	(7,257)
Impairment loss on financial assets at amortised costs, net	7	**(75,926)**	(31,219)
Impairment loss on goodwill	9	**(6,514)**	(307,000)
Impairment loss on property, plant and equipment	9	**(40,333)**	—
Impairment loss on intangible assets	9	**(7,283)**	—
Impairment losses on interest in an associate	9	**(6,418)**	(15,920)
Share of results of associates		**(14,113)**	(164,666)
Share of results of a joint venture		**3,373**	5,263
Loss before taxation		**(359,265)**	(630,502)
Income tax credit	8	**1,847**	1,920
Loss for the year	9	**(357,418)**	(628,582)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
— Exchange differences arising from translation of foreign operations		**(60)**	(23,903)
— Share of other comprehensive income of associates		**(8,465)**	(18,634)
— Release of other comprehensive income upon derecognition of associates		**9,414**	—
— Share of other comprehensive income of a joint venture		**(6,520)**	(11,290)
Other comprehensive income for the year		**(5,631)**	(53,827)
Total comprehensive income for the year		**(363,049)**	(682,409)

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

For the year ended 31 March 2020

	Note	**2020**	2019
		HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company		**(357,418)**	(628,582)
Other comprehensive income for the year attributable to owners of the Company		**(5,631)**	(53,827)
Total comprehensive income for the year attributable to owners of the Company		**(363,049)**	(682,409)
		HK cents	*HK cents*
Loss per share	10		
Basic and diluted		**(5.29)**	(9.31)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020

	Notes	**2020**	2019
		HK$'000	*HK$'000*
Non-current assets			
Goodwill		**—**	6,755
Intangible assets		**28,940**	52,823
Property, plant and equipment		**161,587**	240,286
Interests in leasehold land held for own use under operating lease		**—**	17,204
Right-of-use asset		**15,785**	—
Interests in associates		**—**	324,900
Interest in a joint venture		**98,417**	106,564
Loan receivables	13	**—**	321
Other non-current assets		**367**	367
		305,096	749,220
Current assets			
Inventories		**9,421**	35,485
Trade and other receivables	12	**49,798**	66,732
Loan receivables	13	**52,555**	125,174
Financial assets at fair value through profit or loss		**94,944**	6,438
Amount due from an associate		**5,213**	80,979
Cash and cash equivalents		**34,461**	6,587
		246,392	321,395
Current liabilities			
Bank and other borrowings		**232,901**	219,933
Trade payables	14	**17,865**	5,589
Accruals and other payables		**151,814**	127,298
Contract liabilities		**419**	—
Loan from the ultimate holding company		**49,100**	100,000
Lease liability		**37,200**	41,255
Amount due to an associate		**—**	148,640
Tax payables		**4,020**	4,269
		493,319	646,984
Net current liabilities		**(246,927)**	(325,589)
Total assets less current liabilities		**58,169**	423,631

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

At 31 March 2020

	2020	2019
	HK$'000	*HK$'000*
Non-current liabilities		
Deferred tax liabilities	**7,635**	10,048
NET ASSETS	**50,534**	413,583
CAPITAL AND RESERVES		
Share capital	**1,350,659**	1,350,659
Reserves	**(1,300,125)**	(937,076)
TOTAL EQUITY	**50,534**	413,583

NOTES TO THE AUDITED CONSOLIDATED FINAL RESULTS

1. Basis of preparation

During the year ended 31 March 2020, the Group incurred a net loss attributable to owners of the Company of approximately HK$357,418,000 and, as of that date, the Group had net current liabilities of approximately HK$246,927,000. As at the same date, the Group's aggregate bank and other borrowings and lease liability amounted to approximately HK$232,901,000 and HK$37,200,000, respectively, while its cash and cash equivalents amounted to approximately HK$34,461,000. As at 31 March 2020, repayments in respect of the Group's aggregate other borrowings and lease liability amounted to approximately HK$181,300,000 and HK$37,200,000, respectively, were overdue but the Group has not been able to obtain extension for the repayment of these other borrowings and lease liability from the financial institutions and the lease creditor. These total outstanding borrowings amounts are therefore immediately repayable under the relevant financing contracts.

Subsequent to the end of the reporting period, on 29 April 2020, the Company has been put into receivership by SHK Finance Limited ("SHK Finance") to which the Group owned debts of approximately HK$60,000,000 plus relevant overdue interests, which amounts are secured by way of fixed and floating charges over the assets and whole undertakings of the Company under a debenture dated 5 September 2019 executed by the Company in favour of the creditor. On 14 May 2020, Join View Development Limited ("Join View"), to which the Company owed outstanding debt of approximately HK$65,000,000 plus relevant overdue interests, submitted a petition to the High Court of the Hong Kong Special Administrative Region (the "HK Court") for an order for the compulsory winding up of the Company. FDG Electric Vehicles Limited (Joint Provisional Liquidators Appointed) ("FDG EV"), the ultimate holding company, joined as a party opposing the petition, and the petition was heard before the HK Court on 5 August 2020 and 10 August 2020, and a second call-over hearing of the petition has been adjourned to 19 October 2020. On 28 April 2020, FDG EV demanded the Company to repay the outstanding loan with a principal of HK$30,000,000 (the "Demanded Loan") by giving one business day's prior written notice pursuant to a loan agreement entered into between the Company and FDG EV, as the Company's bank balance of approximately HK$27,650,000 has been frozen on 6 May 2020 upon request by the Receiver, the Company was unable to make repayment up to the date of approval of the consolidated financial statements. In addition, as of the date of approval of the consolidated financial statements, there were outstanding litigations brought by trade creditors and a lease creditor against a subsidiary requesting the subsidiary to repay the outstanding trade payable, other borrowings and lease liability, amounting to approximately HK$5,136,000, HK$72,199,000 and HK$37,200,000, respectively, for which the court hearings are yet completed. The Group is currently reviewing the legal documents and considering various alternatives and negotiation to resolve these litigations. The Company has decided not to proceed with the investment in ALEEES (GuiZhou) Co., Ltd. ("Guizhou") and explore solutions with the associate's shareholders, for which the capital commitment was HK$139,549,000 at 31 March 2020.

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

(i) The Receivers (as defined in Note 17(a)) and the Company are actively looking for potential buyers to acquire all or part of the Group's non-core assets and business through various channels, such as the Group's financial assets at fair value through profit or loss and investment in the joint venture with an aggregate book value of HK$193,361,000 as of 31 March 2020. The Group expects to realise these investments within the next twelve months;

1. Basis of preparation *(continued)*

(ii) The Group is negotiating with SHK Finance for the renewal or extension of the secured other borrowings of HK$60,000,000 and overdue interests. SHK Finance informed the Company on 29 April 2020 that receivers and managers have been appointed, details of which are disclosed in Note 17(a) to this announcement. The Group expect such negotiation will bear result upon the completion of the Reorganisation Plan (as defined below);

(iii) The Group is negotiating with Join View for the renewal or extension of the unsecured other borrowings of HK$65,000,000 and overdue interests. Join View filed a petition with the HK Court on 14 May 2020 for an order that the Company be wound up by the HK Court, details of which are disclosed in Note 17(b) to this announcement. The Group expect such negotiation will bear result upon the completion of the Reorganisation Plan (as defined below);

(iv) The Group is proactively looking for investors to refinance the loans from SHK Finance and Join View; and

(v) The Group has engaged lawyers to prepare reorganisation plans (the "Reorganisation Plan") which would involve capital reorganisation and debt restructuring, as well as negotiating with potential investors to participate in fund raising initiatives and, where appropriate, with collaboration of the Receivers of the Company within the next three months.

In addition, as disclosed in Note 15 below, the Group has decided not to proceed with the investment in an associate in Guizhou, the PRC, and explore solutions with the associate's shareholders, for which the capital commitment was approximately HK$139,500,000 at 31 March 2020.

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

Notwithstanding the above, since the execution of the plans and measures are at a preliminary stage, significant uncertainties exist as to whether management of the Group will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows through the following plans and measures which are not yet completed at the date of the approval of the consolidated financial statements:

1. Basis of preparation *(continued)*

(i) Successful disposal of all or part of the Group's non-core assets and business, such as financial assets at fair value through profit or loss and investment in the joint venture;

(ii) Successful negotiation and the signing of a formal extension agreement with SHK Finance for the renewal of or extension for repayments of outstanding secured other borrowings of HK$60,000,000 and overdue interests or alternatively, successful refinancing of the overdue amount;

(iii) Successful negotiation and the signing of a formal extension agreement with Join View for the renewal of or extension for repayments of outstanding unsecured other borrowings of HK$65,000,000 and overdue interests or alternatively, successful refinancing of the overdue amount;

(iv) Successful refinancing of the loans from SHK Finance and Join View; and

(v) Successful implementation of restructuring plans which, amongst others, would involve capital reorganisation and debts restructuring, and new funding from potential investors.

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

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

NEW AND AMENDMENTS TO HKFRSs THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR

The HKICPA has issued a new HKFRS, HKFRS 16, Leases, and a number of amendments to HKFRSs and an interpretation that are first effective for the current accounting period of the Group.

Except for HKFRS 16, Leases, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2.1 HKFRS 16 LEASES

HKFRS 16 replaces HKAS 17, Leases, and the related interpretations, HK(IFRIC) 4, Determining whether an arrangement contains a lease, HK(SIC) 15, Operating leases – incentives, and HK(SIC) 27, Evaluating the substance of transactions involving the legal form of a lease. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low-value assets. The lessor accounting requirements brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 April 2019. The Group has elected to use the modified retrospective approach and there was no cumulative effect on the opening balance of equity at 1 April 2019 upon the initial application of HKFRS 16. Comparative information has not been restated and continues to be reported under HKAS 17.

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

New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 April 2019. For contracts entered into before 1 April 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16.

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

NEW AND AMENDMENTS TO HKFRSs THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR *(continued)*

2.1 HKFRS 16 LEASES *(continued)*

Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, there is no newly capitalised lease as the Group does not have material leases which were classified as operating leases at the date of initial application of HKFRS 16. The Group's leasehold land held for own use previously capitalised with carrying amount of RMB17,204,000 as at 1 April 2019, was reclassified as right-of-use asset upon the initial application of HKFRS 16.

Lessor accounting

The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFICTIVE FOR THE YEAR ENDED 31 MARCH 2020

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of amendments and a new standard which are not yet effective for the year ended 31 March 2020 and which have not been adopted in these consolidated financial statements. These developments include the following which may be relevant to the Group.

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[6]
Amendment to HKFRS 16	COVID-19-Related Rent Concessions[5]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an investor and its Associates or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[7]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKAS 16	Property, Plant and Equipment-Proceeds before Intended Use[6]
Amendments to HKAS 37	Onerous Contracts-Cost of Fulfilling a Contract[6]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[6]

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

POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFICTIVE FOR THE YEAR ENDED 31 MARCH 2020 *(continued)*

1 Effective for annual periods beginning on or after 1 January 2021

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

3 Effective for annual periods beginning on or after a date to be determined

4 Effective for annual periods beginning on or after 1 January 2020

5 Effective for annual periods beginning on or after 1 June 2020

6 Effective for annual periods beginning on or after 1 January 2022

7 Effective for annual periods beginning on or after 1 January 2023

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to HKFRSs mentioned below, the directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 17, Insurance Contracts

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

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

Amendments to HKFRS 3, Definition of a Business

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

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

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

POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFICTIVE FOR THE YEAR ENDED 31 MARCH 2020 *(continued)*

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform

The amendments deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in HKFRS 9 and HKAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The amendments modify specific hedge accounting requirements so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. The amendments also require specific disclosures about the extent to which the entities' hedging relationships are affected by the amendments. There are also amendments to HKFRS 7 Financial Instruments: Disclosures regarding additional disclosures around uncertainty arising from the interest rate benchmark reform.

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

Amendments to HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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

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

Amendments to HKAS 1 and HKAS 8, Definition of Material

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

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

3. Revenue

Disaggregation of revenue

	Notes	**2020** *HK$'000*	2019 *HK$'000*
Revenue from contracts with customers			
- Sales of cathode materials for battery production	(a)	**33,646**	102,680
- Provision of processing services	(a)	**2,584**	9,600
		36,230	112,280
Interest income	(b)	**5,747**	11,480
		41,977	123,760
Geographical markets and revenue from contracts with customers			
The PRC		**36,230**	112,280
Hong Kong		**—**	—
		36,230	112,280

Notes:

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

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

4. Segment Information

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

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

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

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

4. Segment Information *(continued)*

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

	Battery Materials Production		Direct Investments		Total	
	2020	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment revenue from external customers	**36,230**	112,280	**5,747**	11,480	**41,977**	123,760
Reportable segment results	**(252,976)**	(450,969)	**(77,372)**	(142,007)	**(330,348)**	(592,976)
Central administrative cost, and directors' emoluments					**(28,917)**	(37,526)
Loss before taxation					**(359,265)**	(630,502)

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

4. Segment Information *(continued)*

Other segment information:

	Battery Materials Production		Direct Investments		Unallocated		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Amounts included in the measure of segment results or segment assets:								
Bank interest income	**(1)**	(111)	**(44)**	(48)	**—**	—	**(45)**	(159)
Depreciation and amortisation	**33,857**	19,646	**—**	—	**17**	17	**33,874**	19,663
Interest expenses	**24,902**	18,684	**21,902**	27,738	**—**	—	**46,804**	46,422
Income tax credit	**(1,847)**	(1,920)	**—**	—	**—**	—	**(1,847)**	(1,920)
Net loss on financial assets at fair value through through profit or loss	**66,670**	—	**960**	7,257	**—**	—	**67,630**	7,257
Impairment loss on goodwill	**6,514**	307,000	**—**	—	**—**	—	**6,514**	307,000
Impairment loss on interest in an associate	**6,418**	15,920	**—**	—	**—**	—	**6,418**	15,920
Impairment loss on property, plant and equipment	**40,333**	—	**—**	—	**—**	—	**40,333**	—
Impairment loss on intangible assets	**7,283**	—	**—**	—	**—**	—	**7,283**	—
Impairment loss on trade receivables	**13,412**	—	**—**	—	**—**	—	**13,412**	—
Impairment loss on loan receivable	**—**	—	**—**	30,844	**—**	—	**—**	30,844
Impairment loss on interest receivable	**—**	—	**—**	4,959	**—**	—	**—**	4,959
Impairment loss on amount due from an associate	**—**	—	**81,426**	13,200	**—**	—	**81,426**	13,200
Reversal of impairment losses on trade receivables	**(1,109)**	(9,716)	**—**	—	**—**	—	**(1,109)**	(9,716)
Reversal of impairment loss on loan receivable	**—**	—	**(12,844)**	(7,750)	**—**	—	**(12,844)**	(7,750)
Reversal of impairment loss on interest receivable	**—**	—	**(4,959)**	(318)	**—**	—	**(4,959)**	(318)
Share of results of associates	**14,113**	82,444	**—**	82,222	**—**	—	**14,113**	164,666
Share of results of a joint venture	**—**	—	**(3,373)**	(5,263)	**—**	—	**(3,373)**	(5,263)
Write-down of inventories	**7,080**	2,472	**—**	—	**11,232**	—	**18,312**	2,472
Interests in associates	—	324,900	**—**	—	**—**	—	**—**	324,900
Interest in a joint venture	**—**	—	**98,417**	106,564	**—**	—	**98,417**	106,564
Addition to non-current assets (Note)	**15**	32,590	**—**	—	**—**	—	**15**	32,590

Note: Non-current assets excluded financial instruments.

4. Segment Information *(continued)*

(a) Segment assets and liabilities

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

	2020	2019
	HK$'000	*HK$'000*
Segment assets		
Battery materials production	**345,582**	723,042
Direct investments	**170,166**	328,783
Total segment assets	**515,748**	1,051,825
Unallocated assets	**35,740**	18,790
Consolidated assets	**551,488**	1,070,615
Segment liabilities		
Battery materials production	**221,266**	355,019
Direct investments	**245,245**	275,422
Total segment liabilities	**466,511**	630,441
Unallocated liabilities	**34,443**	26,591
Consolidated liabilities	**500,954**	657,032

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

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

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

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

(b) Geographical Information

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

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

	Revenue		**Non-current assets (Note)**	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**5,747**	11,480	**11**	29
The PRC	**36,230**	112,280	**305,085**	572,595
Taiwan	**—**	—	**—**	176,275
	41,977	123,760	**305,096**	748,899

Note: Non-current assets excluded financial instruments.

(c) Information about major customers

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

	2020	2019
	HK$'000	*HK$'000*
Customer A – revenue from battery materials production	**24,340**	72,003
Customer B – revenue from battery materials production	**5,674**	N/A#
Customer C – revenue from direct investments	**5,659**	N/A*
Customer D – revenue from battery materials production	**N/A#**	21,498

No revenue was contributed by these customers during the year ended 31 March 2020 or 2019, respectively.

* The transactions with this customer did not contribute 10% or more of total revenue of the Group during the year ended 31 March 2019.

(d) Revenue from major products and services

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

5. Other Losses

	2020	2019
	HK$'000	*HK$'000*
Net foreign exchange loss	**4,678**	1,698
Write-down of inventories	**18,312**	2,472
Net loss on derecognition of associates	**9,414**	—
	32,404	4,170

6. Finance Costs

	2020	2019
	HK$'000	*HK$'000*
Interest on convertible bonds	**—**	13,445
Interest on lease liability	**10,662**	2,006
Interest on bank and other borrowings	**36,142**	30,971
	46,804	46,422

7. Impairment Losses on Financial Assets at Amortised Costs, Net

	2020	2019
	HK$'000	*HK$'000*
Impairment loss on trade receivables	**(13,412)**	—
Impairment loss on loan receivable	**—**	(30,844)
Impairment loss on interest receivable	**—**	(4,959)
Impairment loss on amount due from an associate	**(81,426)**	(13,200)
Reversal of impairment losses on trade receivables	**1,109**	9,716
Reversal of impairment loss on loan receivable, net of write off	**12,844**	7,750
Reversal of impairment loss on interest receivable	**4,959**	318
	(75,926)	(31,219)

8. Income Tax Credit

	2020	2019
	HK$'000	*HK$'000*
Deferred tax and total income tax credit for the year	**(1,847)**	(1,920)

8. **Income Tax Credit** *(continued)*

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

Under the Law of People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%, except for a subsidiary in the PRC, which is subject to a preferential tax rate of 15% until 31 December 2020. No PRC income tax has been made for both years as the Group did not have any assessable profits in the PRC.

The deferred tax of approximately HK$1,847,000 (2019: approximately HK$1,920,000) that has been credited to the consolidated statement of profit or loss and other comprehensive income arose from origination and reversal of temporary differences in respect of fair value adjustment on business combination.

9. **Loss for the Year**

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

	2020	2019
	HK$'000	*HK$'000*
Salaries and other benefits	**20,577**	27,708
Contributions to defined contribution retirement plan	**1,556**	2,036
Less: Amounts capitalised in inventories	**(6,054)**	(8,000)
Staff costs, including directors' emoluments	**16,079**	21,744
Auditor's remuneration		
Charge for the year :		
- audit service	**1,700**	2,350
- non-audit service	**841**	1,087
Cost of inventories recognised as expenses	**38,737**	106,492
Amortisation of intangible assets	**13,929**	14,482
Amortisation of interests in leasehold land held for own use under operating lease	**—**	388
Amortisation of right-of-use asset	**377**	—
Depreciation of property, plant and equipment	**25,418**	23,747
Less: Amounts capitalised in inventories	**(5,850)**	(18,954)
	19,568	4,793
Other operating expenses (Note (i))	**15,111**	—
Impairment loss on goodwill (Note (ii))	**6,514**	307,000
Impairment loss on property, plant and equipment (Note (ii))	**40,333**	—
Impairment loss on intangible assets (Note (ii))	**7,283**	—
Net loss on financial assets at fair value through profit or loss (Note (iii))	**67,630**	7,257
Impairment losses on interest in an associate (Note (iii))	**6,418**	15,920
Impairment losses on trade receivables	**13,412**	—
Write-down of inventories	**18,312**	2,472
Operating lease charges in respect of property rentals	**1,097**	1,225
Bank interest income	**(45)**	(159)

Notes:

(i) The other operating expenses represent certain indirect operating expenses arising from the under-utilisation of production capacity of the battery materials production in Chongqing.

9. Loss for the Year *(continued)*

Notes: *(continued)*

(ii) Affected by COVID-19 pandemic and the lock down of some cities in PRC, the sales to and production for existing customers decreased significantly in the current financial year. With keen competition in the industry and low gross profit margin which resulted in a decrease of the expected future cash flows which further resulted in an impairment loss on goodwill amounting to approximately HK$6,514,000 (2019: approximately HK$307,000,000), impairment loss on property, plant and equipment amounting to approximately HK$40,333,000 (2019: Nil) and impairment loss on intangible assets amounting to approximately HK$7,283,000 (2019: Nil) being recognised in the current year.

(iii) For the interest in ALEEES, the Group changed the accounting treatment from interest in an associate to the financial assets at fair value through profit and loss with effect from October 2020, as the interest in ALEEES was reduced to 19.04% and the plan to dispose in the near future.

10. Loss per Share

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

	2020	2019
	HK$'000	*HK$'000*
Loss:		
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	**357,418**	628,582

	2020	2019
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**6,753,293,913**	6,753,293,913

The diluted loss per share for the year ended 31 March 2020 equals to the basic loss per share as the potential ordinary shares outstanding during the year had no dilutive effect on the basic loss per share.

The computation of diluted loss per share for the years ended 31 March 2020 and 2019 did not assume the conversion of the Company's outstanding convertible bonds on or before redemption at 4 August 2018 since their assumed exercise would result in a decrease in loss per share.

11. Dividends

No dividend had been paid or declared during the year. The Board does not recommend the payment of a dividend for the year ended 31 March 2020 (2019: Nil).

12. Trade and Other Receivables

	2020	2019
	HK$'000	*HK$'000*
Trade receivables	**19,214**	17,743
Bills receivables	**109**	—
	19,323	17,743
Less: allowance for expected credit loss ("ECL")	**(13,308)**	(870)
	6,015	16,873
Value-added tax receivables	**27,459**	31,455
Interest receivables	**8,737**	9,306
Other receivables	**346**	325
Deposits and prepayments	**7,241**	8,773
	49,798	66,732

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

	2020	2019
	HK$'000	*HK$'000*
Within one month	—	7,134
Between one and three months	—	345
Over three months	**6,015**	9,394
	6,015	16,873

Trading terms with customers are either on a cash basis or on credit. For those customers who trade on credit, a credit period of 30 to 90 days (2019: 30 days) is allowed. Credit limits are set for customers. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. Overdue balances are regularly reviewed by the management of the Group. The carrying amounts of the receivables approximate their fair values.

13. Loan Receivables

	2020	2019
	HK$'000	*HK$'000*
Fixed-rate loan receivables	**52,555**	156,339
Less: allowance for ECL	**—**	(30,844)
Net fixed-rate loan receivables	**52,555**	125,495
Presented by:		
Non-current assets	**—**	321
Current assets	**52,555**	125,174
	52,555	125,495

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

	2020	2019
	HK$'000	*HK$'000*
On demand and due within one year	**52,555**	125,174
Over five years	**—**	321
	52,555	125,495

14. Trade Payables

	2020	2019
	HK$'000	*HK$'000*
Trade payables	**17,865**	5,589

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

	2020	2019
	HK$'000	*HK$'000*
Between one and three months	**—**	538
Over three months	**17,865**	5,051
	17,865	5,589

The carrying amounts of trade payables approximate their fair values.

15. Capital Commitments

At the end of the reporting period, the Group has capital commitments amounted to approximately HK$139,500,000 for the Group's obligation for unpaid investment cost of its investment in Guizhou, the PRC. In order to alleviate the current liquidity situation of the Group, the Group has decided not to proceed with this investment and explore solutions with the associate's shareholders.

16. Comparative figures

Certain comparative figures have been reclassified to conform to current year's presentation.

17. Events After the Reporting Period

(a) APPOINTMENT OF RECEIVERS AND MANAGERS

On 29 April 2020, the Company received a letter from a legal adviser acting for SHK Finance informing the Company that Tang Chung Wah, Hou Chung Man and Kan Lap Kee, all of SHINEWING Specialist Advisory Services Limited (the "Receivers") had been appointed by SHK Finance as receivers and managers over all of the undertakings, property and assets of the Company and to, amongst others, exercise all of the powers of a receiver and manager given by the terms of a debenture executed by the Company in favour of SHK Finance to secure the loan facilities (the "Loan") granted by SHK Finance to the Company pursuant to a loan agreement entered into between the Company and SHK Finance, which were overdue. On the same date, bank balances of approximately HK$27,650,000 has been requested to be frozen by the Receivers and has been frozen on 6 May 2020. As at 31 March 2020, the outstanding principal of the Loan is HK$60,000,000 and the accrued interest is approximately HK$2,852,000.

(b) WINDING UP PETITION AGAINST THE COMPANY

On 14 May 2020, Join View, a creditor of the Company, filed a petition (the "Petition") with the High Court of the Hong Kong Special Administrative Region (the "HK Court") for an order that the Company be wound up by the HK Court. The Petition was filed against the Company for failure to pay Join View an outstanding debt and the accrued interest pursuant to a loan agreement entered into among Join View as lender, the Company as borrower and FDG EV as guarantor. As at 31 March 2020, the outstanding principal of the Loan is HK$65,000,000 and the accrued interest is approximately HK$4,002,000. FDG EV joined as a party opposing the Petition, and the Petition was heard before the HK Court on 5 August 2020 and 10 August 2020, and a second call-over hearing of the Petition has been adjourned to 19 October 2020.

(c) LITIGATIONS COMMENCED BY CREDITORS

As of the date of this result announcement, there were outstanding litigations brought by trade creditors and a lease creditor against a subsidiary of the Company requesting the subsidiary to repay the outstanding trade payables, other borrowings and lease liability, amounting to approximately HK$5,136,000, HK$72,199,000 and HK$37,200,000, respectively. The litigations are still at early stage and subject to further court hearing. The Group is currently reviewing the legal documents and considering various alternatives and negotiation to resolve the litigations.

(d) DEMAND FROM FDG EV ON THE LOAN FROM ULTIMATE HOLDING COMPANY

On 28 April 2020, FDG EV demanded the Company to repay the outstanding loan with principal of HK$30,000,000 (the "Demanded Loan") by giving one business day's prior written notice pursuant to a loan agreement entered into between the Company and FDG EV, as the Company's bank balance of approximately HK$27,650,000 has been frozen on 6 May 2020 upon request by the Receivers, the Company was unable to make repayment up to the date of this announcement.

(e) DILUTION OF INVESTMENT IN ALEEES

After the end of the reporting period, the Group's interest in ALEEES, which has been reclassified to financial assets at fair value through profit or loss at 31 March 2020, was further changed from approximately 19.04% to 15.47% upon the issuance of new shares by ALEEES in August 2020.

EXTRACT FROM THE 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 2020:

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of FDG Kinetic Limited (the "Company") and its subsidiaries (the "Group") which comprise the consolidated statement of financial position as at 31 March 2020, 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 1 to the consolidated financial statements, which indicates that the Group incurred a net loss attributable to owners of the Company of approximately HK$357,418,000 for the year ended 31 March 2020 and, as of that date, the Group had net current liabilities of approximately HK$246,927,000. As at the same date, the Group's aggregate bank and other borrowings and lease liability amounted to approximately HK$232,901,000 and HK$37,200,000, respectively, while its cash and cash equivalents amounted to approximately HK$34,461,000.

As at 31 March 2020, repayments in respect of the Group's aggregate other borrowings and lease liability amounted to HK$181,300,000 and HK$37,200,000, respectively, were overdue and became immediately repayable. Subsequent to 31 March 2020, with effect on 19 April 2020, the Company has been put into receivership by a secured lender to which the Company owed a loan principal of approximately HK$60,000,000 and accrued interests of approximately HK$2,852,000 at 31 March 2020 and, on 14 May 2020, another lender, to which the Company owed a loan principal of approximately HK$65,000,000 and accrued interests of approximately HK$4,000,000 at 31 March 2020, submitted a petition to the Hong Kong High Court for the compulsory winding up of the Company for which the latest hearing was adjourned to 19 October 2020. In addition, there were outstanding litigations brought by creditors and a lease creditor against a subsidiary of the Company for the repayment of the outstanding trade payable, other borrowings and lease liability, amounting to approximately HK$5,136,000, HK$72,199,000 and HK$37,200,000, respectively, for which the respective court hearings are not yet completed. The Group is currently reviewing the legal documents and considering various alternatives and negotiation to resolve the litigations. These conditions, together with others described in Note 1 to the consolidated financial statements, indicate the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

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 1 to the consolidated financial statements to meet its financial obligations and to satisfy its future working capital and other financial commitments, including but not limited to: (i) the successful disposal of all or part of the Group's non-core assets and business, such as the Group's financial assets at fair value through profit or loss and investment in the joint venture, to generate funds for repaying its debts and/or its working capital; (ii) the successful negotiations and the signing of formal extension agreement with its lenders and other creditors for a standstill, rescheduling or extension the repayment schedules of the relevant debts; (iii) the successful refinancing of the loans from SHK Finance and Join View; and (iv) successfully implementation of reorganisation plans which, amongst others, would involve internal capital and debt restructuring, as well as seeking potential investors to participate in fund raising initiatives, and where appropriate, with collaboration of the Receivers of the Company. The successful outcomes of the abovementioned plans and measures are subject to multiple uncertainties and are not yet completed at the date of approval of the consolidated financial statements.

Should the Group fail to achieve the intended effects resulting from the plans and measures as mentioned in Note 1 to the consolidated financial statements, it might not be able to continue to operate as a going concern, and adjustments would have to be made to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively, 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. The effects of these adjustments have not been reflected in the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

FDG Kinetic Limited (Receivers and Managers Appointed) ("FKL" or the "Company", stock code: 378) adheres to a philosophy of "Green and Growth", gradually establishing and improving its lithium-ion ("Li-ion") battery industry chain. The Company and its subsidiaries (collectively the "Group") are principally engaged in research and development, manufacturing and trading of cathode materials for Li-ion batteries and direct investment. FKL strategically positions in the Li-ion battery and cathode materials segment, and FKL is an indirect non-wholly owned subsidiary of FDG Electric Vehicles Limited (Provisional Liquidators Appointed) ("FDG EV", stock code: 729). Furthermore, FKL also currently holds 25% and 15.47% equity interests in Synergy Dragon Limited and Advanced Lithium Electrochemistry (Cayman) Co., Ltd. ("ALEEES", listed on the Taipei Exchange, stock code: 5227) respectively and they are engaged in the business of research and development, manufacturing and sales of batteries and new energy battery materials respectively.

Appointment of receivers and managers of the Company

As disclosed in the joint announcement of FKL and FDG EV dated 29 April 2020, the Company received a notification that SHK Finance Limited ("SHK Finance") has appointed Tang Chung Wah, Hou Chung Man and Kan Lap Kee, all of SHINEWING Specialist Advisory Services Limited as receivers and managers over all of the undertaking, property and assets of FKL and to, amongst others, exercise all of the powers of a receiver and manager given by the terms of a debenture executed by FKL in favour of SHK Finance on 5 September 2019, to secure the loan facilities granted by SHK Finance to FKL pursuant to a loan agreement entered into between FKL and SHK Finance on 5 September 2019.

Winding-up petition against the Company

As disclosed in the joint announcement of FKL and FDG EV dated 15 May 2020, the Company received a petition filed by Join View Development Limited on 14 May 2020 against FKL in the High Court of the Hong Kong Special Administrative Region (the "HK Court") for an order that FKL be wound up by the HK Court. FDG EV joined as a party opposing the petition, and the petition was heard before the HK Court on 5 August 2020 and 10 August 2020, and a second call-over hearing of the petition has been adjourned to 19 October 2020.

MARKET OVERVIEW

During the year under review, affected by adverse factors such as uncertainties brought by prolonged international trade tensions, the lingering Brexit and the outbreak of the COVID-19 pandemic worldwide, both the Chinese and global financial market faced the increased downward pressure, hence a rising risk of global economic recession. According to the economic data from the National Bureau of Statistics of China, China's gross domestic product reached RMB99 trillion in 2019, representing an increase of only 6.1% as compared to the last corresponding period. Furthermore, according to the "Global Economic Prospects" published by the World Bank in January 2020, despite the relaxed monetary policies adopted and the tax exemption and relief measures introduced by the Chinese government, the decrease in China's economic growth last year was still greater than expected given the continuous slowdown of domestic demand in China and the effect brought by the Sino-US trade disputes. In addition, as predicted by the economic report published by the World Bank on 30 March 2020, under the influence of the COVID-19 pandemic, the economic growth in China will decrease to 2.3% in 2020, which is the lowest economic growth since 1990. The World Bank also anticipated that, under the worst scenario, China's economic growth will substantially decrease to merely 0.1% this year. Besides, as quoted by Forbes, a media organisation in the United States of America (the "US"), the annual report of the United Nations stated that as affected by the Sino-US trade disputes, the global economic growth was only 2.3% last year, which is the lowest economic growth over the last decade.

Battery Business

Affected by the decrease in the production volume and sales volume of the new energy vehicle ("NEV") market in 2019, the demand for power batteries in China also decreased in 2019. According to the analysis of Gaogong Industry Research Institute ("GGII"), in March 2019, the Chinese government revised the policies for the NEV industry with a three-month transition period allowed, the purpose of which was to reduce the amount of subsidies for purchasing NEVs and tighten the subsidy standards, including setting higher requirements for energy density for power battery of NEVs and the driving distance of NEVs. Before the end of the transition period of the relevant policies, the NEV market was stimulated, hence increasing in both production volume and sales volume, which has in turn boosted the demand for power batteries in the first half of 2019. However, following the end of the transition period of the relevant policies, the growth of the NEV market slowed down or even shrank, resulting in a decrease in the demand for power batteries in the second half of 2019. According to the statistics of GGII, the output for power batteries in China in 2019 amounted to 71 GWh, up by 9.4% from the last corresponding period. The growth, however, slowed down as compared to that of 2018. In addition, according to the data from GGII, despite the growth in output for power batteries in China as compared to the last corresponding period, affected by the impact of the more substantial decrease in the price of power batteries in China in 2019, the market size of power batteries in China was only RMB71 billion in 2019, down by 11.8% as compared to the last corresponding period, demonstrating a shrinking market size of power battery in China.

Cathode Materials Business

According to the research report published by GGII, the market output for cathode materials in China in 2019 amounted to 404,000 tonnes, up by 32.5% from the last corresponding period, which was mainly attributable to the effect of the growing demand for power batteries in China, hence promoting the growth of demand for ternary cathode materials, as well as the reduction of output for cathode materials by overseas companies which has resulted in the shift of certain orders to China, therefore propelling the increase in output for cathode materials. In particular, the output for ternary cathode materials in China amounted to 192,000 tonnes, up by 40.7% as compared to the last corresponding period, representing approximately 47.6% of the total output of cathode materials. GGII also estimated that with the increase in market demand and market size of power batteries, the proportion of output for ternary cathode materials will further increase to over 50% in the future. However, according to the statistics of the GGII, the price of cathode materials demonstrated a downward trend in general in 2019, which is mainly attributable to factors including the drop in battery prices in China and passing on of the cost by battery enterprises to cathode materials enterprises, hence exerting further pressure on the price of cathode materials.

BUSINESS REVIEW

The Group has been focusing on developing its cathode materials business and actively exploring the Chinese and overseas markets in order to seek new business opportunities and looks forward to bringing positive cash flows to the Group. However, affected by the factors such as prolonged international trade tensions, the global outbreak of the COVID-19 and the decrease of oil price, there is an increasing risk of global financial recession. Furthermore, in March 2019, the Chinese government revised the policies for the NEV industry with a three-month transition period allowed. Following the end of the transition period of the relevant policies, the Chinese government officially tightened the subsidy standards, eliminated the subsidies for certain NEVs and reduced the amount of subsidies for purchasing NEVs, and therefore the growth of the NEV market has slowed down or even shrank, resulting in a decrease in the demand for power batteries in the second half of 2019. Moreover, influenced by the drop of battery prices in China, battery enterprises passed on the cost to cathode materials enterprises, leading to further pressures on the price of cathode materials, thereby affecting the profit margin of the Group’s cathode materials business.

Battery Business

During the year under review, the Chinese government revised subsidy policies regarding NEVs to reduce the amount of subsidies for purchasing NEVs and tighten subsidy standards, resulting in a decrease in the production volume and sales volume in the NEV market, hence a decrease in the demand for power batteries in China in 2019. During the year under review, the performance of the Group’s battery business was sluggish. Nevertheless, the Group, without compromising the quality and safety standards of the batteries, will continue to implement stringent cost control plans in a bid to lower its production cost.

Cathode Materials Business

During the year under review, revenue from cathode materials business amounted to HK$36.2 million, representing a significantly decrease of approximately 67.8% as compared with that of the last corresponding period, which was mainly attributable to a decrease in orders from the largest customer of the Group during the year under review resulted from the general slowdown of the new energy market, the COVID-19 outbreak and the lock-down of some cities in the PRC and the change of the business operation of the Group from the sales of cathode materials to provision of processing services for a customer. Looking forward, the Group will continue to proactively looking for various cooperation opportunities with business partners, exploring new customers and markets, and diversify its income sources.

During the year under review, after taking the development potential of overseas electric vehicle and energy storage system markets into consideration, ALEEES, the Group's investments which operates in Taiwan and specialises in Lithium-Ferrous-Phosphate (LFP) cathode materials and ternary oxides products, actively adjusted, developed and expanded its business with a view to satisfying market demands in the future, and its losses was narrow down comparing that of last financial year.

FINANCIAL REVIEW

During the year under review, the Group recorded total revenue of approximately HK$42.0 million, representing a decrease of approximately 66.1% as compared with the revenue of approximately HK$123.8 million for the year ended 31 March 2019. Such decrease was mainly due to decrease in sales of cathode materials of the battery materials production business segment of approximately 67.8% as compared with that of the last corresponding period. As sales of cathode materials for nickel-cobalt manganese ("NCM") lithium-ion batteries, provision of processing income and interest income decreased, gross profit decreased from approximately HK$17.3 million for the year ended 31 March 2019 to approximately HK$3.2 million for the year ended 31 March 2020.

The Group's loss attributable to equity shareholders of the Company for the year ended 31 March 2020 amounted to approximately HK$357.4 million, representing a decrease in loss of approximately HK$271.2 million as compared with the loss of approximately HK$628.6 million for the year ended 31 March 2019. The decrease was mainly attributable to the net effects of the followings:

(i) the increase in other losses, net from approximately HK$4.2 million for the year ended 31 March 2019 to losses, net of approximately HK$32.4 million for the year ended 31 March 2020, mainly due to increase in write-down of inventories from approximately HK$2.5 million for the year ended 31 March 2019 to approximately HK$18.3 million for the year ended 31 March 2020 and net loss on derecognition of associates of approximately HK$9.4 million;

(ii) the decrease in general and administrative expenses from approximately HK$60.8 million for the year ended 31 March 2019 to approximately HK$45.0 million for the year ended 31 March 2020, mainly resulted from the implementation of more stringent cost control by the Group;

(iii) the increase in net loss on financial assets at fair value through profit or loss comparing with last year of approximately HK$60.3 million, mainly arising from the market price changes of investment in ALEEES;

(iv) the increase in net impairment losses on financial assets at amortised cost of approximately HK$44.7 million to approximately HK$75.9 million (2019: approximately HK$31.2 million) for the year ended 31 March 2020, mainly due to net effects of (a) the increase in impairment loss on amount due from an associate of approximately HK$68.2 million; and (b) the decrease of impairment losses on trade, loan and interest receivables in aggregate of approximately HK$22.4 million for the year ended 31 March 2020;

(v) the decrease of approximately HK$300.5 million on impairment of goodwill comparing with last year, netting off with the increase in impairment loss on property, plant and equipment and intangible assets of approximately HK$40.3 million and HK$7.3 million respectively, resulted from the keen competition with narrow gross profit margin in the industry; and

(vi) the decrease in share of loss of associates of approximately HK$150.6 million during the year ended 31 March 2020 comparing with last financial year, which was mainly attributable from two associates: (a) Synergy Dragon Limited ("SDL"), amounted to nil (2019: approximately HK$82.2 million), as all interest in SDL has been written down to zero during the year ended 31 March 2019, no loss was further shared during the year ended 31 March 2020; and (b) ALEEES, amounted to approximately HK$14.1 million (2019: approximately HK$82.5 million), the decrease in loss was mainly due to the improvement on sales by expanding markets in Europe, America, Japan and Korea and receipt of sales orders from new customers during the year ended 31 March 2020 and upon October 2020, the Group changed the accounting treatment of ALEEES into financial assets at fair value through profit or loss.

Segment Information

Battery Materials Production Business

During the year under review, the battery materials production business segment contributed to the Group's revenue of approximately HK$36.2 million from the sales of cathode materials for NCM lithium-ion batteries and provision of processing services, representing a decrease of approximately 67.8% as compared with the revenue of approximately HK$112.3 million for the year ended 31 March 2019. Such significantly decrease was mainly due to the decrease in orders from the largest customer during the current year resulted from the general slow-down of the new energy market and the outbreak of the COVID-19 coronavirus.

The battery materials production business segment brought a loss before tax of approximately HK$253.0 million (2019: approximately HK$451.0 million) to the Group during the year, which included share of loss of an associate, ALEEES, of approximately HK$14.1 million (2019: approximately HK$82.5 million). The Group holds approximately 19.04% (2019: approximately 21.85%) of total issued shares of ALEEES as at 31 March 2020. ALEEES is classified from interest in an associate to financial assets at fair value through profit or loss when the Group changed its shareholding to 19.04%. ALEEES is principally engaged in the business of production, research and development and sales and marketing of cathode materials for Lithium-Ferrous-Phosphate batteries. The loss of ALEEES decreased during the current year as compared with the last year, resulted from the improvement on sales of ALEEES by expanding markets in Europe, America, Japan and Korea during the current year.

Without taking into account of (i) share of loss of ALEEES of approximately HK$14.1 million (2019: approximately HK$82.5 million); (ii) the net loss on financial assets at fair value through profit or loss of approximately HK$66.7 million (2019: Nil); (iii) the one-off impairment loss on goodwill, property, plant and equipment and intangible assets of battery materials production business of approximately HK$54.1 million (2019: approximately HK$322.9 million); and (iv) exchanges loss of HK$5.0 million (2019: exchange gain of HK$11.5 million), the battery material production business of Chongqing factory incurred a loss before tax of approximately HK$113.1 million (2019: approximately HK$57.1 million) during the year. The increase in loss from the battery material production business of Chongqing was mainly caused by (a) decrease in sales; (b) decrease in reversal of impairment loss on trade receivables of HK$8.6 million from approximately HK$9.7 million for the year ended 31 March 2019 to approximately HK$1.1 million for the year ended 31 March 2020; (c) increase in write-down of inventories of HK$15.8 million from approximately HK$2.5 million for the year ended 31 March 2019 to approximately HK$18.3 million for the year ended 31 March 2020; and (d) increase in finance costs of HK$6.2 million from approximately HK$18.7 million for the year ended 31 March 2019 to approximately HK$24.9 million for the year ended 31 March 2020.

Direct Investments Business

During the year, interest income amounted to approximately HK$5.7 million (2019: approximately HK$11.5 million). The decrease was mainly due to the absence of accrued interest for a loan receivable from an independent third party for the year ended 31 March 2020.

The Group's investments measured at fair value recorded a net loss of approximately HK$1.0 million for year ended 31 March 2020 (2019: approximately HK$7.3 million).

The Group shared the gain of a joint venture, 華能壽光風力發電有限公司 ("Huaneng Shouguang") of approximately HK$3.4 million for the year ended 31 March 2020 (2019: approximately HK$5.3 million). Huaneng Shouguang is a wind power electricity developer and operator in the PRC. It generated electricity of approximately 80.9 million kWh (2019: approximately 87.9 million kWh) and recorded revenue of approximately HK$45.0 million (2019: approximately HK$50.4 million) during the year ended 31 March 2020.

Geographical Analysis of Revenue

During the year ended 31 March 2020, revenue from Hong Kong and the PRC contributed approximately 13.7% (2019: 9.3%) and 86.3% (2019: 90.7%) to the Group's total revenue, respectively.

Liquidity and Financial Resources

As at 31 March 2020, the Group's net assets attributable to equity owners of the Company amounted to approximately HK$50.5 million (2019: approximately HK$413.6 million). Net assets attributable to equity owners of the Company per share were approximately HK$0.007 (2019: approximately HK$0.06). The Group's total assets of approximately HK$551.5 million (2019: approximately HK$1,070.6 million) mainly consisted of goodwill of nil (2019: approximately HK$6.8 million), intangible assets of approximately HK$28.9 million (2019: approximately HK$52.8 million), property, plant and equipment, interests in leasehold land held for own use under operating lease and right-of-use asset in aggregate of approximately HK$177.4 million (2019: approximately HK$257.5 million), interests in associates of nil (2019: approximately HK$324.9 million), interest in a joint venture of approximately HK$98.4 million (2019: approximately HK$106.6 million), loan receivables of approximately HK$52.6 million (2019: approximately HK$125.5 million), financial assets at fair value through profit or loss of approximately HK$94.9 million (2019: approximately HK$6.4 million) and cash and cash equivalents of approximately HK$34.5 million (2019: approximately HK$6.6 million).

As at 31 March 2020, the non-current assets amounted to approximately HK$305.1 million, comparing with the amount of approximately HK$749.2 million as at 31 March 2019, representing a decrease of approximately HK$444.1 million. Such decrease are mainly due to (i) the classification of interest in an associate of ALEEES to financial assets at fair value through profit or loss; (ii) share of losses of associates and impairment loss on interest in an associate of totally approximately HK$20.5 million; (iii) the derecognition of interest in an associate which the investment cost still not paid up; and (iv) the impairment loss on goodwill, property, plant and equipment and intangible assets of battery materials production segment in aggregate of approximately HK$54.1 million for the year ended 31 March 2020.

As at 31 March 2020, the current assets amounted to approximately HK$246.4 million, representing a decrease of approximately 23.3% as compare with the current assets of approximately HK$321.4 million as at 31 March 2019. Such decrease was mainly attributable to the combined effects of (i) the classification of ALEEES to financial assets at fair value through profit or loss of approximately HK$89.7 million as at 31 March 2020; (ii) the additional allowance for expected credit losses of approximately HK$81.4 million during the current year on the amount due from an associate with reference to the financial position of the associate and other forward-looking information. As the associate is the subsidiary of FDG EV and the Group will continue to perform all necessary works to recover this receivable; and (iii) the increase of cash and cash equivalents of approximately HK$27.9 million in the current year compared with the last financial year.

As at 31 March 2020, bank and other borrowings included (i) bank borrowings of approximately HK$35.7 million (2019: approximately HK$43.0 million), denominated in RMB, were secured, interest bearing at floating rates and were repayable within one year. Such bank borrowings were granted under general banking facilities by a bank in the PRC. The general banking facilities were secured by, inter alia, certain land and buildings of the Group with carrying amounts of approximately HK$84.8 million (2019: approximately HK$107.8 million) in favour of the lender by way of the fixed charges and floating charges over all the plant and machinery and inventories of FDG Kinetic (Chongqing) Lithium Ion Battery Materials Co. Ltd.; (ii) the other borrowing of HK$65.0 million (2019: HK$100.0 million) is denominated in Hong Kong dollars, were unsecured, guaranteed by FDG EV and were overdue; (iii) other borrowing of HK$60.0 million from an independent third party (2019: Nil), secured by first fixed and floating charge over the undertaking, property and assets of the Company and were overdue; and (iv) the other borrowings of approximately HK$72.2 million (2019: approximately HK$76.9 million in total), for which approximately HK$15.9 million (2019: approximately HK$54.5 million) were repayable within one year, and approximately HK$56.3 million (2019: approximately HK$22.4 million) were overdue, denominated in RMB and out of which approximately HK$44.8 million (2019: approximately HK$47.8 million) was secured by certain machineries of the Group with carrying amounts of approximately HK$41.1 million (2019: approximately HK$61.0 million) and guaranteed by an indirect wholly-owned subsidiary of an associate.

As at 31 March 2020, the Group's lease liability amounted to approximately HK$37.2 million (2019: approximately HK$41.3 million) were overdue. The lease liability was secured by certain machineries of the Group with carrying amounts of approximately HK$38.5 million (2019: approximately HK$57.4 million) and guaranteed by an indirect wholly-owned subsidiary of an associate.

As at 31 March 2020, the current liabilities amounted to approximately HK$493.3 million, representing a decrease of approximately HK$153.7 million comparing with the amount of approximately HK$647.0 million as at 31 March 2019. Such decrease was mainly due to the net settlement of loan from the ultimate holding company of HK$50.9 million during the current year.

As at 31 March 2020, non-current liabilities being deferred tax amounted to approximately HK$7.6 million, representing a decrease of approximately HK$2.4 million comparing with the amount of approximately HK$10.0 million as at 31 March 2019.

As at 31 March 2020, the Group's gearing ratio was approximately 534.9% (2019: approximately 63.2%) calculated on the basis of bank and other borrowings of approximately HK$232.9 million (2019: approximately HK$219.9 million) plus lease liability of approximately HK$37.2 million (2019: approximately HK$41.3 million), to total equity of the Company of approximately HK$50.5 million (2019: approximately HK$413.6 million).

Foreign Exchange Exposure

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

Material Acquisitions and Disposals

During the year ended 31 March 2020, the Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures.

Contingent Liabilities and Pledge of Assets

The details of the Group's pledge of assets as at 31 March 2020 and 2019 are disclosed under the section headed "Liquidity and Financial Resources".

The Group had no significant contingent liabilities as at 31 March 2020 (2019: Nil).

Capital Commitments

The Group had capital commitments as at 31 March 2020 as disclosed in Note 15 (2019: Nil).

Human Resources

As of 31 March 2020, the Group had 9 employees in Hong Kong (2019: 13 employees) and 80 employees in the PRC (2019: 132 employees). Total staff costs (including directors' remunerations) during the year ended 31 March 2020 amounted to approximately HK$16.1 million (2019: approximately HK$21.7 million). The remuneration policies are determined with reference to market conditions and individual performance of staff. The Group participates in the Mandatory Provident Fund Scheme in Hong Kong and state managed retirement benefit schemes in the PRC.

The Group has a share option scheme, an employees' share award scheme and an employee benefit trust for the benefit of its directors and eligible participants. No share option was granted, exercised, cancelled or lapsed under the share option scheme and no share award was granted to employees under the employees' share award scheme during the year under review.

There were no material changes in human resources structure and compensation approach during the year ended 31 March 2020.

FUTURE DEVELOPMENT

During the year under review, affected by adverse factors such as the Sino-US trade tensions, Brexit as well as the COVID-19 pandemic, both global economy and trade experienced a slowdown. Various credit rating agencies such as, among others, S&P Global and Fitch Ratings have also made downward adjustments to the global economic growth for 2020 onwards and anticipated that the global economy will enter into a recession with downward risks. In addition, the revision of subsidy policies regarding NEVs in China has led to a slowdown of the growth or even shrink of the NEV market, resulting in a decrease in the demand for batteries and cathode materials in China and exerted certain pressure on related enterprises. Facing the keen competition in the cathode material market, the high gearing ratio of the Group and the appointment of the Receivers, the Group will be actively under negotiation of numerous measures including debts restructuring, capital reorganisation and fund raising proposals as well as exploring new business opportunities.

Improve the performance of cathode material businesses

Affected by the structural transformation of battery industry in China and more substantial decrease in the price of power batteries and cathode materials, the battery industry is facing overcapacity and intensified competition.

Subsequent to the reporting date, the Group has signed cooperation agreement with an affiliate company of Advanced Lithium Electrochemistry (Cayman) Co., Ltd, one of the pioneers and experts in the cathode materials production, in assisting the Chongqing factory to promote its products and related services to potential customers.

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 2020 and up to the date of this announcement, except for the following deviations.

Code provision A.5.1

Pursuant to code provision A.5.1 of the Code, the nomination committee should be chaired by the chairman of the board or an independent non-executive director. On 19 March 2020, Mr. Cao Zhong ("Mr. Cao") ceased to be the chairman of the Company due to suspension of his duties as the chairman and executive director of the Company, but he remained as an executive director of the Company and the chairman of the nomination committee of the Company (the "Nomination Committee"), thus constituting a deviation from code provision A.5.1 of the Code.

As the Company was focusing on its internal affairs at that time, the Board required reasonable time to consider the composition of the Nomination Committee. At the Board meeting held on 30 June 2020, Professor Sit Fung Shuen Victor, the chairman of the Board and independent non-executive director of the Company, was appointed as the chairman of the Nomination Committee and such deviation has been rectified on 30 June 2020.

Code provision E.1.2

Pursuant to code provision E.1.2 of the Code, the chairman of the board should attend the annual general meeting. Mr. Cao, the former Chairman of the Board, was unable to attend the annual general meeting of the Company held on 3 September 2019 (the "2019 AGM") due to other business engagement. Mr. Jaime Che, an executive director and Chief Executive Officer of the Company, took the chair of the 2019 AGM.

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. Following specific enquiries the Company has been making, all directors of the Company, save as Mr. Cao, have confirmed their compliance with the required standard set out in the Model Code and the Securities Code throughout the year ended 31 March 2020.

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

During the year ended 31 March 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

EVENTS AFTER THE REPORTING PERIOD

Events occurred after the reporting period are detailed in Note 17 to this announcement.

REVIEW OF AUDITED 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 2020.

RESUMPTION OF TRADING

Trading in the shares of the Company on the Stock Exchange was suspended from 9:00 a.m. on 2 July 2020 pending the publication of the 2019/20 Annual Results. As the announcement on the 2019/20 Annual 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 25 September 2020.

On behalf of the Board
FDG Kinetic Limited
(Receivers and Managers Appointed)
Jaime Che
Chief Executive Officer

Hong Kong, 24 September 2020

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

Website: http://www.fdgkinetic.com