FDG Kinetic Limited
五龍動力有限公司

(Incorporated in Bermuda with limited liability)

Stock Code : 378

GREEN & GROWTH

ANNUAL REPORT 2018/19

CONTENTS

This annual report is printed on environmentally friendly paper

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Mr. Cao Zhong *(Chairman)*
Mr. Jaime Che *(Chief Executive Officer)*

Independent Non-executive Directors:

Mr. Hung Chi Yuen Andrew
Professor Sit Fung Shuen Victor
Mr. Toh Hock Ghim

AUDIT COMMITTEE

Mr. Hung Chi Yuen Andrew *(Chairman)*
Professor Sit Fung Shuen Victor
Mr. Toh Hock Ghim

REMUNERATION COMMITTEE

Mr. Toh Hock Ghim *(Chairman)*
Mr. Cao Zhong
Mr. Jaime Che
Mr. Hung Chi Yuen Andrew
Professor Sit Fung Shuen Victor

NOMINATION COMMITTEE

Mr. Cao Zhong *(Chairman)*
Mr. Jaime Che
Mr. Hung Chi Yuen Andrew
Professor Sit Fung Shuen Victor
Mr. Toh Hock Ghim

RISK COMMITTEE

Mr. Hung Chi Yuen Andrew *(Chairman)*
Mr. Jaime Che
Professor Sit Fung Shuen Victor
Mr. Toh Hock Ghim

EXECUTIVE COMMITTEE

Mr. Cao Zhong *(Chairman)*
Mr. Jaime Che

CREDIT RISK COMMITTEE

Mr. Cao Zhong *(Chairman)*
Mr. Jaime Che
Mr. Hung Chi Yuen Andrew

AUTHORISED REPRESENTATIVES

Mr. Jaime Che
Ms. Man Yuet Lin

COMPANY SECRETARY

Ms. Man Yuet Lin

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu

REGISTERED OFFICE

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

378

WEBSITE

www.fdgkinetic.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

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

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

According to the data from Gaogong Industry Research Institute ("GGII"), benefited from the development of new energy vehicle ("NEV") market, the global demand for power batteries remained strong. The global output of power batteries in 2018 amounted to 106GWh, representing an increase of 55.2% as compared to the last corresponding period. According to the information of GGII, China has been the world's largest country in terms of power battery output since 2015 and continued its leading position in 2018, with continuing rapid growth in power battery output, amounting to 65GWh, representing an increase of 46% as compared to the corresponding period in 2017. Besides, according to the information of GGII, the market output for cathode material in China in 2018 amounted to 275,200 tonnes, representing an increase of 30.4% as compared to the corresponding period in 2017, amounting to RMB53.5 billion.

For the financial year ended 31 March 2019, the Group recorded a revenue of approximately HK$124 million, representing a decrease of 53%. 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. Loss attributable to owners of the Company amounted to approximately HK$629 million, and loss per share was 9.31 HK cents. Looking forward, the Group will rigorously manage its finance costs and develop and expand the business of the Group in a pragmatic manner without compromise of the quality and safety standards of its products, thereby enhancing the Group's overall competitiveness.

For cathode material business, during the year under review, the Group's production lines for processing ternary products were operating at almost full capacity and recorded sales volume of over 4,110 tonnes. Upon the completion of construction of the new production lines A5 and A6 of the Group in December last year, along with its official commencement of production, the Group entered into a new agreement with a customer on 2 January 2019. The customer further engaged the Group to process and produce ternary products with its six production lines until 31 December of this year.

In 2018, despite the impact of the volatile market condition, the Sino-US trade disputes and other challenges, the Group was committed to improving its corporate management and transparency, at the same time maintaining close contact and communication with its stakeholders via various channels. The Group has always placed great emphasis on complying with the principle of timely, fair and transparent information disclosure, and disclosed the latest business development of the Group to stakeholders in strict compliance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited through publication of the announcements and voluntary announcements. Last year, FKL won several awards regarding investor relations or corporate management. Among which, FKL received the "Certificate of Excellence" from the Hong Kong Investor Relations Association and the "Best IR of Hong Kong Listed Company" Award from New Fortune Magazine, recognising the Company's outstanding performance in terms of investor relations.

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

Finally, on behalf of the board of directors, I would like to express my sincere gratitude to all the shareholders and investors for your long-standing trust and support, and for partnering with the Group to embrace and overcome the existing challenges and difficulties. In addition, I would also like to express my appreciation to the business partners and customers for your trust and support to the Group, and the Group's employees for their dedication, hard work and professionalism over the past year. In the future, the Group will continue to work towards the goal of becoming a first-class battery and cathode material manufacturer and provide more environmentally-friendly products with better quality to cater to market demands.

Cao Zhong
Chairman

Hong Kong, 2 July 2019

Mr. Cao Zhong
Chairman & Executive Director

Mr. Cao, aged 59, is the Chairman and executive director of the Company. He was appointed as the executive director of the Company and elected as the executive vice-chairman of the Company on 9 March 2015, and appointed as the Chairman of the Company on 29 October 2015. He is also the chairman of each of the Nomination Committee, the Executive Committee and the Credit Risk Committee of the Company and a member of the Remuneration Committee of the Company. He also holds directorships in various subsidiaries of the Company. Mr. Cao graduated from Zhejiang University and the Graduate School of the Chinese Academy of Social Sciences with a bachelor degree in engineering and a master degree in economics, respectively. Since 1988, Mr. Cao had served in various institutions, including the National Development and Reform Commission of the People's Republic of China (the "PRC"), Guangdong Province Huizhou Municipal People's Government, Beijing International Trust and Investment Company Limited, Shougang Corporation and the Development Research Centre of the State Council of China. Mr. Cao is currently an executive director and the chairman of China Resources and Transportation Group Limited (Stock Code: 269) and the chairman and executive director of FDG Electric Vehicles Limited ("FDG") (Stock Code: 729, the controlling shareholder of the Company), companies whose shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He was the chief executive officer of FDG from May 2014 to July 2019. Mr. Cao was appointed to the board of directors of the Company (the "Board") on 9 March 2015.

Mr. Jaime Che
Executive Director & Chief Executive Officer

Mr. Che, aged 38, is an executive director and Chief Executive Officer of the Company. He is also a member of each of the Remuneration Committee, the Nomination Committee, the Executive Committee, the Risk Committee and the Credit Risk Committee of the Company. On 19 July 2019, Mr. Che was appointed as the Chief Executive Officer of the Company. He also holds directorships in various subsidiaries of the Company. Mr. Che is currently an executive director and Chief Executive Officer of FDG. He joined FDG in June 2010 and is responsible for strategic planning, investor relationship, corporate transaction and corporate finance work. He also holds directorships in certain subsidiaries of FDG including Chanje Energy, Inc. He is also a director of Advanced Lithium Electrochemistry (Cayman) Co., Ltd., the shares of which are listed on the Taipei Exchange (Stock Code: 5227). Mr. Che has extensive experience in investor relations and corporate finance. Prior to joining the Company, he was the Assistant to Managing Director/Investor Relations Manager of Fushan International Energy Group Limited (Stock Code: 639, now renamed as Shougang Fushan Resources Group Limited), a company listed on the Stock Exchange, from November 2009 to June 2010. He studied commerce at the University of New South Wales. Mr. Che was appointed to the Board on 9 March 2015.

Mr. Hung Chi Yuen Andrew
Independent Non-executive Director

Mr. Hung, aged 50, is an independent non-executive director of the Company. He is also the chairman of each of the Audit Committee and the Risk Committee of the Company and a member of each of the Nomination Committee, the Remuneration Committee and the Credit Risk Committee of the Company. Mr. Hung is currently an independent non-executive director of AKM Industrial Company Limited (Stock Code: 1639) and G-Vision International (Holdings) Limited (Stock Code: 657), companies whose shares are listed on the Stock Exchange and the director of Norton Rowland CPA Limited. He received his professional training in Deloitte Touche Tohmatsu during the period from 1991 to 1993 and had worked in UBS Investment Bank as business unit controller for 7 years. Mr. Hung holds a Bachelor's Degree of Arts (Hons) in Accountancy from The Hong Kong Polytechnic University and a Master's Degree in Applied Finance from University of Western Sydney. He is a practising Certified Public Accountant, an associate member of Hong Kong Institute of Certified Public Accountants and a fellow member of The Chartered Association of Certified Accountants. Mr. Hung was appointed to the Board on 1 July 2008.

* *For identification purpose only*

Professor Sit Fung Shuen Victor
Independent Non-executive Director

Professor Sit, aged 72, is an independent non-executive director of the Company and a member of each of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Risk Committee of the Company. Professor Sit was an independent non-executive director of Asia Energy Logistics Group Limited (Stock Code: 351) from June 2010 to July 2017, a company whose shares are listed on the Stock Exchange. He is currently an advisor of China Aircraft Leasing Limited. Professor Sit has obtained a Ph.D. from the London School of Economics and Political Science, United Kingdom. Professor Sit is a founding director of the Advanced Institute for Contemporary China Studies of Hong Kong Baptist University from 2008 to 2013 and has also been invited to be the Honorary Professor of a number of renowned universities including Peking University, Zhongshan University, Jinan University and Xian Jiaotung University in the PRC. He has been a professor of the Department of Geography from 1977 to 2007 and was the Head of Department of Geography and Geology from 1993 to 1998 of The University of Hong Kong.

Professor Sit is currently an advisor to City Planning Commission of Shenzhen Municipal Government of the PRC (since 1988) and an advisor to City Planning Commission of Sanmin Municipal Government of Fujian Province of the PRC (since 1991). He had also assumed the posts of Deputy of the National People's Congress of the PRC from 1993 to 2008 and an advisor to the Governor of Guangdong Province of the PRC from 2000 to 2005. He was formerly a member of the Preparatory Committee of the Hong Kong Special Administrative Region ("SAR") of the National People's Congress of the PRC; Port and Marine Board, Committee on Port and Harbour Development, the Port Development Board of the Hong Kong SAR Government respectively. Professor Sit was appointed to the Board on 1 July 2008.

Mr. Toh Hock Ghim
Independent Non-executive Director

Mr. Toh, aged 76, is an independent non-executive director of the Company. He is also the chairman of the Remuneration Committee of the Company and a member of each of the Audit Committee, the Nomination Committee and the Risk Committee of the Company. Mr. Toh is currently the chairman, non-executive and independent director of DISA Limited and an independent director of AnAn International Limited (companies whose shares are listed on the Singapore Exchange Securities Trading Limited (the "Singapore Exchange")), and an independent director of Auralite Investments Inc. (a company whose shares are listed on the Toronto Stock Exchange in Canada). He was the independent director of Lifebrandz Ltd. from January 2015 to April 2017 and AGV Group Limited from April 2016 to January 2019 (companies whose shares are listed on the Singapore Exchange), and the independent director of Fourth-Link Inc. (a company whose shares are listed on the Korea Exchange) from April 2017 to September 2018. Mr. Toh joined the Ministry of Foreign Affairs of Singapore in October 1966 with diplomatic postings to Malaysia, the Philippines, Thailand, Vietnam, the Hong Kong SAR and the Macau SAR. He was Singapore Ambassador to Vietnam from January 1994 to January 2002 and the Consul-General of the Consulate Generals in the Hong Kong SAR and the Macau SAR from February 2002 to December 2007. He was appointed as the Senior Advisor to the Ministry of Foreign Affairs of Singapore upon retirement from the foreign service at the end of 2007. Mr. Toh obtained his Bachelor's Degree of Arts (Political Science) from National University of Singapore. Mr. Toh was appointed to the Board on 1 July 2008.

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Group are research and development, manufacturing and trading of cathode materials for lithium-ion batteries, and direct investments, including securities trading, loan financing and asset investment.

The principal activities and particulars of the Company's principal subsidiaries as at 31 March 2019 are set out in Note 43 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group for the year ended 31 March 2019 and further discussion and analysis as required by Schedule 5 to the Hong Kong Companies Ordinance are set out in the "Management Discussion and Analysis" section on pages 15 to 22 of this annual report, the discussion thereof forms part of this Directors' Report.

SEGMENT INFORMATION

An analysis of the Group's revenue and contribution to the operating results for the year ended 31 March 2019 is set out in Note 6 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 36 to 37 of this annual report.

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

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 124 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

The largest supplier of the Group by itself and together with the other four largest suppliers accounted for approximately 53.3% and 75.3% of the Group's total purchases for the year respectively.

The largest customer of the Group by itself and together with the other four largest customers accounted for approximately 58.2% and 89.6% of the Group's total turnover for the year respectively.

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

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in Note 33(B) to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 40 of this annual report and Note 42(a) to the consolidated financial statements respectively.

DIRECTORS

The directors of the Company during the year and up to the date of this report are:

Executive Directors:
Mr. Cao Zhong *(Chairman)*
Mr. Miao Zhenguo *(Chief Executive Officer)*
Mr. Jaime Che
Mr. Sun Ziqiang *(resigned as vice chairman on 31 August 2018 and as executive director on 30 November 2018)*

Non-executive Director:
Dr. Chen Yanping *(retired as non-executive director on 31 August 2018)*

Independent Non-executive Directors:
Mr. Hung Chi Yuen Andrew
Professor Sit Fung Shuen Victor
Mr. Toh Hock Ghim

In accordance with Bye-law 87 of the Company's Bye-laws, Mr. Jaime Che and Professor Sit Fung Shuen Victor will retire from office by rotation at the forthcoming annual general meeting of the Company and, being eligible, have offered themselves for re-election.

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

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

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

As at 31 March 2019, the interests and short positions of the directors and chief executive of the Company or their respective close associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

1. INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

None of the directors nor chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company.

2. LONG POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE ASSOCIATED CORPORATIONS OF THE COMPANY

(a) FDG Electric Vehicles Limited ("FDG")

Name of directors	Capacity	Number of ordinary shares of the associated corporation	Number of underlying shares (unlisted and physically settled equity derivatives) of the associated corporation *(Note 3)*	Total number of ordinary shares and underlying shares of the associated corporation	Approximate percentage of issued ordinary share capital of the associated corporation *(Note 4)*
Mr. Cao Zhong	Beneficial owner	6,800,000	230,000,000	236,800,000	0.90%
	Interest of controlled corporation	1,352,134,998	–	1,352,134,998 *(Note 1)*	5.10%
Mr. Miao Zhenguo	Beneficial owner	–	195,000,000	195,000,000	0.74%
	Interest of controlled corporations	374,691,043	–	374,691,043 *(Note 2)*	1.41%
Mr. Jaime Che	Beneficial owner	1,000,000	166,000,000	167,000,000	0.63%

Notes:

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

2. Mr. Miao Zhenguo is interested or deemed to be interested in a total of 569,691,043 shares and underlying shares of FDG including: (i) 210,441,043 shares held by Union Ever Holdings Limited which is wholly owned by Mr. Miao who is a director; (ii) 164,250,000 shares held by Infinity Wealth International Limited which is wholly owned by Mr. Miao who is a director; and (iii) 195,000,000 share options[(Note 3)] held by Mr. Miao.

3. The interests in the underlying shares of FDG represent interests in options granted to the directors named above by FDG to subscribe for shares of FDG under a share option scheme of FDG.

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

(b) 杭州長江汽車有限公司 (Hangzhou Changjiang Automobile Co., Ltd.)*

Name of director	Capacity	Number of ordinary shares of the associated corporation	Number of underlying shares (unlisted and physically settled equity derivatives) of the associated corporation	Approximate percentage of issued ordinary share capital of the associated corporation
Mr. Cao Zhong	Interest of controlled corporation	Registered capital of RMB498,300,000 *(Note)*	–	49.83%

Note:

Mr. Cao Zhong is deemed to be interested in the registered capital of the associated corporation of the Company through 北京紫荊聚龍科技投資有限公司 (Beijing Bauhinia Julong Technology and Investment Co. Ltd.*) which is 49.83% held by a group of affiliated limited liability partnerships in which Mr. Cao has an aggregate effective interest of 69.98%.

* *For identification purpose only*

(c) 杭州長江乘用車有限公司 (Hangzhou Changjiang Passenger Vehicles Co., Ltd.)*

Name of director	Capacity	Number of ordinary shares of the associated corporation	Number of underlying shares (unlisted and physically settled equity derivatives) of the associated corporation	Approximate percentage of issued ordinary share capital of the associated corporation
Mr. Cao Zhong	Interest of controlled corporation	Registered capital of RMB88,110,000 *(Note)*	–	33.00%

Note:

Mr. Cao Zhong is deemed to be interested in the registered capital of the associated corporation of the Company through 北京紫荊聚龍科技投資有限公司 (Beijing Bauhinia Julong Technology and Investment Co. Ltd.*) which is 49.83% held by a group of affiliated limited liability partnerships in which Mr. Cao has an aggregate effective interest of 69.98%.

(d) Advanced Lithium Electrochemistry (Cayman) Co., Ltd. ("ALEEES")

Name of director	Capacity	Number of ordinary shares of the associated corporation	Number of underlying shares (unlisted and physically settled equity derivatives) of the associated corporation	Approximate percentage of issued ordinary share capital of the associated corporation
Mr. Jaime Che	Beneficial owner	–	2,000,000 *(Note)*	0.95%

Note:

Mr. Jaime Che is interested in 2,000,000 underlying shares of ALEEES (a company listed on the Taipei Exchange, Stock Code: 5227), representing interests in the options granted to him on 2 March 2018 to subscribe for 2,000,000 shares of ALEEES at an exercise price of TWD30.00 per share (subject to adjustments) during the period from 2 March 2020 to 1 March 2028.

The options stated above are subject to a vesting period up to three years with half of the options becoming exercisable 24 months after the date of grant and the remainder becoming exercisable 36 months after the date of grant.

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

* *For identification purpose only*

SHARE OPTION SCHEME

Details of the share option scheme adopted by the Company on 29 August 2017 and movements of the options during the year are set out in Note 33(E) to the consolidated financial statements.

EMPLOYEES' SHARE AWARD SCHEME

Details of the employees' share award scheme adopted by the Company on 10 February 2017 and of the awarded shares during the year are set out in Note 33(D) to the consolidated financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above and "Equity Settled Share-based Transactions" as set out in Note 33(E) to the consolidated financial statements, at no time during the year was the Company or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

EMOLUMENTS OF DIRECTORS

Details of the emoluments of the directors of the Company are set out in Note 11 to the consolidated financial statements.

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

As at 31 March 2019, the persons, other than the directors or chief executive of the Company, who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of substantial shareholders	Capacity	Number of ordinary shares held in long position (L)/ short position (S)	Approximate percentage of issued ordinary share capital *(Note 3)*
Sinopoly Strategic Investment Limited	Beneficial owner	3,447,222,490 (L) 3,447,222,490 (S)	51.04% (L) 51.04% (S)
Union Grace Holdings Limited	Beneficial owner	1,588,235,294 (L) 1,588,235,294 (S)	23.52% (L) 23.52% (S)
FDG	Interest of controlled corporations *(Note 1)*	5,035,457,784 (L) 5,035,457,784 (S)	74.56% (L) 74.56% (S)
Sino Power Resources Inc.	Person having a security interest in shares *(Note 2)*	5,035,457,784 (L)	74.56% (L)
China Orient Asset Management (International) Holding Limited	Interest of controlled corporations *(Note 2)*	5,035,457,784 (L)	74.56% (L)
Wise Leader Assets Ltd.	Interest of controlled corporations *(Note 2)*	5,035,457,784 (L)	74.56% (L)
Dong Yin Development (Holdings) Limited	Interest of controlled corporations *(Note 2)*	5,035,457,784 (L)	74.56% (L)
China Orient Asset Management Co., Ltd.	Interest of controlled corporations *(Note 2)*	5,035,457,784 (L)	74.56% (L)

Notes:

1. FDG was deemed or taken to be interested in (i) 3,447,222,490 shares held by Sinopoly Strategic Investment Limited which is a direct wholly-owned subsidiary of FDG; and (ii) 1,588,235,294 shares held by Union Grace Holdings Limited which is an indirect wholly-owned subsidiary of FDG.

   Mr. Miao Zhenguo and Mr. Jaime Che, executive directors of the Company, are also directors of each of Sinopoly Strategic Investment Limited and Union Grace Holdings Limited.

2. Sino Power Resources Inc. is a wholly-owned subsidiary of China Orient Asset Management (International) Holding Limited ("COAMI"). COAMI is held as to 50% by Wise Leader Assets Ltd. ("Wise Leader") and as to 50% by Dong Yin Development (Holdings) Limited ("Dong Yin"). Wise Leader is a wholly-owned subsidiary of Dong Yin, which in turn is a wholly-owned subsidiary of China Orient Asset Management Co., Ltd. ("COAMC"). Accordingly, COAMI, Wise Leader, Dong Yin and COAMC were deemed to have the same long position as Sino Power Resources Inc.

3. These percentages are calculated on the basis of 6,753,293,913 shares of the Company as at 31 March 2019.

Save as disclosed above, as at 31 March 2019, the Company had not been notified of any interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register kept by the Company under Section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Mr. Cao Zhong, Mr. Miao Zhenguo (who resigned as executive director of FDG on 12 June 2018), Mr. Jaime Che and Dr. Chen Yanping (who retired as non-executive director of the Company on 31 August 2018) had also been directors of FDG, a controlling shareholder of the Company, which is also engaged in the business of research and development, manufacture and sale of cathode materials for lithium-ion batteries. During the year ended 31 March 2019, Mr. Cao Zhong had also been a substantial shareholder of FDG until 4 June 2018.

Save as disclosed above, during the year ended 31 March 2019, none of the directors of the Company or their respective close associates was interested in any business, apart from the Group's businesses, which competes or is likely to compete, either directly or indirectly, with the Group's businesses pursuant to Rule 8.10(2) of the Listing Rules.

PERMITTED INDEMNITY PROVISIONS

During the year ended 31 March 2019, the Company has in force indemnity provisions as permitted under the relevant statutes for the benefit of the directors and officers of the Company and its subsidiaries. The permitted indemnity provisions are provided for in the Company's Bye-laws and in the directors and officers liability insurance maintained for the Group in respect of potential liability and costs associated with legal proceedings that may be brought against such persons.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

There were no transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries, holding companies or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group in the normal course of business during the year ended 31 March 2019 are set out in Note 41 to the consolidated financial statements. In relation to those related party transactions that constituted connected transactions under the Listing Rules, the Company has complied with disclosure requirements in accordance with Chapter 14A of the Listing Rules.

BORROWINGS AND CONVERTIBLE BONDS

Details of the Group's borrowings and convertible bonds as at the end of the reporting period are set out in Notes 25 and 31 to the consolidated financial statements.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is established by the executive directors of the Company on the basis of their performance, experience and prevailing industry practice.

The emolument of the directors of the Company is determined with reference to the duties and responsibilities of individual directors, the Company's performance and the prevailing market conditions and trends.

The Company has adopted a share option scheme. The purpose of such scheme is to provide incentive to selected participants, including the directors and eligible employees of the Company. Details of the share option scheme of the Company are set out in Note 33(E) to the consolidated financial statements.

The Company has adopted an employees' share award scheme. Details of the employee's share award scheme of the Company are set out in Note 33(D) to the consolidated financial statements.

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

RETIREMENT BENEFIT SCHEMES

Information on the Group's retirement benefit schemes is set out in Note 40 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the applicable laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

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

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

DONATIONS

There were no charitable donations made by the Group during the year ended 31 March 2019.

SUFFICIENCY OF PUBLIC FLOAT

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

EVENTS AFTER THE REPORTING PERIOD

Events occurred after the reporting period are detailed in Note 44 to the consolidated financial statements.

AUDITOR

Deloitte Touche Tohmatsu will retire and a resolution to re-appoint Deloitte Touche Tohmatsu as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

Cao Zhong
Chairman

Hong Kong, 2 July 2019

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

MARKET OVERVIEW

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

Battery Business

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

Cathode Material Business

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

BUSINESS REVIEW

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

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

Battery Business

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

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

Cathode Material Business

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

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

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

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

RISK FACTORS

Policy Risks

With adjustments of subsidy policies for NEVs, such as the tightened standards regarding energy density of power Li-ion batteries, the business of the Group was affected to a certain extent due to the reduction of subsidies and the increased difficulties in obtaining subsidy. However, the gradual improvement of safety standards and the relevant policies of NEVs in China will promote rapid development of China's NEV industry and push ahead with the construction of charging infrastructure for electric vehicles and hence drive the demand for batteries and cathode materials.

Market Risk

The policy regarding reduction of subsidy in China, the influx of foreign battery enterprises in the mainland market, and increased efforts in production capacity building of both local and overseas battery enterprises have all contributed to the excessive production capacities and more intensified competition in the battery industry. Moreover, affected by a decrease in prices of power batteries, the growth in battery market size has slowed down, resulting in a decline in profit margin. The Group will continue to expand into local and foreign markets with a view to building up its competitiveness in the battery and cathode materials segment.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group spares no effort in promoting environmental protection and advocating sustainable development. The Group is committed to avoid generating greenhouse gases and solid wastes in its daily operations, and strives to improve its product technologies with a view to enhancing its environmental performance.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

The Group has always been committed to providing customers with high-quality products. In addition to strict compliance with regulatory requirements, the Group has also established a complete quality assurance system. All products have passed rigorous tests and inspections to ensure quality, safety and are of highest standards.

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

RELEVANT LAWS AND REGULATIONS

The Group's power batteries have been listed in the catalogue of "Standardised Requirements for the Automobile Power Storage Battery Industry", and complied with nationally qualified standards in capacity, energy, power, efficiency, standard life cycles and working life cycles.

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

FINANCIAL REVIEW

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

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

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

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

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

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

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

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

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

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

Segment Information

Battery Materials Production Business

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

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

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

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

Direct Investments Business

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

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

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

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

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

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

Geographical Analysis of Revenue

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

Liquidity and Financial Resources

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

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

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

As at 31 March 2019, the bank and other borrowings included (i) bank borrowings of approximately HK$43.0 million (31 March 2018: approximately HK$49.9 million), denominated in RMB, were secured, interest bearing at floating rates and repayable within one year. Such bank borrowings were granted under a general banking facilities by a bank in the PRC. The general banking facilities were secured by, inter alia, certain land and buildings of the Group with carrying amounts of approximately HK$107.8 million (31 March 2018: approximately HK$121.8 million) in favour of the lender by way of the fixed charges and floating charges over all the plant and machinery, inventories and certains trade receivables of FDG Kinetic (Chongqing) Lithium Ion Battery Materials Co. Ltd.; (ii) the other borrowings of HK$100 million is denominated in Hong Kong dollars, were unsecured, guaranteed by FDG and interest bearing at a fixed rate and; (iii) the other borrowings of approximately HK$76.9 million (31 March 2018: HK$86.2 million) were repayable within one year. The other borrowings is denominated in RMB, was secured by certain machineries of the Group with carrying amounts of approximately HK$61.0 million (31 March 2018: approximately HK$66.8 million) and trade receivables amounted to Nil (31 March 2018: approximately HK$54.0 million), bear fixed interest rate and guaranteed by an indirect wholly-owned subsidiary of an associate.

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

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

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

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

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

Foreign Exchange Exposure

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

Material Acquisitions and Disposals

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

Contingent Liabilities and Pledge of Assets

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

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

Capital Commitments

Details of the capital commitments of the Group are set out in Note 39 to the consolidated financial statements.

Human Resources

As of 31 March 2019, the Group had 13 employees in Hong Kong (31 March 2018: 18 employees) and 126 employees in the PRC (31 March 2018: 86 employees). Total staff costs (including directors' remunerations) during the year ended 31 March 2019 amounted to approximately HK$21.7 million (year ended 31 March 2018: approximately HK$25.1 million). The remuneration policies are determined with reference to market conditions and individual performance of staff. The Group participates in Mandatory Provident Fund Scheme in Hong Kong and state managed retirement benefit schemes in the PRC.

The Group has a share option scheme, an employees' share award scheme and an employee benefit trust for the benefit of its directors and eligible participants.

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

FUTURE DEVELOPMENT

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

Enhance the quality of cathode material products

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

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

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

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

CORPORATE GOVERNANCE

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

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.

BOARD OF DIRECTORS

Composition

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

Executive Directors:
Mr. Cao Zhong *(Chairman)*
Mr. Miao Zhenguo *(Chief Executive Officer)*
Mr. Jaime Che
Mr. Sun Ziqiang *(resigned as vice chairman on 31 August 2018 and as executive director on 30 November 2018)*

Non-executive Director:
Dr. Chen Yanping *(retired as non-executive director on 31 August 2018)*

Independent Non-executive Directors:
Mr. Hung Chi Yuen Andrew
Professor Sit Fung Shuen Victor
Mr. Toh Hock Ghim

The biographical details of the existing directors are set out in the "Biographies of Directors" on pages 5 to 6 of this annual report.

Role and Function

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

The Board has delegated the day-to-day operations of the Group to the management and the management has been providing the Board with monthly reports, which contain, inter alia, business information, financial summaries including cash and bank balances and key events of the Group (if any).

The Board is responsible for overseeing corporate governance practices of the Group and will assign certain functions to other board committee(s) as and when appropriate.

Chairman and Chief Executive

Mr. Cao Zhong is the Chairman and Mr. Miao Zhenguo is the Chief Executive Officer of the Company. The respective roles of the Chairman and the Chief Executive Officer are clearly established and segregated. The Chairman is responsible for the leadership and effective running of the Board, and for ensuring that all key and appropriate issues are discussed by the Board in a timely and constructive manner. Directors are encouraged to participate actively in all Board and board committees meetings of which they are members. The Chairman holds meeting with the independent non-executive directors at least annually to exchange views and comments further to those discussed at the Board meetings. The Chief Executive Officer, supported by other Board members and the senior management, is responsible for the day-to-day management of the Group's business, including developing and proposing the Group's strategies and policies for the Board's consideration and the implementation of major strategies and policies approved by the Board and board committees.

Independent Non-executive Directors

The Company has three independent non-executive directors.

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

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

Throughout the year ended 31 March 2019, the Company complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive directors, at least one independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise, and a sufficient number of independent non-executive directors representing at least one-third of the board, respectively.

The Board has received from each independent non-executive director an annual confirmation of his independence and considers that all the independent non-executive directors are independent under the guidelines set out in Rule 3.13 of the Listing Rules.

Relationship

Mr. Miao Zhenguo, the executive director and Chief Executive Officer of the Company, is the brother-in-law of Mr. Cao Zhong, the Chairman and executive director of the Company.

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

Meetings and Attendance

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

Name of directors		Number of meetings attended/held
Executive Directors:		
Mr. Cao Zhong		6/6
Mr. Miao Zhenguo		6/6
Mr. Jaime Che		6/6
Mr. Sun Ziqiang	*(resigned on 30 November 2018)*	5[a]/5
Non-executive Director:		
Dr. Chen Yanping	*(retired on 31 August 2018)*	4/4
Independent Non-executive Directors:		
Mr. Hung Chi Yuen Andrew		5/6
Professor Sit Fung Shuen Victor		6/6
Mr. Toh Hock Ghim		6/6

Note:

a. Having another director acted as his representative.

Time Commitment

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

Training

The Company recognises the importance of continuous professional development of directors so as to ensure that their contribution to the Board remains informed and relevant. All directors have been actively participating in different aspects of professional training to develop and refresh their knowledge and skills. A summary of the trainings relating to corporate governance and regulatory updates received by the directors for the year ended 31 March 2019 is as follows:

Name of directors		Attending trainings/seminars	Reading relevant materials
Executive Directors:			
Mr. Cao Zhong		✓	✓
Mr. Miao Zhenguo		✓	✓
Mr. Jaime Che		✓	✓
Mr. Sun Ziqiang	*(resigned on 30 November 2018)*	–	✓
Non-executive Director:			
Dr. Chen Yanping	*(retired on 31 August 2018)*	–	✓
Independent Non-executive Directors:			
Mr. Hung Chi Yuen		✓	✓
Professor Sit Fung Shuen Victor		✓	✓
Mr. Toh Hock Ghim		✓	✓

Insurance

The Company has arranged appropriate insurance cover in respect of legal action against its directors and senior management.

BOARD COMMITTEES

The Board has established six committees, namely the Remuneration Committee, the Nomination Committee, the Audit Committee, the Risk Committee, the Executive Committee and the Credit Risk Committee. Each committee reports back to the Board on its decisions or recommendations, unless there are legal or regulatory restrictions on its ability to do so.

Remuneration Committee

The terms of reference of the Remuneration Committee are in compliance with the code provisions set out in the Code. The Remuneration Committee currently comprises three independent non-executive directors, namely Mr. Toh Hock Ghim (Chairman of the Remuneration Committee), Mr. Hung Chi Yuen Andrew and Professor Sit Fung Shuen Victor, and two executive directors, namely Mr. Cao Zhong and Mr. Miao Zhenguo.

The principal duties of the Remuneration Committee are (i) to make recommendations to the Board on the Company's policy and structure for all directors' and senior management's remuneration; (ii) to make recommendations to the Board on the remuneration packages of individual executive directors and senior management; (iii) to make recommendations to the Board on the remuneration of non-executive directors; (iv) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives; and (v) to ensure that no director or any of his associates is involved in deciding his own remuneration. The full version of the terms of reference of the Remuneration Committee is available on the Stock Exchange's website and the Company's website at www.fdgkinetic.com.

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

Name of committee members	Number of meetings attended/held
Mr. Toh Hock Ghim *(Chairman)*	2/2
Mr. Hung Chi Yuen Andrew	2/2
Professor Sit Fung Shuen Victor	2/2
Mr. Cao Zhong	2/2
Mr. Miao Zhenguo	2/2

During the year ended 31 March 2019, the Remuneration Committee considered and recommended to the Board (i) the proposal for the Board to fix the directors' remuneration to be put forward at the 2018 annual general meeting of the Company for shareholders' approval; (ii) the standardisation of the terms of appointment of the Directors; and (iii) the salary adjustment of three executive directors.

The primary objective of the director remuneration policy is to attract, retain and motivate the Board members by providing fair reward for their contribution to the Group's performance. The directors' remuneration packages are determined with reference to the duties and responsibilities of individual directors, the Company's performance and the prevailing market conditions and trends. The Company has adopted a share option scheme for the purpose of providing incentives or rewards to eligible participants, including the directors of the Company (i) in recognition of their contribution to the Group; (ii) to attract and retain or otherwise maintain an on-going relationship with them for the benefit of the Group; and (iii) to align their interests with the shareholders of the Company, thereby encouraging them to work towards enhancing the value of the shares of the Company.

During the year ended 31 March 2019, no director was involved in deciding his own remuneration.

Nomination Committee

The terms of reference of the Nomination Committee are in compliance with the code provisions set out in the Code. The Nomination Committee currently comprises two executive directors, namely Mr. Cao Zhong (Chairman of the Nomination Committee) and Mr. Miao Zhenguo, and three independent non-executive directors, namely Mr. Hung Chi Yuen Andrew, Professor Sit Fung Shuen Victor and Mr. Toh Hock Ghim.

The principal duties of the Nomination Committee are (i) to review the structure, size and diversity (including but without limitation to gender, age, cultural and education background, professional and industry experience, skills, knowledge and length of service) of the Board and make recommendations on any proposed changes to the Board to complement the Group's business strategy; (ii) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; (iii) to assess the independence of independent non-executive directors; and (iv) to make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive. The full version of the terms of reference of the Nomination Committee is available on the Stock Exchange's website and the Company's website at www.fdgkinetic.com.

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

Name of committee members	Number of meetings attended/held
Mr. Cao Zhong *(Chairman)*	2/2
Mr. Miao Zhenguo	2/2
Mr. Hung Chi Yuen Andrew	2/2
Professor Sit Fung Shuen Victor	2/2
Mr. Toh Hock Ghim	2/2

During the year ended 31 March 2019, the Nomination Committee (i) reviewed the structure, size and composition of the Board; (ii) considered and recommended to the Board the re-election of directors who were subject to retirement by rotation at the 2018 annual general meeting of the Company; (iii) assessed the independence of the independent non-executive directors; (iv) reviewed and recommended to the Board the standardisation of the terms of appointment of the Directors; and (v) considered and recommended to the Board the acceptance of the resignation of the vice chairman and of the executive director of the Company.

Board Diversity Policy

The Board has adopted a board diversity policy (the "Board Diversity Policy"). Under the Board Diversity Policy, the selection of candidates for Board appointment will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional and industry experience, skills, knowledge and length of service. The Nomination Committee has considered that the current Board composition has the appropriate skills, experience and diversity of perspectives that are required to support the execution of the business strategies of the Company and achieve the effective running of the Board.

The Nomination Committee will monitor the implementation of the Board Diversity Policy and assess the Board composition on an annual basis.

Nomination Policy

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

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

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

Audit Committee

The terms of reference of the Audit Committee are in compliance with the code provisions set out in the Code. The Audit Committee currently comprises three independent non-executive directors, namely Mr. Hung Chi Yuen Andrew (Chairman of the Audit Committee), Professor Sit Fung Shuen Victor and Mr. Toh Hock Ghim.

The principal duties of the Audit Committee are (i) to oversee the relationship with the auditor of the Company (the "Auditor"); (ii) to review the annual and interim results before publication; (iii) to oversee the Group's financial reporting system, risk management and internal control systems; and (iv) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The full version of the terms of reference of the Audit Committee is available on the Stock Exchange's website and the Company's website at www.fdgkinetic.com.

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

Name of committee members	Number of meetings attended/held
Mr. Hung Chi Yuen Andrew *(Chairman)*	2/2
Professor Sit Fung Shuen Victor	2/2
Mr. Toh Hock Ghim	2/2

During the year ended 31 March 2019, the Audit Committee (i) reviewed the accounting policies and practices adopted by the Group; (ii) reviewed the Company's results for the year ended 31 March 2018 and six months ended 30 September 2018 and recommended the same to the Board for approval; (iii) recommended to the Board the re-appointment of the Auditor; (iv) reviewed the effectiveness of the Group's internal control systems, inter alia, the financial, operational and compliance controls functions of the Group; and (v) reviewed the adequacy of resources, qualifications and experience of staff of the Group's accounting, internal audit and financial reporting function, and their training programmes and budget.

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

Risk Committee

The Risk Committee currently comprises three independent non-executive directors, namely Mr. Hung Chi Yuen Andrew (Chairman of the Risk Committee), Professor Sit Fung Shuen Victor and Mr. Toh Hock Ghim, and two executive directors, namely Mr. Miao Zhenguo and Mr. Jaime Che with specific terms of reference.

The principal duties of the Risk Committee are (i) to advise the Board on the Group's risk appetite statement(s), risk principles and other risk-related issues including corporate actions and proposed strategic transactions such as mergers, acquisitions and disposals; (ii) to oversee risk management framework to identify and deal with financial, operational, legal, regulatory, technology, business and strategic risks faced by the Group and amend and supplement this from time to time; (iii) to approve the Group's risk policies and risk tolerances; (iv) to consider emerging risks relating to the Group's business and strategies to ensure that appropriate arrangements are in place to control and mitigate the risks effectively; (v) to review risk reports and breaches of risk tolerances and policies; (vi) to review and assess the effectiveness of the Group's risk control/mitigation tools including the enterprise risk management programme, the risk management systems, the internal audit function relating to risk management and the Group's contingency plans; (vii) to review the Group's capital adequacy and solvency levels; and (viii) to monitor stress testing results of the Group's key risk exposures.

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

Name of committee members	Number of meetings attended/held
Mr. Hung Chi Yuen Andrew *(Chairman)*	2/2
Mr. Miao Zhenguo	2/2
Mr. Jaime Che	2/2
Professor Sit Fung Shuen Victor	2/2
Mr. Toh Hock Ghim	2/2

During the year ended 31 March 2019, the Risk Committee (i) reviewed the effectiveness of the Group's risk management system; and (ii) reviewed the risk management reports for the year ended 31 March 2018 and six months ended 30 September 2018.

Executive Committee

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

Credit Risk Committee

The Credit Risk Committee currently comprises two executive directors, namely Mr. Cao Zhong (Chairman of the Credit Risk Committee) and Mr. Jaime Che, and one independent non-executive director, namely Mr. Hung Chi Yuen Andrew with specific terms of reference. It meets as and when necessary to review lending portfolio and monitor lending risk.

AUDITOR'S REMUNERATION

For the year ended 31 March 2019, the Auditor received approximately HK$2,474,000 for audit service and approximately HK$963,000 for non-audit service regarding review of interim results.

FINANCIAL REPORTING

The directors acknowledge their responsibility for preparing the consolidated financial statements of the Group.

The statement of the Auditor about their reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 34 to 35 of this annual report.

GOING CONCERN AND MITIGATION MEASURES

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

The Board and the Audit Committee have reviewed the Group's cash flow projections prepared by the management of the Group. The cash flow projections cover a period of not less than twelve months from 31 March 2019. The Board and the Audit Committee have also reviewed the progress and reasonably satisfied that, taking into account the below plans and measures ("Plans and Measures"), the Group will have sufficient working capital to finance its obligations and to meet its financial obligations as they fall due not less than twelve months from the date of approval of the consolidated financial statements, and therefore, the Board and Audit Committee are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding, the auditor considered the execution of the Plans and Measures are at a preliminary stage and no written contractual agreements obtained, significant uncertainties exist as to whether management of the Group will be able to achieve its Plans and Measures as described below:

(i) The Group has been actively negotiating with the financial institution for renewal of or extension of the secured other borrowings of approximately HK$47,757,000, unsecured other borrowings of approximately HK$29,145,000 and obligations under finance leases of approximately HK$41,255,000. The Group has received a correspondence from the financial institution that the financial institution agreed in principal to extend the repayment date of the overdue amounts relating to the abovementioned borrowings and obligations under finance leases for a period of 12-months from 28 June 2019;

(ii) The Group has obtained financial support from FDG Electric Vehicles Limited ("FDG"), the ultimate holding company, who has agreed to provide adequate funds to enable the Group to meet in full its obligations as they fall due for a period of twelve months from the date the consolidated financial statements are approved for issuance by the directors of the Company. In April and June 2019, the Group obtained loans from FDG in an aggregate amount of approximately HK$41,000,000 to finance its operations, FDG also agreed not to demand repayment of the loan of an aggregate amount of HK$141,000,000 in the next twelve months from the date the consolidated financial statements being approved by its directors. FDG will have available fund of not less than HK$55,000,000 for the Group to repay part of unsecured other borrowing from a creditor due on 30 September 2019;

(iii) The Group has initiated the plan to dispose of its entire equity interest in an associate, ALEEES (GuiZhou) Co., Ltd. ("ALEEES GuiZhou") in November 2018 to one of the associate existing shareholders, to discharge the Group's obligation for the unpaid investment cost in the associate of approximately HK$148,640,000 (the "Discharge"), and all shareholders of ALEEES GuiZhou preliminary agreed to the Discharge. The draft agreement is currently under review of the shareholders and the Discharge is expected to be completed on or before 31 March 2020;

(iv) The Group has been actively looking for potential buyers for buying all of its equity interest in an associate, which amounted to approximately HK$176,275,000 as at 31 March 2019; and

(v) The Group has been endeavouring to request a debtor to repay a principal amount of HK$100,000,000 by a monthly instalment of HK$10,000,000 from 1 July 2019 to 30 April 2020 and an interest amount of HK$6,614,000 on 30 April 2020, in accordance to a revised repayment schedule signed between the Group and the debtor on 27 June 2019.

Complementing to the Plans and Measures, the Company also has the option to conduct equity fund raising activities under general mandate in case of operation needs.

The Audit Committee has reviewed and agreed with the Board's position and has discussed with the Company's auditor regarding the disclaimer opinion as set out on page 34 of this annual report based on the Plans and Measures.

Whether the Group will be able to continue as going concern would depend upon the Group's ability to generate adequate financing and operating cash flows through the Plans and Measures as set out in Note 1 to the consolidated financial statements.

The Board has sought the view of the auditors. On the assumption that those Plans and Measures are undertaken successfully and there is positive monthly working capital forecast prepared by the management to at least twelve months from the date the directors of the Company approved the consolidated financial statements for the year ended 31 March 2020 provided that the assumptions used in the forecast are supportable, the auditor may conclude the "significant uncertainties" on going concern and disclaimer can be removed.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for establishing and maintaining adequate and effective systems of risk management and internal control of the Group and reviewing their effectiveness annually.

The Group's risk management and internal control systems include a management structure with defined lines of responsibility and limits of authority. These systems aim to provide reasonable, but not absolute, assurance that assets are safeguarded against misappropriations, transactions are executed in accordance with the management's authorisation, and accounting records are reliable and proper for preparing financial information and are not materially misstated. The systems are designed to identify, evaluate and manage risks effectively rather than to eliminate the risks of failure to achieve business objectives.

The Group has established a risk management framework in providing direction in identifying, evaluating and managing significant risks. Risks that would adversely affect the achievement of the Group's objectives are identified and assessed and prioritised according to a set of standard criteria. Risk mitigation plans and risk owners are then established for those risks which are considered to be significant.

During the year ended 31 March 2019, the internal audit department of the Company reviewed the effectiveness of the Group's risk management and internal control systems, inter alia, the financial, operational and compliance controls functions of the Group. No material deficiencies have been identified during the review. The relevant findings and recommendations have been reported to the Audit Committee/Risk Committee and the Board. The management will deal with the areas for improvement which come to the attention of the Board and the Audit Committee/Risk Committee. The Board considered that the risk management and internal control systems are effective and adequate and is committed to improving the Group's risk management and internal control systems on an ongoing basis.

The Group complies with requirements of the Securities and Futures Ordinance (the "SFO") and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

SHAREHOLDERS' RIGHTS

The Company values the views of its shareholders and recognises their interests in the Group's strategy and performance. The Company has formulated the shareholders' communication policy which will be reviewed by the Board from time to time to ensure its effectiveness.

Shareholders' Meetings

The annual general meeting and other general meetings (if any) of the Company are the primary forum for communication by the Company with the shareholders and for shareholders' participation. All shareholders are encouraged to attend the general meetings or to appoint proxies to attend and vote at meetings on their behalf if they are unable to attend the meetings in person.

During the year ended 31 March 2019, the Company held the annual general meeting on 31 August 2018 (the "AGM"). The individual attendance records of the directors at the AGM are as follows:

Name of directors		Number of AGM attended/held
Executive Directors:		
Mr. Cao Zhong		1/1
Mr. Miao Zhenguo		1/1
Mr. Jaime Che		1/1
Mr. Sun Ziqiang	*(resigned on 30 November 2018)*	1[a]/1
Non-executive Director:		
Dr. Chen Yanping	*(retired on 31 August 2018)*	1/1
Independent Non-executive Directors:		
Mr. Hung Chi Yuen Andrew		1/1
Professor Sit Fung Shuen Victor		1/1
Mr. Toh Hock Ghim		1/1

Note:

a. Having another director acted as his representative.

The Auditor has attended the AGM to answer questions about the conduct of the audit, the preparation and content of the Independent Auditor's Report, the accounting policies and auditor's independence.

Requisition for Special General Meeting

Pursuant to bye-law 58 of the Bye-laws of the Company, shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company (the "Company Secretary"), to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If the Board fails to proceed to convene such meeting within twenty-one days after such deposit, such shareholder(s) may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

During the year ended 31 March 2019, no such requisition(s) has/have been received.

Procedures for Putting Forward Proposals at Shareholders' Meetings

According to Sections 79 and 80 of the Companies Act 1981 of Bermuda, shareholder(s) of the Company, at his/their own expense, holding (i) not less than one-twentieth of the total voting rights of all shareholders having at the date of requisition the right to vote at general meeting; or (ii) of not less than 100 in number, can submit a written request stating the resolution intended to be moved at the next annual general meeting. The requisition signed by the relevant shareholder(s) must be deposited at the head office of the Company at Rooms 3001-3005, 30th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong for the attention to the Company Secretary not less than six weeks before the meeting. The request will be verified with the Hong Kong branch share registrar and transfer office (the "Share Registrar") of the Company and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the resolution in the notice for such general meeting.

As mentioned in the above section headed "Requisition for Special General Meeting", eligible shareholder(s) can make a requisition to convene a special general meeting and move forward a resolution thereat. The requisition signed by the relevant shareholder(s) must be deposited at the head office of the Company in Hong Kong for the attention to the Company Secretary. Only when the request has been verified with the Share Registrar to be proper and in order, the Company Secretary will ask the Board to include the resolution in the notice for such general meeting.

During the year ended 31 March 2019, no such requisition(s) has/have been received.

The procedures as to how shareholder(s) can propose a person for election as a director are detailed in the "Procedures for Shareholders to Propose a Candidate for election as a Director" which is available on the Company's website at www.fdgkinetic.com.

Dividend Policy

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

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

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

Enquiries

All enquiries to the Board are welcome and can be brought through our investor relations' hotline at (852) 3101 6106, fax at (852) 2506 0007, email at investor@fdgkinetic.com or directly in person through participation in general meetings.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FDG KINETIC LIMITED
(incorporated in Bermuda with limited liability)

DISCLAIMER OPINION

We were engaged to audit the consolidated financial statements of FDG Kinetic Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 36 to 123, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 form an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

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

The directors of the Company have undertaken a number of plans and measures to improve the Group's liquidity and financial position, and to remediate the delayed repayments to the financial institution, as set out in Note 1 to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these plans and measures, which are subject to multiple uncertainties, including (i) the successful negotiation with the financial institution for the renewal of or extension of repayments of outstanding secured other borrowings of approximately HK$47,757,000, unsecured other borrowings of approximately HK$29,145,000 and obligations under finance leases of approximately HK$41,255,000, including those with overdue principals and interests; (ii) the successful fund raising by the Company's ultimate holding company, FDG Electric Vehicles Limited ("FDG") itself and also provide adequate funds to enable the Group to meet in full its financial obligations as they fall due for a period of twelve months from the date the consolidated financial statements are approved for issuance by the directors of the Company, given the significant uncertainty in respect of the going concern status of FDG, further details of which are set out in the consolidated financial statements of FDG for the year ended 31 March 2019; (iii) the successful disposal of its entire equity interest in an associate to discharge the Group's obligation for the unpaid investment cost in the associate; (iv) the successful disposal of its entire equity interest in an associate which amounted to approximately HK$176,275,000 as at 31 March 2019; and (v) timely repayment of the principal and interest amounts from a debtor from 1 July 2019 to 30 April 2020.

BASIS FOR DISCLAIMER OF OPINION – CONTINUED

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to form an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

The engagement partner on the audit resulting in the independent auditor's report is Tse Fung Chun.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
2 July 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue			
Goods and services		**112,280**	219,180
Interest		**11,480**	43,123
Total Revenue	*5*	**123,760**	262,303
Cost of sales		**(106,492)**	(218,895)
		17,268	43,408
Other income		**591**	3,042
Other gains and losses	*7*	**(11,427)**	(22,666)
Selling and distribution costs		**(4,556)**	(3,829)
General and administrative expenses		**(60,829)**	(61,490)
Research and development expenses		**(11,585)**	(11,739)
Finance costs	*8*	**(46,422)**	(96,555)
Impairment loss, net of reversal on financial assets at amortised cost	*7A*	**(31,219)**	(6,946)
Impairment loss on goodwill	*14 & 15*	**(307,000)**	(152,969)
Impairment losses on interests in associates	*18*	**(15,920)**	(533,184)
Share of results of associates		**(164,666)**	(189,154)
Share of results of a joint venture		**5,263**	3,493
Loss before taxation		**(630,502)**	(1,028,589)
Income tax credit	*9*	**1,920**	1,936
Loss for the year	*10*	**(628,582)**	(1,026,653)
Other comprehensive (expense)/income			
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences arising from translation of foreign operations		**(23,903)**	74,908
– Share of investment revaluation reserve of an associate		**–**	16,209
– Share of other comprehensive (expense)/income of associates		**(18,634)**	62,031
– Share of other comprehensive (expense)/income of a joint venture		**(11,290)**	10,837
Other comprehensive (expense)/income for the year		**(53,827)**	163,985
Total comprehensive expense for the year		**(682,409)**	(862,668)

	Note	**2019 HK$'000**	2018 HK$'000
Loss for the year attributable to owners of the Company		**(628,582)**	(1,026,653)
Other comprehensive (expense)/income for the year attributable to owners of the Company		**(53,827)**	163,985
Total comprehensive expense for the year attributable to owners of the Company		**(682,409)**	(862,668)
		HK cents	HK cents
Loss per share	*13*		
Basic and diluted		**(9.31)**	(17.64)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019

	Notes	**2019 HK$'000**	2018 HK$'000
Non-current assets			
Goodwill	*14*	**6,755**	335,878
Intangible assets	*16*	**52,823**	72,012
Property, plant and equipment	*17*	**240,286**	181,008
Interests in leasehold land held for own use under operating lease	*17*	**17,204**	18,836
Interests in associates	*18*	**324,900**	524,120
Interest in a joint venture	*19*	**106,564**	112,591
Loan receivables	*21*	**321**	360
Deposits paid for non-current assets		**–**	66,772
Other non-current assets		**367**	367
		749,220	1,311,944
Current assets			
Inventories	*22*	**35,485**	45,028
Trade and other receivables	*23*	**66,732**	122,847
Loan receivables	*21*	**125,174**	159,963
Financial assets at fair value through profit or loss	*20*	**6,438**	22,500
Amount due from an associate	*18*	**80,979**	69,699
Pledged bank deposits	*24*	**–**	11,375
Cash and cash equivalents	*24*	**6,587**	74,101
		321,395	505,513
Current liabilities			
Bank and other borrowings	*25*	**219,933**	84,960
Trade and bills payables	*26*	**5,589**	43,089
Accruals and other payables	*27*	**127,298**	127,289
Contract liabilities	*28*	**–**	–
Loan from the ultimate holding company	*29*	**100,000**	–
Obligations under finance leases	*30*	**41,255**	33,389
Liability component of convertible bonds	*31*	**–**	192,561
Amount due to an associate	*18*	**148,640**	159,120
Tax payables		**4,269**	4,556
		646,984	644,964
Net current liabilities		**(325,589)**	(139,451)
Total assets less current liabilities		**423,631**	1,172,493
Non-current liabilities			
Bank and other borrowings	*25*	**–**	51,107
Obligations under finance leases	*30*	**–**	12,588
Deferred tax liabilities	*32*	**10,048**	12,806
		10,048	76,501
NET ASSETS		**413,583**	1,095,992

	Note	**2019 HK$'000**	2018 HK$'000
CAPITAL AND RESERVES			
Share capital	*33*	**1,350,659**	1,350,659
Reserves		**(937,076)**	(254,667)
TOTAL EQUITY		**413,583**	1,095,992

The consolidated financial statements on pages 36 to 123 were approved and authorised for issue by the Board of Directors on 2 July 2019 and are signed on its behalf by:

Cao Zhong
Director

Jaime Che
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Attributable to owners of the Company								
	Share capital HK$'000 *(Note 33(B))*	Share premium HK$'000	Contributed surplus HK$'000 *(Note 33(C)(i))*	Exchange reserve HK$'000	Equity component of convertible bonds HK$'000 *(Note 31)*	Investment revaluation reserve HK$'000 *(Note 33(C)(ii))*	Other reserve HK$'000 *(Note 33(C)(iii))*	Accumulated losses HK$'000	Total HK$'000
At 1 April 2017	1,027,129	872,801	82,445	(112,797)	1,868,185	(16,209)	6,849	(2,279,935)	1,448,468
Loss for the year	–	–	–	–	–	–	–	(1,026,653)	(1,026,653)
Other comprehensive income	–	–	–	147,776	–	16,209	–	–	163,985
Total comprehensive income/ (expense) for the year	–	–	–	147,776	–	16,209	–	(1,026,653)	(862,668)
Conversion of convertible bonds	323,530	1,556,664	–	–	(1,370,002)	–	–	–	510,192
At 31 March 2018	1,350,659	2,429,465	82,445	34,979	498,183	–	6,849	(3,306,588)	1,095,992
Loss for the year	–	–	–	–	–	–	–	(628,582)	(628,582)
Other comprehensive expense	–	–	–	(53,827)	–	–	–	–	(53,827)
Total comprehensive expense for the year	–	–	–	(53,827)	–	–	–	(628,582)	(682,409)
Transfer upon expiration of convertible bonds	–	–	–	–	(498,183)	–	–	498,183	–
At 31 March 2019	**1,350,659**	**2,429,465**	**82,445**	**(18,848)**	**–**	**–**	**6,849**	**(3,436,987)**	**413,583**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	2019 HK$'000	2018 HK$'000
Operating activities		
Loss before taxation	**(630,502)**	(1,028,589)
Adjustments for:		
Amortisation of intangible assets	**14,482**	14,604
Amortisation of interests in leasehold land held for own use under operating lease	**388**	395
Depreciation of property, plant and equipment	**4,793**	4,916
Finance costs	**46,422**	96,555
Loss on disposal of property, plant and equipment	**–**	673
Impairment loss on loan receivable	**30,844**	–
Impairment loss on interest receivable	**4,959**	–
Impairment losses on interests in associates	**15,920**	533,184
Impairment loss on goodwill	**307,000**	152,969
Impairment losses on trade receivables	**–**	7,553
Impairment loss on amount due from an associate	**13,200**	–
Reversal of impairment loss on loan receivable	**(7,750)**	–
Reversal of impairment loss on interest receivable	**(318)**	–
Reversal of impairment losses on trade receivables	**(9,716)**	(607)
Interest income	**(11,591)**	(43,448)
Net loss on financial assets at fair value through profit or loss	**7,257**	–
Net gain on held-for-trading investments	**–**	(13,170)
Share of results of associates	**164,666**	189,154
Share of results of a joint venture	**(5,263)**	(3,493)
Write-down of inventories	**2,472**	37,743
Reversal of write-down of inventories	**–**	(2,520)
Operating cash flows before movements in working capital	**(52,737)**	(54,081)
Decrease in inventories	**23,075**	13,667
Decrease in financial assets at fair value through profit or loss	**8,805**	37,076
Decrease in trade and other receivables	**56,640**	60,269
Decrease in trade and bills payables	**(34,748)**	(30,888)
Increase in accruals and other payables	**15,725**	11,130
Cash generated from operations	**16,760**	37,173
Interest received	**258**	12,576
Net cash generated from operating activities	**17,018**	49,749

	Note	**2019 HK$'000**	2018 HK$'000
Investing activities			
Settlement of investment in a secured bond	*37*	**–**	54,999
Withdrawal of pledged bank deposits		**10,651**	33,715
Advance to an associate		**(25,000)**	–
Advance to an ultimate holding company		**(2,900)**	–
Repayment from an associate		**6,046**	–
Placement of pledged bank deposits		**–**	(19,036)
Proceeds from disposal of property, plant and equipment		**–**	12
Deposits paid for non-current assets		**–**	(63,059)
Purchase of property, plant and equipment		**(32,590)**	(542)
Net cash (used in)/from investing activities		**(43,793)**	6,089
Financing activities			
Repayment to the ultimate holding company	*37*	**–**	(67,052)
Repayment of bank and other borrowings		**(15,607)**	(64,981)
Repayment of finance lease obligations		**(1,698)**	(29,709)
Payment on redemption of convertible bonds		**(100,000)**	–
Interest paid		**(31,426)**	(11,678)
New bank and other borrowings raised		**108,417**	97,357
Loan from the ultimate holding company	*37*	**1,300**	31,253
Net cash used in financing activities		**(39,014)**	(44,810)
Net (decrease)/increase in cash and cash equivalents		**(65,789)**	11,028
Cash and cash equivalents at beginning of the year		**74,101**	65,893
Effect of foreign exchange rate changes		**(1,725)**	(2,820)
Cash and cash equivalents at end of the year		**6,587**	74,101

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's immediate holding company is Sinopoly Strategic Investment Limited, a limited liability company incorporated in the British Virgin Islands ("BVI"). The Company's ultimate holding company is FDG Electric Vehicles Limited ("FDG"), a company incorporated in Bermuda with limited liability and its shares are listed on the Main Board of the Stock Exchange (Stock Code: 729). The address of the registered office of the Company is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and the address of the principal place of business of the Company is Rooms 3001-3005, 30/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

The consolidated financial statements are prepared in Hong Kong dollar ("HK$"), which is the same as the functional currency of the Company.

The Company is an investment holding company. The principal activities of the Group are research and development, manufacturing and trading of cathode materials for lithium-ion batteries, and direct investments, including securities trading, loan financing and asset investment. The principal activities of the principal subsidiaries are set out in Note 43.

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

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

(i) The Group has been actively negotiating with the financial institution for renewal of or extension of the secured other borrowings of approximately HK$47,757,000, unsecured other borrowings of approximately HK$29,145,000 and obligations under finance leases of approximately HK$41,255,000. The Group has received a correspondence from the financial institution which stated that the financial institution has preliminary agreed extending the repayment date of the overdue amounts of the abovementioned secured and unsecured borrowings and obligations under finance leases for a period of 12-months from 28 June 2019, subject to the signing of a formal extension agreement;

(ii) The Group has obtained financial support from FDG Electric Vehicles Limited ("FDG"), the ultimate holding company, who has agreed to provide adequate funds to enable the Group to meet in full its obligations as they fall due for a period of twelve months from the date the consolidated financial statements are approved for issuance by the Directors. In April and June 2019, the Group obtained loans from FDG in an aggregate amount of approximately HK$41,000,000 to finance its operations. FDG also agreed not to demand repayment of the loans of an aggregate amount of HK$141,000,000 in the next twelve months from the date the consolidated financial statements being approved by the Directors. FDG will have available fund of not less than HK$55,000,000 for the Group to repay part of unsecured other borrowing from a creditor due on 30 September 2019;

1. GENERAL (CONTINUED)

(iii) The Group has initiated the plan to dispose of its entire equity interest in an associate, ALEEES (GuiZhou) Co., Ltd. ("ALEEES GuiZhou") in November 2018 to one of the associate existing shareholders, to discharge the Group's obligation for the unpaid investment cost in the associate of approximately HK$148,640,000 (the "Discharge"), and all shareholders of ALEEES GuiZhou preliminary agreed to the Discharge. The draft agreement is currently under review of the shareholders and the Discharge is expected to be completed on or before 31 March 2020;

(iv) The Group has been actively looking for potential buyers for buying all or part of its equity interest in an associate, Advanced Lithium Electrochemistry (Cayman) Co., Ltd. ("ALEEES"), with carrying amount of HK$176,275,000 as at 31 March 2019; and

(v) The Group has been endeavouring to request a debtor to repay a principal amount of HK$100,000,000 (Note 21) by a monthly instalment of HK$10,000,000 from 1 July 2019 to 30 April 2020 and an interest amount of HK$6,614,000 on 30 April 2020, in accordance to a revised repayment schedule signed between the Group and the debtor on 27 June 2019.

The board of the Company (the "Board") have reviewed the Group's cash flow projections prepared by the management of the Group. The cash flow projections cover a period of not less than twelve months from 31 March 2019. The Board is of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its obligations and to meet its financial obligations as they fall due not less than twelve months from the date of approval of the consolidated financial statements. Accordingly, the Board is 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 and no written contractual agreements obtained, 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:

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

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

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

(iv) Successful disposal of its entire equity interest in an associate, ALEEES, with carrying amount of HK$176,275,000 as at 31 March 2019; and

(v) Timely repayment of the principal and interest amounts from a debtor from 1 July 2019 to 30 April 2020.

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

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

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

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 HKFRS 15 "REVENUE FROM CONTRACTS WITH CUSTOMERS"

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

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

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

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

Information about the Group's accounting policies and the performance obligations resulting from application of HKFRS 15 are disclosed in Notes 3 and 5, respectively.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

2.1 HKFRS 15 "REVENUE FROM CONTRACTS WITH CUSTOMERS" (CONTINUED)

Summary of effects arising from initial application of HKFRS 15

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

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

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

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

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

2.2 HKFRS 9 "FINANCIAL INSTRUMENTS"

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

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

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

Accounting policies resulting from application of HKFRS 9 are disclosed in Note 3.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

2.2 HKFRS 9 "FINANCIAL INSTRUMENTS" (CONTINUED)

Summary of effects arising from initial application of HKFRS 9

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

(a) Classification and measurement of financial assets

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

(b) Impairment under ECL model

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

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

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

NEW AND AMENDMENTS TO HKFRSs AND INTERPRETATION IN ISSUE BUT NOT YET EFFECTIVE

The Group has not early applied the following new and amendments to HKFRSs and interpretation that have been issued but are not yet effective:

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

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after a date to be determined
[3] Effective for annual periods beginning on or after 1 January 2021
[4] 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
[5] Effective for annual periods beginning on or after 1 January 2020

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

NEW AND AMENDMENTS TO HKFRSs AND INTERPRETATION IN ISSUE BUT NOT YET EFFECTIVE (CONTINUED)

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

HKFRS 16 "LEASES"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront payments for interests in leasehold land held for own use as investing cash flows while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be both presented as financing cash flows by the Group, while upfront prepaid lease payments will continue to be presented as investing or operating cash flows in accordance to the nature, as appropriate.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and interests in leasehold land held for own use under operating lease where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2019, the Group has non-cancellable operating lease commitments of approximately HK$210,000 as disclosed in Note 38. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

HKFRS 16 "LEASES" (CONTINUED)

In addition, the Group currently considers refundable rental deposits paid of approximately HK$31,000 as at 31 March 2019 as rights under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

Upon application of HKFRS 16, the Group would apply the requirements of HKFRS 15 to assess whether sales and leaseback transaction constitutes a sale. For a transfer that does not satisfy the requirements as a sale, the Group would account for the transfer proceeds as financial liabilities within the scope of HKFRS 9. In accordance with the transition provisions of HKFRS 16, sale and leaseback transactions entered into before the date of initial application will not be reassessed but the new requirements may impact the Group's future sale and leaseback transactions.

The application of new requirements would result in changes in measurement, presentation and disclosure as indicated above. The Group elects the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC) – Int 4. Therefore, the Group does not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group elects the modified retrospective approach for the application of HKFRS 16 as lessee and recognises the cumulative effect of initial application to opening accumulated losses without restating comparative information.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

BUSINESS COMBINATIONS

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUSINESS COMBINATIONS (CONTINUED)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after reassessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

GOODWILL

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs") (or groups of CGUs) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU (or group of CGUs) is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGUs). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU or any of the CGU within the group of CGU, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the CGU, the amount of goodwill disposed of is measured on the basis of the relative values of the operation disposed of and the portion of the CGU retained.

The Group's policy for goodwill arising on the acquisition of associates and a joint venture is described below.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS IN ASSOCIATES AND A JOINT VENTURE

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and a joint venture are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate or joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of loss of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKFRS 9/HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS IN ASSOCIATES AND A JOINT VENTURE (CONTINUED)

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

REVENUE FROM CONTRACTS WITH CUSTOMERS (UPON APPLICATION OF HKFRS 15 IN ACCORDANCE WITH TRANSITIONS IN NOTE 2)

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Revenue from sales of goods

Revenue from the sales of cathode materials for battery production is recognised based upon goods delivered, which is the point in time when the customer has the ability to direct the use of the goods and obtain the control of the goods.

Revenue from provision of services

Revenue from provision of processing services is recognised when the customers obtains the control of services and the Group has present right to payment and the collection of the consideration is probable.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE FROM CONTRACTS WITH CUSTOMERS (UPON APPLICATION OF HKFRS 15 IN ACCORDANCE WITH TRANSITIONS IN NOTE 2) (CONTINUED)

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

REVENUE RECOGNITION (PRIOR TO 1 APRIL 2018)

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and the titles have passed.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, including buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INTANGIBLE ASSETS ACQUIRED IN A BUSINESS COMBINATION

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

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

RESEARCH AND DEVELOPMENT EXPENDITURE

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LEASES (CONTINUED)

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "interests in leasehold land held for own use under operating lease" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

SALE AND LEASEBACK RESULTING IN A FINANCE LEASE

If a sale and leaseback transaction that results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortised over the lease term. If the fair value at the time of a sale and leaseback transaction is less than the carrying amount of the asset, no adjustment is necessary unless there has been impairment in value, in which case the carrying amount is reduced to recoverable amount.

FOREIGN CURRENCIES

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the year in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FOREIGN CURRENCIES (CONTINUED)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

RETIREMENT BENEFIT COSTS

Payments to the defined contribution retirement benefit plans, including state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered services entitling them to the contributions.

TAXATION

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "loss before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

TAXATION (CONTINUED)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates and interest in a joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 April 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or fair value through other comprehensive income ("FVTOCI") as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets (continued)

Impairment of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, loan receivables, amount due from an associate, pledged bank deposits and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12 months ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for all debtors.

For all other instruments, the Group measures the loss allowance equal to 12 months ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, 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:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets (continued)

Impairment of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 2) (continued)

(i) Significant increase in credit risk (continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of the reporting period. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' in accordance with globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets (continued)

Impairment of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 2) (continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amounts, with the exception of trade receivables and loan receivables where the corresponding adjustment is recognised through a loss allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets (continued)

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 April 2018)

The Group's financial assets are classified as financial assets at FVTPL and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

(i) Financial assets at FVTPL

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets. Fair value is determined in the manner described in Note 35(C).

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, loan receivables, amount due from an associate, pledged bank deposits and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets (continued)

Impairment of financial assets (before application of HKFRS 9 on 1 April 2018)

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables and loan receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and loan receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable and loan receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets (continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

FINANCIAL LIABILITIES AND EQUITY

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities including trade and bills payables, other payables, bank and other borrowings, loan from the ultimate holding company, amount due to an associate and liability component of convertible bonds are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONVERTIBLE BONDS

The component parts of the convertible bonds issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for measuring the fair value of similar non-convertible instruments that does not have an associated equity component. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible bonds, the balance recognised in equity will be transferred to accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the term of the convertible bonds using the effective interest method.

IMPAIRMENT LOSSES ON TANGIBLE AND INTANGIBLE ASSETS OTHER THAN GOODWILL

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IMPAIRMENT LOSSES ON TANGIBLE AND INTANGIBLE ASSETS OTHER THAN GOODWILL (CONTINUED)

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal, its value in use and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of these consolidated financial statements and the reported amounts of revenues and expenses for the year presented. Changes in assumptions may have a significant impact on the consolidated financial statements in the periods where the assumptions are changed. The application of assumptions and estimates means that any selection of different assumptions would cause the Group's reporting to differ. The Group believes that the assumptions that have been made are appropriate and that the consolidated financial statements therefore present the financial position and results fairly, in all material respects. Management has discussed with the Audit Committee the development, selection and disclosure of the Group's significant accounting policies and estimates and the application of these policies.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

The key sources of estimation uncertainty are as follows:

(I) IMPAIRMENT ASSESSMENT ON GOODWILL, INTANGIBLE ASSETS AND OTHER TANGIBLE ASSETS ALLOCATED TO FDG KINETIC (CHONGQING) (AS DEFINED IN NOTE 43)

In determining whether goodwill, intangible assets, property, plant and equipment and interests in leasehold land held for own use under operating lease allocated to FDG Kinetic (Chongqing) that belonging to the battery materials production segment of the Group, which is an individual CGU of the Group, are impaired requires an estimation of recoverable amount of the CGU to which these assets have been allocated, which is based on the fair value less costs of disposal of that CGU. The fair value less costs of disposal is determined based on discounted cash flow projections of the CGU with the involvement of an independent valuer appointed by the Group. The key assumptions used for the discounted cash flow projections include the discount rate, terminal growth rate, budgeted sales, gross margin and future capital expenditure of the CGU. The discount rate applied is determined by using the Capital Assets Pricing Model and the growth rate applied is determined based on the expected long-term inflation in the People's Republic of China (the "PRC"), while other key assumptions relating to the estimation of cash inflows/outflows are determined by taking into account the financial budgets approved by the directors, past performance of the CGU and management's expectation on the market development. Further details are set out in Note 15. Where the actual cash flows are less than expected or there are changes in facts and circumstances which resulted in downward revision of future cash flows, a material impairment loss may arise.

As at 31 March 2019, the carrying amounts of goodwill, intangible assets, property, plant and equipment and interests in leasehold land held for own use under operating lease relating to FDG Kinetic (Chongqing) are approximately HK$6,755,000, HK$52,823,000, HK$240,257,000 and HK$17,204,000, respectively (2018: approximately HK$335,878,000, HK$72,012,000, HK$180,962,000 and HK$18,836,000, respectively).

(II) VALUATION OF INTEREST IN AN ASSOCIATE – ALEEES (AS DEFINED IN NOTE 18)

When there is an indication that interest in an associate may suffer an impairment loss, management assesses the recoverable amount of the associate, which is based on the higher of fair value less costs of disposal and value in use of interest in ALEEES for the impairment assessment.

The value in use of interest in ALEEES is determined based on the discounted cash flow projections of ALEEES which is prepared by the management of the Group. The key assumptions used for the discounted cash flow projections include the discount rate, terminal growth rate, budgeted sales and gross margin of ALEEES. The discount rate applied is determined by using the Capital Assets Pricing Model and the growth rate applied is determined based on the expected long-term inflation in the PRC and Taiwan, while other key assumptions relating to the estimation of cash inflows/outflows are determined by taking into account the financial budgets approved by ALEEES's directors, past performance of ALEEES and ALEEES's management's expectations on the market development.

Determining whether the interest in ALEEES is impaired requires an estimation of the value in use on the basis of data available to the Group. Where recoverable amount is less than expected, an impairment loss may arise.

As at 31 March 2019, the carrying amount of interest in ALEEES is approximately HK$176,275,000 (2018: approximately HK$274,261,000).

5. REVENUE

(I) DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS:

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

Notes:

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

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

(II) AN ANALYSIS OF THE GROUP'S REVENUE FOR THE YEAR ENDED 31 MARCH 2018 IS AS FOLLOWS:

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

5. REVENUE (CONTINUED)

(III) PERFORMANCE OBLIGATIONS FOR CONTRACTS WITH CUSTOMERS

Sales of cathode materials for battery production (revenue recognised at a point in time)

Revenue is recognised when control of the goods has transferred, being when the goods have been delivered to the customers' specific location. The normal credit term is 30 days (2018: 30 to 90 days) upon delivery.

Revenue is recognised for sales which are considered highly probable that a significant reversal in the cumulative revenue recognised will not occur. A contract liability is recognised for sales in which revenue has yet been recognised.

Provision of processing services (revenue recognised at a point in time)

Revenue from provision of processing services is recognised when the customers obtains the control of services and the Group has present right to payment and the collection of the consideration is probable.

(IV) TRANSACTION PRICE ALLOCATED TO THE REMAINING PERFORMANCE OBLIGATION FOR CONTRACTS WITH CUSTOMERS

All the revenue from contracts with customers are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

6. SEGMENT INFORMATION

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

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

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

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

6. SEGMENT INFORMATION (CONTINUED)

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

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment results represent profit or loss attributable to the segment without allocation of corporate income, central administrative costs, write-down of certain inventories and directors' remuneration. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

6. SEGMENT INFORMATION (CONTINUED)

OTHER SEGMENT INFORMATION:

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

Note: Non-current assets excluded financial instruments.

6. SEGMENT INFORMATION (CONTINUED)

(A) SEGMENT ASSETS AND LIABILITIES

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

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

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

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

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

(B) GEOGRAPHICAL INFORMATION

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

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

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

Note: Non-current assets excluded financial instruments.

6. SEGMENT INFORMATION (CONTINUED)

(C) INFORMATION ABOUT MAJOR CUSTOMERS

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

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

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

(D) REVENUE FROM MAJOR PRODUCTS AND SERVICES

The Group's revenue from its major products and services is disclosed in Note 5.

7. OTHER GAINS AND LOSSES

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

7A. IMPAIRMENT LOSS, NET OF REVERSAL ON FINANCIAL ASSETS AT AMORTISED COST

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

Note: Prior to the year ended 31 March 2018, the Group has written off loan receivable and interest receivable from a debtor of the Group (the "Debtor") of HK$7,750,000 and HK$318,000, respectively and reversal of such impairment losses is recognised during the year. Pursuant to the settlement agreement and mutual release entered into as of 18 October 2018 by FDG and the Debtor, FDG agreed to take up the loan and interest receivables and shall pay approximately US$1,312,000 (equivalent to approximately HK$10,173,000) to the Group, in which the amount constitutes the amount of the outstanding balance of the loan due from the Debtor to the Group, and shall be paid and directed to the Group via means mutually agreed to by FDG and the Group. The loan and interest receivables of approximately US$1,312,000 (equivalent to approximately HK$10,173,000) taken up by FDG, together with an advance made to FDG of HK$2,900,000 during the year, were settled by cash of HK$1,300,000 and offset against the outstanding interest and other payables of approximately HK$11,773,000 during the year. The excess amount of approximately HK$2,105,000 recovered from FDG is recognised as interest income during the year as no interest was accrued since full impairment was made in prior years.

8. FINANCE COSTS

	2019 **HK$'000**	2018 HK$'000
Interest on convertible bonds *(Note 31)*	**13,445**	84,614
Interest on finance leases	**2,006**	3,855
Interest on bank and other borrowings	**30,971**	8,086
	46,422	96,555

9. INCOME TAX CREDIT

	2019 HK$'000	2018 HK$'000
Deferred tax *(Note 32)*	**(1,920)**	(1,936)
Total income tax credit for the year	**(1,920)**	(1,936)

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

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

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

The income tax credit for the year can be reconciled to the loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2019 HK$'000	2018 HK$'000
Loss before taxation	**(630,502)**	(1,028,589)
Tax at the average income tax rates of 15.3% (2018: 16.2%)	**(96,337)**	(166,469)
Tax effect of share of results of associates and a joint venture	**26,301**	30,634
Tax effect of expenses not deductible for tax purpose	**59,544**	129,388
Tax effect of income not taxable for tax purpose	**(5,489)**	(679)
Tax effect of unused tax losses not recognised	**14,061**	8,539
Utilisation of tax losses previously not recognised	**–**	(3,349)
Income tax credit	**(1,920)**	(1,936)

10. LOSS FOR THE YEAR

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

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

11. DIRECTORS' EMOLUMENTS

Directors' remuneration disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, is as follows:

For the year ended 31 March 2019

Name of directors	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses and carried interest HK$'000 *(Note (a))*	Retirement benefit schemes contributions HK$'000	Sub-total HK$'000	Share-based payments HK$'000	Total HK$'000
Executive directors							
Cao Zhong	3,000	–	–	18	3,018	–	3,018
Miao Zhenguo *(Chief Executive Officer)*	2,150	–	–	18	2,168	–	2,168
Jaime Che	1,870	–	–	18	1,888	–	1,888
Sun Ziqiang *(Note (b))*	1,355	–	–	12	1,367	–	1,367
	8,375	–	–	66	8,441	–	8,441
Non-executive director							
Chen Yanping *(Note (c))*	750	–	–	–	750	–	750
	750	–	–	–	750	–	750
Independent non-executive directors							
Hung Chi Yuen Andrew	400	–	–	–	400	–	400
Sit Fung Shuen Victor	400	–	–	–	400	–	400
Toh Hock Ghim	400	–	–	–	400	–	400
	1,200	–	–	–	1,200	–	1,200
	10,325	–	–	66	10,391	–	10,391

11. DIRECTORS' EMOLUMENTS (CONTINUED)

For the year ended 31 March 2018

Name of directors	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses and carried interest HK$'000 *(Note (a))*	Retirement benefit schemes contributions HK$'000	Sub-total HK$'000	Share-based payments HK$'000	Total HK$'000
Executive directors							
Cao Zhong	3,000	–	–	18	3,018	–	3,018
Sun Ziqiang	2,400	–	–	18	2,418	–	2,418
Miao Zhenguo *(Chief Executive Officer)*	1,800	–	–	18	1,818	–	1,818
Jaime Che	1,800	–	–	18	1,818	–	1,818
	9,000	–	–	72	9,072	–	9,072
Non-executive directors							
Chen Yanping	1,800	–	–	–	1,800	–	1,800
Chen Guohua	267	–	–	–	267	–	267
	2,067	–	–	–	2,067	–	2,067
Independent non-executive directors							
Hung Chi Yuen Andrew	400	–	–	–	400	–	400
Sit Fung Shuen Victor	400	–	–	–	400	–	400
Toh Hock Ghim	400	–	–	–	400	–	400
	1,200	–	–	–	1,200	–	1,200
	12,267	–	–	72	12,339	–	12,339

Notes:

(a) The amounts represented the actual discretionary bonus in respect the preceding year approved and paid to respective directors during the year.

(b) The director resigned on 30 November 2018.

(c) The director retired on 31 August 2018.

11. DIRECTORS' EMOLUMENTS (CONTINUED)

Mr. Miao Zhenguo is the Chief Executive Officer of the Company and his emoluments disclosed above include those for services rendered by him as Chief Executive Officer.

The executive director's emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

The non-executive director's emoluments shown above were mainly for their services as the Directors or its subsidiaries.

The independent non-executive director's emoluments shown above were mainly for their services as the Directors.

12. FIVE HIGHEST PAID EMPLOYEES

During the year ended 31 March 2019 and the year ended 31 March 2018, the five highest paid employees in the Group were the Directors, which four were the executive directors and one was the non-executive director of the Company, details of whose emoluments are disclosed in Note 11.

13. LOSS PER SHARE

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

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

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

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

14. GOODWILL

	Allocated to battery materials production HK$'000
COST	
At 1 April 2017	441,216
Exchange realignment	47,631
At 31 March 2018	488,847
Exchange realignment	(32,198)
At 31 March 2019	456,649
ACCUMULATED IMPAIRMENT	
At 1 April 2017	–
Provided for the year	152,969
At 31 March 2018	152,969
Provided for the year	307,000
Exchange realignment	(10,075)
At 31 March 2019	449,894
CARRYING VALUES	
At 31 March 2019	6,755
At 31 March 2018	335,878

Particulars regarding impairment testing on goodwill are disclosed in Note 15.

15. IMPAIRMENT TESTING ON GOODWILL, INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT AND INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASE

For the purposes of impairment testing, goodwill set out in Note 14, intangible assets set out in Note 16 and property, plant and equipment and interests in leasehold land held for own use under operating lease set out in Note 17 have been allocated to FDG Kinetic (Chongqing) (as defined in Note 43) that belonging to the battery materials production segment of the Group, which is an individual CGU.

Management of the Group determines that the goodwill of this CGU is impaired by approximately HK$449,894,000 (2018: approximately HK$152,969,000) and no impairment for the intangible assets, property, plant and equipment and leasehold land held for own use under operating lease is recognised as at 31 March 2019.

15. IMPAIRMENT TESTING ON GOODWILL, INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT AND INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASE (CONTINUED)

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

The basis of the recoverable amount of the above CGU and the major underlying assumptions are summarised below:

The recoverable amount of this CGU of approximately HK$168,148,000 is determined based on its fair value less costs of disposal. The fair value less costs of disposal of this CGU is assessed by the management of the Group based on a discounted cash flows method under the income approach performed by an independent valuer appointed by the Group. The calculation uses cash flow projections based on the financial budgets approved by the Directors, and discount rate of 23% (2018: 23%) that is determined by an independent valuer using the Capital Assets Pricing Model, which is within level 3 fair value hierarchy. The cash flow projections include future capital expenditure on the CGU to increase the production capacity which are expected to result in a substantial increase in the net cash inflows derived from this CGU. The cash flows beyond the five-year period are extrapolated using a terminal growth rate of 3% (2018: 3%) per annum. This growth rate is determined based on the expected long-term inflation in the PRC. Other key assumptions relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin generated from the CGU, such estimation is determined based on the past performance of the CGU and management's expectations on the market development.

As at 31 March 2019, the carrying amounts of goodwill, intangible assets, property, plant and equipment and interest in leasehold land are approximately HK$6,755,000, HK$52,823,000, HK$240,257,000 and HK$17,204,000 (2018: approximately HK$335,878,000, HK$72,012,000, HK$180,962,000 and HK$18,836,000), respectively.

16. INTANGIBLE ASSETS

	Technical know-hows HK$'000
COST	
At 1 April 2017	98,726
Exchange realignment	10,658
At 31 March 2018	109,384
Exchange realignment	(7,204)
At 31 March 2019	**102,180**
ACCUMULATED AMORTISATION	
At 1 April 2017	19,773
Charge for the year	14,604
Exchange realignment	2,995
At 31 March 2018	37,372
Charge for the year	14,482
Exchange realignment	(2,497)
At 31 March 2019	**49,357**
NET BOOK VALUE	
At 31 March 2019	**52,823**
At 31 March 2018	72,012

The above intangible assets are amortised on a straight-line basis over the expected useful lives of 7 years. They are tested for impairment whenever there is an indication that they may have suffered an impairment loss. Particulars regarding impairment testing on intangible assets are disclosed in Note 15.

17. PROPERTY, PLANT AND EQUIPMENT AND INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASE

	Buildings HK$'000	Furniture, fixture and equipment HK$'000	Plant and machinery HK$'000	Sub-total HK$'000	Interests in leasehold land held for own use under operating lease HK$'000	Total HK$'000
COST						
At 1 April 2017	106,641	3,287	94,776	204,704	17,914	222,618
Additions	–	293	249	542	–	542
Disposals	(801)	(17)	(24)	(842)	–	(842)
Exchange realignment	11,465	362	10,245	22,072	1,934	24,006
At 31 March 2018	117,305	3,925	105,246	226,476	19,848	246,324
Additions	–	812	94,308	95,120	–	95,120
Exchange realignment	(7,726)	(255)	(7,165)	(15,146)	(1,307)	(16,453)
At 31 March 2019	**109,579**	**4,482**	**192,389**	**306,450**	**18,541**	**324,991**
ACCUMULATED DEPRECIATION						
At 1 April 2017	7,660	1,101	15,207	23,968	536	24,504
Provided for the year	5,655	785	11,581	18,021	395	18,416
Eliminated on disposals	(139)	(12)	(6)	(157)	–	(157)
Exchange realignment	1,152	161	2,323	3,636	81	3,717
At 31 March 2018	14,328	2,035	29,105	45,468	1,012	46,480
Provided for the year	5,573	710	17,464	23,747	388	24,135
Exchange realignment	(959)	(132)	(1,960)	(3,051)	(63)	(3,114)
At 31 March 2019	**18,942**	**2,613**	**44,609**	**66,164**	**1,337**	**67,501**
NET BOOK VALUE						
At 31 March 2019	**90,637**	**1,869**	**147,780**	**240,286**	**17,204**	**257,490**
At 31 March 2018	102,977	1,890	76,141	181,008	18,836	199,844

The Group leases its leasehold land held for own use under operating lease arrangements. The lease is negotiated for terms of 50 years. Land and buildings with total amount of approximately HK$107,841,000 (2018: approximately HK$121,813,000) and plant and machinery with total amount of approximately HK$60,987,000 (2018: approximately HK$66,772,000) were pledged as securities for the Group's bank borrowings and other borrowings respectively (Note 25).

As at 31 March 2019, the carrying amount of plant and machinery of the Group included an amount of approximately HK$57,989,000 (2018: approximately HK$74,608,000) in respect of assets held under finance leases (Note 30).

The above items of property, plant and equipment and interests in leasehold land held for own use under operating lease, are depreciated/amortised on straight-line basis at the following rates per annum:

Buildings	18 years
Furniture, fixture and equipment	3–10 years
Plant and machinery	7 years
Interests in leasehold land held for own use under operating lease	47 years

18. INTERESTS IN ASSOCIATES AND AMOUNT DUE FROM/TO AN ASSOCIATE

	2019 HK$'000	2018 HK$'000
(i) Interests in associates		
Cost of investment in associates		
Listed in Taiwan	**393,066**	393,066
Unlisted	**909,120**	909,120
Share of post-acquisition losses and other comprehensive expenses	**(428,182)**	(244,882)
Less: Impairment loss *(Note (i))*	**(549,104)**	(533,184)
	324,900	524,120
(ii) Amount due from an associate *(Note (ii))*		
Advance	**94,179**	69,699
Less: Impairment allowance	**(13,200)**	–
	80,979	69,699
(iii) Amount due to an associate *(Note (iii))*	**148,640**	159,120

Details of the Group's associates at the end of the reporting period are as follows:

Name of associate	Country of incorporation/ establishment	Principal place of business	Registered capital	Proportion of ownership held by the Group		Proportion of voting rights held by the Group		Principal activities
				2019	2018	**2019**	2018	
Advanced Lithium Electrochemistry (Cayman) Co., Ltd. ("ALEEES")	Cayman Islands	Taiwan	New Taiwan Dollar ("NT$") 2,105,736,540	**21.85%**	21.85%	**21.85%**	21.85%	Investment holding and its subsidiaries are engaged in research and development, production and marketing and sales of cathode materials for lithium ferrous phosphate batteries
Synergy Dragon Limited ("SDL")	BVI	The PRC	US$100	**25%**	25%	**25%**	25%	Investment holding and its subsidiaries are engaged in research and development, production and sales of batteries and related products
ALEEES (GuiZhou) Co., Ltd. ("ALEEES GuiZhou")* 立凱電能科技(貴州)有限公司	The PRC	The PRC	RMB250,000,000	**51% *(Note (iv))***	51% *(Note (iv))*	**40%**	40%	Research and development, sales and manufacturing of new energy battery materials

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

18. INTERESTS IN ASSOCIATES AND AMOUNT DUE FROM/TO AN ASSOCIATE (CONTINUED)

Notes:

(i) For the interest in ALEEES, its recoverable amount, which was based on its market value less cost of disposal of approximately HK$176,275,000 (2018: approximately HK$274,261,000) at the end of the reporting period. As the recoverable amount is lower than its carrying amount, an impairment loss of approximately HK$15,920,000 (2018: approximately HK$61,000,000) was recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2019. The market value less cost of disposal is categorised as Level 1 of fair value hierarchy.

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

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

(ii) As at 31 March 2019, the balance represented three unsecured loans to an associate with total principal sum of approximately HK$91,645,000 (2018: two unsecured loans with total principal sum of approximately HK$66,934,000), which bear interest at 6% per annum and with maturity within one year. During the year, the loans were due and have been extended for one year.

Details of impairment assessment of amount due from an associate for the year ended 31 March 2019 are set out in Note 35(B).

(iii) As at 31 March 2019, the balance represented the unpaid investment cost in ALEEES GuiZhou, which is interest-free and with maturity within one year. Pursuant to a board resolution of ALEEES GuiZhou passed on 19 November 2018, the Group agreed to dispose of the entire interest in ALEEES GuiZhou to one of its existing shareholders. Up to the date of this report, the disposal transaction has not been completed as the terms of the disposal are still under negotiation among the parties.

(iv) The entity is accounted for as an associate at the end of the reporting period as in accordance with the memorandum and articles of the entity, relevant activities of the entity requires consent with simple majority in the board of directors of ALEEES GuiZhou. The Group is able to appoint two out of five directors in the board of the entity, thus, the Group is only able to exercise significant influence in the entity.

Interests in associates are accounted for using the equity method in the consolidated financial statements.

18. INTERESTS IN ASSOCIATES AND AMOUNT DUE FROM/TO AN ASSOCIATE (CONTINUED)

Summarised financial information of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

	2019		2018	
	ALEEES	**SDL**	ALEEES	SDL
	HK$'000	**HK$'000**	HK$'000	HK$'000
Current assets	**134,197**	**508,864**	167,312	551,835
Non-current assets	**645,707**	**566,492**	908,215	2,075,859
Current liabilities	**(130,604)**	**(1,026,497)**	(35,828)	(907,449)
Non-current liabilities	**(48,797)**	**(130,287)**	(63,515)	(139,473)

	2019		2018	
	ALEEES	**SDL**	ALEEES	SDL
	HK$'000	**HK$'000**	HK$'000	HK$'000
Revenue	**44,440**	**133,034**	153,106	146,176
Loss for the year	**(377,463)**	**(410,318)**	(227,227)	(557,950)
Other comprehensive income/ (expense) for the year	**1,785**	**(34,177)**	71,446	250,526
Total comprehensive expense for the year	**(375,678)**	**(444,495)**	(155,781)	(307,424)
Dividends received from the associates during the year	**–**	**–**	–	–

18. INTERESTS IN ASSOCIATES AND AMOUNT DUE FROM/TO AN ASSOCIATE (CONTINUED)

Reconciliation of the above summarised financial information to the carrying amount of the interests in associates recognised in the consolidated financial statements:

	2019		2018	
	ALEEES	**SDL**	ALEEES	SDL
	HK$'000	**HK$'000**	HK$'000	HK$'000
Net assets/(liabilities) of associates	**600,503**	**(81,428)**	976,184	1,580,772
Less: share of associates held by non-controlling interests	**(1)**	**–**	(3)	–
	600,502	**(81,428)**	976,181	1,580,772
Proportion of the Group's ownership interests in associates	**21.85%**	**25%**	21.85%	25%
Net assets of interests in associates attributable to the Group	**131,181**	**–**	213,247	395,193
Goodwill	**122,014**	**–**	122,014	167,758
Impairment	**(76,920)**	**–**	(61,000)	(472,184)
Carrying amounts of the Group's interests in associates	**176,275**	**–**	274,261	90,767

The unrecognised share of loss of an associate is as follows:

	2019	2018
	HK$'000	HK$'000
The unrecognised share of loss of an associate for the year	**(20,357)**	–
Cumulative unrecognised share of loss of an associate	**(20,357)**	–

INFORMATION OF AN ASSOCIATE THAT IS NOT MATERIAL

	2019	2018
	HK$'000	HK$'000
The Group's share of loss and total comprehensive expense	**(10,467)**	(28)
Carrying amount of the Group's interest in the associate	**148,625**	159,092

19. INTEREST IN A JOINT VENTURE

	2019 HK$'000	2018 HK$'000
Cost of unlisted investment in a joint venture	**95,341**	95,341
Share of post-acquisition profits and other comprehensive income, net of dividends received	**11,223**	17,250
	106,564	112,591

Details of the Group's joint venture at the end of the reporting period are as follows:

Name of joint venture	Country of establishment	Principal place of business	Issued and paid up capital	Proportion of ownership held by the Group 2019	Proportion of ownership held by the Group 2018	Proportion of voting rights held by the Group 2019	Proportion of voting rights held by the Group 2018	Principal activity
Hua Neng Shou Guang Wind Power Generation Limited ("Hua Neng")* 華能壽光風力發電有限公司	The PRC	The PRC	RMB186,730,000	**45%**	45%	**45%**	45%	Investment, construction and operation of wind power electricity facility, development, generation and sale of wind power electricity; provision of consultancy and related services in respect of electricity projects

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

Summarised financial information of the Group's joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

	Hua Neng 2019 HK$'000	2018 HK$'000
Current assets	**79,759**	46,561
Non-current assets	**355,336**	405,676
Current liabilities	**(198,287)**	(202,035)
Non-current liabilities	**–**	–

19. INTEREST IN A JOINT VENTURE (CONTINUED)

	Hua Neng	
	2019	2018
	HK$'000	HK$'000
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**43,559**	21,601
Current financial liabilities (excluding trade and other payables and provisions)	**(197,760)**	(200,525)
Non-current financial liabilities (excluding trade and other payables and provisions)	**–**	–

	Hua Neng	
	2019	2018
	HK$'000	HK$'000
Revenue	**50,257**	44,684
Profit for the year	**11,696**	8,574
Other comprehensive (expense)/income for the year	**(25,089)**	24,083
Total comprehensive (expense)/income for the year	**(13,393)**	32,657
Dividends received from the joint venture during the year	**331**	366
The above profit for the year include the following:		
Depreciation and amortisation	**28,729**	28,976
Interest income	**319**	249
Interest expense	**–**	–
Income tax expense	**(3,912)**	(2,960)

19. INTEREST IN A JOINT VENTURE (CONTINUED)

Reconciliation of the above summarised financial information to the carrying amount of the interest in a joint venture recognised in the consolidated financial statements:

	Hua Neng	
	2019	2018
	HK$'000	HK$'000
Net assets of a joint venture	**236,808**	250,202
Proportion of the Group's ownership interest in a joint venture	**45%**	45%
Carrying amount of the Group's interest in a joint venture	**106,564**	112,591

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019	2018
	HK$'000	HK$'000
Financial assets mandatorily measured at FVTPL:		
Listed equity securities in Hong Kong	**231**	15,495
Unlisted funds	**6,207**	7,005
	6,438	22,500

All listed and unlisted securities classified as financial assets at FVTPL are issued by corporate entities.

21. LOAN RECEIVABLES

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

21. LOAN RECEIVABLES (CONTINUED)

Included in the Group's loan receivables balances are debtors with aggregate carrying amount of approximately HK$55,978,000 (2018: approximately HK$59,925,000) which are past due over one year before the extension of the Contract Year (as defined in Note below) for which the Group has not provided for impairment loss. A deposit of approximately HK$65,285,000 (2018: approximately HK$69,888,000) has been received by the Group as the settlement received in advance for such loan receivables. Details are set out in the Note below.

Note: Included in net fixed-rate loan receivables are two debtors with carrying amounts of approximately HK$69,156,000 and HK$55,978,000 (2018: HK$100,000,000 and approximately HK$59,925,000) respectively. The principal amounts of the loan receivables are HK$100,000,000 and RMB50,000,000 (equivalent to approximately HK$58,290,000), which are secured by equity securities listed in Hong Kong and a mining right of an iron ore mine in the PRC, respectively.

For the loan secured by a mining right of an iron ore mine in the PRC (the "Loan"), on 17 December 2015, the Group appointed CITIC International Assets Management Limited ("CIAM") as its exclusive agent in collecting and handling the Loan and its outstanding accrued interest for twenty four calendar months from 17 December 2015 (the "Contract Year"). CIAM should pay deposits by instalments of RMB56,000,000 in total (equivalent to approximately HK$63,078,000) to the Group by 31 May 2016. CIAM undertook to collect RMB56,000,000 (the "Agreed Amount") for the Group and should the amount collected exceed the Agreed Amount, the excess will be paid to CIAM as agency fee. The Group also has the right to exercise a put option to sell the Loan to CIAM at the consideration of the Agreed Amount less any amount recovered from the Loan during the Contract Year and the Group is able to use deposits received from CIAM to offset the loan. On 15 December 2017, the Contract Year has been extended for another six calendar months to 17 June 2018. On 15 June 2018, the Contract Year has been extended for another three calendar months to 17 September 2018. On 14 September 2018, the Contract Year has been extended for another three calendar months to 17 December 2018. On 14 December 2018, the Contract Year has been extended for another one calendar month to 17 January 2019 and no further extension of the Contract Year since then. In the opinion of the Directors, the fair value of the put option is insignificant as the collateral is worth more than the exercise price of the put option. As at 31 March 2019, the Group had received deposits of approximately HK$65,285,000 (2018: approximately HK$69,888,000) from CIAM and included in the Group's accruals and other payables (Note 27). Subsequent to 31 March 2019, the Group entered a sale and purchase agreement with CIAM pursuant to the disposal of the subsidiary which hold such Loan to CIAM. As at the date of issuance of these consolidated financial statements, the transaction was not yet been completed.

At 31 March 2019, the Group's loan receivables are carried at fixed interest rates ranging from 6% to 28.5% per annum (2018: from 6% to 28.5% per annum).

Before granting any new loans, the Directors will assess the potential borrower's credit quality and define credit limits of the borrower. The Directors will continuously assess the recoverability of loan receivables.

The Group has concentration of credit risk in the above loans as two borrowers (2018: two) accounted for approximately 100% (2018: approximately 100%) of total fixed-rate loan receivables as at 31 March 2019. In order to minimise the credit risk, management of the Group has monitored the repayment ability of the borrowers continuously.

21. LOAN RECEIVABLES (CONTINUED)

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

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

Movement in the specific allowance for impairment of fixed rate loan receivables for the year ended 31 March 2018 is as follows:

	HK$'000
At 1 April 2017 and 31 March 2018	7,750

Details of impairment assessment of loan receivables for the year ended 31 March 2019 are set out in Note 35(B).

22. INVENTORIES

	2019 HK$'000	2018 HK$'000
Raw materials	**19,657**	17,409
Work in progress	**–**	536
Finished goods	**15,828**	27,083
	35,485	45,028

23. TRADE AND OTHER RECEIVABLES

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

As at 31 March 2019 and 1 April 2018, trade receivables from contracts with customers amounted to approximately HK$16,873,000 and HK$69,654,000 respectively.

At 31 March 2018, included in the receivables were discounted trade receivables with recourse of approximately HK$54,012,000 (2019: Nil). Their corresponding financial liabilities were included in other borrowings disclosed in Note 25.

The following was the Group's trade receivables as at 31 March 2018 that were transferred to an independent third party by discounting trade receivables on a full recourse basis. If the trade receivables were not paid on maturity, the independent third party had the rights to request the Group to pay the unsettled balances. As the Group had not transferred the significant risks and rewards relating to the trade receivables, it continued to recognise the full carrying amount of the trade receivables and had recognised the cash received on the transfer as secured other borrowings (Note 25). The trade receivables were carried at amortised cost in the Group's consolidated statement of financial position.

	2018 HK$'000
Carrying amount of transferred assets	54,012
Carrying amount of associated liabilities	37,440

All of the interest receivables, other receivables, deposits and prepayments classified as current assets are expected to be repaid or amortised to profit or loss within one year.

23. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

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

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

As at 31 March 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK$9,394,000 which are past due at the end of the reporting period. Out of the past due balances, approximately HK$7,277,000 has been past due for 90 days or more and is not considered as in default as the Group considered such balances could be recovered based on repayment history, the financial conditions and the current credit worthiness of each customer. The Group does not hold any collateral over these balances.

Details of impairment assessment of trade receivables for the year ended 31 March 2019 are set out in Note 35(B).

As at 31 March 2018, included in the Group's trade receivables were debtors with aggregate carrying amount of approximately HK$55,175,000 which were past due at the end of the reporting period for which the Group had not provided for impairment loss. The Group did not hold any collateral over these balances.

Aging of trade receivables which were past due but not impaired was as follows:

	2018 HK$'000
Over three months	55,175

MOVEMENT IN THE SPECIFIC ALLOWANCE FOR IMPAIRMENT OF TRADE RECEIVABLES

	2018 HK$'000
At 1 April 2017	3,566
Allowance made during the year	7,553
Amounts recovered during the year	(607)
Exchange realignment	795
At 31 March 2018	11,307

24. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2019 **HK$'000**	2018 HK$'000
Deposits placed with other financial institutions	**319**	37
Bank balances and cash	**6,268**	85,439
	6,587	85,476
Less: Pledged bank deposits	**–**	(11,375)
	6,587	74,101

The bank balances carry interest at rates ranged from 0.00% to 0.39% (2018: 0.01% to 0.35%) per annum.

As at 31 March 2018, the pledged bank deposits represented deposits pledged to a bank to secure bills payables as set out in Note 26. The pledged bank deposits carried fixed interest rate of 2% per annum. The pledged bank deposits were released upon the settlement of relevant bills payables and were therefore classified as current assets.

Details of impairment assessment of bank balances for the year ended 31 March 2019 are set out in Note 35(B).

25. BANK AND OTHER BORROWINGS

	2019 **HK$'000**	2018 HK$'000
Secured bank borrowing *(Note i)*		
– Within one year	**43,031**	49,856
Secured other borrowings *(Note ii)*		
– Within one year	**47,757**	35,104
– After one year but within two years	**–**	37,346
– After two years but within five years	**–**	13,761
Unsecured other borrowing *(Note iii)*		
– Within one year	**129,145**	–
	219,933	136,067
Less: Amount due within one year shown under current liabilities	**(219,933)**	(84,960)
Amount due after one year	**–**	51,107

Notes:

(i) At 31 March 2019, the bank borrowing of the Group of approximately RMB36,911,000 (equivalent to approximately HK$43,031,000) (2018: approximately RMB39,949,000 (equivalent to approximately HK$49,856,000)) was secured by pledged over land and buildings with carrying amount of approximately HK$107,841,000 (2018: approximately HK$121,813,000) as set out in Note 17.

25. BANK AND OTHER BORROWINGS (CONTINUED)

(ii) The amount was guaranteed by an indirect wholly-owned subsidiary of an associate. As at 31 March 2019, the amount was secured by pledged over plant and machinery with carrying amount of approximately HK$60,987,000 as set out in Note 17. As at 31 March 2018, certain other borrowings were secured by pledged over plant and machinery with carrying amount of approximately HK$66,772,000 as set out in Note 17 and certain other borrowings were secured by trade receivables of HK$54,012,000 as set out in Note 23. During the year, the Group failed to repay the principal and interest payments of these other borrowings. As such, an aggregate principal amount of approximately HK$16,935,000, which had original contractual repayment date beyond 31 March 2020, is reclassified as current liabilities as at the end of the reporting period. The management of the Group is in the process of extending the repayment date of these other borrowings with the creditor.

(iii) As at 31 March 2019, HK$100,000,000 of this borrowing was guaranteed by FDG while the remaining balance of approximately HK$29,145,000 was guaranteed by an indirect wholly-owned subsidiary of an associate. During the year, the Group failed to repay the principal and interest payments of these other borrowings. The management of the Group is in the process of extending the repayment date of these other borrowings with the creditors.

The Group's bank borrowing is carried at variable interest rate at prevailing lending rate quoted by the People's Bank of China ("PBOC"). The Group's other borrowings carried at fixed interest rates.

The effective interest rates of bank and other borrowings are ranging from 6.04% to 6.45% (2018: 5.35% to 5.42%) per annum.

26. TRADE AND BILLS PAYABLES

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

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

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

The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

The carrying amounts of trade and bills payables approximate their fair values. All bills payables were secured by pledged bank deposits as at 31 March 2018 (2019: Nil) as set out in Note 24.

27. ACCRUALS AND OTHER PAYABLES

	2019 HK$'000	2018 HK$'000
Deposits received *(Note 21)*	**65,285**	69,888
Amount due to a fellow subsidiary *(Note 41(B))*	**–**	17,300
Receipt in advance	**–**	8,705
Interest payable	**15,579**	1,630
Other accruals and payables *(Note)*	**46,434**	29,766
	127,298	127,289

Note: Other accruals and payables mainly comprise a non-refundable deposit received from a third party.

28. CONTRACT LIABILITIES

	31 March 2019 HK$'000	1 April 2018* HK$'000
Sales of cathode materials for battery production	**–**	8,705
Current	**–**	8,705
Non-current	**–**	–
	–	8,705

* The amounts in this column are after the adjustments from the application of HKFRS 15.

Revenue of approximately HK$8,705,000 has been recognised in current year that was included in the contract liabilities balance at the beginning of the year.

29. LOAN FROM THE ULTIMATE HOLDING COMPANY

The amount is unsecured, interest-free and repayable in September 2019.

30. OBLIGATIONS UNDER FINANCE LEASES

During the year ended 31 March 2018, the Group has entered into a sale and leaseback transaction with an independent third party by way of sale and leasing back of certain plant and machinery. In accordance with the lease agreement, the term of the lease is three years which carries at a fixed interest rate of 6% per annum, guaranteed by an indirect wholly-owned subsidiary of an associate and secured by the lessor's charge over the leased plant and machinery (Note 17). The ownership of those plant and machinery will be transferred back to the Group upon the end of the lease term. Such transaction is considered as sale and leaseback arrangement resulting in a finance lease.

	2019 **HK$'000**	2018 HK$'000
Presented by:		
Current liabilities	**41,255**	33,389
Non-current liabilities	**–**	12,588
	41,255	45,977

	Minimum lease payments		**Present value of minimum lease payments**	
	2019 **HK$'000**	2018 HK$'000	**2019** **HK$'000**	2018 HK$'000
Amounts payable under finance leases:				
Within one year	**43,067**	35,698	**41,255**	33,389
More than one year, but not exceeding two years	**–**	12,982	**–**	12,588
	43,067	48,680	**41,255**	45,977
Less: Future finance charges	**(1,812)**	(2,703)	**–**	–
Present value of lease obligations	**41,255**	45,977	**41,255**	45,977
Less: Amount due for settlement within one year and shown under current liabilities			**(41,255)**	(33,389)
Amount due for settlement after one year and shown under non-current liabilities			**–**	12,588

As at 31 March 2019, the Group failed to repay the principal and interest payments of approximately HK$41,255,000 of these finance leases. The management of the Group is in the process of negotiating a new borrowing with the creditor of these finance leases in order to repay the overdue amounts to this creditor.

31. CONVERTIBLE BONDS

On 4 August 2015, the Company issued convertible bonds with an aggregate principal amount of HK$750,000,000 (the "Convertible Bonds") to a subsidiary of FDG for the acquisition of 25% equity interest in SDL that was completed on 4 August 2015. The Convertible Bonds are interest bearing at 8% per annum, with a maturity date on the third anniversary on the date of their issue (i.e. 4 August 2018) and entitle the holder to convert them, in whole or in part, into ordinary shares of the Company at an initial conversion price of HK$1.70 per share (subject to adjustments) at any time on or after the issue date of the Convertible Bonds up to the maturity date.

At initial recognition, the fair value of the Convertible Bonds was approximately HK$2,443,113,000. The liability component of the Convertible Bonds was measured as the present value of the future interest and principal payments, discounted at the market rate for equivalent non-convertible bonds that do not have a conversion option. The equity component was the residual amount after deducting the fair value of the liability component from the fair value of the Convertible Bonds at initial recognition. The effective interest rate of the liability component of the Convertible Bonds is 18.89% per annum. The valuation of the Convertible Bonds at initial recognition was prepared by an independent professional qualified valuer.

On 14 September 2015, the Company effected a subdivision of its shares so that one share of HK$1.00 became five shares of HK$0.20 each. The number of conversion shares that would arise from the conversion was, in accordance with the terms and conditions of the Convertible Bonds, quintupled. The original conversion price was adjusted from HK$1.70 to HK$0.34 pursuant to the terms and conditions of the Convertible Bonds.

On 30 October 2017, FDG and an independent third party entered into a bond sale deed, pursuant to which FDG agreed to sell and the independent third party agreed to purchase the Convertible Bonds in the principal amount of HK$110,000,000 held by FDG.

The following major assumptions were used to calculate the fair value using Binomial Option Pricing model:

Grant date share price	HK$7.025
Exercise price	HK$1.70
Expected volatility	52.39%
Expected dividend yield	0%
Risk free interest rate	0.7%
Credit risk premium	11.59%

31. CONVERTIBLE BONDS (CONTINUED)

The Convertible Bonds have been separated into the liability and equity components as follows:

	Liability component HK$'000	Equity component HK$'000	Total HK$'000
At 1 April 2017	659,510	1,868,185	2,527,695
Add: Interest charge *(Note 8)*	84,614	–	84,614
Less: Interest paid/payable	(41,371)	–	(41,371)
Less: Conversion during the year *(Note i)*	(510,192)	(1,370,002)	(1,880,194)
At 31 March 2018	192,561	498,183	690,744
Add: Interest charge *(Note 8)*	13,445	–	13,445
Less: Interest paid/payable	(6,006)	–	(6,006)
Less: Redemption during the year *(Note ii)*	(200,000)	(498,183)	(698,183)
At 31 March 2019	**–**	**–**	**–**

	Liability component	
	2019 HK$'000	2018 HK$'000
Presented by:		
Current liabilities	**–**	192,561
Non-current liabilities	**–**	–
	–	192,561

Notes:

(i) On 27 October 2017, FDG exercised the conversion rights attaching to the Convertible Bonds in the aggregate principal amount of HK$540,000,000 and an aggregate of 1,588,235,294 ordinary shares were allotted and issued at the then conversion price of HK$0.34 per share.

On 16 January 2018, the independent third party exercised the conversion rights attaching to the Convertible Bonds in the aggregate principal amount of HK$10,000,000 and an aggregate of 29,411,764 ordinary shares were allotted and issued at the then conversion price of HK$0.34 per share.

(ii) On 4 August 2018, the entire outstanding Convertible Bonds with the principal amount of HK$200,000,000 remained unexercised and was redeemed and extinguished by the Company upon expiration of the Convertible Bonds.

32. DEFERRED TAX LIABILITIES

The followings are the deferred tax liabilities recognised and movements thereon during the year:

	Fair value adjustment on business combination HK$'000
At 1 April 2017	13,409
Credited to profit or loss for the year	(1,936)
Exchange realignment	1,333
At 31 March 2018	12,806
Credited to profit or loss for the year	(1,920)
Exchange realignment	(838)
At 31 March 2019	**10,048**

At 31 March 2019, the Group had unused tax losses of approximately HK$488,067,000 (2018: approximately HK$437,307,000) available for offset against future assessable profits. No deferred tax asset was recognised due to the unpredictability of future profit streams. The Hong Kong tax losses of approximately HK$295,683,000 (2018: approximately HK$259,711,000) may be carried forward indefinitely and the remaining PRC tax losses of approximately HK$192,384,000 (2018: approximately HK$177,596,000) will expire in various dates in the next five years.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by a PRC subsidiary from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiary amounting to Nil (2018: approximately HK$32,413,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

33. CAPITAL, RESERVES AND DIVIDENDS

(A) DIVIDENDS

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

33. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(B) SHARE CAPITAL

Authorised and issued share capital

	Number of ordinary shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.20 each at 1 April 2017, 31 March 2018 and **31 March 2019**	**12,500,000,000**	**2,500,000**
Issued and fully paid:		
Ordinary shares of HK$0.20 each at 1 April 2017	5,135,646,855	1,027,129
Conversion of convertible bonds (Note)	1,617,647,058	323,530
At 31 March 2018 and **31 March 2019**	**6,753,293,913**	**1,350,659**

Note: On 27 October 2017 and 16 January 2018, Convertible Bonds with principal amounts of HK$540,000,000 and HK$10,000,000, respectively, were converted into ordinary shares of the Company at a conversion price of HK$0.34 per share.

The new shares rank pari passu with the existing shares in all respects.

(C) NATURE AND PURPOSE OF RESERVES

(i) Contributed surplus

Contributed surplus represents the difference between net assets of the companies acquired and the aggregate nominal value of shares issued by the Company under the scheme of arrangement in 1992.

(ii) Investment revaluation reserve

Investment revaluation reserve represents cumulative gains and losses arising on the revaluation of available-for-sale investments of an associate that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those available-for-sale investments of an associate are disposed of or are determined to be impaired.

33. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(C) NATURE AND PURPOSE OF RESERVES (CONTINUED)

(iii) Other reserve

Other reserve arose as a result of (i) repurchase of the Company's listed securities, representing the excess of the nominal value of the share repurchased over the consideration paid; (ii) goodwill reserve arising on acquisition of subsidiaries of the Company prior to 1 January 2005; and (iii) statutory surplus reserve for PRC subsidiaries.

Each PRC subsidiary is required to allocate 10% of its net profit, as determined under the Accounting Standards for Business Enterprises and other relevant requirements issued by the Ministry of Finance, to the statutory surplus reserve until the reserve balance reaches 50% on its registered capital.

(D) EMPLOYEES' SHARE AWARD SCHEME

The Company has adopted an employees' share award scheme on 10 February 2017. The objectives of the employees' share award scheme of the Company are (i) to recognise the contributions by the eligible participants and to motivate them for the continual operation and further development of the Group; (ii) to align the interests of the eligible participants with the shareholders of the Company for the benefit of the Group; and (iii) to attract and retain suitable personnel for the interest of the Group and the shareholders of the Company as a whole.

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

No shares (2018: Nil) were awarded under the employees' share award scheme of the Company during the year ended 31 March 2019.

(E) EQUITY SETTLED SHARE-BASED TRANSACTIONS

Share Option Scheme

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

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

33. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(E) EQUITY SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

Share Option Scheme (Continued)

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

Purpose

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

Participants

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

(a) any employee (whether full time or part time) of, or any individual for the time being seconded to work for, any member of the Group or any entity in which any member of the Group holds any equity interest (the "Invested Entity");

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

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

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

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

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

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

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

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

(j) any other person as determined by the Board who the Board considers, in its absolute discretion, has contributed or will contribute, by way of joint venture, business alliance, other business arrangement or otherwise, to the development and growth of any member of the Group or any Invested Entity,

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

33. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(E) EQUITY SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

Share Option Scheme (Continued)

Total number of shares available for issue

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

The total number of shares which may be issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Scheme and any other share option schemes) to be granted under the Scheme and any other share option schemes must not in aggregate exceed 10% of the shares of the Company in issue as at the date of adoption of the Scheme.

Maximum entitlement of each participant

An offer for the grant of an option to any director, chief executive or substantial shareholder of the Company, or any of their respective associates must be approved by the independent non-executive directors and FDG (excluding any independent non-executive director who or whose associate is the proposed grantee of an option). Where any grant of options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the shares issued and to be issued upon the exercise of all options already granted and to be granted under the Scheme and any other share option schemes (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(a) representing in aggregate over 0.1% of the shares in issue; and

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

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

Subject to the aforesaid, the total number of shares issued and which may fall to be issued upon the exercise of any options granted under the Scheme and any other share option schemes (including both exercised or outstanding options) to each grantee in any 12-month period must not in aggregate exceed 1% of the shares in issue for the time being. Any further grant of options to a grantee in excess of such limit must be separately approved by shareholders in general meetings of the Company and FDG with such grantee and his close associates (or his associates if the grantee is a connected person) abstaining from voting.

Option period

The period within which the shares must be taken up under an option shall be determined and notified by the Board to the grantee thereof, but such period shall end in any event not later than 10 years from the date of offer of the option subject to the provisions for early termination thereof.

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

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

33. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(E) EQUITY SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

Share Option Scheme (Continued)

Amount payable upon acceptance of option

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

Subscription price for shares

The subscription price for shares under the Scheme will be a price determined by the Board, but shall not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the offer date, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of a share.

Remaining life of the Scheme

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

34. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the returns to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt (which includes bank and other borrowings, loan from the ultimate holding company, amount due to an associate, and liability component of convertible bonds as disclosed in Note 25, Note 29, Note 18 and Note 31, respectively) and equity attributable to owners of the Company (comprising issued share capital and reserves).

The directors review the capital structure at each interim and financial year end. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as issue of new debts and redemption of existing debts.

35. FINANCIAL INSTRUMENTS

(A) CATEGORIES OF FINANCIAL INSTRUMENTS

	2019 HK$'000	2018 HK$'000
Financial assets		
Financial assets mandatorily measured at FVTPL	**6,438**	–
At FVTPL – Held-for-trading	**–**	22,500
Financial assets at amortised cost	**239,565**	–
Loans and receivables (including cash and cash equivalents)	**–**	397,702
Financial liabilities		
Amortised cost	**529,367**	573,955

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial instruments mainly include financial assets at FVTPL, loan receivables, trade and other receivables, amount due from an associate, pledged bank deposits, cash and cash equivalents, bank and other borrowings, trade and bills payables, other payables, loan from the ultimate holding company, amount due to an associate and liability component of convertible bonds. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. There has been no change to the policies on how to mitigate these risks.

Market risk

(i) Currency risk

Several subsidiaries of the Company have certain financial assets at FVTPL, bank balances and amount due to an associate that are denominated in foreign currencies. As a result, the Group is exposed to fluctuation in foreign exchange rates. Management has closely monitored foreign exchange exposure and will undertake procedures necessary to mitigate the currency risk.

The carrying amounts of the Group's major foreign currencies denominated monetary assets and liabilities at the end of the reporting period are as follows:

	Assets		**Liabilities**	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
United States dollar ("USD")	**213**	222	**–**	–
RMB	**4,089**	1,503	**148,640**	159,120

35. FINANCIAL INSTRUMENTS (CONTINUED)

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

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis

The Group's foreign currency risk is mainly concentrated on the fluctuation of USD and RMB. For the relevant group entities in which HK$ is adopted as functional currency, since HK$ is pegged to USD, the Group does not expect any significant movements in USD/HK$ exchange rate. As the overall balance of monetary assets denominated in USD is insignificant, no sensitivity analysis on the change in USD exchange rate against the respective functional currency is presented.

The management expects the movement in functional currency of the relevant group entities against the relevant foreign currencies is 5%. This percentage is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in currency exchange rates.

The following table details the Group's sensitivity to a 5% (2018: 5%) decrease in the functional currency of the relevant group entities. The following sensitivity analysis includes only outstanding monetary items denominated in foreign currencies and adjusts their translation at the year end for a 5% change in foreign currency exchange rates. A positive (negative) number below indicates a decrease (an increase) in loss for the year when the currency below strengthen 5% against the functional currency of the relevant group entities. For a 5% (2018: 5%) weakening of the currency against the functional currency of the relevant group entities, there would be an equal and opposite impact on the loss for the year.

	2019 **HK$'000**	2018 HK$'000
Impact on loss for the year in relation to:		
– RMB	**(7,228)**	(7,881)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to the amount due from an associate, loan receivables, fixed bank deposits, other borrowings, obligations under finance leases and convertible bonds, which carry fixed interest rate as set out in Notes 18, 21, 24, 25, 30 and 31, respectively.

35. FINANCIAL INSTRUMENTS (CONTINUED)

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

Market risk (Continued)

(ii) Interest rate risk (Continued)

The Group is also exposed to cash flow interest rate risk in relation to variable interest rate bank balances and bank borrowings as set out in Notes 24 and 25, respectively.

The Group currently does not have any interest rate hedging policy in relation to fair value interest rate risk and cash flow interest rate risk. The Directors monitor the Group's exposure on ongoing basis and will consider hedging the interest rate should the need arise.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of prevailing lending rate quoted by the PBOC.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for non-derivative financial instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole financial year. A 50 basis point (2018: 50 basis point) increase or decrease is used when reporting interest rate risk internally to key management personnel and represent management's assessment of the reasonably possible changes in interest rates of variable rate bank balances and variable rate bank borrowings, respectively.

If interest rates on the Group's variable rate bank balances had been 50 basis point higher or lower and all other variables were held constant, the Group's loss for the year ended 31 March 2019 would decrease or increase by approximately HK$6,000 (2018: approximately HK$248,000).

If interest rates on the Group's variable rate bank borrowings had been 50 basis point higher or lower and all other variables were held constant, the Group's loss for the year ended 31 March 2019 would increase or decrease by approximately HK$215,000 (2018: approximately HK$249,000).

(iii) Other price risk

The Group is exposed to equity price risk arising from listed equity securities and unlisted funds held by the Group. Management manages this exposure by maintaining a portfolio of investment with difference risks. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below includes listed equity securities and unlisted funds that are carried at fair values and has been determined based on the exposure to equity price risk at the end of the reporting year.

If the prices of the respective listed equity securities and unlisted funds has been 10% (2018: 10%) higher/lower, loss for the year ended 31 March 2019 would decrease/increase by approximately HK$644,000 (2018: approximately HK$2,250,000) as a result of the changes in fair value of the securities and unlisted fund.

35. FINANCIAL INSTRUMENTS (CONTINUED)

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

Credit risk and impairment assessment

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

Trade receivables arising from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customers credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2018: incurred loss model) on trade balances individually. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk on certain individual customers. At the end of the reporting period, the five largest trade receivable balances accounted for approximately 100% (2018: approximately 100%) of the trade receivables and the largest trade receivable balance was approximately 42% (2018: approximately 76%) of the Group's total trade receivables.

Other receivables

For other receivables, the Group performs impairment assessment under 12 months ECL model upon application of HKFRS 9 (2018: incurred loss model) since outstanding balance is reviewed regularly by the management of the Group and there has not been a significant increase in credit risk since initial recognition. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

Loan receivables

For loan receivables, except for those which had been determined as credit-impaired, the Group performs impairment assessment under 12 months ECL model upon application of HKFRS 9 (2018: incurred loss model) since these receivables were secured by collaterals and there has not been a significant increase in credit risk since initial recognition. The credit risk associated with loan receivables with principal amount of RMB50,000,000 is mitigated because it is secured by a mining right of an iron ore mine in the PRC (Note 21). In this regard, the Directors consider that the Group's credit risk is significantly reduced.

For the loan receivables with a principal amount of HK$100,000,000, as the counterparty failed to repay the principal and interest payments on the due date, the amount had been determined as credit-impaired and the Group performs impairment assessment under the lifetime ECL. An impairment loss of approximately HK$30,844,000 (2018: approximately HK$7,750,000) was recognised against loan receivables as at 31 March 2019.

Amount due from an associate

For the amount due from an associate, the Group performs impairment assessment under 12 months ECL model upon application of HKFRS 9 (2018: incurred loss model) since outstanding balance is reviewed regularly by the management of the Group. During the year, an impairment loss of approximately HK$13,200,000 (2018: Nil) was recognised in the consolidated statement of profit or loss and other comprehensive income.

35. FINANCIAL INSTRUMENTS (CONTINUED)

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

Credit risk and impairment assessment (Continued)

Pledged bank deposits and bank balances

The credit risk on pledged bank deposits, deposits placed with other financial institutions and bank balances is limited because the counterparties are banks and financial institutions with high credit rating assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, loan receivables and on trade receivables from certain individual customers, the Group does not have any other significant concentration of credit risk.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12 months ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL – not credit-impaired	12 months ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

2019	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount HK$'000	HK$'000
Financial assets at amortised cost					
Loan receivables	N/A	Low risk	12 months ECL	**56,339**	
		Loss	Lifetime ECL – Credit-impaired	**100,000**	**156,339**
Trade receivables	N/A	Low risk	Lifetime ECL – Not Credit – impaired	**7,134**	
		Watch list	Lifetime ECL – Not Credit – impaired	**4,991**	
		Loss	Lifetime ECL – credit-impaired	**5,618**	**17,743**
Other receivables	N/A	Low risk	12 months ECL	**70,909**	
Amount due from an associate	N/A	Watch list	12 months ECL	**94,179**	
Bank balances	Baa1 to Aal	N/A	12 months ECL	**6,579**	

35. FINANCIAL INSTRUMENTS (CONTINUED)

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

Credit risk and impairment assessment (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables.

	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at 1 April 2018 under HKFRS 9	11,307	11,307
Change due to financial instruments recognised as at 1 April:		
– Impairment losses reversed	(9,716)	(9,716)
Exchange adjustments	(721)	(721)
As at 31 March 2019	**870**	**870**

Change in the loss allowance for trade receivables is mainly due to:

	31 March 2019 Decrease in lifetime ECL Credit-impaired HK$'000
Settlement in full of trade debtors with a gross carrying amount of approximately HK$9,716,000	**(9,716)**

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

35. FINANCIAL INSTRUMENTS (CONTINUED)

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

Credit risk and impairment assessment (Continued)

The following table shows the movement in lifetime ECL that has been recognised for loan receivables.

	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at 1 April 2018 under HKFRS 9	7,750	7,750
Change due to financial instruments recognised as at 1 April:		
– Impairment losses recognised	30,844	30,844
– Impairment losses reversed	(7,750)	(7,750)
As at 31 March 2019	**30,844**	**30,844**

Changes in the loss allowance for loan receivables are mainly due to:

	31 March 2019 Increase/ (decrease) in lifetime ECL (Credit-impaired) HK$'000
A debtor with a gross carrying amount of HK$100,000,000 defaulted and determined as credit-impaired as at 31 March 2019	**30,844**
Settlement in full of a debtor with a gross carrying amount of HK$7,750,000	**(7,750)**

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank and other borrowings and ensures compliance with loan covenants. The amount of net current liabilities of the Group is approximately HK$325,589,000 as at 31 March 2019, which causes the Group in significant liquidity risk. At the end of reporting period, the Group has taken appropriate measures as set out in Note 1 to mitigate such liquidity risk.

35. FINANCIAL INSTRUMENTS (CONTINUED)

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

Liquidity risk (Continued)

The following table details the Group's remaining contractual maturity for its financial liabilities and obligations under finance leases based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities and obligations under finance leases based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. However, for those secured and unsecured other borrowings and obligations under finance leases which the Group had failed to repay the principal and interest payments during the year, the entire outstanding principal amounts are on demand for repayment immediately. Interests on those secured and unsecured other borrowings and obligations under finance leases are excluded. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

Liquidity and interest risk tables

	Weighted average effective interest rate %	On demand or less than 1 month HK$'000	1–3 months HK$'000	3 months to 1 year HK$'000	1–5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March 2019 HK$'000
As at 31 March 2019							
Trade and bills payables	–	–	538	5,051	–	5,589	5,589
Other payables	–	55,205	–	–	–	55,205	55,205
Loan from the ultimate holding company	–	–	–	100,000	–	100,000	100,000
Bank and other borrowings							
– variable rate	6.04	–	43,484	–	–	43,484	43,031
– fixed rate	14.61	178,227	–	–	–	178,227	176,902
Obligations under finance leases	6.00	41,255	–	–	–	41,255	41,255
Amount due to an associate	–	148,640	–	–	–	148,640	148,640
		423,327	44,022	105,051	–	572,400	570,622

35. FINANCIAL INSTRUMENTS (CONTINUED)

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

Liquidity risk (Continued)

Liquidity and interest risk tables (Continued)

	Weighted average effective interest rate %	On demand or less than 1 month HK$'000	1–3 months HK$'000	3 months to 1 year HK$'000	1–5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March 2018 HK$'000
As at 31 March 2018							
Trade and bills payables	–	26,243	5,472	11,374	–	43,089	43,089
Other payables	–	22,293	–	20,825	–	43,118	43,118
Bank and other borrowings							
– variable rate	6.40	–	20,493	31,002	–	51,495	49,856
– fixed rate	6.27	2,607	6,035	27,784	54,312	90,738	86,211
Obligations under finance leases	6.00	–	8,924	26,774	12,982	48,680	45,977
Liability component of convertible bonds	18.89	–	–	219,966	–	219,966	192,561
Amount due to an associate	–	–	–	159,120	–	159,120	159,120
		51,143	40,924	496,845	67,294	656,206	619,932

The amounts included above for variable interest rate instruments is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(C) FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised into Level 1, 2 and 3, as set out in Note 3, based on the degree to which the inputs to the fair value measurements are observable.

Financial assets	**Fair value as at**		**Fair value hierarchy**	**Valuation technique(s) and key input(s)**
	31 March 2019 HK$'000	31 March 2018 HK$'000		
Financial assets mandatorily measured at FVTPL				
– Listed equity securities in Hong Kong	**231**	–	Level 1	Quoted bid prices in active markets
– Unlisted funds	**6,207**	–	Level 2	Quoted prices in the over-the-counter markets
Held-for trading investments:				
– Listed equity securities in Hong Kong	**–**	15,495	Level 1	Quoted bid prices in active markets
– Unlisted funds	**–**	7,005	Level 2	Quoted prices in the over-the-counter markets

35. FINANCIAL INSTRUMENTS (CONTINUED)

(C) FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair values of financial assets and liabilities that are not measured at fair value on a recurring basis

All of the carrying amounts of the Group's financial assets and liabilities carried at amortised cost are not materially different from their fair values as at 31 March 2019 and 2018.

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows used in financing activities.

	Interest payable HK$'000	Bank and other borrowings HK$'000	Convertible bonds HK$'000	Loan from the ultimate holding company HK$'000	Obligations under finance leases HK$'000	Total HK$'000
At 1 April 2017	1,132	93,308	659,510	320,400	69,891	1,144,241
Financing cash flows	(7,675)	32,376	–	(35,799)	(33,712)	(44,810)
Foreign exchange translation	87	10,383	–	–	5,943	16,413
Interest expenses	8,086	–	84,614	–	3,855	96,555
Non-cash changes	–	–	(551,563)	(284,601)	–	(836,164)
At 31 March 2018	1,630	136,067	192,561	–	45,977	376,235
Financing cash flows	(15,706)	92,810	(106,006)	(7,700)	(2,412)	(39,014)
Foreign exchange translation	(1,316)	(8,944)	–	–	(4,316)	(14,576)
Interest expenses	30,971	–	13,445	–	2,006	46,422
Non-cash changes	–	–	(100,000)	107,700	–	7,700
At 31 March 2019	**15,579**	**219,933**	**–**	**100,000**	**41,255**	**376,767**

37. MAJOR NON-CASH TRANSACTIONS

FOR THE YEAR ENDED 31 MARCH 2019

a. On 4 August 2018, the Company redeemed the entire outstanding Convertible Bonds with the principal amount of HK$200,000,000 (Note 31), accordingly, HK$100,000,000 of such amount was settled by the loan advanced from FDG (Note 29) pursuant to a loan agreement entered into by the Company with FDG during the current year.

b. Prior to the year ended 31 March 2018, the Group has written off loan receivable and interest receivable from the Debtor of approximately HK$7,750,000 and HK$318,000, respectively and reversal of such impairment losses is recognised during the year. Pursuant to the settlement agreement and mutual release entered into as of 18 October 2018 by FDG and the Debtor, FDG agreed to take up the loan and interest receivables and shall pay approximately US$1,312,000 (equivalent to approximately HK$10,173,000) to the Group, in which the amount constitutes the amount of the outstanding balance of the loan due from the Debtor to the Group, and shall be paid and directed to the Group via means mutually agreed to by FDG and the Group. The loan and interest receivables of approximately US$1,312,000 (equivalent to approximately HK$10,173,000) taken up by FDG, together with an advance made to FDG of HK$2,900,000 during the year, were settled by cash of HK$1,300,000 and offset against the outstanding interest and other payables of approximately HK$11,773,000 during the year. The excess amount of approximately HK$2,105,000 recovered from FDG is recognised as interest income during the year as no interest was accrued since full impairment was made in prior years.

FOR THE YEAR ENDED 31 MARCH 2018

The outstanding balance of the loan from the ultimate holding company of HK$320,400,000 brought forward from prior years, together with the loans of HK$60,000,000 and approximately HK$31,253,000 made by FDG to the Company, which were in aggregate amount of approximately HK$411,653,000, were settled by a cash payment of approximately HK$67,052,000 and offset with the outstanding balance of approximately HK$344,601,000 of the investment in a secured bond issued by FDG, pursuant to a set-off agreement entered into by the Company with FDG during the year ended 31 March 2018.

38. OPERATING LEASES COMMITMENTS

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2019 **HK$'000**	2018 HK$'000
Within one year	**210**	191
In the second to fifth year inclusive	**–**	111
	210	302

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for lease terms of one year and rentals are fixed.

39. CAPITAL COMMITMENTS

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

40. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance and the Occupational Retirement Scheme (the "ORSO scheme"). The MPF scheme and the ORSO scheme are defined contribution retirement plans administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately. The Group contributes 10% of relevant income to the ORSO scheme, with a vesting scale of 0% to 100%, according to the years of service of relevant employees.

The employees employed by the PRC subsidiaries are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

The total expense recognised in profit or loss of approximately HK$2,036,000 (2018: approximately HK$1,842,000) represents contributions payable to these plans by the Group at rate specified in the rules of the schemes.

41. MAJOR RELATED PARTY TRANSACTIONS

(A) TRANSACTIONS WITH RELATED COMPANIES

The Group entered into the following transactions with related parties during the reporting period:

	Notes	**2019 HK$'000**	2018 HK$'000
Rental expenses paid to a fellow subsidiary	*(i)*	**(960)**	(960)
Consultancy fee paid to a fellow subsidiary	*(i)*	**(960)**	(960)
Expenses reimbursed to a fellow subsidiary	*(i)*	**(966)**	(960)
Interest expenses paid to a fellow subsidiary	*(ii)*	**(6,231)**	(77,764)
Interest income receivable from FDG	*(iii)*	**13**	26,924
Interest income receivable from an associate	*(iv)*	**5,526**	3,980
Sales of cathode materials to an associate		**–**	5,062

41. MAJOR RELATED PARTY TRANSACTIONS (CONTINUED)

(A) TRANSACTIONS WITH RELATED COMPANIES (CONTINUED)

Notes:

(i) The amounts represented rental expenses, consultancy fee and other expenses reimbursed to a fellow subsidiary, which is a wholly-owned subsidiary of FDG.

(ii) The amount represented interest expense paid for the convertible bonds (Note 31).

(iii) During the year, the Group has made an advance to FDG at an interest of 3% per annum and the Group received an interest of approximately HK$13,000 from FDG. FDG has fully repaid the loan to the Group before the end of the reporting period. For the year ended 31 March 2018, the amount represented interest income derived from the investment in a secured bond issued by FDG.

(iv) The amount represented interest income derived from the amount due from an associate (Note 18(ii)).

(B) BALANCES WITH RELATED COMPANIES

	2019 HK$'000	2018 HK$'000
Amount due from an associate *(Note 18)*	**80,979**	69,699
Amount due to an associate *(Note 18)*	**148,640**	159,120
Loan from the ultimate holding company *(Note 29)*	**100,000**	–
Amount due to a fellow subsidiary *(Note)*	**–**	17,300
Liability component of convertible bonds *(Note 31)*	**–**	96,574

Note: The amount represented interest payable on the convertible bonds issued to a subsidiary of FDG (Note 31) which was included in the Group's accruals and other payables (Note 27).

(C) KEY MANAGEMENT PERSONNEL COMPENSATION

The remuneration of the Directors and other members of key management during the year was as follows:

	2019 HK$'000	2018 HK$'000
Salaries	**10,325**	12,267
Other short-term employee benefits	**66**	72
	10,391	12,339

The remuneration of the Directors and key executives is determined by the Nomination and Remuneration Committee of the Company having regard to the performance of individuals and market trends.

41. MAJOR RELATED PARTY TRANSACTIONS (CONTINUED)

(D) GUARANTEE

As disclosed in Note 25, the Group's other borrowings of HK$100,000,000 and approximately HK$76,902,000 as at 31 March 2019 are guaranteed by FDG and an indirect wholly-owned subsidiary of an associate, respectively. As at 31 March 2018, the Group's other borrowings were guaranteed by an indirect wholly-owned subsidiary of an associate.

As disclosed in Note 30, the Group's obligations under finance leases as at 31 March 2019 and 31 March 2018 are guaranteed by an indirect wholly-owned subsidiary of an associate.

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	**2019 HK$'000**	2018 HK$'000
Non-current assets			
Property, plant and equipment		**29**	46
Investment in subsidiaries		**707,037**	1,261,854
Other non-current assets		**367**	367
		707,433	1,262,267
Current assets			
Other receivables		**1,062**	1,079
Amounts due from subsidiaries		**1,344**	1,927
Cash and cash equivalents		**906**	58,142
		3,312	61,148
Current liabilities			
Accruals and other payables		**10,508**	25,917
Other borrowings		**100,000**	–
Loan from the ultimate holding company		**100,000**	–
Amounts due to subsidiaries		**47,478**	41,848
Liability component of convertible bonds		**–**	192,561
		257,986	260,326
Net current liabilities		**(254,674)**	(199,178)
Total assets less current liabilities		**452,759**	1,063,089
NET ASSETS		**452,759**	1,063,089
CAPITAL AND RESERVES			
Share capital		**1,350,659**	1,350,659
Reserves	*(a)*	**(897,900)**	(287,570)
TOTAL EQUITY		**452,759**	1,063,089

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

(a) RESERVES

THE COMPANY

	Share premium HK$'000	Equity component of convertible bonds HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2017	872,801	1,868,185	2,184	(2,052,685)	690,485
Loss for the year	–	–	–	(1,164,717)	(1,164,717)
Conversion of convertible bonds	1,556,664	(1,370,002)	–	–	186,662
At 31 March 2018	2,429,465	498,183	2,184	(3,217,402)	(287,570)
Loss for the year	–	–	–	(610,330)	(610,330)
Transfer upon expiration of convertible bonds	–	(498,183)	–	498,183	–
At 31 March 2019	**2,429,465**	**–**	**2,184**	**(3,329,549)**	**(897,900)**

43. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 March 2019 and 2018 are as follows:

Name of subsidiary	Place of incorporation/ registration/ establishment	Issued and fully paid share/ registered capital	Percentage of issued share/registered capital held by the Company				Principal activities
			Directly		Indirectly		
			2019	2018	**2019**	2018	
Active Way International Limited	Hong Kong	HK$2	**–**	–	**100%**	100%	Investment holding and loan financing
Bowen Limited	Hong Kong	HK$2	**100%**	100%	**–**	–	Investment holding
Cash Level Investments Limited	BVI	US$1	**–**	–	**100%**	100%	Securities trading
Cherrylink Investments Limited	BVI	US$1	**100%**	100%	**–**	–	Investment holding
Premier Property Management Limited	Hong Kong	US$43,220,010	**–**	–	**100%**	100%	Investment holding
Profit Union Investments Limited	BVI	US$1	**–**	–	**100%**	100%	Securities trading
五龍動力(重慶)鋰電材料有限公司 (FDG Kinetic (Chongqing) Lithium Ion Battery Materials Co., Ltd.) ("FDG Kinetic (Chongqing)")	The PRC	US$43,200,000	**–**	–	**100%**	100%	Manufacturing and trading of cathode materials
事安投資諮詢(深圳)有限公司	The PRC	RMB60,000,000	**–**	–	**100%**	100%	Investment consultancy services

None of the subsidiaries had any debt securities outstanding at the end of the reporting period or at any time during the year.

43. PRINCIPAL SUBSIDIARIES (CONTINUED)

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

At the end of the reporting period, the composition of the Company's subsidiaries are as follows. The principal activities and place of incorporation and business of these subsidiaries are summarised as follows:

Principal activities	Country/ place of incorporation	Principal country/place of business	Number of subsidiaries 2019	2018
Manufacturing and trading of cathode materials	The PRC	The PRC	**1**	1
Investment holding and/or loan financing	Hong Kong	Hong Kong	**4**	4
	BVI	Hong Kong	**9**	9
Securities trading	BVI	Hong Kong	**2**	2
Investment consultancy services	The PRC	The PRC	**1**	1
Dormant/inactive	Hong Kong	Hong Kong	**7**	7
	BVI	Hong Kong	**6**	6
			30	30

44. EVENTS AFTER THE REPORTING PERIOD

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

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

GROUP FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the three financial years ended 31 March 2019, 2018 and 2017, financial period ended 31 March 2016 and financial year ended 31 December 2014, as extracted from the published audited consolidated financial statements and reclassified and restated as appropriate, is set out below:

	Year ended 31 March 2019 HK$'000	Year ended 31 March 2018 HK$'000	Year ended 31 March 2017 HK$'000	Fifteen months ended 31 March 2016 HK$'000	Year ended 31 December 2014 HK$'000
Loss attributable to owners of the Company	**(628,582)**	(1,026,653)	(206,191)	(1,970,512)	(48,635)
Total assets	**1,070,615**	1,817,457	2,804,288	2,667,799	1,304,109
Total liabilities	**(657,032)**	(721,465)	(1,355,820)	(894,603)	(16,510)
Net assets	**413,583**	1,095,992	1,448,468	1,773,196	1,287,599
Non-controlling interests	**–**	–	–	–	–
Total equity attributable to owners of the Company	**413,583**	1,095,992	1,448,468	1,773,196	1,287,599