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## FDG Electric Vehicles Limited

### 五龍電動車（集團）有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 729)

#### FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2016

The board of directors (the “Board”) of FDG Electric Vehicles Limited (the “Company”) presents the audited consolidated final results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 March 2016, together with the comparative figures for last year as follows:

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2016

	Note	2016 HK\$'000	2015 HK\$'000 (Restated)
<b>Revenue</b>	2	<b>363,384</b>	303,605
Cost of sales		<b>(219,141)</b>	(233,069)
<b>Gross profit</b>		<b>144,243</b>	70,536
Other income		<b>27,332</b>	25,616
Other gains and losses	4	<b>(35,859)</b>	(2,864)
Selling and distribution costs		<b>(36,747)</b>	(28,396)
General and administrative expenses		<b>(350,329)</b>	(232,591)
Research and development expenses		<b>(62,797)</b>	(16,728)
Finance costs	5	<b>(304,801)</b>	(125,690)
Other operating expenses	6	<b>(87,381)</b>	(74,643)
Amortisation of intangible assets		<b>(171,010)</b>	(181,511)
Share of results of associates		<b>(547)</b>	—
Share of results of joint ventures		<b>(10,771)</b>	(403)
<b>Loss before tax</b>	6	<b>(888,667)</b>	(566,674)
Income tax	7	<b>865</b>	57,932

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS** *(Continued)**For the year ended 31 March 2016*

	<i>Note</i>	<b>2016</b> <b><i>HK\$'000</i></b>	2015 <i>HK\$'000</i> (Restated)
<b>Loss for the year</b>		<b><u>(887,802)</u></b>	<b><u>(508,742)</u></b>
<b>Attributable to:</b>			
Owners of the Company		<b><u>(228,154)</u></b>	<b><u>(409,759)</u></b>
Non-controlling interests		<b><u>(659,648)</u></b>	<b><u>(98,983)</u></b>
		<b><u>(887,802)</u></b>	<b><u>(508,742)</u></b>
		<i>HK cents</i>	<i>HK cents</i>
<b>Loss per share attributable to owners of the Company</b>	9		
— Basic and diluted		<b><u>(1.21)</u></b>	<b><u>(2.36)</u></b>

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 March 2016*

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Loss for the year</b>	<b>(887,802)</b>	<b>(508,742)</b>
<b>Other comprehensive (loss)/income for the year, net of nil tax:</b>		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	<b>(165,911)</b>	4,664
Share of other comprehensive (loss)/income of joint ventures	<u><b>(5,411)</b></u>	<u>2,477</u>
	<u><b>(171,322)</b></u>	<u>7,141</u>
<b>Total comprehensive loss for the year</b>	<u><b>(1,059,124)</b></u>	<u><b>(501,601)</b></u>
<b>Attributable to:</b>		
Owners of the Company	<b>(355,032)</b>	<b>(403,301)</b>
Non-controlling interests	<u><b>(704,092)</b></u>	<u><b>(98,300)</b></u>
<b>Total comprehensive loss for the year</b>	<u><b>(1,059,124)</b></u>	<u><b>(501,601)</b></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 March 2016*

		2016	2015
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>			
Goodwill		<b>1,319,800</b>	871,647
Intangible assets		<b>854,080</b>	932,447
Fixed assets: Property, plant and equipment	11	<b>2,833,613</b>	1,849,768
Fixed assets: Interest in leasehold land held for own use under operating lease		<b>362,137</b>	369,622
Interests in associates		<b>3,186</b>	—
Interests in joint ventures		<b>342,936</b>	107,866
Available-for-sale investments		<b>23,884</b>	93,634
Financial assets at fair value through profit or loss		—	48,249
Deposits paid for non-current assets		<b>285,966</b>	76,265
Loan receivable	13	<b>434</b>	467
Other non-current assets		<b>8,950</b>	9,731
		<b>6,034,986</b>	4,359,696
<b>Current assets</b>			
Inventories		<b>613,349</b>	192,715
Trade and bills receivables	12	<b>153,576</b>	148,185
Loan and other receivables	13	<b>629,154</b>	399,060
Financial assets at fair value through profit or loss		<b>69,221</b>	10,569
Derivative financial instruments		<b>34,141</b>	53,862
Pledged bank deposits		<b>212,559</b>	128,871
Deposit in a security account		—	320,019
Cash and cash equivalents		<b>942,015</b>	411,478
		<b>2,654,015</b>	1,664,759
<b>Current liabilities</b>			
Bank loans and other borrowings	14	<b>(1,102,153)</b>	(880,203)
Trade and bills payables	15	<b>(410,954)</b>	(139,189)
Accruals and other payables		(	

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 March 2016

	<i>Note</i>	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000
<b>Non-current liabilities</b>			
Other non-current liability		(50,113)	(52,718)
Deferred income		(72,006)	—
Bank loans and other borrowings	14	(880,802)	—
Liability components of convertible bonds		(476,611)	(1,156,011)
Deferred tax liabilities		(226,399)	(215,118)
		<u>(1,705,931)</u>	<u>(1,423,847)</u>
<b>NET ASSETS</b>		<u><b>4,091,809</b></u>	<u>2,314,205</u>
<b>CAPITAL AND RESERVES</b>			
Issued capital		219,636	178,662
Reserves		<u>3,142,891</u>	<u>1,892,484</u>
<b>Total equity attributable to owners of the Company</b>		<b>3,362,527</b>	2,071,146
<b>Non-controlling interests</b>		<u>729,282</u>	<u>243,059</u>
<b>TOTAL EQUITY</b>		<u><b>4,091,809</b></u>	<u>2,314,205</u>

**NOTES:**

**1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES**

**(a) Basis of preparation**

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which include Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). These financial statements have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss and derivative financial instruments which have been measured at fair value.

In preparing these financial statements, the Board has considered the Group’s future liquidity and believes that adequate funding is available to fulfill the Group’s short-term obligations and capital expenditure requirements. As at 31 March 2016, the Group had net current liabilities of approximately HK\$237,246,000, which included obligations under redeemed convertible bonds of approximately HK\$760,752,000 (the “Redemption Amount”) as set out in the consolidated statement of financial position.

Notwithstanding the aforesaid conditions, the consolidated financial statements have been prepared on a going concern basis because the Board is of the opinion that the Group can meet its financial obligations as and when they fall due in the coming year, after taking into consideration of the followings:

- (1) Based on a court judgment dated 5 March 2013 (the “5 March 2013 Judgment”), the Company has been granted unconditional leave to defend against the holder’s claim for payment against the redeemed convertible bonds to the extent that the Redemption Amount can arguably be set-off against a portion of the damages that are claimed by the Group in the legal proceedings. Further, payment of the Redemption Amount is effectively subject to a stay of execution pending resolution of the relevant legal proceedings. On 26 May 2016, the High Court of Hong Kong refused a subsequent application for leave to appeal the 5 March 2013 Judgment and ordered Mei Li New Energy Limited to pay costs to the Company on an indemnity basis. Therefore, the Board considers that it is not likely that the Company will be required to settle the Redemption Amount in cash in the coming year;
- (2) The directors of the Company have reviewed the cash flow forecast of the Group for the twelve months ending 31 March 2017 and projected to have sufficient cash flows to finance the working capital and capital expenditure requirements of the Group during that period. In preparing the cash flow forecast, the directors have considered historical cash requirements of the Group as well as other key factors;
- (3) The directors of the Company are considering various alternatives to support its capital expenditure needs;
- (4) Mr. Cao Zhong (“Mr. Cao”), the Chairman, Chief Executive Officer and executive director of the Company, and Long Hing International Limited, a substantial shareholder of the Company and beneficially wholly-owned by Mr. Cao, have jointly provided an irrevocable letter of undertaking pursuant to which they agreed to provide adequate funds to the Group so as to enable it to meet its financial obligations as and when they fall due for the next twelve months from the date of approval of the financial statements; and
- (5) Mr. Miao Zhenguo (“Mr. Miao”), the Deputy Chairman and executive director of the Company, and Union Ever Holdings Limited, a shareholder of the Company and beneficially wholly-owned by Mr. Miao, have jointly provided an irrevocable letter of undertaking pursuant to which they agreed to provide adequate funds to the Group so as to enable it to meet its financial obligations as and when they fall due for the next twelve months from the date of approval of the financial statements.

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

### (a) Basis of preparation (Continued)

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

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

The Group has where applicable adopted the following amendments to HKFRSs and HKASs, and Interpretation (hereinafter collectively referred to as the "new and revised HKFRSs") issued by the HKICPA for the first time in the current year's financial statements:

Amendment to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendment to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle
Amendment to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions

The adoption of the above new and revised HKFRSs has had no material impact on the accounting policies of the Group and the methods of recognition and measurement in the Group's financial statements.

The Group has not early adopted any other new and revised HKFRSs that have been issued but are not yet effective in these financial statements.

## 2. REVENUE

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

	<b>2016</b>	2015
	<b>HK\$ '000</b>	HK\$ '000
		(Restated)
Sales of lithium-ion batteries and its related products	<b>285,777</b>	297,828
Service income from vehicle design	<b>1,611</b>	3,061
Sales of electric vehicles	<b>9,784</b>	—
Rental income from leasing of electric vehicles	<b>668</b>	1,183
Sales of cathode materials for NCM lithium-ion batteries	<b>46,292</b>	—
Income from direct investments	<b>19,252</b>	1,533
	<b><u>363,384</u></b>	<b><u>303,605</u></b>

### 3. SEGMENT REPORTING

Operating segments are identified on the basis of internal reports which provide information about components of the Group. These information are reported to and reviewed by the Board, the chief operating decision maker of the Group, for the purposes of resources allocation and performance assessment. During the year, the Board considered that the treasury investment segment is no longer as a reportable operating segment for the Group, some of the comparative figures of this segment and financial information are restated accordingly to reflect such changes. The Board considers that the Group is organised into business units based on their products and services, and has reportable operating segments as follows:

- (a) the battery products segment includes the research and development, manufacture and sales of lithium-ion batteries and its related products;
- (b) the vehicle design and electric vehicle production segment includes the vehicle design and the research and development, manufacture and sales of electric vehicles;
- (c) the electric vehicle leasing segment represents the provision of leasing service of electric vehicles;
- (d) the battery materials production segment includes research and development, manufacture and sales of cathode materials for NCM lithium-ion batteries (a new business segment which was acquired by a listed subsidiary of the Company during the year ended 31 March 2016); and
- (e) the direct investments segment represents various direct investments, including loan financing, securities trading and asset investment.

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

- (i) Reportable segment profit/(loss) before tax represents the profit earned by/(loss from) each segment without allocation of central administration costs, central finance costs and other income earned which is not attributable to any reportable segment;
- (ii) Revenue and expenses are allocated to each reportable segment with reference to revenue generated by the relevant segments and the expenses incurred by the relevant segments or which otherwise arise from the depreciation and amortisation of assets attributable to the relevant segments. The revenue from external parties reported to the Board is measured in a manner consistent with that in the consolidated statement of profit or loss. Inter-segment transactions are on an arm's length basis on terms similar to transactions with third parties;
- (iii) All assets are allocated to reportable segments other than unallocated corporate assets; and
- (iv) All liabilities are allocated to reportable segments other than unallocated corporate liabilities.

### 3. SEGMENT REPORTING (Continued)

The Group's reportable segments for the years ended 31 March 2016 and 2015 are as follows:

	2016					Total HK\$'000
	Battery products HK\$'000	Vehicle design & electric vehicle production HK\$'000	Electric vehicle leasing HK\$'000	Battery materials production HK\$'000	Direct investments HK\$'000	
Revenue from external customers	285,777	11,395	668	46,292	19,252	363,384
Inter-segment revenue	<u>306,962</u>	—	—	—	<u>31,594</u>	<u>338,556</u>
Reportable segment revenue	<u>592,739</u>	<u>11,395</u>	<u>668</u>	<u>46,292</u>	<u>50,846</u>	<u>701,940</u>
Reportable segment loss before tax	<u>(110,039)</u>	<u>(225,825)</u>	<u>(3,411)</u>	<u>(30,402)</u>	<u>(24,538)</u>	<u>(394,215)</u>
Other segment information:						
Interest income	1,158	2,493	75	23	19,252	23,001
Depreciation and amortisation	(134,610)	(96,917)	(1,479)	(14,253)	—	(247,259)
Finance costs	(11,562)	(318)	—	(2,240)	—	(14,120)
Share of results of joint ventures	—	(12,684)	—	—	1,913	(10,771)
Interests in joint ventures	—	239,264	—	—	103,672	342,936
Share of results of associates	(547)	—	—	—	—	(547)
Interests in associates	3,186	—	—	—	—	3,186
Impairment on trade and bills receivables	(13,652)	—	—	(2,583)	—	(16,235)
Impairment on loan and other receivables	—	(37)	—	—	(28,708)	(28,745)
Technology transfer income	—	82,948	—	—	—	82,948
Negative goodwill arising from the acquisition of additional interest in a joint venture	—	18,761	—	—	—	18,761
Additions to non-current assets	<u>200,955</u>	<u>1,303,968</u>	<u>527</u>	<u>831,672</u>	<u>59</u>	<u>2,337,181</u>
Reportable segment assets	<u>1,434,452</u>	<u>4,836,191</u>	<u>5,474</u>	<u>936,726</u>	<u>826,940</u>	<u>8,039,783</u>
Reportable segment liabilities	<u>(1,329,736)</u>	<u>(1,805,185)</u>	<u>(1,176)</u>	<u>(196,637)</u>	<u>(48,232)</u>	<u>(3,380,966)</u>

### 3. SEGMENT REPORTING (Continued)

The Group's reportable segments for the years ended 31 March 2016 and 2015 are as follows: (Continued)

	2015 (Restated)					Total HK\$ '000
	Battery products HK\$ '000	Vehicle design & electric vehicle production HK\$ '000	Electric vehicle leasing HK\$ '000	Battery materials production HK\$ '000	Direct investments HK\$ '000	
Revenue from external customers	297,828	3,061	1,183	—	1,533	303,605
Inter-segment revenue	<u>5,952</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,676</u>	<u>8,628</u>
Reportable segment revenue	<u>303,780</u>	<u>3,061</u>	<u>1,183</u>	<u>—</u>	<u>4,209</u>	<u>312,233</u>
Reportable segment loss before tax	<u>(142,556)</u>	<u>(245,067)</u>	<u>(3,632)</u>	<u>—</u>	<u>(2,995)</u>	<u>(394,250)</u>
Other segment information:						
Interest income	2,254	2,200	60	—	1,533	6,047
Depreciation and amortisation	(133,914)	(108,164)	(1,502)	—	(21)	(243,601)
Finance costs	(12,316)	(11,041)	—	—	—	(23,357)
Share of results of joint ventures	—	—	—	—	(403)	(403)
Impairment on other receivables	—	—	—	—	(1,491)	(1,491)
Interests in joint ventures	—	—	—	—	107,866	107,866
Additions to non-current assets	<u>60,962</u>	<u>1,441,861</u>	<u>10</u>	<u>—</u>	<u>537,491</u>	<u>2,040,324</u>
Reportable segment assets	<u>1,501,810</u>	<u>3,018,066</u>	<u>4,487</u>	<u>—</u>	<u>1,192,540</u>	<u>5,716,903</u>

### 3. SEGMENT REPORTING (Continued)

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

	2016 HK\$'000	2015 HK\$'000 (Restated)
<b>Revenue</b>		
Reportable segment revenue	701,940	312,233
Elimination of inter-segment revenue	<u>(338,556)</u>	<u>(8,628)</u>
Consolidated revenue	<u><b>363,384</b></u>	<u><b>303,605</b></u>
<b>Loss</b>		
Reportable segment loss derived from the Group's external customers	(394,215)	(394,250)
Other income	5,002	5,818
Depreciation	(1,403)	(1,288)
Finance costs	(290,681)	(102,333)
Impairment on available-for-sale investments	(69,750)	—
Unallocated corporate expenses	<u>(137,620)</u>	<u>(74,621)</u>
Consolidated loss before tax	<u><b>(888,667)</b></u>	<u><b>(566,674)</b></u>
<b>Assets</b>		
Reportable segment assets	8,039,783	5,716,903
Unallocated corporate assets:		
Available-for-sale investments	23,884	93,634
Derivative financial instruments	34,141	53,862
Cash and cash equivalents	502,024	147,632
Other unallocated corporate assets	<u>89,169</u>	<u>12,424</u>
Consolidated total assets	<u><b>8,689,001</b></u>	<u><b>6,024,455</b></u>
<b>Liabilities</b>		
Reportable segment liabilities	(3,380,966)	(1,823,778)
Unallocated corporate liabilities:		
Other borrowings	(694,572)	(689,566)
Liability components of convertible bonds	(476,611)	(1,156,011)
Other unallocated corporate liabilities	<u>(45,043)</u>	<u>(40,895)</u>
Consolidated total liabilities	<u><b>(4,597,192)</b></u>	<u><b>(3,710,250)</b></u>

### 3. SEGMENT REPORTING (Continued)

#### *Geographical information*

(a) *Revenue from external customers*

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i> (Restated)
European countries	<b>42,085</b>	51,894
The People's Republic of China (the "PRC")	<b>278,312</b>	221,920
The United States of America (the "US")	<b>8,115</b>	8,169
Australia	<b>4,439</b>	4,407
Hong Kong	<b>18,896</b>	2,718
Others	<b>11,537</b>	14,497
	<b><u>363,384</u></b>	<u>303,605</u>

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

(b) *Non-current assets (other than available-for-sale investments, financial assets at fair value through profit or loss and loan receivable)*

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
The PRC	<b>5,337,564</b>	3,784,826
The US	<b>239,264</b>	—
Hong Kong	<b>433,840</b>	432,520
	<b><u>6,010,668</u></b>	<u>4,217,346</u>

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

#### *Information about major customers*

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

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Customer A – revenue from sales of battery products	<b>137,015</b>	N/A
Customer B – revenue from sales of battery products	<b>75,358</b>	N/A
Customer C – revenue from sales of battery products	<b>N/A</b>	169,194

#### 4. OTHER GAINS AND LOSSES

	2016 <i>HK\$ '000</i>	2015 <i>HK\$ '000</i> (Restated)
Gain on disposal of subsidiaries ( <i>Note (a)</i> )	7,300	—
Loss on disposal of associates and joint ventures	(226)	—
Net loss on held-for-trading investments	(19,344)	(37)
Impairment on available-for-sale investments	(69,750)	—
Impairment on trade and bills receivables	(16,235)	—
Impairment on loan and other receivables	(34,558)	(1,491)
Write-down of inventories	(4,755)	(1,336)
Technology transfer income ( <i>Note (b)</i> )	82,948	—
Negative goodwill arising from the acquisition of additional interest in a joint venture ( <i>Note (c)</i> )	<u>18,761</u>	<u>—</u>
	<u><b>(35,859)</b></u>	<u><b>(2,864)</b></u>

#### Notes:

- (a) Gain on disposal of subsidiaries mainly resulted from the Group's disposal of two subsidiaries that held club memberships (included in other non-current assets).
- (b) The technology transfer income of HK\$82,948,000 represented the excess (the "Excess") of the agreed consideration of such intangible assets contributed by the Group carried at fair value upon transfer to a joint venture (the "JV") over the carrying amount of such intangible assets after eliminating the Group's interest in the Excess.
- (c) On 25 November 2015, the Group and the JV partner, Smith Electric Vehicles Corp. ("Smith") entered into a debt conversion agreement, pursuant to which the Group agreed to discharge and cancel Smith's debt obligations with respect to debenture judgments in the amount of approximately US\$2 million and, in consideration therefore, Smith agreed to transfer and assign 2,000,000 shares of the JV to the Group. Following completion of the debt conversion agreement, the JV was owned as to approximately 52% by the Group and as to approximately 48% by Smith. A negative goodwill arising from the acquisition of additional interest in a joint venture of HK\$18,761,000 was contributed from the transaction to the Group.

#### 5. FINANCE COSTS

	2016 <i>HK\$ '000</i>	2015 <i>HK\$ '000</i>
Interest expenses on convertible bonds	145,634	66,558
Interest on bank loans and other borrowings wholly repayable within five years	<u>179,360</u>	<u>49,045</u>
Total interest expenses on financial liabilities not at fair value through profit or loss	324,994	115,603
Less: Interest expenses capitalised into construction in progress	<u>(14,024)</u>	<u>—</u>
	310,970	115,603
Fair value (gain)/loss on derivative financial instruments	<u>(6,169)</u>	<u>10,087</u>
	<u><b>304,801</b></u>	<u><b>125,690</b></u>

## 6. LOSS BEFORE TAX

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interest income	(23,765)	(10,806)
Auditor's remuneration ( <i>Note (a)</i> )		
- audit service	2,500	2,580
- non-audit service	930	410
Cost of inventories recognised as expenses		
- included in cost of sales	216,579	232,631
- included in selling and distribution costs	1,114	3,758
- included in research and development expenses	13,630	3,542
- included in other gains and losses	4,755	1,336
Amortisation of intangible assets	171,010	181,511
Depreciation of property, plant and equipment	69,158	55,524
Amortisation of interest in leasehold land held for own use under operating lease	8,494	7,854
Exchange losses/(gains), net	8,394	(7,374)
Loss/(gain) on disposal of property, plant and equipment	709	(595)
Other operating expenses ( <i>Note (b)</i> )	87,381	74,643
Minimum lease payments under operating leases in respect of property rentals	16,853	14,123
Staff costs (including directors' emoluments)		
- salaries and allowances	278,640	158,714
- equity-settled share-based payments	11,257	13,860
- contributions to retirement benefits schemes	25,682	17,417
	<u>278,640</u>	<u>158,714</u>
	<u>11,257</u>	<u>13,860</u>
	<u>25,682</u>	<u>17,417</u>

*Notes:*

- (a) Excluding remuneration paid to other auditors of certain subsidiaries, amounting to HK\$2,080,000 (2015: HK\$300,000) and HK\$1,986,000 (2015: nil) for audit and non-audit services, respectively.
- (b) During the year, the other operating expenses of HK\$87,381,000 (2015: HK\$74,643,000) represented production and output costs incurred in trial run stage of the Group's electric vehicle production base in Hangzhou (2015: Kunming), the PRC.

## 7. INCOME TAX

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current tax charge for the year:		
- PRC Enterprise Income Tax ("EIT")	590	—
- Overseas	367	—
	<u>957</u>	<u>—</u>
Deferred tax credit	(1,822)	(57,932)
Total tax credit for the year	<u>(865)</u>	<u>(57,932)</u>

No provision for the Hong Kong profits tax has been made as the Group sustained losses for taxation purposes in Hong Kong for the years ended 31 March 2016 and 2015. The provision for PRC EIT is calculated on the estimated assessable profits of the Group's PRC subsidiaries at 25% (except for certain subsidiaries which are subject to a preferential tax rate of 15%) for the years ended 31 March 2016 and 2015. Taxes on overseas profits have been calculated at the rates of taxation prevailing in the jurisdictions in which the Group operates. The deferred tax of HK\$1,822,000 (2015: HK\$57,932,000) that has been credited to the consolidated statement of profit or loss arose from origination and reversal of temporary differences.

## 8. DIVIDEND

No dividend was paid or declared by the Company during the year (2015: nil).

## 9. LOSS PER SHARE

### (a) Basic loss per share

The basic loss per share is calculated based on (i) the consolidated loss for the year attributable to owners of the Company of HK\$228,154,000 (2015: HK\$409,759,000) and (ii) the weighted average number of 18,889,285,000 (2015: 17,333,781,000) ordinary shares in issue during the year.

	<b>2016</b>	2015
	<b>Weighted average number of ordinary shares '000</b>	Weighted average number of ordinary shares '000
Issued ordinary shares at the beginning of the reporting period	<b>17,866,170</b>	16,976,891
Effect of issue of shares upon conversion of convertible bonds	<b>520,779</b>	14,369
Effect of issue of shares pursuant to share placing	<b>404,372</b>	—
Effect of issue of shares pursuant to share subscriptions	<b>95,628</b>	—
Effect of issue of shares upon exercise of share options	<b>2,336</b>	—
Effect of issue of shares upon acquisition transactions	<u>—</u>	<u>342,521</u>
Weighted average number of ordinary shares at the end of the reporting period	<u><b>18,889,285</b></u>	<u>17,333,781</u>

### (b) Diluted loss per share

The calculation of diluted loss per share does not assume the exercise of the Company's outstanding share options or conversion of outstanding convertible bonds which had an anti-dilutive effect and would result in a reduction in loss per share for the years ended 31 March 2016 and 2015. Therefore, the diluted loss per share is the same as the basic loss per share for both years.

## 10. ACQUISITION OF SUBSIDIARIES

On 5 September 2015, Kingspark Group Limited ("Kingspark"), an indirect non-wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "PPM Sale & Purchase Agreement") with SKC Co., Ltd. ("SKC Korea") and SK China Company Limited ("SK China") (SKC Korea and SK China collectively referred to as the "PPM Vendors"), both of which are independent third parties to the Company. Pursuant to the PPM Sale & Purchase

## 10. ACQUISITION OF SUBSIDIARIES (Continued)

PPM is the sole legal and beneficial owner of 愛思開(重慶)鋰電材料有限公司 (SK (Chongqing) Lithium Ion Battery Materials Co., Ltd\*), currently known as 五龍動力(重慶)鋰電材料有限公司 (FDG Kinetic (Chongqing) Lithium Ion Battery Materials Co., Ltd\*) (“FDG Chongqing”), which is a foreign enterprise established in Chongqing. FDG Chongqing mainly manufactures cathode materials for NCM lithium-ion batteries with an annual designed production capacity of 2,400 tonnes. The PPM Acquisition represents a significant furtherance of the Group’s strategic development of vertical expansion and will be beneficial to the development of the Group’s electric battery products through the synergy formed.

The fair values of the identifiable assets and liabilities of the PPM Group as at the Completion Date were as follows:

	<b>Fair value recognised on the PPM Group HK\$’000</b>
Intangible assets	<b>106,983</b>
Property, plant and equipment	<b>220,023</b>
Interest in leasehold land held for own use under operating lease	<b>19,411</b>
Inventories	<b>35,419</b>
Trade and bills receivables	<b>20,543</b>
Other receivables	<b>29,316</b>
Pledged bank deposits	<b>6,739</b>
Cash and cash equivalents	<b>2,056</b>
Trade and bills payables	<b>(52,494)</b>
Bank loans and other borrowings	<b>(113,037)</b>
Accruals and other payables	<b>(8,319)</b>
Deferred tax liabilities	<b>(24,277)</b>
	<hr/>
Total identifiable net assets at fair value	<b>242,363</b>
Goodwill	<b>485,021</b>
	<hr/> <hr/> <b>727,384</b>
	 <b>HK\$’000</b>

### Consideration was satisfied by:

Cash consideration	<b>372,000</b>
Share consideration at fair value (Note)	<b>355,384</b>
	<hr/> <hr/> <b>727,384</b>

### Note:

The share consideration was satisfied by an issuance of 269,230,770 new ordinary shares of FKL with a par value of HK\$0.20 each, for approximately HK\$355,384,000. The fair value of each consideration share was calculated at HK\$1.32, being the closing market price of FKL’s ordinary share on the Completion Date.

## 11. PROPERTY, PLANT AND EQUIPMENT

During the year, the Group's additions to property, plant and equipment amounted to HK\$948,915,000 (2015: HK\$1,388,778,000), which mainly represented the construction in progress for the development of the Group's Hangzhou electric vehicle production plant.

## 12. TRADE AND BILLS RECEIVABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade receivables	160,895	131,207
Bills receivable	7,422	14,551
Less: Allowance for doubtful debts	<u>(15,920)</u>	<u>—</u>
	152,397	145,758
Amounts due from customers for contract	<u>1,179</u>	<u>2,427</u>
	<u><b>153,576</b></u>	<u><b>148,185</b></u>

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 1 month	1,665	7,523
Between 1 and 3 months	29,032	49,843
Between 3 months and 1 year	69,041	57,339
Over 1 year	<u>52,659</u>	<u>31,053</u>
	<u><b>152,397</b></u>	<u><b>145,758</b></u>

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

### 13. LOAN AND OTHER RECEIVABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Loan receivables	198,873	66,050
Other receivables	141,750	129,537
Less: Allowance for doubtful debts	<u>(64,928)</u>	<u>(30,276)</u>
	275,695	165,311
Deposits and prepayments	37,467	33,556
Value-added-tax receivables	<u>316,426</u>	<u>200,660</u>
	<u><u>629,588</u></u>	<u><u>399,527</u></u>
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Presented by:</b>		
Non-current assets	434	467
Current assets	<u>629,154</u>	<u>399,060</u>
	<u><u>629,588</u></u>	<u><u>399,527</u></u>

### 14. BANK LOANS AND OTHER BORROWINGS

At 31 March 2016, the bank loans and other borrowings were repayable as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 1 year	1,102,153	880,203
After 1 year but within 2 years	169,814	—
After 2 years but within 5 years	<u>710,988</u>	<u>—</u>
	<u><u>1,982,955</u></u>	<u><u>880,203</u></u>
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Presented by:</b>		
Current liabilities	1,102,153	880,203
Non-current liabilities	<u>880,802</u>	<u>—</u>
	<u><u>1,982,955</u></u>	<u><u>880,203</u></u>

At 31 March 2016, the bank loans and other borrowings were as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Secured bank loans	1,255,833	190,637
Other borrowings		
- secured	694,572	689,566
- unsecured	<u>32,550</u>	<u>—</u>
	<u><u>1,982,955</u></u>	<u><u>880,203</u></u>

## 15. TRADE AND BILLS PAYABLES

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade payables	<b>331,735</b>	111,459
Bills payable	<b>79,219</b>	27,730
	<b><u>410,954</u></b>	<u>139,189</u>

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

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 1 month	<b>132,565</b>	37,659
Between 1 and 3 months	<b>107,656</b>	39,474
Between 3 months and 1 year	<b>162,825</b>	60,249
Over 1 year	<b>7,908</b>	1,807
	<b><u>410,954</u></b>	<u>139,189</u>

The carrying amounts of trade and bills payables approximate their fair values. As at 31 March 2016, bills payable of HK\$79,219,000 (2015: HK\$27,730,000) were secured by bank deposits of HK\$60,981,000 (2015: HK\$27,730,000).

## 16. CAPITAL COMMITMENTS

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

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Contracted, but not provided for capital commitments in respect of:		
- capital expenditure of the Group's factories in the PRC	<b>1,170,257</b>	2,103,739
- investment in a joint venture	<b>58,125</b>	—
- investments in associates	<b>8,281</b>	—
	<b><u>1,236,663</u></b>	<u>2,103,739</u>

## 17. EVENTS AFTER THE REPORTING PERIOD

- (a) As disclosed in the joint announcement of the Company and FKL dated 14 April 2016 and the circular of FKL dated 30 May 2016, the Group entered into the following transactions:
- (i) FDG Kinetic Investment Limited (“FKIL”), a direct wholly-owned subsidiary of FKL, FKL (as guarantor) and Advanced Lithium Electrochemistry (Cayman) Co., Ltd (“ALEEES”), a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Taipei Exchange (Stock Code: 5227) entered into the share subscription agreement pursuant to which ALEEES conditionally agreed to allot and issue and FKIL conditionally agreed to subscribe for 46,000,000 new ordinary shares of ALEEES at the subscription price of NT\$35 per new share of ALEEES in a sum of NT\$1,610,000,000 pursuant to the terms and conditions of the share subscription agreement (the “ALEEES Share Subscription”). Following completion of the ALEEES Share Subscription, ALEEES will be accounted for as an associate of FKL.
  - (ii) FDG Investment Holdings Limited (“FIHL”), a direct wholly-owned subsidiary of the Company, the Company (as guarantor) and ALEEES entered into the sale and purchase agreement, pursuant to which ALEEES conditionally agreed to sell and FIHL conditionally agreed to acquire all the issued share capital of Aleees Eco Ark (Cayman) Co., Ltd. (“Ark Cayman”) for the consideration of HK\$28,000,000 (the “Ark Cayman Acquisition”). Ark Cayman is an investment holding company incorporated in the Cayman Islands with limited liability, and is a wholly-owned subsidiary of ALEEES. Following completion of the Ark Cayman Acquisition, Ark Cayman will become a wholly-owned subsidiary of the Company.
  - (iii) FIHL, the Company (as guarantor) and 台灣立凱綠能移動股份有限公司(Aleees Eco Ark Co., Ltd.\*) (the “Ark Taiwan”) entered into the asset purchase agreement, pursuant to which Ark Taiwan conditionally agreed to sell and deliver to FIHL or its nominee, and FIHL conditionally agreed to purchase and accept or procure its nominee to purchase and accept the assets and equipment of Ark Taiwan as set out in the asset purchase agreement at a consideration of HK\$72,000,000 for the asset and a maximum consideration of NT\$138,000,000 for the equipment (the “Ark Taiwan Acquisition”). Ark Taiwan is a company principally engaged in the research and development relating to batteries and electric vehicle designs, and is organised and existing under the law of Taiwan.
  - (iv) In connection with the Ark Cayman Acquisition, FIHL, Ark Taiwan and the Company have entered into a research and development service agreement (the “R&D Service Agreement”), pursuant to which FIHL has conditionally agreed to appoint Ark Taiwan to research and develop battery cells, battery modules and electric vehicle design and other technical research and development work.
  - (v) FIHL (as lender) entered into a loan agreement with Ark Cayman (as borrower) and ALEEES (as guarantor) pursuant to which, FIHL agreed to make available to Ark Cayman a loan in the amount of US\$2,000,000 (the “Loan”) for the purpose of assisting Ark Taiwan to pay or finance its research and development expenses.
  - (vi) The Company and ALEEES entered into a subscription agreement (the “FDG Subscription Agreement”) pursuant to which the Company conditionally agreed to allot and issue and ALEEES conditionally agreed to subscribe for (i) 430,000,000 new ordinary shares of the Company at HK\$0.5 per share; and (ii) the Company’s convertible bonds with an aggregated principal amount of HK\$275 million, pursuant to the terms and conditions of the FDG Subscription Agreement (collectively, the “FDG Subscription”). Upon completion of the FDG Subscription, the net proceeds from the FDG Subscription are estimated to be approximately HK\$488.5 million.

## 17. EVENTS AFTER THE REPORTING PERIOD (Continued)

- (a) As disclosed in the joint announcement of the Company and FKL dated 14 April 2016 and the circular of FKL dated 30 May 2016, the Group entered into the following transactions: (Continued)
- (vii) In connection with the ALEEES Share Subscription, FKL and ALEEES have entered into the cooperation agreement (the “Cooperation Agreement”), pursuant to which ALEEES has agreed to be engaged as a consultant to FKL in order to provide technology licensing and consultancy services to one or more PRC subsidiary(ies) of FKL in the construction of factories and production of M-series cathode materials for lithium-ion battery.

The ALEEES Share Subscription, the Ark Cayman Acquisition, the Ark Taiwan Acquisition, the R&D Service Agreement, the Cooperation Agreement and the provision of the Loan are inter-conditional and related. FDG Subscription shall be conditional upon the completion of the ALEEES Share Subscription, the Ark Cayman Acquisition and the Ark Taiwan Acquisition. As at the date of this announcement, all the above transactions have not yet been completed.

- (b) As disclosed in the voluntary announcement of the Company dated 8 May 2016, the Company and 貴安新區管理委員會(Guian New Area Management Committee\*) (“Guian Committee”) of the Guizhou Provincial People’s Government of the PRC entered into a cooperation agreement (the “Agreement”) in relation to the investment in and construction of pure electric vehicles production facilities in Guian New Area, Guizhou, the PRC (the “Project”) on 8 May 2016. Pursuant to the Agreement, the Group and Guian Committee agreed to collaborate in the Project through a jointly-owned company (the “Project Company”), with a registered capital of RMB1,100,000,000. Guian Committee (through its designee) and the Company (and its designee) agreed to contribute RMB539,000,000 and RMB561,000,000 representing 49% and 51% of interest in the Project Company respectively. As at the date of this announcement, the above transaction has not yet been completed.
- (c) On 16 June 2016, the Company received a complaint that was filed by Smith Electric Vehicles Corp. (“Smith”), against the Company and Orng EV Solutions, Inc. (“ORNG”) in the Court of Chancery of the State of Delaware (the “Complaint”). In the Complaint, Smith alleges that Smith was induced into the formation of ORNG, a joint venture between the Company and Smith. Smith claims against inter alia the Company for fraud and misrepresentation and breach of fiduciary duty as major shareholder of ORNG. The potential litigation is at a very early stage, the Company having only just been duly served with the Complaint that the Company is not able to assess Smith’s intentions with prosecuting the Complaint or to assess the potential effect or consequence of this litigation.

The views of the management of the Company are that Smith’s Complaint against the Company is fruitless, unreasonable and without merit. Prior to the signing of the contribution agreements to form the joint venture, the approvals and necessary ratification had been obtained from the board members, independent directors and independent shareholders of Smith and Smith had proper legal representation during negotiations. Further, the Company has been preliminarily advised by legal advisors that there are good grounds for dismissing Smith’s Complaint and that a motion to dismiss application could be concluded within months.

## 18. COMPARATIVE FIGURES

As explained in note 3, certain comparative amounts have been reclassified and restated to conform with the current year’s presentation.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Company, together with its subsidiaries, is an integrated electric vehicle manufacturer, the core business includes: (i) research and development (“R&D”), design and production of electric vehicles such as public buses, mid-size buses, commercial vehicles, trucks, passenger vehicles and other models, and other relative products; (ii) R&D, production, distribution and sale of lithium-ion batteries, cathode materials for lithium-ion batteries and other relative products; and (iii) provision of leasing service of electric vehicles. The Company has an indirect non-wholly-owned subsidiary, FDG Kinetic Limited (“FKL”, stock code: 378). FKL’s business includes: (i) technology development, production and sales of lithium-ion batteries, and (ii) direct investments including financing, securities trading and asset management.

## MARKET OVERVIEW

Amid the global economic slowdown in 2015, the United States (“U.S.”) made a steady recovery after the long-term quantitative easing policy, while the economy in Europe and Japan remained sluggish. There was a considerable divergence of economic performance across regions. Lately, the United Kingdom withdrew from European Union after a referendum was held in the country. The impact of Brexit is hard to quantified, but it is no doubt that uncertainty and instability of world’s socio-economic environment are increased. Responded to a deceleration in economic growth with a series of mild stimulus measures, according to the National Bureau of Statistics of the PRC, China recorded a GDP growth of 6.9% in 2015 and 6.7% in the first quarter of 2016, maintaining a balanced development under the “new normal” economy. The automotive industry of China also had a stable growth in 2015. According to the statistics from the Traffic Management Bureau of the Ministry of Public Security of the PRC, the national vehicle population reached 279 million, of which 172 million units are automobiles. 24,503,300 units of automobiles in China were produced and 24,597,600 units were sold in 2015, representing a year-on-year increase of 3.25% and 4.68%, respectively.

In recent years, countries have been targeting at new energy in formulating economic development strategies and policies. Alongside the development of global economies, the improvement of living standards and the increasing concerns on climate changes and carbon emission reductions, many developed countries such as the U.S., Germany and Japan are introducing preferential policies and providing subsidies to support the development of new energy vehicles. The sales of global pure electric and plug-in hybrid electric passenger vehicles (“EV”) reached 549,000 units in 2015, increasing by 70% year-on-year.

At the same time, the PRC's new energy vehicle (“NEV”) industry is also growing rapidly. According to statistics from the China Association of Automobile Manufacturers, 379,000 units of NEVs were produced and 331,100 units were sold in 2015, with year-on-year growth of 4 times and 3.4 times respectively. The production and sales volume of pure EVs was 254,600 units and 247,500 units respectively, both marking a growth of over 4 times compared to last year. In 2015, the sales volume of NEVs in China has surpassed that in the U.S., making China one of the major NEV markets in the world.

In addition, according to the statistics from the Traffic Management Bureau of the Ministry of Public Security of the PRC, the vehicle population of NEVs in China in 2015 grew 169.48% compared to 2014, hitting 583,200 units, among which, 332,000 units were pure EVs, accounted for 56.93% of the total number of NEVs, surged by 317.06% compared to last year, reflecting the huge market demands of NEVs.

The State Council of the PRC unveiled the plan “Made in China 2025” in May 2015, listing NEV industry as one of the top ten key sectors. The “Circular on Financial Support Policies on Promotion and Application of New Energy Vehicles (2016 – 2020)”, issued by Ministry of Finance of the PRC in April 2015, clearly stated that the subsidy for promotion and application of NEVs will be extended to 2020. Both the PRC Government and local authorities rolled out a series of supporting policies for NEVs. All these demonstrated the government’s efforts and determinations in facilitating the development of NEV industry. Besides, the PRC Government has also launched measures such as “Plan for Government Offices and Public Institutions’ Purchases of New Energy Vehicles” and “Opinions on the Implementation of Hastening the Promotion and Usage of New Energy Vehicles Within the Transportation Sector” to increase the ratio of NEVs in Government vehicles, public transport and taxis as well as to popularize the use of NEVs. This thus speeds up the development of NEVs industry and boosts the demand and development of the upstream lithium-ion batteries business.

## **BUSINESS REVIEW**

### ***Electric Vehicles Business***

#### **Permission for Manufacture of Pure Electric New Energy Passenger Vehicles**

The Group has obtained the permission for manufacture of pure electric new energy passenger vehicles on 16 May 2016. This is important to the Group as a recognition to the Group’s capability in R&D, product design and specifications, and production capacity. The pure electric passenger vehicle of the Group “e.Cool” (逸酷) will be officially launched in the fourth quarter of this year.

#### **Cooperation Agreement with Guian New Area Management Committee to Establish Strategic Geographical Development Across China**

In May 2016, the Group entered into a cooperation agreement with Guian New Area Management Committee to invest and establish a pure EV production base with an annual design production capacity of 150,000 units. This facilitates the Group’s EV business development in Guizhou and the expansion of products portfolio, thus achieving product diversification. The Group will increase its market share by offering different product types and models. The production base in Guian New Area, together with that in Hangzhou and Yunnan, reflects the Group’s strategic geographical development across China, strengthening its production capacity and enabling it to develop its EV business nationwide, to build “FDG” brand in the EV industry.

#### **Hangzhou Plant Officially Commenced Production**

Mass production has officially commenced at the Group’s EV production base in Hangzhou Yuhang Economic and Technological Development Zone in April 2016. The Hangzhou production base covers an area of 1,150 mu, with an annual pure EV production design capacity of 100,000 units, including mid-size buses, commercial vehicles, delivery vehicles and passenger vehicles, etc. Commencement of the Hangzhou production base marks a milestone for the Group, as it proves the Group’s strong capacity to meet market demands in China. The Group also strives to provide best quality EVs with the production base that houses the best manufacturing facilities. The Group’s EVs are developed with Independent-Forward-Engineering ( “正向開發” ), fitted and structurally designed according to the particular features of EVs, and this brings a strong competitive advantage to the Group.

#### **Strategic Partnership Agreement with Dah Chong Hong, Ltd.**

In March 2016, the Group had signed a strategic partnership agreement with Dah Chong Hong, Ltd., a subsidiary of Dah Chong Hong Holdings Limited (“DCH”, stock code: 1828). DCH

officially becomes the Group's strategic partner in key regions of mainland China and Hong Kong to provide sales and marketing, after-sales and maintenance services for a range of FDG electric vehicles including coach, mid-size bus and commercial vehicle models.

Entering the mainland China market in the early 70s, DCH is now a prominent motor conglomerates in the greater China region and the largest motor group in Hong Kong in terms of the number of brands it represents. DCH has the largest market share in EV industry in Hong Kong, with extensive sales network and professional sales and after-sales team. The rich experience and expertise of DCH will provide strong supports to the Group's business developments. Through DCH's comprehensive automotive business value chain platform, the Group will be able to strengthen its brand awareness, in turn boosting the sales of the Group's product, enhancing its profitability and promoting further development.

### **Gained Industry Recognitions in Auto Exhibitions**

During the year under review, the Group had participated in many automotive exhibitions, including the 14th Beijing International Automotive Exhibition, International Electric Vehicle Expo (IEVE) in Jeju of South Korea, the 28th Electric Vehicle Symposium and Exhibition (EVS28) in Seoul of South Korea, and the 6th Global New Energy Vehicle Conference (GNEV6). The Group showcased a series of EV products developed with Independent-Forward-Engineering, as well as its latest technologies such as EV intranet, Intra-Vehicle Information system and smart driving etc., gaining industry recognitions for the Group. The Group believes that attending exhibitions will help building the Group's reputation and getting the latest market information.

### ***Batteries Business***

#### **Strategic Cooperation with FKL and Advanced Lithium Electrochemistry (Cayman) Co., Ltd. ("ALEEES") through Equity Restructuring**

The Company, FKL and ALEEES (listed on the Taipei Exchange, stock code: 5227) announced entering into a long-term strategic cooperation through equity restructuring in April 2016. Upon completion, FKL will hold 21.85% equity interest of ALEEES, while ALEEES will hold 4.27% equity interest in the Company (if all convertible bonds converted to shares of the Company). The transaction is estimated to be completed in the second half of 2016.

ALEEES is one of the world's largest suppliers of LFP battery cathode materials, with annual design production capacity of 3,000 tons. It is also a primary supplier of cathode materials for Sinopoly Battery Limited ("Sinopoly Battery", a wholly-owned subsidiary of Synergy Dragon Limited, which is 75% owned by the Company and 25% owned by FKL and a lithium-ion battery manufacturer within the Group). Apart from diversifying the Group's battery product portfolio, the strategic cooperation will ensure Sinopoly Battery has a stable LFP cathode material supply when the domestic demand for LFP batteries is expected to be boosted up, as the public electric buses will primarily use LFP batteries because the PRC Government is forbidding public electric buses from using NCM lithium-ion battery until it has passed the safety certification. After completion of the transaction, FKL will become the single largest shareholder of ALEEES, with an expected decrease in ALEEES's expenses, bringing positive financial impact to FKL's financial positions.

By acquiring Aleees Eco Ark (Cayman) Co., Ltd and the assets and equipment from Aleees Eco Ark Co., Ltd., the Group will get the assets and equipment, technologies and intellectual properties in electric bus designs, battery-swapping and power battery (more than 10 registered patents and 80 patents under applications), as well as Japanese battery soft-casing technology,

and combine with the Group's own EV and battery technologies, further enhancing the Group's position as a vertically integrated EV manufacturer.

### **Acquisition of Nickel-Cobalt-Manganese Lithium-ion Battery Cathode Material Business of SK Group**

In September 2015, FKL acquired SK (Chongqing) Lithium Ion Battery Materials Co., Ltd (subsequently renamed to FDG Kinetic (Chongqing) Lithium Ion Battery Materials Co., Ltd), a subsidiary of the members of the SK Group. It is principally engaged in the manufacturing of the cathode materials for NCM lithium-ion battery which can be used in EVs, energy storage systems and telecommunication devices, with a current annual design production capacity of 2,400 tons. The production capacity can be increased to 9,600 tons per year through further expansion. SK Group is one of the largest conglomerates in the Republic of Korea, with near 10 years of proven track record in battery business. The acquisition is to diversify the Group's battery and EV business, strengthen the upstream battery business and also the EV business, thus to enhance the Group's competitiveness through synergy.

### ***Future Development***

Looking forward, building on the popularization of energy saving and inclusion of new energy into the PRC Government's future development plan as a key strategy, NEVs have great growth potential and will be the key development trend of the automotive industry. China has been seeing robust growth in NEV industry despite having a relatively slow start, with the production and sales of NEVs in China had recorded a year-on-year growth of over 3 times in 2015, making it the biggest EV market in the world. Meanwhile, the growing number of charging facilities makes it much more convenient to use NEVs, which will in turn stimulate the sales of NEVs and open up a brighter prospect.

In order to seize the market opportunities, the Group is committed to the R&D of EV design and production, and continuous strengthening of the Group's own Independent-Forward-Engineering technology. The Group has continued to look for other suitable production bases to raise capacity and meet market demands after the Hangzhou production base has commenced operation. The construction of Guian production base is about to commence, not only will it increase the Group's production capacity but also expand the Group's market share, which in turn establishes its strategic geographical development across China.

The advancement of China's R&D technology of NEVs enables the Group to promote the development of industry, quality will be more important than quantity as a key to success in the future market. The improvement in quality is thus vital to the future development of new energy vehicles industry. The production of high quality NEVs will enhance the competitiveness of China's automotive enterprises over the peers in the world, promote the transformation of China's automotive industry and also pave the way for transformation in economic structure of China.

Dedicated to producing world-class EVs, the Group has cooperated with ALEEES, one of the world's largest suppliers of LFP battery cathode materials, to obtain the advanced technologies and supports. The Group will continue exploring potential overseas markets, seeking to establish strategic partnership, building an integrated EV business and producing internationally-recognized EVs and EV products, to become one of the leading EV manufacturers in the world.

## FINANCIAL REVIEW

During the year under review, the Group's revenue is analysed as follows:

	<b>2016</b>	2015
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Revenue from external customers	<b>363,384</b>	303,605
Inter-segment revenue	<b>338,556</b>	8,628
Total revenue before inter-segment elimination	<b><u>701,940</u></b>	<u>312,233</u>

The Group recorded a revenue before inter-segment elimination of approximately HK\$701.9 million during the current financial year, representing an increase of approximately 124.8% as compared with the revenue before inter-segment elimination of approximately HK\$312.2 million of the last financial year. Such huge increase was mainly due to the increase in demand of the lithium-ion batteries from the electric vehicle production subsidiaries of the Group, which are still at its initial manufacturing stage and the sales of electric vehicles would not be reflected in the current financial year. Excluding the inter-segment transactions, the Group recorded a revenue of approximately HK\$363.4 million and compared with the revenue of approximately HK\$303.6 million of the last financial year, an increase of approximately 19.7%.

Gross profit increased double to approximately HK\$144.2 million of the current financial year from approximately HK\$70.5 million of the last financial year. Gross profit ratio was at approximately 39.7% of the current financial year as compared with approximately 23.2% of last financial year, representing an increase of approximately 16.5%. Such increase was mainly attributable to the increase of production volume of the battery products to cope with the strong demand of electric vehicles production resulted in a better economy of scale in the battery production to achieve a substantial decrease in unit cost per battery product; and the contribution of interest income from direct investments segment which was acquired in February 2015.

The Group has widened its loss for the year to approximately HK\$887.8 million from approximately HK\$508.7 million of the last financial year, which is principally attributable to the Group's electric vehicle production business in its final stage of preparation before the commencement of mass production, and there are increases of the following expenses:

- (i) the selling and distribution costs of approximately HK\$36.7 million, an increase of approximately HK\$8.3 million comparing with the last financial year of approximately HK\$28.4 million, was mainly attributable to the increase of marketing expenses in launching the electric vehicles;
- (ii) the general and administrative expenses of approximately HK\$350.3 million, an increase of approximately HK\$117.7 million comparing with last financial year of approximately HK\$232.6 million, was mainly attributable to the additional expenditures incurred by the Group's electric vehicle production segment of the Hangzhou production plant, which is in the initial stage of production process during the year under review;

- (iii) the research and development expenses of approximately HK\$62.8 million, an increase of approximately HK\$46.1 million comparing with the last financial year of approximately HK\$16.7 million, was mainly attributable to the increase in the research and development on electric vehicles and battery products;
- (iv) the finance costs of approximately HK\$304.8 million, an increase of approximately HK\$179.1 million comparing with the last financial year of approximately HK\$125.7 million, was mainly attributable to interest expenses from the increase in the Group's bank loans and other borrowings and the increase of imputed interest incurred from the convertible bonds;
- (v) the other operating expenses of approximately HK\$87.4 million during the year under review was attributable to the production and output costs incurred in the trial stage of the Group's electric vehicle

## ***Segment Information***

### ***Battery products business***

To cope with the Group's electric vehicle production business, the revenue from battery products business increase from approximately HK\$303.8 million of last year to approximately HK\$592.7 million of the current year before inter-segment elimination, an increase of approximately 95.1%. The gross profit ratio from the battery products business increased from approximately 22.9% of the last financial year to approximately 46.1% of the current financial year. Such increase was mainly attributable to a better economy of scale that strive for efficiency for the battery production which resulted in a decrease in unit cost per battery product.

The battery products business recorded a segment loss before tax of approximately HK\$110.0 million, an improvement of approximately 22.9% as comparing with approximately HK\$142.6 million of the last financial year. The battery products business recorded an earnings before interest, tax, depreciation and amortisation ("EBITDA") at approximately HK\$36.1 million for the current year comparing with the EBITDA of approximately HK\$3.7 million for the last financial year. Such improvement was mainly attributable to the improved efficiency in operations and the increase of outputs in the battery factories of the Group.

### ***Vehicle design and electric vehicle production business***

During the year under review, service income from vehicle design and sales of electric vehicles were totally approximately HK\$11.4 million represents an increase of approximately HK\$8.3 million as compared with approximately HK\$3.1 million of the last financial year. Such increase was mainly attributable to the trial sale of electric vehicles in the first quarter of 2016.

The segment loss before tax for the year was approximately HK\$225.8 million. Excluding the technology transfer income of approximately HK\$82.9 million, the segment loss before tax would be approximately HK\$308.7 million, an increase of approximately 25.9% as comparing with approximately HK\$245.1 million of the last financial year, which was mainly attributable to additional research and development expenses, administrative expenses and trial run costs incurred by the Group's electric vehicle production segment that is in the initial stage of production process during the year under review. The Group will achieve better economic of scale with its business model covering the lithium-ion batteries, the design and production of electric vehicles. This enables the Group to have a better control of the production cost and to optimise the design of electric vehicles and batteries, resulting in a synergistic effect for an advantage over its competitors.

### ***Electric vehicle leasing business***

The rental income from electric vehicle leasing business was approximately HK\$0.7 million for the current financial year, representing a decrease of approximately HK\$0.5 million as compared with approximately HK\$1.2 million of the last financial year. Such decrease was mainly due to the change of operation model that the Group will deploy its own electric vehicles for leasing and provide different leasing services through its vertical integration business model covering the Group's battery production, electric vehicle manufacturing and electric vehicle leasing. The segment loss before tax for the current financial year was approximately HK\$3.4 million (2015: approximately HK\$3.6 million).

### *Battery materials production business*

During the year under review, the Group extended its business to sales of cathode materials for NCM lithium-ion batteries through an acquisition completed in October 2015. This new business segment contributed the Group's revenue of approximately HK\$46.3 million and generated a segment loss before tax of approximately HK\$30.4 million during the year under review. The NCM lithium-ion batteries can be widely used in the telecommunication devices, electric vehicle and energy storage system. The demand for cathode materials are expected to remain strong in the future to cope with the continuous favorable government policies in the development of new energy vehicle industry.

### *Direct investments business*

The interest income from direct investments covering loan financing activities for the current financial year of approximately HK\$19.3 million (2015: approximately HK\$1.5 million), was mainly accrued for the loan to an external customer that secured by a mining right of an iron ore mine in the PRC (the "Loan"). During the year under review, the Group entered into a service agreement with an agent to collect the Loan on behalf of the Group. The segment loss before tax for the current financial year was approximately HK\$24.5 million (2015: approximately HK\$3.0 million).

### *Geographical Analysis of Turnover*

During the year under review, the Group made progress in developing its business world-wide and most of international electric vehicles and energy storage companies acknowledged the quality of our lithium-ion batteries products. In addition, electric vehicles market in the PRC continue to grow and thus creating more demand for lithium-ion battery products. European countries, the PRC, the US, Australia, Hong Kong and others contributed approximately 11.6% (2015: 17.0%), 76.6% (2015: 73.1%), 2.2% (2015: 2.7%), 1.2% (2015: 1.5%), 5.2% (2015: 0.9%) and 3.2% (2015: 4.8%) to the Group's total turnover respectively.

### *Liquidity and Financial Resources*

As of 31 March 2016, the Group had (i) non-current assets of approximately HK\$6,035.0 million (31 March 2015: approximately HK\$4,359.7 million), which comprised of goodwill, intangible assets, property, plant and equipment, interest in leasehold land held for own use under operating lease, interests in associates, interests in joint ventures, available-for-sale investments, deposits paid for non-current assets, loan receivable, and other non-current assets; and (ii) current assets of approximately HK\$2,654.0 million (31 March 2015: approximately HK\$1,664.8 million), which mainly comprised of inventories, trade, bills, loan and other receivables, financial assets at fair value through profit and loss, derivative financial instruments, pledged bank deposits which were secured for all bills payable of the Group, a bank loan of the Group and issuance of letter of credit, and cash and cash equivalents.

The Group had current liabilities of approximately HK\$2,891.3 million (31 March 2015: approximately HK\$2,286.4 million), which mainly comprised of bank loans and other borrowings, trade and bills payables, accruals and other payables, tax payables, and obligations under redeemed convertible bonds of approximately HK\$760.8 million (the “Redemption Amount”). In accordance with a judgment given by the High Court of Hong Kong, the Company has been given an unconditional leave to defend to the extent of the set-off portion of the damages to be claimed by the Group against the Redemption Amount in the legal proceedings against the holder of such redeemed convertible bonds and its associates, and based on which, the Company is entitled to a stay of execution of payment for the Redemption Amount before the conclusion of the relevant legal proceedings. If the Redemption Amount is excluded from the calculation of the net current assets, the Group will have net current assets of approximately HK\$523.5 million (31 March 2015: approximately HK\$139.1 million). The Board is of the view that it is appropriate to prepare these financial statements on a going concern basis with details set out in note 1(a) of this announcement.

The Group’s total non-current liabilities (comprised of other non-current liability, deferred income, bank loans and other borrowings, liability components of convertible bonds of approximately HK\$476.6 million and deferred tax liabilities) increased from approximately HK\$1,423.8 million as at 31 March 2015 to approximately HK\$1,705.9 million as at 31 March 2016, which mainly attributable to the combination effect of the increase in bank and other borrowings and partly set-off by great conversion of convertible bonds during the year under review.

Total bank loans and other borrowings as at 31 March 2016 were approximately HK\$1,983.0 million (31 March 2015: approximately HK\$880.2 million), including (i) the bank loans of approximately HK\$1,255.8 million (31 March 2015: approximately HK\$190.6 million) were secured by certain land and buildings, construction in progress and plant and machineries of the Group with a total carrying value of approximately HK\$2,176.9 million (31 March 2015: approximately HK\$315.2 million), a bank deposit and share mortgages over certain shares of subsidiaries of the Group, denominated in Renminbi (“RMB”), bear interest at prevailing market interest rates; (ii) the other borrowings of approximately HK\$694.6 million (31 March 2015: approximately HK\$689.6 million) were secured by, inter alia, the debentures in favour of the lender by way of the first fixed and floating charges over all the undertaking, property and assets of the Company and two wholly-owned subsidiaries of the Company and a share mortgage over certain shares of FKL. Such borrowings were denominated in Hong Kong dollars and bear fixed interest rate; and (iii) unsecured other borrowings of approximately HK\$32.6 million as at 31 March 2016 (31 March 2015: nil) were denominated in US dollars, unsecured and bear fixed interest rate. The maturity profile of the bank loans and other borrowings included approximately HK\$1,102.2 million (31 March 2015: approximately HK\$880.2 million) repayable within one year, approximately HK\$169.8 million (31 March 2015: nil) repayable within one to two years and approximately HK\$711.0 million (31 March 2015: nil) repayable within three to five years respectively. The Group’s bank loans and other borrowings are mostly event driven, with little seasonality.

The net assets of the Group increased from approximately HK\$2,314.2 million as at 31 March 2015 to approximately HK\$4,091.8 million as at 31 March 2016. At 31 March 2016, the net assets attributable to owners of the Company per share was approximately HK\$0.15 (31 March 2015: approximately HK\$0.12).

As at 31 March 2016, the Group's gearing ratio, without taking into account the obligations under redeemed convertible bonds of approximately HK\$760.8 million (31 March 2015: approximately HK\$760.8 million) and the liability components of convertible bonds of approximately HK\$476.6 million (31 March 2015: approximately HK\$1,156.0 million), was approximately 59.0% (31 March 2015: approximately 42.5%) calculated on the basis of bank loans and other borrowings of approximately HK\$1,983.0 million (31 March 2015: approximately HK\$880.2 million) to total equity attributable to owners of the Company of approximately HK\$3,362.5 million (31 March 2015: approximately HK\$2,071.1 million) as at 31 March 2016.

### ***Foreign Exchange Exposure***

The Group's transactions were mainly denominated in RMB, Hong Kong dollars and US dollars. Exchange rates between US 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 considers appropriate hedging instruments when necessary.

### ***Capital Structure***

The board lot size of the shares of HK\$0.01 each in the share capital of the Company for trading on The Stock Exchange of Hong Kong Limited had been changed from 20,000 shares to 5,000 shares with effect from 28 July 2015.

The reduction of the entire amount standing to the credit of the share premium account of the Company to nil had been approved at the annual general meeting of the Company held on 28 August 2015 and became effective with effect from 31 August 2015.

On 5 November 2015, a total of 1,000,000,000 new shares of the Company were issued and allotted at a price of HK\$0.50 per share pursuant to a placing agreement entered into between the Company and VMS Securities Limited as the placing agent on 22 October 2015 under the general mandate to issue shares granted at the Company's annual general meeting held on 28 August 2015. The net proceeds of approximately HK\$491.5 million are intended to be applied in and towards the operational cash flow required for the scale production of electric vehicles in the manufacturing plant in Hangzhou and other general working capital purposes.

On 26 February 2016, a total of 1,000,000,000 new shares of the Company were issued and allotted at a price of HK\$0.465 per share pursuant to a subscription agreement entered into between the Company and Star Mercury Investments Ltd. on 9 December 2015 under the specific mandate granted at the Company's special general meeting held on 19 February 2016. The net proceeds of approximately HK\$463 million are intended to be used for the remaining capital expenditure required for the scale production of electric vehicles in the manufacturing plant in Hangzhou.



*Transaction 2:* On 4 May 2015, a joint venture, namely Orng EV Solutions, Inc. (the “JV”), was formed by the Company with Smith Electric Vehicles Corp (“Smith”) to sell electric vehicles in the US. Each of the Company and Smith entered into their respective contribution agreements with the joint venture on 4 May 2015, known as the FDG Contribution Agreement and the Smith Contribution Agreement. Pursuant to the FDG Contribution Agreement, the Company conditionally agreed to provide, inter alia, the Group’s current design specifications for electric vehicles and a contribution of a total of US\$15,000,000 in cash to the JV, whereas the JV conditionally agreed to issue an aggregate of 22,500,000 newly issued common stock of the JV to the Company. Pursuant to the Smith Contribution Agreement, Smith conditionally agreed to provide, inter alia, its technologies, know-how and sales network to the JV, whereas the JV conditionally agreed to issue 20,000,000 newly issued common stock of the JV to Smith.

The formation of the JV will combine the electric vehicle designs, battery and the semi knock down kits manufacturing capacity of the Group, with the existing sales network, after-sales services and software technologies of Smith. Upon completion of all the transactions contemplated under the FDG Contribution Agreement and the Smith Contribution Agreement, the Group will become the single largest shareholder of the JV, holding approximately 45.45% of the issued share capital of the JV.

Details of the formation of the JV are disclosed in the announcement of the Company dated 4 May 2015.

*Transaction 3:* On 23 July 2015, Sinopoly Strategic (as vendor), FKL and Guotai Junan Securities (Hong Kong) Limited (the “Placing Agent”) entered into a placing and top-up subscription agreement pursuant to which (i) the Placing Agent agreed to procure the placing of up to 35,000,000 shares of FKL held by Sinopoly Strategic at the placing price of HK\$7.73 per placing share; and (ii) Sinopoly Strategic agreed to subscribe for up to 35,000,000 new shares of FKL at the subscription price of HK\$7.73 per subscription share (the “Top-up Subscription”). Completion of the placing and the Top-up Subscription took place on 28 July 2015 and 5 August 2015 respectively and, as a result, the equity interest of FKL held by the Company reduced from approximately 73.55% to approximately 70.91%. Details of the placing and Top-up Subscription are disclosed in the joint announcement of the Company and FKL dated 23 July 2015.

*Transaction 4:* On 5 September 2015, the Company and FKL jointly announced that Kingspark Group Limited (“Kingspark”, a direct wholly-owned subsidiary of FKL, as purchaser), SK China Company Limited (the “First Vendor”) and SKC Co., Ltd. (the “Second Vendor” ) entered into a sale and purchase agreement (the “Sale and Purchase Agreement”) pursuant to which (i) Kingspark conditionally agreed to purchase and the First Vendor conditionally agreed to sell 39,291,010 shares of Premier Property Management Limited (“Premier Property”), which represent approximately 90.91% of the issued shares of Premier Property; and (ii) Kingspark conditionally agreed to purchase and the Second Vendor conditionally agreed to sell 3,929,000 shares of Premier Property, which represent approximately 9.09% of the issued shares of Premier Property. The total consideration was HK\$722,000,000, which was satisfied by FKL on 29 October 2015 through (i) the payment of HK\$338,182,608 in cash and the issuance of 244,755,815 shares in FKL to the First Vendor; and (ii) the payment of HK\$33,817,392 in cash and the issuance of 24,474,955 shares in FKL to the Second Vendor. The Sale and Purchase Agreement constituted a discloseable transaction of the Company under the Listing Rules. Upon its completion, (i) Premier Property has become an indirect subsidiary of the Company and (ii) the equity interest of FKL held by the Company reduced from approximately 70.91% to approximately 67.19% and FKL remained as a subsidiary of the Company.

Premier Property's group is principally engaged in the manufacturing of the cathode materials for nickel-cobalt-manganese lithium-ion battery which is another type of battery that the Company is exploring for the applications in its electric vehicles. Thus, the acquisition of Premier Property represents a diversification of the Company's current battery business and is an entry point for the Company to enter into the nickel-cobalt-manganese lithium-ion battery market.

Details of the Sale and Purchase Agreement are disclosed in the joint announcements of the Company and FKL dated 5 September 2015, 8 September 2015 and 29 October 2015, and Note 10 of the financial statements.

Save as disclosed above, the Group had no material acquisitions or disposals of subsidiaries or associated companies during the year ended 31 March 2016.

### ***Pledge of Assets and Contingent Liabilities***

There are pledges of assets as at 31 March 2016 and 2015 with details disclosed under the section headed "Liquidity and Financial Resources". In addition, pledged bank deposits of approximately HK\$212.6 million (31 March 2015: approximately HK\$128.9 million) were pledged to secure mainly for bills payables, a bank loan and letter of credit issued by the Group.

The Group had no significant contingent liabilities as at 31 March 2016 (31 March 2015: nil).

### ***Capital Commitment***

Details of the capital commitments of the Group are set out in note 16 on page 19 of this announcement.

### ***Employees and Remuneration Policies***

As of 31 March 2016, the Group had 65 employees (31 March 2015: 47 employees) in Hong Kong and 2,663 employees (31 March 2015: 2,119 employees) in the PRC. Total staff costs (including directors' emoluments and equity-settled share-based payments) during the current financial year amounted to approximately HK\$315.6 million (2015: approximately HK\$190.0 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 for the benefit of its directors and eligible participants.

## **EVENTS AFTER REPORTING PERIOD**

On 14 April 2016, the Company and FKL jointly announced, inter alia, that a subscription agreement was entered into between the Company and ALEEES pursuant to which the Company conditionally agreed to allot and issue and ALEEES conditionally agreed to subscribe for (a) 430,000,000 new ordinary shares of the Company at the subscription price of HK\$0.50 per new share of the Company; and (b) the unlisted zero coupon convertible bonds due 2021 in the principal amount of HK\$275 million to be issued by the Company in favour of ALEEES pursuant to the terms and conditions of the subscription agreement.

Upon completion of the subscription, the net proceeds of approximately HK\$488.5 million will be used to repay some of the Group's debts to strengthen the capital structure of the Group, support the development of FKL (if required) and as general working capital of the Group.

The subscription agreement above was inter-conditional with the ALEEES Share Subscription Agreement, Cooperation Agreement, the Ark Cayman Sale and Purchase Agreement, the Ark Taiwan Asset Purchase Agreement, the R&D Service Agreement and the Loan Agreement which are more described in the joint announcement of the Company and FKL dated 14 April 2016 and Note 17(a) of the financial statements.

ALEEES is principally engaged in the business of production, research and development and sales and marketing of cathode materials for lithium ferrous phosphate batteries. It is one of the major suppliers of cathode materials for Sinopoly Battery Limited, a lithium-ion battery manufacturer within the Group which is 75% owned by the Company and 25% owned by FKL. The cooperation agreement secures long-term access to the quality cathode materials and provides Sinopoly Battery Limited steady supply of raw materials for the manufacturing of lithium-ion batteries. The acquisition of 21.85% stake in ALEEES diversifies FKL portfolio while remaining committed in the battery related businesses. The steady supply of cathode materials also serves as an important factor in enabling the Group's electric vehicle production to reach its designed production capacity and further strengthen the Group's position as a vertically integrated electric vehicle manufacturer. The acquisition of Ark Cayman and the asset and equipment of Art Taiwan represent the acquisition of ALEEES' research and development capabilities in connection with electric vehicle and battery technology which will be synergetic to the Company's existing research and development.

Details of other significant events occurring after the reporting period are set out in Note 17 of the financial statements.

## **CORPORATE GOVERNANCE**

The Company applied the principles of and complied with all the code provisions of the Corporate Governance Code and Corporate Governance Report (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited throughout the year ended 31 March 2016 and up to the date of this announcement except for the following deviations.

### *Code provision A.2.1*

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

### *Code provision A.5.1*

During the period from 1 April 2015 to 26 November 2015, the Nomination Committee consisted of three executive directors and three independent non-executive directors which constituted a deviation from code provision A.5.1 of the Code which requires a nomination committee to comprise a majority of independent non-executive directors. At the Board meeting held on 27 November 2015, this deviation has been rectified and the Nomination Committee currently comprises a majority of independent non-executive directors in compliance with this code provision.

### **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 2016.

### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

The Company did not redeem any of its listed securities during the year ended 31 March 2016.

Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities during the year ended 31 March 2016.

### **REVIEW OF ANNUAL RESULTS**

The Audit Committee of the Company has reviewed with the management and the Company's independent auditor the audited results of the Group for the year ended 31 March 2016.

By order of the Board  
**FDG Electric Vehicles Limited**  
**Cao Zhong**  
*Chairman & Chief Executive Officer*

Hong Kong, 29 June 2016

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

Website: <http://www.fdgev.com>

*\* For identification only*