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 2014

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 2014, together with the comparative figures for last year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2014

	Note	**2014** *HK$'000*	2013 *HK$'000*
Revenue	2	**83,956**	53,854
Cost of sales		**(77,014)**	(46,659)
Gross profit		**6,942**	7,195
Other income		**15,518**	1,846
Selling and distribution costs		**(18,995)**	(19,641)
General and administrative expenses		**(117,912)**	(82,360)
Research and development expenses		**(12,358)**	(16,821)
Finance costs	4	**(19,329)**	(17,649)
Other operating expenses	5(a)	**—**	(26,083)
Write-down of inventories	5(b)	**(25,954)**	(15,905)
Amortisation of intangible assets	10	**(99,055)**	(106,142)
Impairment on intangible assets	10	**—**	(100,564)
Impairment on goodwill	9	**(665,438)**	—
Loss before tax	5	**(936,581)**	(376,124)
Income tax	6	**24,703**	51,677

CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(Continued)*

For the year ended 31 March 2014

	Note	**2014** ***HK$'000***	2013 *HK$'000*
Loss for the year		**(911,878)**	(324,447)
Attributable to:			
Owners of the Company		**(906,389)**	(324,447)
Non-controlling interests		**(5,489)**	—
		(911,878)	(324,447)
		HK cents	*HK cents*
Loss per share attributable to owners of the Company	8		
— Basic and diluted		**(6.67)**	(2.90)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2014

	2014	2013
	HK$'000	*HK$'000*
Loss for the year	**(911,878)**	(324,447)
Other comprehensive (loss)/income for the year, net of nil tax:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign subsidiaries	**(80)**	412
Total comprehensive loss for the year	**(911,958)**	(324,035)
Attributable to:		
Owners of the Company	**(905,559)**	(324,035)
Non-controlling interests	**(6,399)**	—
Total comprehensive loss for the year	**(911,958)**	(324,035)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2014

	Note	**2014** *HK$'000*	2013 *HK$'000*
Non-current assets			
Goodwill	9	**349,576**	—
Intangible assets	10	**982,563**	660,742
Fixed assets		**874,358**	451,790
Deposits paid for fixed assets		**203,249**	100,778
Prepaid rentals		**9,877**	10,938
		2,419,623	1,224,248
Current assets			
Inventories		**123,346**	121,543
Trade and other receivables	11	**252,928**	132,294
Pledged bank deposits		**11,284**	9,592
Cash and bank balances		**1,069,623**	140,567
		1,457,181	403,996
Current liabilities			
Bank loans and other borrowings		**(372,181)**	(107,720)
Loan from a non-controlling shareholder		**(150,000)**	—
Trade and other payables	12	**(212,819)**	(132,586)
Deposit received		**—**	(61,915)
Tax payable		**(8,695)**	(8,695)
Obligations under redeemed convertible bonds		**(760,752)**	(760,752)
		(1,504,447)	(1,071,668)
Net current liabilities		**(47,266)**	(667,672)
Total assets less current liabilities		**2,372,357**	556,576
Non-current liabilities			
Other non-current liability		**(52,656)**	(51,707)
Deferred tax liabilities		**(256,862)**	(164,678)
		(309,518)	(216,385)
NET ASSETS		**2,062,839**	340,191
CAPITAL AND RESERVES			
Issued capital		**169,769**	122,545
Reserves		**1,564,031**	217,646
Total equity attributable to owners of the Company		**1,733,800**	340,191
Non-controlling interests		**329,039**	—
TOTAL EQUITY		**2,062,839**	340,191

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 derivative financial instruments which have been measured at fair value.

In preparing these financial statements, the Board has considered the Group's sources of liquidity and believes that adequate funding is available to fulfill the Group's short-term obligations and capital expenditure requirements. As at 31 March 2014, the Group had net current liabilities of approximately HK$47,266,000, 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 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;

(2) Subsequent to the end of the reporting period, as disclosed in Note 14(a), the Group raised fund of HK$400 million (before direct expenses) by issuing three-year convertible bonds to a subscriber in April 2014;

(3) The directors of the Company have reviewed the cash flow forecast of the Group for the twelve months ending 31 March 2015 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, including the availability of (i) the balance of cash at banks and on hand of approximately HK$1,069,623,000 as at 31 March 2014 and (ii) the above-mentioned convertible bonds.

(4) The directors of the Company are considering various alternatives to support its capital expenditure needs and will continue the negotiations with the Group's bankers; and

(5) Mr. Miao Zhenguo ("Mr. Miao"), the Deputy Chairman and executive director of the Company, and Union Ever Holdings Limited, a substantial shareholder of the Company and beneficially wholly-owned by Mr. Miao, have jointly provided an irrevocable letter of undertaking pursuant to which they will 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.

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 their working capital and other financial obligations for the next twelve months from the date of approval of these financial statements after having taken into account of the Group's projected cash flows, current financial resources and capital expenditure requirements. Accordingly, the Board is of the view that it is appropriate to prepare these financial statements on a going concern basis.

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

(a) Basis of preparation *(Continued)*

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to make provision for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these potential adjustments have not been reflected in these financial statements.

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

The Group has where applicable adopted the following new and revised HKFRSs, HKASs and Interpretations (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:

HKAS 1 (Amendment)	Presentation of Items of Other Comprehensive Income
HKFRS 10	Consolidated Financial Statements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
Annual Improvements Project	Annual Improvements 2009-2011 Cycle
HKFRS 7 (Amendment)	Disclosures - Offsetting Financial Assets and Financial Liabilities

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, except for the followings:

HKAS 1 (Amendment) Presentation of Items of Other Comprehensive Income

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of profit or loss and other comprehensive income in these financial statements has been modified accordingly. In addition, the Group has chosen to use the new titles "Statement of profit or loss" and "Statement of profit or loss and other comprehensive income" as introduced by the amendments in these financial statements.

HKFRS 10 Consolidated Financial Statements

HKFRS 10 replaces the requirements in HKAS 27 "Consolidated and Separate Financial Statements" relating to the preparation of consolidated financial statements and HK(SIC)-Int 12 "Consolidation – Special Purpose Entities". It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 April 2013.

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

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

HKFRS 12 Disclosure of Interests in Other Entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards.

HKFRS 13 Fair Value Measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective for the current accounting period.

2. REVENUE

Revenue, which is also the Group's turnover, represents the aggregate of gross proceeds from sales of Lithium-ion batteries and its related products, service income from vehicle design, rental income from leasing of electric vehicles and income from treasury investment which represents interest income on bank deposits.

	2014	2013
	HK$'000	*HK$'000*
Sales of Lithium-ion batteries and its related products	**80,649**	53,175
Service income from vehicle design	**444**	—
Rental income from leasing of electric vehicles	**781**	—
Interest income from treasury investment in cash markets	**2,082**	679
Total	**83,956**	53,854

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 resource allocation and performance assessment. 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 design, manufacture and sales of electric vehicles (a new business which was acquired during the year ended 31 March 2014);

(c) the electric vehicle leasing segment represents the provision of leasing service of electric vehicles (a new business which commenced during the year ended 31 March 2014); and

(d) the treasury investment segment represents investments in bank deposits.

During the year ended 31 March 2013, as almost all of the Group's business operations were related to the Lithium-ion battery business, which constituted over 90% of the Group's revenue, results, assets and liabilities, the Board made decisions about resource allocation and performance assessment based on the entity-wide financial information, and no operating segment analysis was presented accordingly.

During the year ended 31 March 2014, as the Group commenced and identified two new reportable segments and changed the structure of its internal organisation, the corresponding information for the year ended 31 March 2013 was restated accordingly.

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 and central finance costs;

(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 in a manner 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 2014 and 2013 are as follows:

	2014				
	Battery products	**Vehicle design & electric vehicle production**	**Electric vehicle leasing**	**Treasury investment**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Revenue from external customers	**80,649**	**444**	**781**	**2,082**	**83,956**
Inter-segment revenue	**727**	**—**	**—**	**—**	**727**
Reportable segment revenue	**81,376**	**444**	**781**	**2,082**	**84,683**
Reportable segment profit/(loss) before tax	**(213,401)**	**(677,380)**	**(3,095)**	**2,082**	**(891,794)**
Other segment information:					
Interest income	**1,047**	**245**	**443**	**2,082**	**3,817**
Depreciation and amortisation of fixed assets	**37,933**	**582**	**1,594**	**—**	**40,109**
Finance costs	**13,845**	**1,943**	**—**	**—**	**15,788**
Amortisation of intangible assets	**92,578**	**6,477**	**—**	**—**	**99,055**
Impairment on goodwill	**—**	**665,438**	**—**	**—**	**665,438**
Impairment on fixed assets	**6,973**	**—**	**—**	**—**	**6,973**
Write-down of inventories	**25,954**	**—**	**—**	**—**	**25,954**
Additions to non-current assets	**34,442**	**1,974,752**	**583**	**—**	**2,009,777**
Reportable segment assets	**1,584,683**	**1,402,124**	**22,932**	**855,329**	**3,865,068**
Reportable segment liabilities	**(1,341,023)**	**(466,849)**	**(1,050)**	**—**	**(1,808,922)**

	2013 (Restated)				
	Battery products	Vehicle design & electric vehicle production	Electric vehicle leasing	Treasury investment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Reportable segment revenue from external customers	53,175	—	—	679	53,854
Reportable segment profit/(loss) before tax	(331,703)	—	—	679	(331,024)
Other segment information:					
Interest income	451	—	—	679	1,130
Depreciation and amortisation of fixed assets	30,889	—	—	—	30,889
Finance costs	17,649	—	—	—	17,649
Amortisation of intangible assets	106,142	—	—	—	106,142
Impairment on intangible assets	100,564	—	—	—	100,564
Write-down of inventories	15,905	—	—	—	15,905
Additions to non-current assets	69,871	—	—	—	69,871
Reportable segment assets	1,572,297	—	—	30,372	1,602,669
Reportable segment liabilities	(1,220,945)	—	—	—	(1,220,945)

3. SEGMENT REPORTING *(Continued)*

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

	2014	2013
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	**84,683**	53,854
Elimination of inter-segment revenue	**(727)**	—
Consolidated revenue	**83,956**	53,854
Loss		
Reportable segment loss derived from the Group's external customers	**(891,794)**	(331,024)
Other income	**1,449**	407
Depreciation and amortisation	**(1,551)**	(1,947)
Finance costs	**(3,541)**	—
Unallocated corporate expenses	**(41,144)**	(43,560)
Consolidated loss before tax	**(936,581)**	(376,124)
Assets		
Reportable segment assets	**3,865,068**	1,602,669
Unallocated corporate assets	**11,736**	25,575
Consolidated total assets	**3,876,804**	1,628,244
Liabilities		
Reportable segment liabilities	**(1,808,922)**	(1,220,945)
Unallocated corporate liabilities	**(5,043)**	(67,108)
Consolidated total liabilities	**(1,813,965)**	(1,288,053)

3. SEGMENT REPORTING *(Continued)*

Geographical information

(a) Revenue from external customers

	2014	2013
	HK$'000	*HK$'000*
European countries	**20,247**	20,965
The People's Republic of China (the "PRC")	**42,280**	14,801
The United States of America	**3,349**	4,967
Canada	**5,100**	1,267
Australia	**4,036**	5,287
Hong Kong	**2,201**	2,246
Others	**6,743**	4,321
	83,956	53,854

The revenue information is based on the location of the customers.

(b) Non-current assets

	2014	2013
	HK$'000	*HK$'000*
The PRC	**2,415,046**	1,222,206
Hong Kong	**4,577**	2,042
	2,419,623	1,224,248

The geographical location of the non-current assets is based on the physical location of the asset, in case of fixed assets and other non-current assets, and the location of the operation to which they are allocated, in the case of intangible assets and goodwill.

Information about major customers

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

	2014	2013
	HK$'000	*HK$'000*
Customer A - revenue from sales of battery products	**N/A**	6,682
Customer B - revenue from sales of battery products	**17,508**	N/A

4. FINANCE COSTS

	2014	2013
	HK$'000	*HK$'000*
Imputed interest on convertible bonds	—	12,104
Interest on bank loans wholly repayable within five years	**13,845**	5,545
Other borrowing costs	**5,484**	—
Total interest expenses on financial liabilities not at fair value through profit or loss	**19,329**	17,649

5. LOSS BEFORE TAX

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

	2014	2013
	HK$'000	*HK$'000*
Interest income	**(3,817)**	(1,130)
Auditor's remuneration	**1,650**	1,430
Cost of inventories recognised as expenses		
- included in cost of sales	**74,827**	46,659
- included in research and development expenses	**4,351**	11,498
- included in selling and distribution costs	**1,907**	2,249
- included in write-down of inventories *(Note (b))*	**25,954**	15,905
Amortisation of intangible assets	**99,055**	106,142
Impairment on intangible assets	—	100,564
Impairment on fixed assets	**6,973**	—
Impairment on goodwill	**665,438**	—
Depreciation and amortisation of fixed assets	**41,660**	32,836
Exchange gains, net	**(4,871)**	(221)
(Gain)/loss on disposal of fixed assets	**(626)**	10
Minimum lease payments under operating leases in respect of property rentals	**10,762**	7,151
Staff costs (including directors' emoluments)		
- salaries and allowances	**57,732**	61,804
- equity-settled share-based payments	**3,736**	1,643
- contributions to retirement benefits schemes	**7,621**	7,241

Notes:

(a) During the year ended 31 March 2013, the other operating expenses of HK$26,083,000 represented production and output costs incurred in trial run stage of the Group's battery production base in Tianjin, the PRC.

(b) The write-down of inventories amounted to HK$25,954,000 (2013: HK$15,905,000) was provided for those slow-moving inventories which were less compatible with and less marketable than the Group's current products.

6. INCOME TAX

	2014	2013
	HK$'000	*HK$'000*
The PRC tax:		
Charge for the year	**—**	—
Deferred	**(24,703)**	(51,677)
Total credit for the year	**(24,703)**	(51,677)

No provision for the Hong Kong profits tax and the PRC enterprise income tax has been made as the Group sustained losses for taxation purposes in Hong Kong and the PRC for the years ended 31 March 2014 and 2013. The deferred tax of HK$24,703,000 (2013: HK$51,677,000) that has been credited to the consolidated statement of profit or loss arose from origination and reversal of temporary differences.

7. DIVIDEND

No dividend was paid or declared by the Company during the year (2013: nil).

8. 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$906,389,000 (2013: HK$324,447,000) and (ii) the weighted average number of 13,584,372,000 (2013: 11,175,462,000) ordinary shares in issue during the year.

	2014 Weighted average number of ordinary shares *'000*	2013 Weighted average number of ordinary shares *'000*
Issued ordinary shares at the beginning of the reporting period	**12,254,516**	10,991,707
Effect of issue on shares pursuant to share subscriptions	**1,195,233**	—
Effect of issue on shares upon exercise of share options	**564**	1,076
Effect of issue on shares upon acquisition transaction	**130,223**	—
Effect of issue on shares pursuant to share placement	**3,836**	—
Effect of issue on shares upon conversion of convertible bonds	**—**	182,679
Weighted average number of ordinary shares at the end of the reporting period	**13,584,372**	11,175,462

(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 anti-dilutive effect and would result in a reduction in loss per share for the years ended 31 March 2014 and 2013. Therefore, the diluted loss per share is the same as the basic loss per share for both years.

9. ACQUISITION OF SUBSIDIARIES

On 19 December 2013, Preferred Market Limited ("Preferred Market"), a wholly-owned subsidiary of the Company, together with the Company as its guarantor, entered into an acquisition agreement (the "Acquisition Agreement") with Captain Century Limited, Designer Touch Limited, Infinity Wealth International Limited, Super Sleek Limited, Super Engine Limited, Ms. Lam Chiu Che, and Ms. Chong Sok Un, (collectively, the "Vendors") and five Vendors' guarantors. Pursuant to the Acquisition Agreement, the Vendors conditionally agreed to sell and Preferred Market conditionally agreed to purchase 58.50% equity interest in Agnita Limited and its subsidiaries (collectively, the "Agnita Group") for a total consideration of HK$608,400,000 (the "Acquisition"). The consideration of the Acquisition was settled by the issue of 1,901,250,000 new shares of the Company (the "Consideration Shares") at the contracted issue price of HK$0.32 per share and the Acquisition was completed on 7 March 2014 (the "Completion Date").

Infinity Wealth International Limited is wholly owned by Mr. Miao Zhenguo, the Deputy Chairman, executive director and substantial shareholder of the Company and is therefore a connected person of the Company for the purpose of the Listing Rules. Ms. Chong Sok Un is an associate of Mr. Jamie Che, an executive director of the Company, and is therefore a connected person of the Company for the purpose of the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction for the Company.

Preferred Market would have the right to nominate and appoint majority of the directors in Agnita Limited and all of its subsidiaries, and they would become indirect non wholly-owned subsidiaries of the Company post the Completion Date.

9. ACQUISITION OF SUBSIDIARIES *(Continued)*

The Agnita Group was principally engaged in (i) the design, research and development, and testing of electric vehicles, and (ii) selling and licensing auto vehicle designs and associated patents to the automobile manufacturers. The Agnita Group started to construct facilities dedicated to producing pure electric vehicles which are designed and developed by it and will carry out the business of marketing, sales and distribution of those pure electric vehicles.

Given the Group's experience in the electric vehicle leasing business and being one of the leading Lithium-ion battery manufacturers in the PRC for electric vehicles, the Board are of the view that the 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 Group has elected to measure the non-controlling interests in the Agnita Group at the non-controlling interests' proportionate share of the Agnita Group's identifiable net assets.

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

	Fair value recognised on the Acquisition
	HK$'000
Intangible assets *(Note 10)*	**418,193**
Fixed assets	**330,343**
Deposits paid for fixed assets	**182,983**
Trade and other receivables	**30,481**
Pledged bank deposits	**1,089**
Cash and bank balances	**126,812**
Trade and other payables	**(40,418)**
Other borrowings	**(190,170)**
Loan from a non-controlling shareholder	**(150,000)**
Deferred tax liabilities	**(116,935)**
Total identifiable net assets at fair value	**592,378**
Non-controlling interests	**(335,438)**
Goodwill arising on the Acquisition	**1,016,898**
	1,273,838

	HK$'000
Consideration for the Acquisition:	
Issue of 1,901,250,000 Consideration Shares at fair value	**1,273,838**

The fair value of each Consideration Share was calculated at HK$0.67, being the closing market price of the Company's ordinary share on the Completion Date.

9. ACQUISITION OF SUBSIDIARIES *(Continued)*

Significant portion of the goodwill in connection with the Acquisition arose from the increase in fair value change from the contracted issue price of HK$0.32 per Consideration Share as stipulated under the Acquisition to the closing market price of the shares of the Company on the Completion Date. The closing market price per share of the Company on the Completion Date was used as the fair value of the issued shares of the Company for the purpose of calculating the fair value of the Consideration Shares issued for the Acquisition. The impairment losses of goodwill of approximately HK$665,438,000 was recognised immediately upon completion of the Acquisition according to the recoverable amount of the cash-generating unit to which goodwill has been allocated with reference to the valuation performed by an independent professional valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited. In the opinion of the Board, the impairment was mainly attributable to the increase in the fair value of Consideration Shares of the Company at the Completion Date. After deducting such impairment losses, the carrying amount of goodwill would be HK$349,576,000 and was mainly arose by the benefit of expected synergies, revenue growth and future market development.

The Group incurred transaction costs of HK$2,425,000 for the Acquisition. These transaction costs have been expensed and are included in general and administrative expenses in the consolidated statement of profit or loss.

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

	HK$'000
Cash and bank balances acquired and included in cash flows from investing activities	**126,812**
Transaction costs of the Acquisition included in cash flows from investing activities	**(2,425)**
	124,387

10. INTANGIBLE ASSETS

	Patents and patent using rights *HK$'000*	Industrial proprietary right *HK$'000*	Technical know-hows *HK$'000*	Total *HK$'000*
Cost				
At 1 April 2012	3,640,000	—	—	3,640,000
Additions through acquisition	1,981	—	—	1,981
Additions from internal developments	49	—	—	49
At 31 March 2013 and 1 April 2013	**3,642,030**	**—**	**—**	**3,642,030**
Additions through acquisition of subsidiaries *(Note 9)*	**—**	**29,594**	**388,599**	**418,193**
Additions from internal developments	**24**	**—**	**2,847**	**2,871**
Exchange adjustments	**36**	**(159)**	**(65)**	**(188)**
At 31 March 2014	**3,642,090**	**29,435**	**391,381**	**4,062,906**
Accumulated amortisation and impairment losses				
At 1 April 2012	2,774,582	—	—	2,774,582
Charge for the year ended 31 March 2013	106,142	—	—	106,142
Impairment for the year ended 31 March 2013	100,564	—	—	100,564
At 31 March 2013 and 1 April 2013	**2,981,288**	**—**	**—**	**2,981,288**
Charge for the year ended 31 March 2014	**92,578**	**—**	**6,477**	**99,055**
At 31 March 2014	**3,073,866**	**—**	**6,477**	**3,080,343**
Carrying amount				
At 31 March 2014	**568,224**	**29,435**	**384,904**	**982,563**
At 31 March 2013	660,742	—	—	660,742

Note:

Intangible assets mainly represent:

(1) the exclusive using rights of certain licensed patents granted to the Group through acquisition in 2010;

(2) the industrial proprietary rights and capitalised development costs of certain technical know-hows relating to the electric vehicle production business acquired through the Acquisition; and

(3) the patents generated through further acquisitions and internal research and developments and capitalised technical know-hows by the Group.

11. TRADE AND OTHER RECEIVABLES

	2014	2013
	HK$'000	*HK$'000*
Trade receivables *(Note)*	**66,648**	44,876
Bills receivables	**—**	858
Amounts due from customers for contract work	**3,650**	—
Other receivables	**125,626**	33,244
Less: Allowance for doubtful debts for other receivables	**(28,785)**	(28,785)
Deposits and prepayments	**19,578**	26,362
Value added tax receivables	**66,211**	55,739
	252,928	132,294

Note:

An ageing analysis of trade receivables is as follows:

	2014	2013
	HK$'000	*HK$'000*
Within 1 month	**10,131**	316
Between 1 and 3 months	**943**	73
Over 3 months	**55,574**	44,487
	66,648	44,876

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.

12. TRADE AND OTHER PAYABLES

	2014	2013
	HK$'000	*HK$'000*
Trade payables *(Note)*	**25,437**	19,178
Bills payables	**8,259**	9,287
Receipts in advance	**7,228**	14,903
Payables for acquisition of fixed assets	**65,117**	69,487
Other payables and accruals	**105,358**	18,778
Warranty provision	**1,420**	953
	212,819	132,586

Note:

An ageing analysis of trade payables is as follows:

	2014	2013
	HK$'000	*HK$'000*
Within 1 month	**8,474**	4,214
Between 1 and 3 months	**7,007**	1,864
Over 3 months	**9,956**	13,100
	25,437	19,178

The carrying amounts of trade and other payables approximate their fair values. As at 31 March 2014, bills payables of HK$8,259,000 (2013: HK$9,287,000) was secured by the equivalent amount of bank deposits.

13. CAPITAL COMMITMENTS

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

	2014	2013
	HK$'000	*HK$'000*
Capital commitments in respect of fixed assets		
Contracted, but not provided for *(Note)*	**899,878**	15,797
Capital commitments in respect of capital expenditure of the Group's factories in the PRC		
Authorised, but not contracted for	**14,045**	17,483
	913,923	33,280

Note:

The amounts of approximately HK$786,233,000 (2013: nil) related to capital expenditure of electric vehicle production business intend to be contributed and supported by the Group and non-controlling shareholders of the Agnita Group on pro rata to their equity interest.

14. EVENTS AFTER THE REPORTING PERIOD

(a) On 20 March 2014, the Company entered into a convertible bond agreement with the subscriber pursuant to which the subscriber has conditionally agreed to subscribe for the three-year convertible bonds with the principal amount of HK$400 million at the rate of 8% per annum. The subscription was completed on 14 April 2014.

(b) On 15 April 2014, Preferred Market entered into an agreement with the vendor pursuant to which Preferred Market would purchase the entire equity interest of the target which has a 50% indirect equity interest in a PRC company which is principally engaged in the manufacture, sale, assembly and maintenance of coaches, electric vehicles and systems, and parts and components. The acquisition consideration is HK$190 million and would be settled by the issuance of 380 million ordinary shares of the Company. If the net assets value of the target as determined in accordance with the completion accounts is less than HK$88,000,000, the guarantor and/or the vendor will indemnify Preferred Market against such shortfall. The acquisition was completed on 7 May 2014. As at the date of this announcement, the target is in the process of finalising its completion accounts.

(c) On 28 April 2014, the Company granted to the eligible participants a total of 183,200,000 share options at the exercise price of HK$0.63 per share with validity of 10 years from the date of grant, to subscribe for the Company's ordinary shares under the new share option scheme adopted by the Company on 28 February 2014.

(d) On 11 May 2014, the Company entered into the agreement with Smith Electric Vehicles Corp. ("SEV"), a company incorporated in the United States of America. Pursuant to the agreement, the Company (i) has agreed to subscribe (a) the series AA senior secured convertible promissory notes in the principal amount of US$2 million issued by SEV; and (b) the series E preferred shares issued by SEV offering at a total subscription amount of US$10 million subject to, among other things, the execution of an exclusive battery supply contract and a memorandum of understanding in relation to the supply of electric vehicle components; and (ii) will enter into definitive agreements to subscribe for common shares of a certain public listed company, of which SEV will become its wholly-owned subsidiary, for a total subscription amount of US$30 million subject to certain terms and conditions.

MANAGEMENT DISCUSSION AND ANALYSIS

Officially renamed as Five Dragons Electric Vehicles Limited ("FDG EV") in May 13th 2014, the Company, previously mainly engaged in the R&D, production, distribution and sale of Lithium-ion batteries as well as the provision of leasing service of electric vehicles, has turned into an integrated electric vehicle manufacturer which also further engages in independent R&D, design and production of electric vehicles such as coaches, medium and minibuses, commercial vehicles, SUVs and other models.

Looking back in 2013, though the growth of the global economy slowed down, the PRC's economy still saw stable growth in the complicated and ever-changing context of the global economy, recording a growth rate of gross domestic product ("GDP") of 7.7% for the year. The Group retained its competitive edges in the overall business while sustaining steady development in its regular business, i.e. the R&D, production and sales of Lithium-ion batteries.

MARKET OVERVIEW

The year of 2014 is a turning point for new energy vehicle development. The remarkable development in technologies of the electric vehicles industry impressed the world and led the industry into a brand new era through technology enhancement. In 2014, innovative technology will become the core impetus to advance the development of the electric vehicle industry.

The global sales of electric vehicles in 2013 amounted to approximately 225,500 units, representing an increase of 73.95% as compared with 129,600 units in 2012. The global electric vehicle markets are primarily focused in the United States, European Union, Japan and the PRC. The global demand for electric vehicles continuously to grow and according to Navigan, the total sales of electric vehicles will reach 21.9 million units in 2020.

According to the statistics of China Association of Automobile Manufacturers (the "CAAM"), given the stable economic growth in the PRC, both the domestic output and sales of automobile in 2013 have exceeded 20 million units. In particular, the output reached approximately 22.12 million units, representing a year-on-year growth of approximately 14.8% whilst the sales amounted to approximately 21.98 million units with a year-on-year growth of about 13.9%. The PRC has been the world's largest automobile manufacturer and consumer for five consecutive years, fully showcasing the robust demand of the domestic automobile market. In respect of new energy vehicles, market demand has been increased under the national policy support with the sales of new energy vehicles reaching 9,000 units in 2013. According to the forecast of CAAM, the sales of new energy vehicles are expected to increase by over 100% reaching 35,000 units in 2014.

In September 2013, by jointly issuing the Notice on Further Development of the Application of New Energy Vehicles (《關於繼續開展新能源汽車推廣應用工作的通知》), the Ministry of Finance, Ministry of Science and Technology, Ministry of Industry and Information Technology and National Development and Reform Commission (the "NDRC") of the PRC jointly announced that campaign in connection with the promotion and adaptation of new energy vehicles will continue throughout nation from 2013 to 2015, offering a subsidy of up to RMB500,000 for each purchase of pure electric and plug-in hybrid coach. Such subsidy policy fits perfectly with the Group's strategy and objective of developing electric coaches and electric commercial vehicles, thus providing an opportunity for the development of the Group's electric vehicle business. Pursuant to the Planning for the Development of the Energy-Saving and New Energy Vehicle Industry (2012-2020) (《節能與新能源汽車產業發展規劃(2012—2020 年)》)

issued by the State Council of PRC, the output and sales of new energy vehicles are planned to reach 0.5 million units in 2015 and 2 million units in 2020.

BUSINESS REVIEW

Electric vehicle, with huge potential in improving urban environment and saving energy, is the future trend of the global automotive industry. In view of this, the Group further expanded its operation by strategically entering into the design and production of electric vehicles during the period under review. Power batteries and battery systems play a crucial role in the R&D and production of electric vehicles. In the past year, the power battery and energy storage business as the major income source of the Group recorded steady development. In the future, the majority of the Group's production capacity of power batteries will be allocated to self-developed electric vehicles while maintaining certain overseas sales, so as to enhance the Group's brand awareness in the overseas market. Other than the development of electric vehicle business, the Group will continue to research and develop technologies of power battery in order to safeguard the quality, performance and safety of the electric vehicles produced by the Group. Such production coordination and arrangement will not only promote the development of our existing Lithium-ion batteries business, but also facilitate the development of the Group as an outstanding integrated electric vehicle manufacturer in the long run.

Marching into green field with strength and innovation

During the period, the Group strategically acquired approximately 58.5% of equity interests in Agnita Limited, which marks the Group's involvement into the electric vehicles design and production sector. Five Dragons Electric Vehicle Limited (五龍電動車有限公司) (the "Five Dragons"), a subsidiary of Agnita Limited, has a strong management team with experienced automotive designers and operational professionals. It has designed and developed over 25 automotive models with 3 Design of the Year Awards in the PRC. Its design was listed among the designated cars at the 2010 Shanghai World Expo. In addition, it also owns more than 50 patents and patent applications in relation to electric and traditional vehicles. The management of Five Dragons possesses expertise required for design and development of electric vehicles. Through close cooperation, Five Dragons and the Group jointly completed the design of basic models for four electric vehicles, including minibus, sport utility vehicle and small pure electric passenger vehicle. In addition, Five Dragons has obtained vehicle manufacturing license in the PRC to engage in marketing, sales and distribution of pure electric vehicle and other related businesses. It acquired a land parcel with site area of 345,874 square meters in December 2013 which is used for plant facilities for manufacturing electric vehicles. The production base commenced construction in February of the year and is expected to be completed and commence commercial production at first quarter of 2015. The designed capacity of such production base is 100,000 units of electric vehicles per annum, including two-seat pure electric passenger vehicles, five-seat pure electric passenger vehicles as well as pure electric and extended-range electric minibuses with six to nine meters in length.

The Group has a comprehensive development plan for the electric vehicle business, pursuant to which, it will focus on the manufacturing of electric minibuses and electric commercial vehicles at the preliminary stage. The sample cars for electric buses of two models have been completed and are at the testing and inspection stage, they have successfully passed the cold regions test in the Heihe's automobile cold regions experiment site which prevailing interim success has been achieved. During the period, the Group has finished the design of two electric minibuses, one sport utility vehicle and one small electric passenger vehicle. These vehicles, catering to the need of Chinese government and market trend, offer more choices to the market.

In April, the Group commenced the acquisition of Hong Kong Southwest Electric Vehicles Limited which held 50% of registered capital of Yunnan Meidi Coach Manufacturing Co., Ltd.* (雲南美的客車製造有限公司) (the "Yunan Meidi"). Yunnan Meidi is principally engaged in the business of manufacture, sales, assembly and maintenance of coaches, electric vehicles and parts and components, and holds a vehicle manufacturing license and a vehicle operating license in Kunming, Yunnan, the PRC. Yunnan Meidi's plant located in Kunming is expected to put into operation in the third quarter of 2014. It also leases a land and plant thereon that are free of charge for three years. The capacity of the plant is 4,500 units per annum with 2,500 units of electric coaches and 2,000 units of electric minibuses and electric commercial vehicles. Upon completion of the acquisition, the Group will provide services and management support to Yunnan Meidi in respect of production and sales of electric vehicles, Yunnan Meidi will pay an advisory fee which amount between RMB40,000 to RMB100,000 per each sold electric vehicle, amounting up to RMB3,800 million in total will be paid by Yunnan Meidi to the Group. The acquisition provides an immediate platform for the Group to meet the market demand in electric vehicle industry and consolidates the position of the Group in the sector.

Expanding domestic and global market resource through innovative business model

The Group has committed itself to exploring proactively development opportunities through cooperation with established enterprise worldwide, so as to improve its R&D ability of technology, enhance brand effect and strengthen profitability. In October 2013 and May 2014, the Group entered into a letter of interest and a collective agreement with Smith Electric Vehicles Corp (the "SEV") respectively. SEV is a famous international electric vehicle manufacturer who develops and manufactures commercial electric vehicles for more than 80 years.

SEV is one of the biggest manufacturers of pure electric vehicle in the world. It has invested approximately US$100 million to the R&D of electric vehicles since 2009. The electric vehicles manufactured by SEV are put into commercial use extensively. These vehicles have run for about 13.7 million kilometers with the record of traveling data for analysis purpose. SEV has its production and R&D bases in the United States and Britain respectively. It also has loyalty customer base comprising internationally renowned companies, demonstrating its profound development potential in the global electric vehicle market. After establishing strategic partnership with SEV, the Groups' batteries and parts of electric vehicle will be employed by the end customers of SEV, helping the Group make inroads in the international market more quickly.

SEV's customers are leading enterprises of various industries in the world, including catering, public utilities, telecommunication, retail, grocery, package and postal delivery, in-campus transportation, military and governments, such as FedEx Express, Pepsi/Frito-Lay, Staples and Coca Cola etc., the cooperation with SEV might enable the Group to expand its business into Europe, Middle East, the United States, Asia and other regions. In the future, SEV will only procure power batteries from the Group required by its production of pure electric vehicles, and regard our electric vehicle production base in Hangzhou as the preferred OEM provider to provide automobile frame and other parts for its electric vehicles.

With the same goal in electric vehicle development, the Group and SEV will establish strategic partnership by integrating the Group's technology in pure electric vehicle and battery and leveraging SEV's professional experience and international coverage, which will help to expand our business, strengthen our competitiveness in international market, gain extensive recognition and trust among renown end customers and thus facilitate the sales of our power batteries in global market.

FINANCIAL REVIEW

During the year under review, the Group recorded a turnover of approximately HK$84.0 million, representing an increase of approximately 55.9% as compared with approximately HK$53.9 million of the last financial year. The increase was due to a better recognition of the Group's battery products by the customers. The battery products business constituted approximately 96.1% (2013: approximately 98.7%) of the Group's total turnover. The Group also entered into the electric vehicle leasing and vehicle design and electric vehicle production businesses, which are new business segments of the Group during the year.

Gross profit slightly decreased approximately 3.5% to approximately HK$6.9 million of the current year from approximately HK$7.2 million of the last financial year.

The Group's net loss after tax increased to approximately HK$911.9 million from approximately HK$324.4 million of the last financial year, which is principally attributable to the one-off goodwill impairment of approximately HK$665.4 million of the current year, mainly representing the fair value increase in the closing market price of the shares of the Company on the completion date (i.e. HK$0.67 per share) from the contracted issue price for the consideration shares stipulated under the Acquisition (i.e. HK$0.32 per share). On the other hand, there was an impairment of intangible assets of approximately HK$100.6 million during the last financial year, which did not incur during the year. The goodwill and intangible asset impairments are one-off non-cash items and would not have any impact on the cashflow and operations of the Company.

Excluding the impairments on goodwill and intangible assets, the Group recorded a loss after tax and non-controlling interests of approximately HK$241.0 million, representing an increase of approximately HK$17.1 million from approximately HK$223.9 million in the last financial year. The Group's loss before interest, taxes, depreciation and amortisation ("LBITDA") amounted to approximately HK$111.1 million for the current year (2013: approximately HK$118.9 million).

An analysis of the Group's other major profit or loss items is as follows:

(i) other income of approximately HK$15.5 million, an increase of approximately HK$13.7 million comparing with the last financial year of approximately HK$1.8 million, was mainly attributable to the net exchange gains arising from the unrealised year-end exchange translations of current accounts between the group companies and the receipt of government grants by the Group for, inter alia, its development of strategic emerging industries and development of new energy automotive industries in the PRC;

(ii) the general and administrative expenses of approximately HK$117.9 million, an increase of approximately HK$35.5 million comparing with the last financial year of HK$82.4 million, was mainly attributable to the impairment of certain less technically obsolete machineries of approximately HK$7.0 million and the commencement of commercial operations of both factories during the current year;

(iii) research and development expenses of approximately HK$12.4 million, a decrease of approximately HK$4.4 million comparing with the last financial year of approximately HK$16.8 million;

(iv) the write-down of inventories of approximately HK$26.0 million, an increase of approximately HK$10.1 million when compared with the last financial year of approximately HK$15.9 million as more slow-moving inventories which were less compatible with and less marketable than the Group's current products; and

(v) the amortisation of intangible assets of approximately HK$99.1 million, a decrease of approximately HK$7.0 million when compared with the last financial year of approximately HK$106.1 million mainly due to the decrease in the carrying amount of intangible assets as at 31 March 2013.

Segment Information

Battery products business

The turnover from battery products business of approximately HK$80.6 million, represents an increase of approximately 51.7% as compared with approximately HK$53.2 million of the last financial year. The increase is attributed to the rapid growth trends in the Lithium-ion battery industry and the increasing recognition by customers of the Group. The gross profit ratio from the battery products business decreased from approximately 12.3% of the last financial year to approximately 6.3% of the current year. Such decrease was mainly attributable to the improvement in manufacturing consistency which allows the Group to produce less products, and resulted in temporary decrease in the utilisation rate of the production capacity and therefore an increase in unit cost per battery products. However, this is a temporary situation and with the improved consistency in production, the Group will be in a competitive position to capture the market growth in the long run. The gross profit ratio will be increased once the Group is manufacturing on a large scale basis.

The battery products business recorded a loss before tax of approximately HK$213.4 million, an improvement of approximately 35.7% as comparing with approximately HK$331.7 million of the last financial year, as all the battery factories of the Group commenced commercial production and the Group continues to strive for high efficiency in operations.

Electric vehicle leasing business

During the year under review, the first batch of electric vehicles which battery products of the Group were applied onto was leased out. The rental income from electric vehicle leasing business was approximately HK$0.8 million for the current year (2013: nil). The segment loss for the year was approximately HK$3.1 million as the new business segment of electric vehicle leasing business of the Group was still at its initial stage and yet to cover the fixed costs.

Vehicle design and electric vehicle production business

The Group entered into vehicle design and electric vehicle production business segment through the acquisition of the Agnita Group in March 2014. The Agnita Group has started constructing facilities in Hangzhou dedicated to producing pure electric vehicles designed and developed by it and will carry out the business of marketing, sales and distribution of those pure electric vehicles. During the year under review, the revenue from such segment of approximately HK$0.4 million was purely attributable to service income from vehicle design. The segment loss for the year was approximately HK$677.4 million as there was the recognition of a one-off non-cash goodwill impairment of approximately HK$665.4 million as mentioned above.

Geographical Analysis of Turnover

During the year under review, the Group made progress in developing its business world-wide and most of the international electric vehicles and energy storage companies acknowledged the quality of the Group's products. The European countries, the PRC, the United States of America, Canada, Australia, Hong Kong and others contributed approximately 24.1% (2013: 38.9%), 50.4% (2013: 27.5%), 4.0% (2013: 9.2%), 6.1% (2013: 2.4%), 4.8% (2013: 9.8%), 2.6% (2013: 4.2%) and 8.0% (2013: 8.0%) to the Group's total turnover respectively.

Liquidity and Financial Resources

As of 31 March 2014, the Group had (i) non-current assets of approximately HK$2,419.6 million (31 March 2013: approximately HK$1,224.2 million), which comprised of goodwill, intangible assets, fixed assets, deposits paid for fixed assets and prepaid rentals; and (ii) current assets of approximately HK$1,457.2 million (31 March 2013: approximately HK$404.0 million), which mainly comprised of inventories, trade and other receivables, pledged bank deposits which were mainly secured for all bills payables and issuance of letter of credit by the Group, and cash and bank balances.

The Group had current liabilities of approximately HK$1,504.4 million (31 March 2013: approximately HK$1,071.7 million), which mainly comprised of bank loans and other borrowings, loan from a non-controlling shareholder, trade and other payables, deposit received, tax payable, 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$713.5 million (31 March 2013: approximately HK$93.1 million). The bank loans and other borrowings included the bank loans of approximately HK$107.4 million (31 March 2013: approximately HK$107.7 million), which were secured by certain land and buildings of the Group with a carrying value of approximately HK$206.1 million (31 March 2013: HK$190.7 million), denominated in Renminbi ("RMB"), bear interest at prevailing market interest rates and were repayable within one year. Save as the above bank loans, all other borrowings are unsecured. The Group's borrowings are mostly event driven, with little seasonality.

The Group's total non-current liabilities (comprised of other non-current liability, which was the grant received from the PRC government authority for subsidising the Group's acquisition of land and deferred tax liabilities) increased from approximately HK$216.4 million as at 31 March 2013 to approximately HK$309.5 million as at 31 March 2014.

As at 31 March 2014, the Group's gearing ratio, without taking into account the obligations under redeemed convertible bonds of approximately HK$760.8 million (31 March 2013: approximately HK$760.8 million), was approximately 30.1% (31 March 2013: 31.7%) calculated on the basis of bank loans and other borrowings and loan from a non-controlling shareholder of totally approximately HK$522.2 million (31 March 2013: approximately HK$107.7 million) to total equity attributable to owners of approximately HK$1,733.8 million (31 March 2013: approximately HK$340.2 million) as at 31 March 2014.

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 considers appropriate hedging instruments when necessary.

Capital Structure

On 6 May 2013, a total of 1,200,000,000 new shares of the Company were issued and allotted at a price of HK$0.22 per share pursuant to five subscription agreements entered into between the Company and five independent parties (namely Jade Time Investments Limited, Li Ka Shing (Canada) Foundation, Lion Cosmos Limited, CITIC International Assets Management Limited ("CIAM") and Mr. Lo Ka Shui) on 23 April 2013 under the general mandate to issue shares granted at the Company's annual general meeting held on 20 August 2012. Mr. Lo Wing Yat, an executive director of the Company, is a director and Chief Executive Officer of CIAM. The net proceeds of approximately HK$264 million are intended to be used for expansion of production capacity and general working capital of the Group.

On 30 September 2013, a total of 220,000,000 new shares of the Company were issued and allotted at a price of HK$0.294 per share pursuant to a subscription agreement entered into between the Company and CIAM on 19 September 2013 under the general mandate to issue shares granted at the Company's annual general meeting held on 27 August 2013 (the "General Mandate"). The net proceeds of approximately HK$64,680,000 are intended to support the electric vehicle leasing business and the general working capital of the Group.

On 7 March 2014, a total of 1,901,250,000 new shares of the Company were issued and allotted at a price of HK$0.32 per share pursuant to an acquisition agreement entered into among Preferred Market Limited ("Preferred Market"), a direct wholly-owned subsidiary of the Company, the Company as guarantor of Preferred Market, seven vendors (namely Captain Century Limited, Designer Touch Limited, Infinity Wealth International Limited, Super Sleek Limited, Super Engine Limited, Ms. Lam Chiu Che and Ms. Chong Sok Un, collectively the "Vendors") and guarantors of five of the Vendors (namely Dr. Chen Yanping, Mr. Chen Cheng, Mr. Miao Zhenguo, Mr. Wang Chengying and Mr. Wu Yangnian) on 19 December 2013 under the specific mandate sought at the Company's special general meeting held on 28 February 2014. Infinity Wealth International Limited is wholly owned by Mr. Miao Zhenguo, an executive director and a substantial shareholder of the Company, and Ms. Chong Sok Un is an associate of Mr. Jaime Che, an executive director of the Company.

On 31 March 2014, a total of 1,400,000,000 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 Guotai Junan Securities (Hong Kong) Limited as the placing manager on 20 March 2014 under the General Mandate. The net proceeds of approximately HK$692 million are intended to be used as capital expenditure required for construction of the electric vehicle production base in Hangzhou and as general working capital of the Group.

As at 31 March 2014, total net proceeds of approximately HK$1,020,680,000 from the above subscription agreements and placing agreement was received by the Group. Among of which, approximately HK$22,000,000 was used for the expansion of production capacity and approximately HK$2,200,000 was used for the electric vehicle leasing business. The unused balances of approximately HK$996,480,000 were kept in Hong Kong.

In addition, 1,125,000 shares of the Company were issued and allotted by the Company pursuant to the exercise of share options granted under the Company's share option scheme during the year under review.

As a result of the above, the number of shares of the Company in issue increased from 12,254,516,626 as at 1 April 2013 to 16,976,891,626 as at 31 March 2014.

Save as disclosed above and the outstanding share options entitling their holders to subscribe for a total of 578,700,000 shares of the Company, the Group had no debt securities or other capital instruments as at 31 March 2014.

Material Acquisition and Disposals

As disclosed in the section headed "Capital Structure" above, an agreement for the sale and purchase of 58.50% interest in Agnita Limited ("Agnita") (the "Acquisition Agreement") was entered into among Preferred Market, the Company, the Vendors and guarantors of five of the Vendors on 19 December 2013. Pursuant to the Acquisition Agreement, Preferred Market would acquire from the Vendors 58.50% of the issued share capital in Agnita at the consideration of HK$608,400,000 which would be settled by the issue of 1,901,250,000 shares of the Company at HK$0.32 per share to the Vendors upon completion. The Acquisition Agreement was approved at the special general meeting of the Company held on 28 February 2014 and its completion took place on 7 March 2014. After completion, Agnita became an indirect non-wholly-owned subsidiary of the Company. The acquisition of Agnita represents a merger of the battery production, electric vehicle manufacturing and electric vehicle leasing businesses and is a significant furtherance of the Group's vertical expansion plan.

On 15 April 2014, Preferred Market entered into a sale and purchase agreement with Mr. Kam Chi Yip ("Mr. Kam") and Mr. Huang Jianmeng pursuant to which Preferred Market would acquire from Mr. Kam the entire issued share capital of Giant Industry Holdings Limited ("Giant Industry") at the consideration of HK$190,000,000 which would be satisfied by the Company through the issue of 380,000,000 shares of the Company at the issue price of HK$0.50 per share. The acquisition of Giant Industry was completed on 7 May 2014 and Giant Industry was accounted as a subsidiary of the Company after completion. The acquisition of Giant Industry provides an immediate platform for the Group to engage in the manufacture of electric vehicles and will be a furtherance of the Company's initiative to develop its electric vehicle manufacturing capability.

Save as disclosed above, the Group had no material acquisitions or disposals of subsidiaries or associated companies during the year ended 31 March 2014.

Pledge of Assets and Contingent Liabilities

There are pledged of assets as at 31 March 2014 and 2013 with details disclosed under the section heading "Liquidity and Financial Resources". In addition, pledged bank deposits of approximately HK$11.3 million (31 March 2013: approximately HK$9.6 million) were pledged to secure mainly for bills payables and letter of credit issued by the Group.

The Group had no significant contingent liabilities as at 31 March 2014 and 2013.

Capital Commitments

Details of the capital commitments of the Group are set out in Note 13 to the financial statements on page 19 of this announcement.

Employees and Remuneration Policies

As of 31 March 2014, the Group had 43 employees (31 March 2013: 35 employees) in Hong Kong and 848 employees (31 March 2013: 869 employees) in the PRC. Total staff costs (including directors' emoluments and equity-settled-share-based payments) during the year amounted to approximately HK$69.1 million (2013: approximately HK$70.7 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.

FUTURE DEVELOPMENT

Consolidating green base with technology and quality

The Group believes that compared with those modified from traditional gasoline-powered vehicles, electric vehicles manufactured according to wholly new design started from scratch will have better motion performance and efficiency. As for the electric vehicle business, the Group has detailed production and development plans. It is expected that the Kunming Plant will start producing electric minibuses from the third quarter of 2014 and the Hangzhou Plant will commence the production of two models of electric commercial vehicles from the first quarter of 2015. At the initial stage, the production of the Group will focus on electric minibuses, commercial vehicles and coaches. When the electric vehicle market further matures, the Group will actively launch other types of electric vehicles such as mini SUVs and luxury electric vehicles to provide more choices in the market.

In the future, the Group will continue to increase the investment in certain areas including technology, quality and product design, with an aim to improve our brand image and overall competitiveness and strengthen our business development and earnings. For the upstream sectors, the Group will seek for cooperation with suppliers for raw materials of electric vehicles and battery products in various ways while proactively pursuing strategic cooperation with electric vehicle sellers and marketing companies in the downstream sectors. The Group will utilize its own designs and R&D technology and adopt a light-asset operational strategy through diversified OEM cooperation, thereby lowering the Group's capital expenditure but also meeting the growing demand in the electric vehicle market. The development goal of FDG EV for the long run is to achieve rapid growth in electric vehicle business by leveraging its outstanding R&D team in the field of electric vehicle and battery production as well as its technology and resources in core parts of new energy vehicle and battery, striving to become a leading integrated electric vehicle manufacturer in the market.

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 2014 and up to the date of this announcement except for the following deviations.

Code provisions A.2.1 to A.2.9

The Company has no Chairman from 16 October 2008 to 10 March 2014. This constitutes a deviation from the code provisions A.2.1 to A.2.9 of the Code. On 11 March 2014, the Company appointed Mr. Cao Zhong as the Chairman while Mr. Miao Zhenguo remained as the Chief Executive Officer of the Group. Since then and up to 27 May 2014, the roles of the Chairman and Chief Executive Officer of the Company were segregated and performed by different individuals.

Before the appointment of Mr. Cao Zhong, both the roles of Deputy Chairman and Chief Executive Officer were vested in Mr. Miao Zhenguo. The Board was of the view that this would not impair the balance of power and authority between the Board and the management of the Company as the Board would meet regularly to consider major matters affecting the operations of the Group. Mr. Miao Zhenguo was mainly responsible for the day-to-day management of the Group's business operations.

On 28 May 2014, Mr. Cao Zhong was appointed as the Chief Executive Officer of the Company while Mr. Miao Zhenguo resigned as the Chief Executive Officer of the Company. Since then, both the roles of Chairman and Chief Executive Officer are vested in Mr. Cao Zhong. The Board considers that it will be more effective in implementing the Company's business strategies under this arrangement as the Group is expanding 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.

Taking up the role of the chairman, Mr. Miao Zhenguo had a meeting with the non-executive directors (including independent non-executive directors) without the executive directors present on 24 January 2014 to discuss the performance of the executive directors and offer them an opportunity to raise any suggestions for improvement to the Company.

Code provision E.1.2

Code provision E.1.2 of the Code stipulates that the chairman of the board should attend the annual general meeting. The Company did not comply with such code provision as it has no Chairman when the annual general meeting of the Company was held. Mr. Miao Zhenguo, the Deputy Chairman, chaired the Company's annual general meeting held on 27 August 2013 pursuant to the Company's Bye-laws.

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 2014.

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 2014.

Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities during the year ended 31 March 2014.

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 2014.

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

Hong Kong, 27 June 2014

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; Professor Chen Guohua as non-executive director; and Mr. Chan Yuk Tong, Mr. Fei Tai Hung and Mr. Tse Kam Fow as independent non-executive directors.

Website: http://www.fdgev.com

* *For identification only*