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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 2015

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 2015, together with the comparative figures for last year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2015

	Note	**2015** *HK$'000*	2014 *HK$'000*
Revenue	2	**307,415**	83,956
Cost of sales		**(233,069)**	(77,014)
Gross profit		**74,346**	6,942
Other income		**21,769**	15,518
Selling and distribution costs		**(28,396)**	(18,995)
General and administrative expenses		**(235,418)**	(143,866)
Research and development expenses		**(16,728)**	(12,358)
Finance costs	4	**(125,690)**	(19,329)
Other operating expenses	5	**(74,643)**	—
Impairment on goodwill		—	(665,438)
Amortisation of intangible assets		**(181,511)**	(99,055)
Share of loss of joint ventures		**(403)**	—
Loss before tax	5	**(566,674)**	(936,581)
Income tax	6	**57,932**	24,703

CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(Continued)*

For the year ended 31 March 2015

	Note	**2015** **HK$'000**	2014 *HK$'000*
Loss for the year		**(508,742)**	(911,878)
Attributable to:			
Owners of the Company		**(409,759)**	(906,389)
Non-controlling interests		**(98,983)**	(5,489)
		(508,742)	(911,878)
		HK cents	*HK cents*
Loss per share attributable to owners of the Company	8		
— Basic and diluted		**(2.36)**	(6.67)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2015

	2015	2014
	HK$'000	*HK$'000*
Loss for the year	**(508,742)**	(911,878)
Other comprehensive income/(loss) for the year, net of nil tax:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	**4,664**	(80)
Share of other comprehensive income of joint ventures	**2,477**	—
	7,141	(80)
Total comprehensive loss for the year	**(501,601)**	(911,958)
Attributable to:		
Owners of the Company	**(403,301)**	(905,559)
Non-controlling interests	**(98,300)**	(6,399)
Total comprehensive loss for the year	**(501,601)**	(911,958)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2015

	Note	**2015** **HK$'000**	2014 HK$'000
Non-current assets			
Goodwill		**871,647**	349,576
Intangible assets		**932,447**	982,563
Fixed assets: Property, plant and equipment	10	**1,849,768**	501,527
Fixed assets: Interest in leasehold land held for own use under operating lease		**369,622**	372,831
Interests in joint ventures		**107,866**	—
Available-for-sale investments		**93,634**	—
Financial assets at fair value through profit or loss		**48,249**	—
Deposits paid for non-current assets		**76,265**	203,249
Loan receivable	12	**467**	—
Other non-current assets		**9,731**	9,877
		4,359,696	2,419,623
Current assets			
Inventories		**192,715**	123,346
Trade and bills receivables	11	**148,185**	70,298
Loan and other receivables	12	**399,060**	182,630
Financial assets at fair value through profit or loss		**10,569**	—
Derivative financial instruments	15	**53,862**	—
Pledged bank deposits		**128,871**	11,284
Deposit in a security account		**320,019**	—
Cash and cash equivalents		**411,478**	1,069,623
		1,664,759	1,457,181
Current liabilities			
Bank loans and other borrowings		**(880,203)**	(372,181)
Loan from a holder of non-controlling interests		**—**	(150,000)
Trade and bills payables	13	**(139,189)**	(32,687)
Accruals and other payables	14	**(493,158)**	(180,132)
Tax payable		**(13,101)**	(8,695)
Obligations under redeemed convertible bonds		**(760,752)**	(760,752)
		(2,286,403)	(1,504,447)
Net current liabilities		**(621,644)**	(47,266)
Total assets less current liabilities		**3,738,052**	2,372,357

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

As at 31 March 2015

	Note	**2015**	2014
	Note	***HK$'000***	*HK$'000*
Non-current liabilities			
Other non-current liability		**(52,718)**	(52,656)
Liability components of convertible bonds	15	**(1,156,011)**	—
Deferred tax liabilities		**(215,118)**	(256,862)
		(1,423,847)	(309,518)
NET ASSETS		**2,314,205**	2,062,839
CAPITAL AND RESERVES			
Issued capital		**178,662**	169,769
Reserves		**1,892,484**	1,564,031
Total equity attributable to owners of the Company		**2,071,146**	1,733,800
Non-controlling interests		**243,059**	329,039
TOTAL EQUITY		**2,314,205**	2,062,839

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 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 2015, the Group had net current liabilities of approximately HK$621,644,000, 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. Therefore, the Board considers that it is not likely for the Company to settle the Redemption Amount in cash in the coming year;

(2) Subsequent to the end of the reporting period, as disclosed in Note 17(b), the Group has raised fund of approximately HK$248,600,000 by placing down 150,000,000 ordinary shares of its non-wholly-owned subsidiary, CIAM Group Limited ("CGL"), a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (Stock Code: 378);

(3) The directors of the Company have reviewed the cash flow forecast of the Group for the twelve months ending 31 March 2016 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;

(4) The directors of the Company are considering various alternatives to support its capital expenditure needs;

(5) 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

(6) 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 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:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities
Amendment to HKAS 32	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
Amendment to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendment to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

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.

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, income from treasury investment which represents interest income on bank deposits and income from direct investments.

	2015	2014
	HK$'000	*HK$'000*
Sales of lithium-ion batteries and its related products	**297,828**	80,649
Service income from vehicle design	**3,061**	444
Rental income from leasing of electric vehicles	**1,183**	781
Interest income from treasury investment in cash markets	**3,847**	2,082
Income from direct investments	**1,496**	—
Total	**307,415**	83,956

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;

(c) the electric vehicle leasing segment represents the provision of leasing service of electric vehicles;

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

(e) the direct investments segment represents various direct investments, including financing, securities trading and assets investment (a new business which was acquired during the year ended 31 March 2015).

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 by the central office;

(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 2015 and 2014 are as follows:

2015

	Battery products	Vehicle design & electric vehicle production	Electric vehicle leasing	Treasury investment	Direct investments	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	**297,828**	**3,061**	**1,183**	**3,847**	**1,496**	**307,415**
Inter-segment revenue	**5,952**	—	—	—	**2,676**	**8,628**
Reportable segment revenue	**303,780**	**3,061**	**1,183**	**3,847**	**4,172**	**316,043**
Reportable segment profit/(loss) before tax	**(142,556)**	**(245,067)**	**(3,632)**	**3,847**	**(2,995)**	**(390,403)**
Other segment information:						
Interest income	**2,254**	**2,200**	**60**	**3,847**	**1,533**	**9,894**
Depreciation of property, plant and equipment	**38,972**	**13,741**	**1,502**	—	**21**	**54,236**
Amortisation of interest in leasehold land held for own use under operating lease	**2,711**	**5,143**	—	—	—	**7,854**
Finance costs	**12,316**	**11,041**	—	—	—	**23,357**
Write-down of inventories	**1,336**	—	—	—	—	**1,336**
Amortisation of intangible assets	**92,231**	**89,280**	—	—	—	**181,511**
Share of loss of joint ventures	—	—	—	—	**403**	**403**
Interests in joint ventures	—	—	—	—	**107,866**	**107,866**
Additions to non-current assets	**60,962**	**1,441,861**	**10**	—	**537,491**	**2,040,324**
Reportable segment assets	**1,501,810**	**3,018,066**	**4,487**	**112,359**	**1,192,540**	**5,829,262**
Reportable segment liabilities	**(1,336,911)**	**(468,203)**	**(1,336)**	—	**(17,328)**	**(1,823,778)**

2014

	Battery products	Vehicle design & electric vehicle production	Electric vehicle leasing	Treasury investment	Direct investments	Total
	HK$'000	*HK$'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 of property, plant and equipment	35,772	486	1,594	—	—	37,852
Amortisation of interest in leasehold land held for own use under operating lease	2,161	96	—	—	—	2,257
Finance costs	13,845	1,943	—	—	—	15,788
Write-down of inventories	25,954	—	—	—	—	25,954
Impairment on goodwill	—	665,438	—	—	—	665,438
Impairment on property, plant and equipment	6,973	—	—	—	—	6,973
Amortisation of intangible assets	92,578	6,477	—	—	—	99,055
Additions to non-current assets	34,442	1,967,620	583	—	—	2,002,645
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)

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

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

	2015	2014
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	**316,043**	84,683
Elimination of inter-segment revenue	**(8,628)**	(727)
Consolidated revenue	**307,415**	83,956
Loss		
Reportable net segment loss before tax	**(390,403)**	(891,794)
Other income	**1,971**	1,449
Depreciation of property, plant and equipment	**(1,288)**	(1,551)
Finance costs	**(102,333)**	(3,541)
Unallocated corporate expenses	**(74,621)**	(41,144)
Consolidated loss before tax	**(566,674)**	(936,581)
Assets		
Reportable segment assets	**5,829,262**	3,865,068
Unallocated corporate assets:		
Available-for-sale investments	**93,634**	—
Derivative financial instruments	**53,862**	—
Other unallocated corporate assets	**47,697**	11,736
Consolidated total assets	**6,024,455**	3,876,804
Liabilities		
Reportable segment liabilities	**(1,823,778)**	(1,808,922)
Unallocated corporate liabilities:		
Other borrowings	**(689,566)**	—
Liability components of convertible bonds	**(1,156,011)**	—
Other unallocated corporate liabilities	**(40,895)**	(5,043)
Consolidated total liabilities	**(3,710,250)**	(1,813,965)

3. SEGMENT REPORTING *(Continued)*

Geographical information

(a) Revenue from external customers

	2015	2014
	HK$'000	*HK$'000*
European countries	**51,894**	20,247
The People's Republic of China (the "PRC")	**221,920**	42,280
The United States of America (the "US")	**8,169**	3,349
Canada	**2,817**	5,100
Australia	**4,407**	4,036
Hong Kong	**6,528**	2,201
Others	**11,680**	6,743
	307,415	83,956

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)

	2015	2014
	HK$'000	*HK$'000*
The PRC	**3,784,826**	2,415,046
Hong Kong	**432,520**	4,577
	4,217,346	2,419,623

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) or the location of the operation (in the case of interests in 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:

	2015	2014
	HK$'000	*HK$'000*
Customer A – revenue from sales of battery products	**169,194**	N/A
Customer B – revenue from sales of battery products	**N/A**	17,508

4. FINANCE COSTS

	2015	2014
	HK$'000	*HK$'000*
Interest expenses on convertible bonds	**66,558**	—
Interest on bank loans and other borrowings wholly repayable within five years	**49,045**	13,845
Other borrowing costs	**—**	5,484
Total interest expenses on financial liabilities not at fair value through profit or loss	**115,603**	19,329
Fair value loss on derivative financial instruments	**10,087**	—
	125,690	19,329

5. LOSS BEFORE TAX

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

	2015	2014
	HK$'000	*HK$'000*
Interest income	**(10,806)**	(3,817)
Auditor's remuneration	**2,580**	1,650
Cost of inventories recognised as expenses		
- included in cost of sales	**232,631**	74,827
- included in selling and distribution costs	**3,758**	1,907
- included in research and development expenses	**3,542**	4,351
Write-down of inventories	**1,336**	25,954
Amortisation of intangible assets	**181,511**	99,055
Impairment on other receivables	**1,491**	—
Impairment on property, plant and equipment	**—**	6,973
Impairment on goodwill	**—**	665,438
Depreciation of property, plant and equipment	**55,524**	39,403
Amortisation of interest in leasehold land held for own use under operating lease	**7,854**	2,257
Exchange gains, net	**(7,374)**	(4,871)
Gain on disposal of property, plant and equipment	**(595)**	(626)
Net loss on held-for-trading investments	**37**	—
Fair value loss on derivative financial instruments	**10,087**	—
Other operating expenses *(Note)*	**74,643**	—
Minimum lease payments under operating leases in respect of property rentals	**14,123**	10,762
Staff costs (including directors' emoluments)		
- salaries and allowances	**158,714**	57,732
- equity-settled share-based payments	**13,860**	3,736
- contributions to retirement benefits schemes	**17,417**	7,621

Note:

During the year ended 31 March 2015, the other operating expenses of HK$74,643,000 (2014: nil) represented production and output costs incurred in trial run stage of the Group's electric vehicle production base in Kunming, Yunnan Province, the PRC.

6. INCOME TAX

	2015	2014
	HK$'000	*HK$'000*
The PRC tax:		
Charge for the year	**—**	—
Deferred	**(57,932)**	(24,703)
Total credit for the year	**(57,932)**	(24,703)

No provision for the Hong Kong profits tax or 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 2015 and 2014. The deferred tax of HK$57,932,000 (2014: HK$24,703,000) 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 (2014: 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$409,759,000 (2014: HK$906,389,000) and (ii) the weighted average number of 17,333,781,000 (2014: 13,584,372,000) ordinary shares in issue during the year.

	2015 Weighted average number of ordinary shares	2014 Weighted average number of ordinary shares
	'000	*'000*
Issued ordinary shares at the beginning of the reporting period	**16,976,891**	12,254,516
Effect of issue of shares upon acquisition transactions	**342,521**	130,223
Effect of issue of shares upon conversion of convertible bonds	**14,369**	—
Effect of issue of shares pursuant to share subscriptions	**—**	1,195,233
Effect of issue of shares upon exercise of share options	**—**	564
Effect of issue of shares pursuant to share placement	**—**	3,836
Weighted average number of ordinary shares at the end of the reporting period	**17,333,781**	13,584,372

(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 2015 and 2014. Therefore, the diluted loss per share is the same as the basic loss per share for both years.

9. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of Giant Industry Holdings Limited

On 15 April 2014, Preferred Market Limited ("Preferred Market"), an indirect wholly-owned subsidiary of the Company, entered into a sales and purchase agreement (the "GI Acquisition Agreement") with Mr. Kam Chi Yip (the "GI Vendor") and Mr. Huang Jianmeng, as a guarantor for the GI Vendor, both of which are independent third parties to the Company. Pursuant to the GI Acquisition Agreement, the GI Vendor conditionally agreed to sell and Preferred Market conditionally agreed to purchase the entire issued share capital of Giant Industry Holdings Limited ("Giant Industry") for a total consideration of HK$190 million (the "GI Acquisition"). The consideration of the GI Acquisition was settled by the issue of 380,000,000 new ordinary shares of the Company (the "Consideration Shares") to the GI Vendor at the contracted issue price of HK$0.50 per share. Pursuant to the GI Acquisition Agreement, if the net assets value of the Giant Industry and its subsidiaries (collectively, the "GI Group") as determined in accordance with the completion accounts is less than the guaranteed net assets value of HK$88,000,000, the shortfall will be indemnified by the GI Vendor and/or its guarantor. The GI Acquisition was completed on 7 May 2014 (the "GI Completion Date").

9. ACQUISITION OF SUBSIDIARIES *(Continued)*

(a) Acquisition of Giant Industry Holdings Limited *(Continued)*

Giant Industry owns the entire share capital of Hong Kong Southwest Electric Vehicles Limited (“Southwest EV”), which in turn owns 50% equity interest of Yunnan Meidi Coach Manufacturing Co., Ltd* (雲南美的客車製造有限公司) (currently known as Yunnan FDG Automobile Co., Limited* (雲南五龍汽車有限公司)), a sino-foreign joint venture established in the PRC (the “PRC Manufacturing Company”). The PRC Manufacturing Company and its subsidiary (collectively, the “PRC Manufacturing Group”) are principally engaged in the business of the manufacture and sale of electric vehicles in the PRC.

Southwest EV has the right to nominate and appoint the majority of the directors of the board of the PRC Manufacturing Company, and the PRC Manufacturing Group has therefore become indirect non-wholly-owned subsidiaries of the Company since the GI Completion Date.

Given the Group had completed the acquisition of 58.50% interest in another electric vehicle manufacturing company, Agnita Limited (“Agnita”) on 7 March 2014 which represents a combination of the battery production, electric vehicle manufacturing and electric vehicle leasing businesses, the GI Acquisition provides an immediate platform for the Group to engage in the manufacture of electric vehicles and is a furtherance of the Group’s initiative to develop its electric vehicle manufacturing capability.

The Group has elected to measure the non-controlling interests in the PRC Manufacturing Group at the non-controlling interests’ proportionate share of the PRC Manufacturing Group’s identifiable net assets.

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

	Fair value recognised on the GI Acquisition
	HK$’000
Intangible assets	**65,217**
Property, plant and equipment	**14,820**
Inventories	**4,769**
Other receivables	**15,890**
Cash and cash equivalents	**13,534**
Trade payables	**(910)**
Other payables	**(809)**
Deferred tax liabilities	**(16,304)**
Total identifiable net assets at fair value	**96,207**
Non-controlling interests	**(48,103)**
Goodwill arising on the GI Acquisition	**93,591**
	141,695

	HK$’000
Net consideration paid	**141,695**

9. ACQUISITION OF SUBSIDIARIES *(Continued)*

(a) Acquisition of Giant Industry Holdings Limited *(Continued)*

Net consideration paid represents the fair value of 380,000,000 Consideration Shares issued amounting to HK$182,400,000 based on HK$0.48 per Consideration Share, being the closing market price of the Company's ordinary share on the GI Completion Date, and less the amount of HK$40,705,000 to be received from the GI Vendor and/ or the guarantor in relation to the shortfall of the guaranteed net assets value of the GI Group pursuant to the GI Acquisition Agreement.

The Group incurred transaction costs of HK$550,000 for the GI Acquisition. These transaction costs have been expensed and are included in general and administrative expenses in the consolidated statement of profit or loss for the year ended 31 March 2015.

(b) Acquisition of CIAM Group Limited

On 2 November 2014, Sinopoly Strategic Investment Limited ("Sinopoly"), a wholly-owned subsidiary of the Company, proposed to make a voluntary conditional offer (the "Offer") to acquire all the issued shares and to cancel all the shares options of CGL, in exchange for the convertible bonds to be issued by the Company (the "CGL Acquisition"). On 23 February 2015, the Offer was closed and Sinopoly had acquired approximately 89.54% of the issued shares of CGL. The convertible bonds with principal amount of approximately HK$1,432,171,000 were issued by the Company. CGL has become a non-wholly-owned listed subsidiary of the Company.

Since the Group's acquisition of 58.50% of the issued share capital of Agnita on 7 March 2014 and considering the development of the Group's electric vehicle business segment (including Agnita and its subsidiaries) thereafter, the Board is of the view that it is in the best interest of the Company and its shareholders as a whole to acquire and/or control the remaining 41.50% of the issued share capital of Agnita, which is owned by CGL. This will allow the business of the Agnita to be more effectively managed on a day-to-day basis in terms of monitoring the current construction of the electric vehicle manufacturing facilities in Hangzhou, meeting Agnita's financing requirements and carrying out future planning. Besides, the Group possesses an established lithium-ion battery manufacturing operation. The combination of the electric vehicle and battery operations will bring significant synergy. The acquisition of the remaining 41.50% of the issued share capital will further cement the vertical integration of the Group's electric vehicle operation, enable the Group to secure a closer grip on the total production cost and obtain a competitive edge over its competitors. The management of CGL also saw the value of Agnita, and after detailed discussions between the Company and CGL, both companies have concluded that a reasonable and fair solution for both companies is for the Company to make the Offer instead of solely for the Company to acquire the remaining shareholding in Agnita from CGL. This will allow Agnita's electric vehicle project to be consolidated into one listing platform and at the same time permit the Company's shareholders, the CGL's shareholders and holders of the share options of CGL that accept the Offer to benefit from the synergies of combining Agnita's electric vehicle business and the battery manufacturing business.

Sinopoly would have the right to nominate and appoint the majority of the directors in CGL and all of its subsidiaries, and they would become indirect non-wholly-owned subsidiaries of the Company after the completion of the Offer.

9. **ACQUISITION OF SUBSIDIARIES** *(Continued)*

(b) Acquisition of CIAM Group Limited *(Continued)*

CGL and its subsidiaries (collectively, the "CGL Group") are principally engaged in investment holding which invest in companies within energy conservation, environmental protection and clean energy sectors.

The Group has elected to measure the non-controlling interests in the CGL Group at the non-controlling interests' proportionate share of the CGL Group's identifiable net assets.

The fair values of the identifiable assets and liabilities of the CGL Group as at the completion date were as follows:

	Fair value recognised on the CGL Acquisition
	HK$'000
Property, plant and equipment	**605**
Interests in Agnita	**376,520**
Loan to Agnita	**150,000**
Interests in joint ventures	**105,792**
Other non-current assets	**1,104**
Financial assets at fair value through profit or loss	**60,384**
Loan and other receivables	**81,036**
Cash and cash equivalents	**365,368**
Other payables	**(14,580)**
Tax payables	**(4,305)**
Deferred tax liabilities	**(353)**
Total identifiable net assets at fair value	**1,121,571**
Non-controlling interests	**(117,316)**
Goodwill arising on the CGL Acquisition	**427,916**
	1,432,171

	HK$'000
Net consideration paid	**1,432,171**

The net consideration paid represents the fair value of the convertible bonds issued by the Company in accordance with the Offer.

The Group incurred transaction costs of HK$8,866,000 for the CGL Acquisition. These transaction costs have been expensed and are included in general and administrative expenses in the consolidated statement of profit or loss for the year ended 31 March 2015.

9. ACQUISITION OF SUBSIDIARIES *(Continued)*

(c) Acquisition of additional interest in subsidiaries

On 31 October 2014, Preferred Market entered into a sales and purchase agreement (the "Agnita Acquisition Agreement") with CIAM BVI Limited ("CBVI"), a wholly-owned subsidiary of CGL, while the Company as a guarantor of Preferred Market and CGL as a guarantor of CBVI. Pursuant to the Agnita Acquisition Agreement, CBVI conditionally agreed to sell and Preferred Market conditionally agreed to purchase 41.50% of the issued share capital of Agnita, all rights and benefits of the shareholder's loan of HK$150,000,000 extended to Agnita by CBVI and to cancel the call option previously granted by Preferred Market to CBVI in respect of 8.50% of Agnita's issued share capital for a total consideration of HK$520,000,000 (the "Agnita Transaction"). The consideration was settled by HK$150,000,000 in cash and the balance of HK$370,000,000 by the issue of 8% secured bonds due in 2017 by the Company. The closing of the Agnita Transaction is subject to the Offer having become unconditional as to acceptances. The reasons for the Agnita Transaction were described in Note 9(b).

Upon the completion of the CGL Acquisition, the Group's effective equity interest in Agnita increased from 58.50% to 95.66% through CGL. The Agnita Transaction was completed on 27 February 2015 and the Group's effective equity interest in Agnita increased from 95.66% to 100%.

10. PROPERTY, PLANT AND EQUIPMENT

During the year, the Group's additions to property, plant and equipment amount to HK$1,388,778,000 (2014: HK$32,432,000), which mainly represent the construction in progress for the development of the Group's Hangzhou electric vehicle production plant that is targeted to commence its production within the first half of the year ending 31 March 2016.

11. TRADE AND BILLS RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Trade receivables	**131,207**	66,648
Bills receivable	**14,551**	—
	145,758	66,648
Amounts due from customers for contract work	**2,427**	3,650
	148,185	70,298

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

	2015	2014
	HK$'000	*HK$'000*
Within 1 month	**7,523**	10,131
Between 1 and 3 months	**49,843**	943
Over 3 months	**88,392**	55,574
	145,758	66,648

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 and the Board believes that no impairment allowance is necessary as there has not been a significant change in credit quality for these customers. The carrying amounts of the receivables approximate their fair values.

12. LOAN AND OTHER RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Loan receivables	**66,050**	—
Other receivables	**129,537**	125,626
Less: Allowance for doubtful debts for other receivables	**(30,276)**	(28,785)
Deposits and prepayments	**33,556**	19,578
Value-added-tax receivables	**200,660**	66,211
	399,527	182,630

	2015	2014
	HK$'000	*HK$'000*
Presented by:		
Non-current assets	**467**	—
Current assets	**399,060**	182,630
	399,527	182,630

13. TRADE AND BILLS PAYABLES

	2015	2014
	HK$'000	*HK$'000*
Trade payables	**111,459**	25,437
Bills payable	**27,730**	7,250
	139,189	32,687

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

	2015	2014
	HK$'000	*HK$'000*
Within 1 month	**37,659**	10,017
Between 1 and 3 months	**39,474**	10,409
Over 3 months	**62,056**	12,261
	139,189	32,687

The carrying amounts of trade and bills payables approximate their fair values. As at 31 March 2015, bills payable of HK$27,730,000 (2014: HK$7,250,000) were secured by an equivalent amount of bank deposits.

14. ACCRUALS AND OTHER PAYABLES

	2015	2014
	HK$'000	*HK$'000*
Bills and other payables for acquisition of non-current assets	**339,285**	66,126
Other payables and accrued expenses	**132,133**	105,358
Receipts in advance	**20,320**	7,228
Warranty provision	**1,420**	1,420
	493,158	180,132

As at 31 March 2015, the bills payable for acquisition of non-current assets of HK$98,395,000 (2014: HK$1,009,000) were secured by an equivalent amount of bank deposits.

15. CONVERTIBLE BONDS

	2015		2014	
	Liability component	**Derivative financial instruments**	Liability component	Derivative financial instruments
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Convertible bonds due in 2017	**351,240**	**(19,383)**	—	—
Convertible bonds due in 2018	**804,771**	**(34,479)**	—	—
	1,156,011	**(53,862)**	—	—

15. CONVERTIBLE BONDS *(Continued)*

On 14 April 2014, the Company issued convertible bonds with an aggregated principal amount of HK$400,000,000 (the "2017 Due CB") pursuant to the agreement dated 20 March 2014 entered between the Company and a subscriber, which is an independent third party to the Company. The 2017 Due CB are interest bearing at 8% per annum, with a maturity date on the third anniversary of the date of their issue (that is, 14 April 2017) and entitle the holder to convert them, in whole or in part, into ordinary shares of the Company at a conversion price of HK$0.60 per share (subject to adjustments) at any time on or after the issue date of the 2017 Due CB up to the maturity date. The Company may at any time up to (and excluding) the commencement of the seven calendar day period ending on (and including) the maturity date, by written notice to the holder of the 2017 Due CB, elect to redeem the whole or part of the then outstanding principal amount of the 2017 Due CB at an amount equal to the sum of (a) 100% of the principal amount of the 2017 Due CB sought to be redeemed and (b) all unpaid interest thereon. In addition, at any time prior to the maturity date, if the average of the closing prices of the ordinary shares of the Company for the five consecutive trading days ending on and including the trading day last preceding such date is more than HK$1.20 (subject to adjustments) for ten consecutive trading days, the Company may give not less than seven business days' notice to the holder of the 2017 Due CB to mandatorily convert all or any part of the 2017 Due CB.

On 23 February 2015, the Offer made by VMS Securities Limited on behalf of Sinopoly to acquire all the issued ordinary shares of CGL and to cancel the options which are outstanding under the share option scheme adopted by CGL was closed and the total amount of approximately HK$1,432,171,000 convertible bonds (the "2018 Due CB") was issued by the Company. The 2018 Due CB are non-interest bearing with a maturity date falling on the third anniversary of the date of the commencement of the Offer (that is, 30 January 2018) and entitle the holder to convert them, in whole or in part (in an amount of HK$1,000,000 or integral multiples thereof or an amount representing in aggregate the entire outstanding principal amount of the 2018 Due CB) in accordance with terms and conditions, into ordinary shares of the Company at a conversion price of HK$0.50 per share (subject to adjustments), at any time on or after the issue date of the 2018 Due CB up to the maturity date. The Company may give not less than seven business days' notice to any holder of the 2018 Due CB to mandatorily convert all or any part of the 2018 Due CB, if at any time after the issue date up to the maturity date of the 2018 Due CB, the closing price of the Company's shares as quoted on the Stock Exchange is more than HK$1.00 (subject to subdivision or consolidation of the Company's shares) for fifteen consecutive trading days, unless the mandatorily conversion will trigger a mandatory general offer or change in control under the Code on Takeovers and Mergers and Share Buy-backs.

At initial recognition, the liability components of the 2017 Due CB and the 2018 Due CB are measured as the present value of the future interest and principal payments, discounted at the market rate for equivalent non-convertible bonds that do not have a conversion option. The derivative components of the 2017 Due CB and the 2018 Due CB, which are early redemption and mandatory conversion options held by the Company, are measured at fair value and presented as derivative financial instruments in current assets. Such derivative financial instruments are re-measured to fair value at the end of each reporting period. The equity components are the residual amounts after deducting the fair values of the liability and derivative components from the consideration received for the 2017 Due CB and the principal amount of the 2018 Due CB. The effective interest rates of the liability components of the 2017 Due CB and the 2018 Due CB are 14.31% per annum and ranged from 13.07% to 13.64% per annum respectively. The valuations of the 2017 Due CB and the 2018 Due CB were performed by Asset Appraisal Limited, an independent firm of professional qualified valuers.

During the current year, an aggregated principal amount of HK$254,640,000 of the 2018 Due CB were converted into 509,279,000 ordinary shares of the Company at the conversion price of HK$0.50 per share.

16. CAPITAL COMMITMENTS

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

	2015	2014
	HK$'000	*HK$'000*
Capital commitments in respect of capital expenditure of the Group's factories in the PRC		
Contracted, but not provided for	**2,103,739**	899,878
Authorised, but not contracted for	**1,340,103**	14,045
	3,443,842	913,923

17. EVENTS AFTER THE REPORTING PERIOD

(a) On 20 April 2015, Union Grace Holdings Limited ("Union Grace"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Cherrylink Investments Limited ("Cherrylink"), a wholly-owned subsidiary of CGL, pursuant to which Union Grace conditionally agreed to sell and Cherrylink conditionally agreed to purchase 25% of the issued share capital of Synergy Dragon Limited ("SDL"), an indirect wholly-owned subsidiary of the Company. In accordance with the terms and conditions thereof, the consideration for the transaction is HK$750,000,000, which shall be satisfied by convertible bonds with 8% coupon per annum to be issued by CGL to Union Grace (or its nominee) on the completion date. As at the date of this announcement, the transaction has not yet completed. Following completion, the issued shares of SDL will be owned as to 25% by CGL and as to 75% by Union Grace. SDL and its subsidiaries are principally engaged in research and development, production and sales of lithium-ion batteries and its related products.

(b) On 29 April 2015, the Company entered into a placing agreement with the placing agent to place up to 150,000,000 shares of CGL, representing approximately 15.99% of issued share capital of CGL, held indirectly by the Company to parties independent from and not a connected person to the Company at a placing price of HK$1.70 per share. On 7 May 2015, 150,000,000 shares of CGL held indirectly by the Company had been placed through the placing agent to not less than six placees who are neither connected persons of the Company nor parties acting in concert with the Company, at the placing price of HK$1.70 per share. The net amount of approximately HK$248,600,000 was raised by the Group. After the placing, the shareholding of the Group in CGL decreased from approximately 89.54% to approximately 73.55%.

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

(c) On 4 May 2015, the Company announced that it has formed a joint venture, Orng EV Solutions, Inc. (the "JV") with Smith Electric Vehicles Corp. ("Smith") in the US to sell electric vehicles by leveraging the Group's electric vehicle designs and combining it with Smith's technologies and sales network.

Accordingly, the Company and Smith entered into the FDG contribution agreement and the Smith contribution agreement with the JV respectively. Pursuant to the FDG contribution agreement, the Company has conditionally agreed to (i) enter into the licence agreement pursuant to which the Company will contribute, convey, assign, transfer and deliver the exclusive right to use the Group's current design specifications for passenger van, mini bus, panel van and cab/chassis and their respective variations in the US (including 50 states, the District of Columbia, Puerto Rico, Guam and the American Virgin Islands) (collectively, the "Territory") and provide relevant engineering access and support to the JV in accordance with the terms and conditions therein; (ii) enter into a battery supply agreement no later than 30 June 2015; (iii) enter into the semi knock down kit (the "SKD Kit") supply agreement no later than 30 June 2015 with an expected demand for the SKD Kits of 3,000, 5,000, 10,000 units in the calendar year 2016, 2017 and 2018, respectively; (iv) contribute US$5,000,000 in cash to the JV; and (v) contribute an additional US$10,000,000 in cash to the JV upon, inter alia, the execution of the battery supply agreement and the SKD Kit supply agreement (collectively, the "FDG Contributed Assets"), and the JV has conditionally agreed to issue an aggregate of 22,500,000 shares to the Company (or its nominee) upon the closing of the contributions of the FDG Contributed Assets and/or the Smith Contributed Assets (as defined below) as specified in the FDG contribution agreement and/or the Smith contribution agreement (the "Effective Time"). Pursuant to the Smith contribution agreement, Smith has conditionally agreed to contribute, convey, assign, transfer and deliver to the JV (i) an exclusive licence for the use of the Smith intellectual property (including all know-hows and trade secrets) in the Territory; (ii) an exclusive licence for the use of the brand "Smith" and all related goodwill in the Territory; (iii) the executed original equipment manufacturing supply agreement no later than 30 June 2015; (iv) the exclusive sales and distribution rights of electric vehicles in the Territory; (v) the exclusive rights to form a battery rental business in the Territory; (vi) goodwill including but not limited to Smith's customers; and (vii) executed offer letters from certain employees (collectively, the "Smith Contributed Assets"), and the JV has conditionally agreed to issue 20,000,000 shares to Smith upon the Effective Time.

Up to the date of this announcement, the JV has been formed in the US and contributions of the FDG Contributed Assets were completed save for the contribution of the additional US$10,000,000 in cash, and the execution of the battery supply agreement and the SKD Kit supply agreement between the Company and the JV. The agreements are still under negotiations and the signing deadlines of which have been extended to 15 July 2015. In addition, the contributions of the Smith Contributed Assets were completed save for the execution of the original equipment manufacturing supply agreement between the JV and Smith. It is still under negotiations and the signing deadline of which has been extended to 15 July 2015.

(d) On 29 June 2015, the Board proposed to reduce the entire amount standing to the credit of the share premium account of the Company to nil (the "Share Premium Reduction") and part of the credit arising from the Share Premium Reduction will be applied to offset the entire amount of the accumulated losses of the Company and the remaining balance will be credited to the contributed surplus account of the Company. The Share Premium Reduction is conditional upon, inter alia, the passing of a special resolution by the shareholders at the coming annual general meeting and compliance with the relevant law and regulations. Further details are set out in the Company's announcement dated 29 June 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Officially renamed as FDG Electric Vehicles Limited on 13 May 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 developed into an integrated electric vehicle manufacturer, which also engages in independent R&D, design and production of electric vehicles ("EV") such as public buses, medium and mini buses, commercial vehicles, trucks, passenger vehicles and other models.

Looking back at 2014, the world's economy has seen divergence in growth in developed economies, and the growth rate for developing countries has slowed. While the path of recovery of economy around the globe is still long and tough, China's economy maintained steady growth under various pressures. The continuous increase in wealth and consumption power of Chinese citizen has excited the development of the slow-growing automobile industry. While technology is ever improving and the industry integration has been accelerated, central and local governments have released a series of promotion and subsidy policies, which provides all-round support for the commercialization of new-energy vehicles. During the past year, the Group achieved prevailing interim success on R&D, design and manufacture of electric vehicles through a variety of acquisitions and cooperation plans.

MARKET OVERVIEW

In 2014, despite the new normal has been seen in China's macro economy, the automobile market in the country still maintained its growth. According to the data from China Association of Automobile Manufacturers (CAAM), the accumulated automobile sales in China totalled 23,490,000, representing a year-on-year growth of approximately 6.9%, which again hit a record high and continued to rank at the top in the world. However, affected by the increasing pressure from the downturn in China's macro economy and automobiles purchase limits imposed in certain major cities, the sales growth rate of China's automobile industry decreased by approximately 7 percentage points compared to the figure for 2013, which was below market's expectation. Nevertheless, the global sales of new-energy vehicles remained strong in 2014.

According to the data from ZSW Centre on Solar Energy and Hydrogen Research, the accumulated sales of electric vehicles (including pure electric vehicles and hybrid vehicles) amounted to 740,000 in the global market, 320,000 of which were registered in 2014. 2014 is also the year when China's new-energy vehicle industry became widely commercialized, as the number of registered electric vehicle increased from 45,000 in 2013 to 120,000 in 2014. According to the data from CAAM, the accumulated sales of new-energy vehicles in China totalled 75,000, representing a year-on-year increase of approximately 324%, and pure electric vehicles amounted to 45,000. The proportion of domestic electric vehicle sales in the total automobile sales increased from 0.08% in 2013 to 0.32% in 2014.

Having higher standard for environmental quality, air pollution control has become one of the most important topics in maintaining better living standard. The central government and local governments have been paying more attention to environmental protection, and have been continuously rolling out relevant policies that are favourable to the development of new-energy vehicle industry. In July 2014, General Office of the State Council of PRC announced the "*Government Guideline of Accelerating the Promotion of New Energy Vehicles".* The Guideline emphasized that the development of new-energy vehicle should focus on vehicles with electric motors, including pure electric vehicles, plug-in hybrid vehicles and fuel cell vehicles. The development of new-energy vehicles has been raised as a national strategy, by abolishing local interest protection, speeding up the construction of charging facilities, promoting the use of new-energy vehicles in public sector, and waiving tax for purchasing new-energy vehicles, in order to simulate the growth of the new-energy vehicle market.

The Ministry of Finance of PRC, the State Taxation Bureau, as well as the Ministry of Industry and Information Technology then released a joint announcement that, from 1st September 2014 to 31st December 2017, to waive purchase tax for new-energy vehicles listed in the "*Catalogue of the Models of New Energy Vehicles Exempt from Vehicle Purchase Tax"*, and to extend the subsidies for new-energy vehicles to 2020 according to the *"Notice on the Promotion and Application of Financial Supporting Policy on New Energy Vehicles 2016-2020 (Consultation Draft)"* issued by China's four ministries, so as to continue propelling the popularization of new-energy vehicles. Meanwhile, in response to national policies, local governments in various cities and provinces, including Beijing, Shanghai and Zhejiang Province, released a series of new-energy vehicle supporting policies to encourage promotion and application of new-energy vehicles. This reflects local governments' determination of popularizing new-energy vehicles and provides a favourable policy environment for the development of the new-energy vehicle industry. In respect of public transportation, the Ministry of Finance, the Ministry of Industry and Information Technology, as well as the Ministry of Transport jointly released the "*Notice on Improving Refined Oil Price Subsidy Policy of Urban Buses and Accelerating the Promotion and Application of New-energy Automobiles"*, bringing forward to subsidize the operation of new-energy public buses. The industry believes that the implementation of the policy will accelerate the promotion of new-energy public buses and increase the demand for downstream lithium-ion batteries.

BUSINESS REVIEW

Electric vehicles, having enormous potential for improving urban environment and enforcing energy conservation, are the evolution of the global automobile industry. Therefore, the Company decided to further the business strategically by involving design and manufacturing of electric vehicles.

The Group's production plant in Kunming became operational last year, and that in Hangzhou will be ready for business later this year. In addition, the Group's self-developed mid-size bus, commercial vehicle and public bus series were launched. The Company has reached important milestones in design, R&D and production capacity. Through acquisitions and cooperation, the Group has integrated its business and optimized resource allocation, strengthening the collaborative development of electric vehicle business and battery business. The Group aims to improve its electric vehicle design techniques and R&D capability and to expand its overseas distribution channels through international cooperation in order to enhance its competiveness in the development of electric vehicle business, and to improve the cost-effectiveness, safety and quality of its products.

Production plant in Kunming commenced production and sales of pure electric public buses will begin soon

In April 2014, the Company completed the acquisition of Hong Kong Southwest Electric Vehicles Limited, which held 50% of the registered capital of Yunnan Meidi Coach Manufacturing Co., Ltd. ("Yunnan Meidi"). Yunnan Meidi was engaged in the business of manufacture, sales and maintenance of coaches, electric vehicles as well as assembling parts and components. It also held a vehicle manufacturing license and a vehicle operating license in Kunming, Yunnan, the PRC. The production plant in Kunming, which is now known as Yunnan FDG Automobile Co., Limited ("Yunnan FDG"), started production on November 2014.

The electric vehicle production plant in Kunming has an annual production capacity of 10,000 units of electric public buses and mid-size buses/commercial vehicles. The first batch of pure electric vehicles includes two models from the FDE6120 series for 12-meter pure electric public buses, two models from the FDE6750 series for pure electric luxury mid-size buses, two models from the FDE6810 series for pure electric luxury commercial vehicles. The three series are developed with the characteristics of pure electric vehicle has adopted technology with international standard. We aim at establishing an industrialized production plant for electric vehicles with optimal scale and advanced technology in the Yunnan Province. The mid-size bus, commercial vehicle and public bus series, which are developed solely by the Group, have been listed as new products in the announcement published by the Ministry of Industry and Information Technology. These products comply with the conditions and regulations for public sales.

In the past year, the Company achieved breakthrough results in sales with its electric vehicle business development strategy. In March 2015, Yunnan FDG signed a cooperation framework agreement with Kunming General Bus Company ("Kunming General Bus"). Kunming General Bus planned to replace its public buses in phases, and signed agreements to purchase the pure electric public buses from Yunnan FDG. Yunnan FDG will provide after-sales service and acquire the subsidies for purchasing new-energy vehicles from the national government, while Kunming General Bus will be responsible for planning parking areas, stops and routes. With nearly 5,000 operating vehicles, Kunming General Bus is one of the biggest state-owned public mass transport companies in Yunnan Province. Kunming Municipal Government released the "*Implementation Plan for the Promotion and Application of New Energy Vehicles and its Development"* at the end of 2014. The plan shows that, by the end of 2015, Kunming will implement and promote the use of 3,400 new-energy vehicles, including 1,000 new-energy public buses, and constructing 3,700 charging piles.

Further integration in Hangzhou EV project, core EV production Plant will commence operation this year

The electric vehicles business (the vehicle design centre and the Hangzhou production plant) development of Agnita Limited ("Agnita") achieves a rapid growth since the Group acquired a 58.5% stake in Agnita on 7th March 2014. The synergy effect with the Group's battery business is also becoming more apparent. Thus, on 2nd November 2014, the Group acquired the issued shares of CIAM Group Limited ("CIAM"), which held 41.5% of shares of Agnita, through the issue of convertible bonds, and also acquire CIAM's 41.5% stake in Agnita through the Group's wholly-owned subsidiary. The transaction was completed in February 2015. CIAM is an investment holding company listed on the Main Board of The Stock Exchange of Hong Kong Limited and focuses on investments in fields of energy conservation, environmental protection and developing clean energy. The Group will further utilize this listing platform for developing electric vehicle related businesses which will also match CIAM's investment objective of environmental protection.

The production plant in Hangzhou will be in operation by September this year, which will provide more electric vehicle types to cope with the strong demand in the domestic market, and further enhance the Company's competitiveness in the industry. The Group's fully automated production plant in Hangzhou is one of the biggest pure electric vehicles production plant in the PRC, mainly focuses on manufacturing of electric mid-size buses, commercial vehicles and passenger vehicles with an annual production capacity of 100,000 units. This collaboration will further strengthen the Group's vertically-integrated business model, which is comprised of electric vehicle manufacturing, electric vehicle leasing and battery manufacturing businesses, enabling the Group to secure a better control on the production cost, optimize the integration and design of electric vehicles and battery, and to obtain a competitive edge over its competitors in the ever-changing electric vehicle industry.

FINANCIAL REVIEW

During the year under review, the Group recorded a turnover of approximately HK$307.4 million, representing an increase of approximately 266.0% as compared with the turnover of approximately HK$84.0 million of the last financial year. The substantial increase was due to a better recognition of the Group's lithium-ion batteries and its related products in the market. The battery products business constituted approximately 96.9% (2014: approximately 96.1%) of the Group's total turnover.

Gross profit increased to approximately HK$74.3 million of the current financial year from approximately HK$6.9 million of the last financial year, representing an increase of approximately 976.8%. Gross profit ratio was at approximately 24.2% of the current financial year as compared with approximately 8.3% of last financial year, representing an increase of approximately 15.9%. Such increase was mainly attributable to a better economy of scale in the battery production.

The Group has narrowed its net loss after tax to approximately HK$508.7 million from approximately HK$911.9 million of the last financial year, which is principally attributable to:

(i) the increase in turnover and gross profit as per the above mentioned;

(ii) the other income of approximately HK$21.8 million, an increase of approximately HK$6.3 million comparing with the last financial year of approximately HK$15.5 million, was mainly attributable to the increase in net exchange gains and interest income;

(iii) the selling and distribution costs of approximately HK$28.4 million, an increase of approximately HK$9.4 million comparing with the last financial year of approximately HK$19.0 million, was mainly attributable to the increase in the sales of lithium-ion batteries;

(iv) the general and administrative expenses of approximately HK$235.4 million, an increase of approximately HK$91.5 million comparing with the last financial year of approximately HK$143.9 million, was mainly attributable to the additional expenditures incurred by the Group's vehicle design and electric vehicle production segment which was acquired in March 2014;

(v) the research and development expenses of approximately HK$16.7 million, an increase of approximately HK$4.3 million comparing with the last financial year of approximately HK$12.4 million;

(vi) the finance costs of approximately HK$125.7 million, an increase of approximately HK$106.4 million comparing with the last financial year of approximately HK$19.3 million, was mainly attributable to the increase of bank loans and other borrowings and the issuance of convertible bonds of the Group;

(vii) the other operating expenses of approximately HK$74.6 million was attributable to the production and output costs incurred in the trial stage of the Group's electric vehicle production base in Yunnan, which did not incur in the last financial year;

(viii) the one-off goodwill impairment of approximately HK$665.4 million of the last financial year, which did not incur during the current financial year; and

(ix) the amortisation of intangible assets of approximately HK$181.5 million, an increase of approximately HK$82.4 million comparing with the last financial year of approximately HK$99.1 million, was mainly attributable to the full year amortisation of the intangible assets in respect of the Group's vehicle design and electric vehicle production segment during the current financial year.

Excluding the non-cash impairment on goodwill, the Group recorded the loss before interest, tax, depreciation and amortisation ("LBITDA") of approximately HK$206.2 million for the current financial year, an increase of approximately HK$95.1 million, comparing with approximately HK$111.1 million in the last financial year. Such increase was mainly attributable to the additional general and administrative expenses incurred by the Group's vehicle design and electric vehicle production segment and the production and output costs incurred in the trial stage of the Group's electric vehicle production base in Yunnan.

Segment Information

Battery products business

The turnover from battery products business of approximately HK$297.8 million, represents an increase of approximately 269.5% as compared with approximately HK$80.6 million of the last financial year. The increase is attributed to a better recognition of the Group's lithium-ion batteries and its related products in the market and an increase in lithium-ion batteries' demand. The gross profit ratio from the battery products business increased from approximately 6.3% of the last financial year to approximately 22.9% of the current financial year. Such increase was mainly attributable to a better economy of scale for the battery production and therefore a decrease in unit cost per battery product.

The battery products business recorded a segment loss before tax of approximately HK$142.6 million, an improvement of approximately 33.2% as comparing with approximately HK$213.4 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. The battery products business recorded an earnings before interest, tax, depreciation and amortisation for the first time at approximately HK$3.7 million for the current financial year.

Vehicle design and electric vehicle production business

During the year under review, service income from vehicle design business was approximately HK$3.1 million (2014: approximately HK$0.4 million) as vehicle design and electric vehicle production business segment was only consolidated into the Group in March 2014 and contributed less than a month in the last financial year. The electric vehicle production segment was yet generated revenue to the Group. The segment loss before tax for the year was approximately HK$245.1 million (2014: approximately HK$677.4 million) that mainly represents the general and administrative expenses and the amortisation of intangible assets. Excluding the non-cash impairment on goodwill, the vehicle design and electric vehicle production business recorded a LBITDA of approximately HK$125.9 million for the current financial year, an increase of approximately HK$123.0 million, comparing with approximately HK$2.9 million of the last financial year.

Electric vehicle leasing business

The rental income from electric vehicle leasing business was approximately HK$1.2 million for the current financial year, representing an increase of approximately HK$0.4 million as compared with approximately HK$0.8 million of the last financial year. The segment loss before tax for the current financial year was approximately HK$3.6 million (2014: approximately HK$3.1 million).

Direct investments business

The Group completed the acquisition of CIAM Group Limited ("CGL") by the end of February 2015. CGL is principally engaged in the investments in energy conservation, environmental protection and clean energy sectors. The income from direct investments and the segment loss before tax for the current financial year were approximately HK$1.5 million and approximately HK$3.0 million respectively.

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, Canada, Australia, Hong Kong and others contributed approximately 16.9% (2014: 24.1%), 72.2% (2014: 50.4%), 2.7% (2014: 4.0%), 0.9% (2014: 6.1%), 1.4% (2014: 4.8%), 2.1% (2014: 2.6%) and 3.8% (2014: 8.0%) to the Group's total turnover respectively.

Liquidity and Financial Resources

As of 31 March 2015, the Group had (i) non-current assets of approximately HK$4,359.7 million (31 March 2014: approximately HK$2,419.6 million), which comprised of goodwill, intangible assets, property, plant and equipment, interest in leasehold land held for own use under operating lease, interests in joint ventures, available-for-sale investments, financial assets at fair value through profit or loss, deposits paid for non-current assets, loan receivable, and other non-current assets; and (ii) current assets of approximately HK$1,664.8 million (31 March 2014: approximately HK$1,457.2 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 and issuance of letter of credit, deposit in a security account and cash and cash equivalents.

The Group had current liabilities of approximately HK$2,286.4 million (31 March 2014: approximately HK$1,504.4 million), which mainly comprised of bank loans and other borrowings, trade and bills payables, accruals and other payables, 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$139.1 million (31 March 2014: approximately HK$713.5 million).

The bank loans and other borrowings included (i) the bank loans of approximately HK$190.6 million (31 March 2014: approximately HK$107.4 million) were secured by certain land and buildings of the Group with a carrying value of approximately HK$315.2 million (31 March 2014: approximately HK$206.1 million), denominated in Renminbi ("RMB"), bear interest at prevailing market interest rates and repayable within one year; (ii) the other borrowings of approximately HK$689.6 million (31 March 2014: nil) 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. Such borrowings were denominated in Hong Kong dollars, bear fixed interest rate and repayable within one year; and (iii) unsecured bank loans and other borrowings of approximately HK$264.8 million as at 31 March 2014. The Group's bank loans and other borrowings are mostly event driven, with little seasonality.

The Group's total non-current liabilities (comprised of other non-current liability, liability components of convertible bonds of approximately HK$1,156.0 million and deferred tax liabilities) increased from approximately HK$309.5 million as at 31 March 2014 to approximately HK$1,423.8 million as at 31 March 2015, which mainly attributable to the issuance of convertible bonds by the Company.

As at 31 March 2015, the Group's gearing ratio, without taking into account the obligations under redeemed convertible bonds of approximately HK$760.8 million (31 March 2014: approximately HK$760.8 million) and the liability components of convertible bonds of approximately HK$1,156.0 million (31 March 2014: nil), was approximately 42.5% (31 March 2014: approximately 30.1%) calculated on the basis of bank loans and other borrowings and loan from a holder of non-controlling interests of totally approximately HK$880.2 million (31 March 2014: approximately HK$522.2 million) to total equity attributable to owners of the Company of approximately HK$2,071.1 million (31 March 2014: approximately HK$1,733.8 million) as at 31 March 2015.

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.

Material Acquisitions and Disposal

During the year under review and up to the date of this announcement, the following transactions were carried out which were considered as material acquisitions and disposal of the Company:

Transaction 1: On 15 April 2014, a sale and purchase agreement was entered into between Preferred Market Limited ("Preferred Market", a direct wholly-owned subsidiary of the Company) as purchaser, Mr. Kam Chi Yip (the "Vendor") as vendor and Mr. Huang Jianmeng as guarantor of the Vendor, pursuant to which Preferred Market purchased from the Vendor the entire issued share capital of Giant Industry Holdings Limited ("Giant Industry") at the consideration of HK$190,000,000 to be settled by the issue of 380,000,000 new shares of the Company to the Vendor 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 for 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. Details of the sale and purchase agreement are disclosed in the announcement of the Company dated 15 April 2014 and note 9(a) of the financial statements.

Transaction 2: On 2 November 2014, Sinopoly Strategic Investment Limited ("Sinopoly Strategic", a wholly-owned subsidiary of the Company) proposed to make an offer to acquire all the issued shares and share options of CIAM Group Limited ("CGL", stock code: 378) in exchange for convertible bonds which are convertible into new shares of the Company at an initial conversion price of HK$0.50 (the "Exchange CBs") issued by the Company (the "Offer"). The Offer was approved at the special general meeting of the Company held on 29 December 2014. Pursuant to the Offer, an Exchange CB in the principal amount of HK$1.70 and HK$0.70 would be issued by the Company in exchange for every one share and one share option of CGL respectively. At the close of the Offer on 23 February 2015, valid acceptances of the Offer were received in respect of 840,106,498 shares (representing approximately 89.54% of the issued share capital of CGL) and 5,700,000 share options of CGL respectively, and the Company issued Exchange CBs in the total principal amount of HK$1,432,171,046.60. CGL became an indirect subsidiary of the Company at the close of the Offer. Details of the Offer and the Exchange CBs are disclosed in the joint announcements of the Company and CGL dated 2 November 2014, 2 February 2015, 6 February 2015 and 23 February 2015 respectively, the circular of the Company dated 10 December 2014, the composite document issued jointly by the Company and CGL dated 30 January 2015 and notes 9(b) and 15 of the financial statements.

On 29 April 2015, a placing agreement was entered into between Sinopoly Strategic and VMS Investment Group Limited ("VMS") pursuant to which VMS would, on best-effort basis, place up to 150,000,000 shares in CGL held by Sinopoly Strategic to parties independent from and not a connected person with Sinopoly Strategic at a placing price of HK$1.70 per share (the "Placing"). Completion of the Placing took place on 7 May 2015 and the number of shares in CGL held by Sinopoly Strategic decreased from 840,106,498 shares to 690,106,498 shares, representing a decrease of shareholding from approximately 89.54% to approximately 73.55%. Details of the placing agreement are disclosed in note 17(b) of the financial statements.

Transaction 3: On 2 November 2014, a sale and purchase agreement was entered into between Preferred Market and CIAM Investment (BVI) Limited ("CIAM BVI") dated 31 October 2014 pursuant to which Preferred Market conditionally agreed to purchase 41.5% of the issued share capital of Agnita Limited ("Agnita") and all rights and benefits in the shareholder's loan in the principal amount of HK$150,000,000 extended by CIAM BVI to Agnita, and to cancel the call option previously granted by Preferred Market to CIAM BVI in respect of 8.5% of Agnita's issued share capital at a consideration of HK$520,000,000, which would be settled by HK$150,000,000 in cash and the balance of HK$370,000,000 by the issuance of 8% non-convertible bonds with a tenor of three years to be issued by the Company to CIAM BVI (the "Agnita Transaction"). The Agnita Transaction was completed on 27 February 2015 and upon completion, Agnita became an indirect wholly-owned subsidiary of the Company. Details of the Agnita Transaction are disclosed in the joint announcements of the Company and CGL dated 2 November 2014 and 27 February 2015 respectively, the circular of the Company dated 10 December 2014, the composite document issued jointly by the Company and CGL dated 30 January 2015 and note 9(c) of the financial statements.

Transaction 4: 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 motor 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 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. The combined competitive advantages of the parties will result in a more cost-effective, enhanced-safety and better–quality product. Furthermore, it will allow the respective technical teams to work in a closer and more effective manner that will help fostering more synergies in the future. In addition, this will not only promote the sales of the Group's lithium-ion batteries and semi knock down kits but will also accelerate the growth of the Group's brand name and products into the US and international markets.

The Group will become the single largest shareholder of the JV, holding approximately 45.45% of the issued share capital of the JV upon completion of all the transactions contemplated under the FDG Contribution Agreement and the Smith Contribution Agreement.

Details of the formation of the JV are disclosed in the announcement of the Company dated 4 May 2015 and note 17(c) 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 2015 and up to the date of this announcement.

Capital Structure

During the year ended 31 March 2015, the number of shares of the Company in issue increased from 16,976,891,626 to 17,866,170,734 as a result of the following transactions:

Transaction (i): On 14 April 2014, the Company issued 8% convertible bonds due 2017 in the principal amount of HK$400,000,000 to VMS pursuant to a convertible bonds agreement dated 20 March 2014. Based on the initial conversion price of HK$0.60, the convertible bonds will be convertible into 666,666,666 new shares of the Company under the general mandate to issue shares granted at the Company's annual general meeting held on 27 August 2013 upon full conversion. No conversion of the convertible bonds has been made during the year under review. Details of the convertible bonds agreement are disclosed in the announcements of the Company dated 20 March 2014 and 14 April 2014 respectively and note 15 of the financial statements.

Transaction (ii): As disclosed in Transaction 1 under the section headed “Material Acquisitions and Disposal” above, on 7 May 2014, a total of 380,000,000 new shares of the Company were issued and allotted at a price of HK$0.50 per share pursuant to a sale and purchase agreement.

Transaction (iii): As disclosed in Transaction 2 under the section headed “Material Acquisitions and Disposal” above, as at the close of the Offer on 23 February 2015, the Company issued Exchange CBs in the total principal amount of HK$1,432,171,046.60 pursuant to the Offer which were convertible into a maximum of 2,864,342,091 new shares of the Company under the specific mandate to issue shares granted at the Company’s special general meeting held on 29 December 2014 upon full conversion, based on the initial conversion price of HK$0.50. During the year under review, 509,279,108 new shares of the Company were allotted and issued upon conversion of the Exchange CBs. As at 31 March 2015, a maximum of 2,355,062,983 new shares of the Company will be issued upon conversion of the outstanding Exchange CBs, based on the initial conversion price of HK$0.50.

Transaction (iv): As disclosed in Transaction 3 under the section headed “Material Acquisitions and Disposal” above, on 27 February 2015, the Company issued 8% non-convertible bonds due 2018 in the principal amount of HK$370,000,000 to CIAM BVI pursuant to a sale and purchase agreement. Details of the non-convertible bonds due 2018 are disclosed in note 15 of the financial statements.

As at 31 March 2015, the Company has outstanding share options entitling holders to subscribe a total of 481,600,000 shares of the Company.

Save as disclosed above, the Group had no other debt securities or other capital instruments as at 31 March 2015.

Pledge of Assets and Contingent Liabilities

There are pledges of assets as at 31 March 2015 and 2014 with details disclosed under the section heading “Liquidity and Financial Resources”. In addition, pledged bank deposits of approximately HK$128.9 million (31 March 2014: approximately HK$11.3 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 2015 (31 March 2014: nil).

Capital Commitment

Details of the capital commitments of the Group are set out in note 16 on page 22 of this announcement.

Employees and Remuneration Policies

As of 31 March 2015, the Group had 47 employees (31 March 2014: 43 employees) in Hong Kong and 2,119 employees (31 March 2014: 848 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$190.0 million (2014: approximately HK$69.1 million). The remuneration policies are determined with reference to market conditions and individual performance of staff. The Group participates in Mandatory Provident Fund Scheme in Hong Kong and state-managed retirement benefit schemes in the PRC. The Group has a share option scheme for the benefit of its directors and eligible participants.

FUTURE DEVELOPMENT

While the production plant in Kunming was officially put into operation and the production plant in Hangzhou completed its construction and electric vehicles including mid-size bus, commercial vehicle and public bus series, which are self-developed by the Group, passed all kinds of tests and acquired qualifications for sales, the Group will actively expand its distribution channels in domestic and overseas markets.

Realizing electrification of the vehicles used in civil aviation industry

The Group signed a strategic cooperative agreement with CEA Development Co. Ltd Company ("CEA Development") in this May. The Agreement involves the upgrade and electrification of the new energy special purpose vehicles for use in the civil aviation industry, including the application, joint development and manufacture of the chassis, as well as the promotion of FDG's electric vehicles in the civil aviation industry and the charging battery facilities for electric vehicles at airports. Such cooperation will be the key strategic cooperative projects for FDG to expand in the new-energy vehicle market, which symbolizes that the Group has been further expanding electric vehicles' sales in domestic market.

International cooperation to expand overseas distribution channels

To accelerate the development of the Group's brand name and products in the international market, FDG partnered with Smith Electric Vehicles Corp.("SMITH"), a world-renowned electric vehicles manufacturer, to establish a joint venture in the US. Upon completion of the transactions, the joint venture will become an electric vehicle supplier which incorporates robust electric vehicle designs, high-quality battery and electric vehicles' SKD kits, advanced electric vehicle software and a world-renown customer base.

The electric vehicles sold by the joint venture in the future will adopt the vehicle models designed by FDG as well as the electric vehicles' SKD kits and power batteries produced by FDG, its customers include well-known enterprises such as Pepsi Cola/ Frito Lay, FedEx, Coca Cola, etc. The Group's electric vehicle products will be used widely by world-renown brands in the global market, which not only enhances FDG's brand image, but also proves the quality of FDG's electric vehicle products matched the international standard.

Establishing the joint venture not only advances FDG's design techniques and R&D capability of electric vehicles, but also enhances its competiveness in the business and improves cost-effectiveness, safety and quality of its products by taking advantage of SMITH's current distribution network and software technology. The joint venture will reinforce the cooperation between FDG and SMITH's technical teams to bring out the synergy effect that strengthens the Group's development in the future.

China strives to transform from a large local supplier to a powerful global supplier in the world's automobile industry, and developing new-energy vehicles is the key to success. Developing new-energy vehicles, being highlighted as national strategy, will be a key industry supported by the state continuously. However, there still many obstacle in the popularization of electric vehicles, such as lack of supporting infrastructure, relatively high production cost, limitation on battery technology and the slow changing consumption behavior of consumers. Although it takes a period of time for the electric vehicles to replace the traditional automobiles, certain markets are ready for it, such as inter-city logistic market and short distance transit market. These are the target markets of the Group's first series of EV launched. With the progress in cost-effectiveness, as well as the development in supporting facilities such as charging stations, electric vehicles will gradually be popularized and will replace traditional automobiles. In the future, with the long established experience in the industry, the Group will use its accumulated competitive advantages to strive to become one of the leading EV manufacturers in the transformation of automobile industry.

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 2015 and up to the date of this announcement except for the following deviation.

Code provisions A.2.1

From 11 March 2014 to 27 May 2014, the roles of the Chairman and Chief Executive Officer of the Company were segregated with Mr. Cao Zhong being the Chairman and Mr. Miao Zhenguo being the Chief Executive Officer.

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. This constitutes a deviation from the code provision A.2.1 of the Code. 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.

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 2015.

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 2015.

Neither the Company nor any of its subsidiaries purchased or sold any of the Company’s listed securities during the year ended 31 March 2015.

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 2015.

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

Hong Kong, 29 June 2015

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*