FDG Electric Vehicles Limited
五龍電動車（集團）有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 729)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

The board of directors (the "Board") of FDG Electric Vehicles Limited (the "Company") presents the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 September 2016 together with the comparative figures for the corresponding period in 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2016

		Six months ended	
		30.9.2016	30.9.2015
		(unaudited)	(unaudited)
	Note	***HK$'000***	*HK$'000*
			(Restated)
Revenue	2	**507,130**	137,209
Cost of sales		**(476,336)**	(82,070)
Gross profit		**30,794**	55,139
Other income		**25,933**	15,037
Other gains and losses	3	**84,455**	69,135
Selling and distribution costs		**(43,723)**	(17,033)
General and administrative expenses		**(171,642)**	(144,289)
Research and development expenses		**(36,190)**	(18,343)
Finance costs	4	**(166,941)**	(176,682)
Amortisation of intangible assets		**(95,317)**	(83,054)
Share of results of associates		**(8,505)**	—
Share of results of joint ventures		**(42,508)**	(4,105)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(Continued)*

For the six months ended 30 September 2016

		Six months ended	
		30.9.2016	30.9.2015
		(unaudited)	(unaudited)
	Note	***HK$'000***	*HK$'000*
Loss before tax	5	**(423,644)**	(304,195)
Income tax	6	**21,015**	(12,935)
Loss for the period		**(402,629)**	(317,130)
Attributable to:			
Owners of the Company		**(276,353)**	181,923
Non-controlling interests		**(126,276)**	(499,053)
		(402,629)	(317,130)
		HK cents	*HK cents*
(Loss)/earnings per share attributable to owners of the Company	7		
— **Basic**		**(1.25)**	1.00
— **Diluted**		**(1.25)**	1.00

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2016

	Six months ended	
	30.9.2016	30.9.2015
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Loss for the period	**(402,629)**	(317,130)
Other comprehensive loss for the period, net of nil tax:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	**(118,378)**	(110,361)
Share of other comprehensive loss of joint ventures	**(3,298)**	(3,831)
Share of other comprehensive loss of associates	**(3,909)**	—
	(125,585)	(114,192)
Total comprehensive loss for the period	**(528,214)**	(431,322)
Attributable to:		
Owners of the Company	**(373,048)**	74,612
Non-controlling interests	**(155,166)**	(505,934)
Total comprehensive loss for the period	**(528,214)**	(431,322)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2016

	Note	**30.9.2016 (unaudited) *HK$'000***	31.3.2016 (audited) *HK$'000*
Non-current assets			
Goodwill		**1,291,114**	1,319,800
Intangible assets		**837,192**	854,080
Fixed assets: Property, plant and equipment		**3,189,296**	2,833,613
Fixed assets: Interest in leasehold land held for own use under operating lease		**346,579**	362,137
Interests in associates		**383,838**	3,186
Interests in joint ventures		**454,230**	342,936
Available-for-sale investments		**—**	23,884
Deposits paid for non-current assets		**90,367**	285,966
Loan receivable	10	**416**	434
Other non-current assets		**8,178**	8,950
		6,601,210	6,034,986
Current assets			
Inventories		**788,854**	613,349
Trade and bills receivables	9	**477,124**	153,576
Loan and other receivables	10	**816,072**	629,154
Financial assets at fair value through profit or loss		**49,646**	69,221
Derivative financial instruments		**27,722**	34,141
Pledged bank deposits		**210,112**	212,559
Cash and cash equivalents		**566,168**	942,015
		2,935,698	2,654,015
Current liabilities			
Bank loans and other borrowings		**(1,374,935)**	(1,102,153)
Liability components of convertible bonds		**(385,970)**	—
Trade and bills payables	11	**(731,998)**	(410,954)
Accruals and other payables		**(567,738)**	(604,152)
Tax payables		**(13,234)**	(13,250)
Obligations under finance leases		**(28,419)**	—
Obligations under redeemed convertible bonds	12	**—**	(760,752)
		(3,102,294)	(2,891,261)
Net current liabilities		**(166,596)**	(237,246)
Total assets less current liabilities		**6,434,614**	5,797,740

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

As at 30 September 2016

	Note	30.9.2016 (unaudited) *HK$'000*	31.3.2016 (audited) *HK$'000*
Non-current liabilities			
Other non-current liability		**(48,501)**	(50,113)
Deferred income		**(66,206)**	(72,006)
Bank loans and other borrowings		**(1,091,390)**	(880,802)
Obligations under finance leases		**(57,648)**	—
Liability components of convertible bonds		**(292,232)**	(476,611)
Deferred tax liabilities		**(202,852)**	(226,399)
Obligations under redeemed convertible bonds	12	**(760,752)**	—
		(2,519,581)	(1,705,931)
NET ASSETS		**3,915,033**	4,091,809
CAPITAL AND RESERVES			
Issued capital		**223,944**	219,636
Reserves		**3,102,858**	3,142,891
Total equity attributable to owners of the Company		**3,326,802**	3,362,527
Non-controlling interests		**588,231**	729,282
TOTAL EQUITY		**3,915,033**	4,091,809

NOTES :

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The interim financial statements are unaudited, condensed and have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The condensed consolidated interim financial statements should be read in conjunction with the Group's audited financial statements for the year ended 31 March 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

In preparing the condensed consolidated interim financial statements, the Board has considered the Group's future liquidity in light of the fact that the Group had net current liabilities of approximately HK$166,596,000 as at 30 September 2016. After having considered the Group's projected cash flows, business plans, internal financial resources and the financial support from the shareholders of the Company, the Board is of the view that the Group will have sufficient cash resources to satisfy their working capital and other financial obligations for the next twelve months from the date of this announcement. Accordingly, the Board is of the view that it is appropriate to prepare these condensed consolidated interim financial statements on a going concern basis.

The accounting policies and basis of preparation adopted in the preparation of these condensed consolidated interim financial statements are consistent with those used in the Group's audited consolidated financial statements for the year ended 31 March 2016, except as described below:

Leases

Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset. Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Sale and leaseback transactions

A sale and leaseback transaction involves the sale of an asset and the leasing back of the same asset. The lease payment and the sale price are usually interdependent because they are negotiated as a package. The accounting treatment of a sale and leaseback transaction depends upon the type of lease involved. If the leaseback is a finance lease, the transaction is a means whereby the lessor provides finance to the lessee, with the asset as security.

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

Amendments to HKFRSs

The following new and revised HKFRSs, HKASs and Interpretations (hereinafter collectively referred to as the "new and revised HKFRSs"), which have become effective for accounting periods beginning on or after 1 April 2016, are adopted for the first time in the current period's financial statements:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements

The adoption of the above new and revised HKFRSs has no material impact on the accounting policies of the Group and the methods of recognition and measurement in the Group's interim financial statements for current or prior reporting periods.

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

2. REVENUE AND SEGMENT INFORMATION

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

	Six months ended	
	30.9.2016	30.9.2015
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
		(Restated)
Sales of electric vehicles	**355,867**	—
Sales of lithium-ion batteries and its related products	**41,135**	127,470
Income from leasing of electric vehicles	**3**	540
Sales of cathode materials for NCM lithium-ion batteries	**103,782**	—
Income from direct investments	**6,343**	9,199
Total	**507,130**	137,209

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:

(i) the vehicle design and electric vehicle production segment includes the vehicle design and the research and development, manufacture and sales of electric vehicles;

(ii) the battery products segment includes the research and development, manufacture and sales of lithium-ion batteries and its related products;

(iii) the electric vehicle leasing segment represents the provision of leasing service of electric vehicles including operating lease and finance lease;

(iv) the battery materials production segment includes research and development, manufacture and sales of cathode materials for NCM lithium-ion batteries (a new business segment which was acquired by a listed subsidiary of the Company in October 2015); and

(v) the direct investments segment represents various direct investments, including loan financing, securities trading and asset investment.

Reportable segment loss before tax represents the loss from each segment without the allocation of central administration costs, central finance costs and other income earned which is not attributable to any reportable segment. During the period, reportable segment loss before tax also excludes the elimination of inter-segment profits. Certain comparative figures were restated to reflect such changes.

2. REVENUE AND SEGMENT INFORMATION *(Continued)*

(a) Segment information

	For the six months ended 30.9.2016 (unaudited)					
	Vehicle design & electric vehicle production	**Battery products**	**Electric vehicle leasing**	**Battery materials production**	**Direct investments**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Revenue from external customers	**355,867**	**41,135**	**3**	**103,782**	**6,343**	**507,130**
Inter-segment revenue	**—**	**184,405**	**—**	**—**	**16,750**	**201,155**
Reportable segment revenue	**355,867**	**225,540**	**3**	**103,782**	**23,093**	**708,285**
Reportable segment loss before tax	**(113,522)** *	**(23,100)**	**(802)**	**(22,660)**	**(789)**	**(160,873)**

	For the six months ended 30.9.2015 (unaudited) (Restated)					
	Vehicle design & electric vehicle production	Battery products	Electric vehicle leasing	Battery materials production	Direct investments	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	—	127,470	540	—	9,199	137,209
Inter-segment revenue	—	54,420	—	—	15,215	69,635
Reportable segment revenue	—	181,890	540	—	24,414	206,844
Reportable segment loss before tax	(19,932) **	(38,133)	(1,545)	—	(12,067)	(71,677)

* Included the negative goodwill arising from the acquisition of additional interest in a joint venture, Nohm Inc. ("Nohm", formerly known as Orng EV Solutions, Inc.) of HK$133,850,000.

** Included the one-off technology transfer income of HK$82,948,000 represented the excess (the "Excess") of the agreed consideration of such intangible assets contributed by the Group carried at fair value upon transfer to Nohm over the carrying amount of such intangible assets after eliminating the Group's interest in the Excess.

	As at 30.9.2016 (unaudited)					
	Vehicle design & electric vehicle production	**Battery products**	**Electric vehicle leasing**	**Battery materials production**	**Direct investments**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Reportable segment assets	**5,174,954**	**1,717,006**	**4,424**	**996,264**	**1,172,947**	**9,065,595**
Reportable segment liabilities	**(2,268,099)**	**(1,396,849)**	**(1,136)**	**(261,630)**	**(70,423)**	**(3,998,137)**

	As at 31.3.2016 (audited)					
	Vehicle design & electric vehicle production	Battery products	Electric vehicle leasing	Battery materials production	Direct investments	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Reportable segment assets	4,836,191	1,434,452	5,474	936,726	826,940	8,039,783
Reportable segment liabilities	(1,805,185)	(1,329,736)	(1,176)	(196,637)	(48,232)	(3,380,966)

2. **REVENUE AND SEGMENT INFORMATION** *(Continued)*

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

	Six months ended	
	30.9.2016	30.9.2015
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
		(Restated)
Revenue		
Reportable segment revenue	**708,285**	206,844
Elimination of inter-segment revenue	**(201,155)**	(69,635)
Consolidated revenue	**507,130**	137,209
Loss		
Reportable segment loss before tax	**(160,873)**	(71,677)
Elimination of inter-segment profit	**(28,129)**	(22,701)
Reportable segment loss derived from the Group's external customers	**(189,002)**	(94,378)
Other income, other gains and losses	**(35,451)**	246
Depreciation	**(785)**	(748)
Finance costs	**(143,475)**	(171,330)
Unallocated corporate expenses	**(54,931)**	(37,985)
Consolidated loss before tax	**(423,644)**	(304,195)

	30.9.2016	31.3.2016
	(unaudited)	(audited)
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	**9,065,595**	8,039,783
Unallocated corporate assets:		
Available-for-sale investments	**—**	23,884
Derivative financial instruments	**27,722**	34,141
Cash and cash equivalents	**203,845**	502,024
Other unallocated corporate assets	**239,746**	89,169
Consolidated total assets	**9,536,908**	8,689,001
Liabilities		
Reportable segment liabilities	**(3,998,137)**	(3,380,966)
Unallocated corporate liabilities:		
Bank loans and other borrowings	**(901,245)**	(694,572)
Liability components of convertible bonds	**(678,202)**	(476,611)
Other unallocated corporate liabilities	**(44,291)**	(45,043)
Consolidated total liabilities	**(5,621,875)**	(4,597,192)

(c) Seasonality of operations

The Group's operations are not subject to significant seasonal or cyclical factors.

3. OTHER GAINS AND LOSSES

	Six months ended	
	30.9.2016	30.9.2015
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
		(Restated)
Negative goodwill arising from the acquisition of additional interest in a joint venture *(Note (a))*	**133,850**	—
Impairment on available-for-sale investments	**(23,884)**	—
Impairment on loan and other receivables	**(7,658)**	—
Technology transfer income *(Note (b))*	**—**	82,948
Net gains in respect of Smith and Nohm	**102,308**	82,948
Exchange losses, net	**(27,071)**	(5,094)
Net gain/(loss) on held-for-trading investments	**9,229**	(513)
Impairment on loan and other receivables	**—**	(8,035)
Write-down of inventories	**—**	(171)
Loss on disposal of property, plant and equipment	**(11)**	—
	84,455	69,135

Notes:

(a) On 11 December 2015, the Group and a joint venture partner, Smith Electric Vehicles Corp. ("Smith") entered into a loan agreement (the "Loan Agreement") pursuant to which the Group granted a secured loan (the "Secured Loan") amounting to US$2,000,000 (equivalent to approximately HK$15,500,000) to Smith. The repayment date of the Secured Loan was 14 February 2016, being two months from 15 December 2015. The Secured Loan was secured by 10,000,000 common stocks of Nohm owned by Smith (the "Security"), as collateral. As a result of Smith's default in repayment under the Loan Agreement, the Group commenced the foreclosure process on 26 February 2016 and a public secured party auction was subsequently conducted on the Security on 1 June 2016 (the "Public Auction"). At the Public Auction, the Group acquired 10,000,000 common stocks of Nohm with a credit-bid of US$500,000 (equivalent to approximately HK$3,875,000), being credit deducted from the outstanding monies owed by Smith to the Group under the Loan Agreement. A negative goodwill arising from the acquisition of additional interest in a joint venture, Nohm of HK$133,850,000 was recognised during the period accordingly, with reference to the fair value of the subject 10,000,000 common stocks of Nohm as at 25 May 2016 based on the valuation report dated 31 May 2016 issued by an independent firm of professional qualified valuers.

(b) Technology transfer income represented the Excess of the agreed consideration of such intangible assets contributed by the Group carried at fair value upon transfer to Nohm over the carrying amount of such intangible assets after eliminating the Group's interest in the Excess.

4. FINANCE COSTS

	Six months ended	
	30.9.2016	30.9.2015
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Interest expenses on convertible bonds	**37,070**	77,047
Interest on bank loans and other borrowings wholly repayable within five years	**113,989**	80,176
Interest on finance leases	**459**	—
Other borrowing costs	**6,136**	—
Total interest expenses on financial liabilities not at fair value through profit or loss	**157,654**	157,223
Less: Interest expenses capitalised into construction in progress	**(22,143)**	—
	135,511	157,223
Fair value loss on derivative financial instruments	**31,430**	19,459
	166,941	176,682

5. LOSS BEFORE TAX

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

	Six months ended	
	30.9.2016	30.9.2015
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Interest income	**(9,433)**	(11,298)
Cost of inventories recognised as expenses		
− included in cost of sales	**475,727**	80,565
− included in selling and distribution costs	**469**	701
− included in research and development expenses	**2,717**	1,950
− included in other gains or losses	**—**	171
Amortisation of intangible assets	**95,317**	83,054
Depreciation of property, plant and equipment	**54,161**	30,819
Amortisation of interest in leasehold land held for own use under operating lease	**3,958**	4,467

6. INCOME TAX

	Six months ended	
	30.9.2016	30.9.2015
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Overseas current tax charge for the period	**240**	—
Deferred tax (credit)/charge	**(21,255)**	12,935
Tax (credit)/charge for the period	**(21,015)**	12,935

No provision for the Hong Kong profits tax or the People's Republic of China (the "PRC") enterprise income tax has been made as the Group either sustained losses for taxation purposes or has available tax losses brought forward from prior years to offset against the current period estimated assessable profits in Hong Kong and the PRC for the periods ended 30 September 2016 and 2015. Taxes on overseas profits have been calculated at the rates of taxation prevailing in the jurisdictions in which the Group operates. The deferred tax of HK$21,255,000 (six months ended 30 September 2015: HK$12,935,000) that has been (credited)/charged to the consolidated statement of profit or loss arose from origination and reversal of temporary differences.

7. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share is based on the following data:

	Six months ended	
	30.9.2016	30.9.2015
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
(Loss)/earnings		
(Loss)/earnings for the purpose of basic and diluted (loss)/earnings per share		
– Consolidated (loss)/profit for the period attributable to owners of the Company	**(276,353)**	181,923
	'000	*'000*
Number of ordinary shares		
Issued ordinary shares at beginning of the reporting period	**21,963,580**	17,866,170
Effect of issue of shares pursuant to share subscription	**86,940**	—
Effect of issue of shares upon conversion of convertible bonds	**581**	270,434
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**22,051,101**	18,136,604
Effect of dilutive share options	**—**	99,712
Weight average number of ordinary shares for the purpose of diluted (loss)/earnings per share	**22,051,101**	18,236,316

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 period ended 30 September 2016. Therefore, the diluted loss per share is the same as the basic loss per share for the period ended 30 September 2016.

The calculation of diluted earnings per share does not assume the conversion of the Company's outstanding convertible bonds which had an anti-dilutive as its net interest per ordinary share obtainable on conversion exceeds basic earnings per share for the period ended 30 September 2015.

8. INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the period (six months ended 30 September 2015: nil).

9. TRADE AND BILLS RECEIVABLES

	30.9.2016	31.3.2016
	(unaudited)	(audited)
	HK$'000	*HK$'000*
Trade receivables	**476,122**	160,895
Bills receivable	**15,347**	7,422
Less: Allowance for doubtful debts	**(15,487)**	(15,920)
	475,982	152,397
Amounts due from customers for contract work	**1,142**	1,179
	477,124	153,576

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

	30.9.2016	31.3.2016
	(unaudited)	(audited)
	HK$'000	*HK$'000*
Within 1 month	**212,427**	1,665
Between 1 and 3 months	**29,004**	29,032
Between 3 months and 1 year	**179,248**	69,041
Over 1 year	**55,303**	52,659
	475,982	152,397

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.

10. LOAN AND OTHER RECEIVABLES

	30.9.2016	31.3.2016
	(unaudited)	(audited)
	HK$'000	*HK$'000*
Loan receivables	**232,789**	198,873
Other receivables	**251,562**	141,750
Less: Allowance for doubtful debts	**(71,904)**	(64,928)
	412,447	275,695
Deposits and prepayments	**88,693**	37,467
Value-added-tax receivables	**315,348**	316,426
	816,488	629,588
Presented by:		
Non-current assets	**416**	434
Current assets	**816,072**	629,154
	816,488	629,588

11. TRADE AND BILLS PAYABLES

	30.9.2016	31.3.2016
	(unaudited)	(audited)
	HK$'000	*HK$'000*
Trade payables	**577,124**	331,735
Bills payable	**154,874**	79,219
	731,998	410,954

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

	30.9.2016	31.3.2016
	(unaudited)	(audited)
	HK$'000	*HK$'000*
Within 1 month	**88,641**	132,565
Between 1 and 3 months	**302,952**	107,656
Between 3 months and 1 year	**297,981**	162,825
Over 1 year	**42,424**	7,908
	731,998	410,954

The carrying amounts of trade and bills payables approximate their fair values. As at 30 September 2016, bills payable of HK$154,874,000 (31 March 2016: HK$79,219,000) were secured by the bank deposits of HK$95,582,000 (31 March 2016: HK$60,981,000).

12. OBLIGATIONS UNDER REDEEMED CONVERTIBLE BONDS

On 8 March 2011, the Company issued a redemption notice to Mei Li New Energy Limited ("Mei Li") which was beneficially wholly-owned by Mr. Winston Chung (formerly known as Chung Hing Ka) ("Mr. Chung") for the redemption of convertible bonds at face value of approximately HK$760,752,000 (the "Redemption Amount") held by Mei Li for the protection of the Company. In the legal proceedings against Mr. Chung and/or companies which are controlled and/or owned by him, the damages claimed by the Group (the "Claim Amount"), as supported by an independent forensic accountant report commissioned by the Group, are estimated to be substantially larger than the Redemption Amount. The Group has sought to set off a portion of the Claim Amount against the Redemption Amount (the "Set-Off").

On 5 March 2013, the High Court of Hong Kong (the "HK Court") issued a judgment in favour of the Company, granting the Company unconditional leave to defend the Claim Amount and to argue the Set-Off (the "5 March 2013 Judgment"). In effect, since 5 March 2013, the Company's payment obligations under the redeemed convertible bonds is subject to a stay of execution pending determination of the litigation between the Company and two of its subsidiaries with Mr. Chung and companies which are controlled and/or owned by Mr. Chung (the "Chung Parties"). On 26 May 2016, the HK Court refused a subsequent application for leave to appeal the 5 March 2013 Judgment on the basis that the legal representatives of Mei Li had no authority to take out the appeal summons (the "Authority Judgment"). Mei Li was subsequently ordered to pay costs to the Company on an indemnity basis.

The Chung Parties have on 23 June 2016 lodged a notice of appeal (the "Appeal Application"), seeking to appeal the decision on the Authority Judgment. A date is yet to be fixed for the proposed appeal. The Company is of the view that the procedure adopted by the Chung Parties for their Appeal Application is procedurally irregular and the Court of Appeal is yet to determine this procedural issue. In any event, Mr. Chung was adjudged bankrupt on 27 February 2013 to the effect that the property of Mr. Chung vested in the trustees-in-bankruptcy who are in the process of taking over Mr. Chung's several companies, including Mei Li. The Company is therefore of the view that the Appeal Application lacks merit.

By reason that the 5 March 2013 Judgment stands and considering the time required for resolution of the relevant legal proceedings and the latest applications of the Chung Parties, it is not expected that the Company will be required to settle the Redemption Amount in the near future. In any event, the Company's external Counsel has recently opined that payment of the Redemption Amount would likely not arise in the next eighteen months.

Under such circumstances, the Board considered it is appropriate to reclassify the obligations under redeemed convertible bonds of approximately HK$760,752,000 from current liabilities to non-current liabilities as at 30 September 2016.

13. CAPITAL COMMITMENTS

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

	30.9.2016 **(unaudited)** ***HK$'000***	31.3.2016 (audited) *HK$'000*
Contracted, but not provided for capital commitments in respect of:		
− capital expenditure of the Group's factories in the PRC	**941,552**	1,170,257
− investment in a joint venture	**38,750**	58,125
− investments in associates	**12,660**	8,281
	992,962	1,236,663

14. EVENTS AFTER THE REPORTING PERIOD

On 4 November 2016, the Company announced that (i) the Company and Guian New Area Management Committee* (貴安新區管理委員會) ("Guian Committee") entered into a supplemental agreement to the cooperation agreement dated 8 May 2016 in relation to the investment in and construction of pure electric vehicles production facilities in Guian New Area, Guizhou, the PRC (the "Project") and (ii) Jasmin International Auto R&D (Beijing) Co., Ltd.* (簡式國際汽車設計(北京)有限公司) ("Jasmin International"), Guizhou Changjiang Automobile Co., Ltd.* (貴州長江汽車有限公司) ("Guizhou Changjiang"), both of them are indirect non-wholly-owned subsidiaries of the Company, and Guizhou Guian Asset Investment Co., Ltd.* (貴州貴安產業投資有限公司) ("Guizhou Guian Asset Investment"), a substantial shareholder of Guizhou Changjiang, entered into an entrustment agreement, pursuant to which Guizhou Guian Asset Investment has entrusted Jasmin International to provide electric vehicles research, design and development related services to Guizhou Changjiang.

During the entrustment period, Guizhou Guian Asset Investment will pay Jasmin International a total amount of RMB1,000,000,000 by instalments for funding and supporting the research, design and development of new pure electric vehicles models for the Project. The first instalment in the amount of RMB500,000,000 has been received by Jasmin International on 14 November 2016.

15. COMPARATIVE FIGURES

Certain comparative figures set out in the condensed consolidated statement of profit or loss have been reclassified and restated to conform with the current period's presentation as follows:

	Six months ended		
	30.9.2015	30.9.2015	30.9.2015
	As originally stated	Reclassifications	As restated
	(unaudited)	(unaudited)	(unaudited)
	HK$'000	*HK$'000*	*HK$'000*
Revenue	136,696	513	137,209
Other gains and losses *(Note 3)*	—	69,135	69,135
General and administrative expenses	(157,589)	13,300	(144,289)
Technology transfer income	82,948	(82,948)	—

MANAGEMENT DISCUSSION AND ANALYSIS

FDG Electric Vehicles Limited (the "Company"), together with its subsidiaries (collectively "FDG" or the "Group"), is an integrated electric vehicle manufacturer. The principal businesses include: (i) design of vehicles and design, manufacture and sale of electric vehicles; (ii) research and development ("R&D"), manufacture and sale of lithium-ion batteries and other related products; (iii) R&D, manufacture and sale of cathode materials for lithium-ion batteries; and (iv) direct investment. The Company has an indirectly non-wholly owned subsidiary, FDG Kinetic Limited ("FKL", stock code: 378).

MARKET OVERVIEW

During the period under review, uncertainties loomed over the world economy. The concerns over the interest rate hike by the US Federal Reserve raised market sentiment, and the United Kingdom is about to start the process of "Brexit", bringing more uncertainties to the future economic development of Europe. The economic recovery of other major countries, such as Japan, is far from satisfactory. At the same time, emerging economies has also entered a slow growth period, in which it is difficult to support the global economy at large, casting haze over the overall development.

As for the domestic environment, China's economy has entered into a "New Normal" phase characterized by moderate and steady growth. On the one hand, traditional industries have to deal with issues, such as overcapacity and sustainable energy development; on the other hand, the new direction of economic development focuses on emerging industries and technological transformation. As the government continues to emphasize environmental-friendly development concepts such as energy conservation and carbon reduction, the clean energy industry has become a focus of the country's future development.

China's domestic development of new energy vehicles maintained a good momentum. According to the statistics from the China Association of Automobile Manufacturers, the production and sales volume of new energy vehicles in the first three quarters of 2016 increased by 93.0% and 100.6% year-on-year to 302,000 units and 289,000 units respectively. In particular, 66,000 new energy commercial vehicles (including new energy passenger vans) were produced, representing a year-on-year increase of 34.24%. As the production and sales volume of new energy vehicles in the PRC grow rapidly, the country has become a major market as well as one of the fastest growing markets for new energy vehicles in the world.

The new energy vehicle industry, as one of the key development industries under the 13th Five-Year Plan of the PRC, has been vigorously promoted and developed with considerable policy support by the government in recent years. The previously initiated "Made in China 2025" also expressly states that "energy-saving" and "new energy vehicles" will be classified as the key development areas, setting a clear direction for the development of new energy vehicles in China. To encourage the development of new energy vehicle industry, governments nationwide have not only introduced various policies and grants, but also built additional facilities like charging piles and battery swapping stations. At present, the domestic market of new energy vehicles is in a critical stage of prosperous development and continuous upgrade, in which new energy vehicle enterprises continuously increased the investment of resources so as to enhance scientific research and industrial operations. Alongside with increasing investment, how to avoid low-level constructions and un-planned investment is now the problem that new energy vehicle enterprises have to confront and address.

BUSINESS REVIEW

Electric Vehicles Business

During the period under review, the Group attained good progress in its electric vehicles business, with rising output after the Hangzhou production base commenced operation. The Group also proceeded with its plans step by step, expanding its market and increasing its production capacity. On the other hand, the Group was recognized for the quality of its Independent-Forward-Engineering (“正向開發”) electric vehicles, laying a solid foundation for developing the brand “Changjiang EV” (“長江 EV”).

Quality Electric Vehicles Serving G20 Guests

The Group was widely recognized in the industry and among its customers for the quality of its Independent-Forward-Engineering electric vehicles. With its production base in Hangzhou supported by the local government, the Group also actively promoted the development of the electric vehicle industry in the city. The Group, as an exclusive sponsor of electric mid-size bus, supplied a total of 210 vehicles for guest reception and conference work at the core area of the G20 and B20 Summit, which took place in Hangzhou in September 2016, the vehicles including pure electric commercial mid-size buses and commercial vehicles. Owing to their outstanding performance, the Group’s electric vehicles were awarded two honors, namely the “Special Sponsor of the G20 Hangzhou Summit” and the “Reception Products for the G20 Hangzhou Summit”, by the G20 organizing committee.

Furthermore, the Group is the first non-conventional automobile manufacturer and the second Chinese firm that has obtained the “Permission for Manufacturing New Energy Passenger Vehicles”. The Group’s pure electric vehicles have won recognition from relevant authorities, in respect of quality, design and specification.

Improve Production Capacity and Supply

The Group’s Hangzhou production base is furnished with world-class equipment. With its construction completed, Phase I plants have commenced mass production in April 2016, releasing their production capacity gradually to meet market demand. As of 30 September 2016, the production base has entered into sales orders for manufacturing no less than 2,200 vehicles, with over 600 electric vehicles already delivered. The Group is entering the stage of bringing its production capacity to full play.

The inauguration of the Hangzhou production base is a key milestone in the Group’s development. Given Hangzhou as a pilot city for 5G internet of vehicles, the local government has rolled out a variety of supportive policies and tax benefits, providing a great environment for the Group’s development. By leveraging the advantageous environment in Hangzhou, the Group can continuously improve its R&D capability and production capacity to develop more electric vehicles and related products in high quality. The Group will keenly capture development opportunities in the automobile market and further improve the industrial chain of electric vehicles, all in an effort to become a leading manufacturer in the electric vehicle market.

Expanding Market Presence and Dedicating R&D Efforts

In addition, preparation is well under way for the Group to build the industrial park of new energy vehicles at Guian New Area, Guizhou, the PRC, in a bid to further increase production capacity. FDG has joined hands with Guian New Area Management Committee to introduce the Group’s core technology and patent manufacturing techniques of electric vehicles, striving to build an industrial park of new energy vehicles where the development of Complete Buildup Unit (“CBU”) for pure electric vehicles and that of core components go hand in hand. The Guian production base is planned to achieve an annual production capacity of 150,000 pure electric vehicles, with R&D and manufacturing capabilities upon its completion of construction. The project enables the Group to improve its industrial chain and deliver more diversified products for different market demands. Moreover, situated in a favorable geographical location, Guian New Area connects southwest China to the Pan Pearl-River Delta. This, together with the existing Hangzhou and Yunnan production bases, helps the Group further expand its strategic layout across the country, capture new markets and build the brand on a diversified product mix.

Batteries Business

Expanding the market share with more mature technology in battery manufacturing

The Group's batteries plants are mature in manufacturing technology and scale, with increasing output and a highly efficient manufacturing model. In China's highly competitive market, the Group will continue to focus on reducing the cost of batteries in order to increase product competitiveness so as to better respond to the development in the future. In addition, the future power lithium-ion battery is expected to have a higher pursuit of performance. As such, the Group will continue to increase the R&D investment to optimize the products; actively adjust the layout of production capacity, thereby expanding the market share and influence of the Group in the power lithium-ion battery industry. The Company has commenced the expansion of Sinopoly Battery's production base in Tianjin from the current capacity of 130 million AH to 600 million AH, which is in line with the rapid growth of FDG and further seize the market share.

Material Business

Actively Proceeding with the Construction Project of the Plant for Lithium-Ferrous-Phosphate ("LFP") Battery Cathode Materials

As the output of lithium-ion battery rises, the Group is also active in expanding the production of upstream raw materials and developing a better industry chain. The Group facilitates its construction project of the plant for cathode materials in an orderly manner. FKL, a subsidiary under the Group, has recently entered into a cooperation framework agreement with Guian New Area Management Committee and Advanced Lithium Electrochemistry (Cayman) Co., Ltd (listed on the Taipei Exchange, "ALEEES", stock code: 5227) to cooperate in the construction of a factory for the manufacturing of cathode materials with a target of an annual production of 30,000 tonnes of cathode materials, and has employed ALEEES as the advisor to provide technology licensing and consultancy services in the construction of factories and production of cathode materials so as to further develop the business of lithium-ion battery cathode materials. The move can ensure that the Group obtains a steady and quality supply of such materials and realizes maximum cost-effectiveness through the efficient supply of raw materials. Moreover, the Group can coordinate its business of battery cathode materials with those of electric vehicles and battery, to achieve synergy.

Completing the Equity Restructuring with ALEEES for Comprehensive Cooperation and Improving the Layout of the Industrial Chain

In August 2016, the Group completed the equity restructuring with ALEEES and entered into a cooperation agreement. ALEEES is also accounted for as an associate of FKL. ALEEES' expenses, primarily research and expenses related is expected to decrease substantially after the acquisition which will bring positive impacts to ALEEES' financial results. FKL will also enjoy the positive financial impacts as the single largest shareholder after the equity restructuring. Through the cooperation, the Group gained ALEEES's R&D techniques to support the Group's Independent-Forward-Engineering techniques and further improve the quality of its electric vehicles and related products.

The PRC Government is forbidding public electric buses from using Nickel-Cobalt-Manganese ("NCM") lithium-ion battery until it has passed the safety certification. So it is expected that the domestic demand for such batteries will grow significantly. The Group can enjoy a stable future supply and guaranteed quality of LFP battery cathode materials under the cooperation with ALEEES, one of the largest global suppliers of such materials. In addition, SK (Chongqing) Lithium Ion Battery Materials Co., Ltd was acquired by the Group and renamed as FDG Kinetic (Chongqing) Lithium Ion Battery Materials Co., Ltd. The acquired company is mainly engaged in developing the cathode materials for NCM lithium-ion batteries which are applicable to EVs, energy storage systems and telecommunication devices. Through the cooperation with ALEEES, the Group can further improve the layout of upstream batteries business.

FINANCIAL REVIEW

During the period under review, the Group's revenue increased by approximately 2.7 times to reach approximately HK$507.1 million as compared with the revenue of approximately HK$137.2 million of the last corresponding period. The substantial increase was mainly due to a combination effect of (i) the sales of electric vehicles, which included mini-size buses, commercial vehicles and public buses, of approximately HK$355.9 million in the current period as compared to no revenue in the last corresponding period; (ii) the increase in sales of cathode materials from the battery materials production business of approximately HK$103.8 million as the business not yet acquired by the Group in the last corresponding period; and (iii) a decrease in sales of battery products of approximately HK$86.3 million as compared to that of the last corresponding period as a strong internal demand of the lithium-ion batteries from the Group's electric vehicle production business segment.

Gross profit decreased to approximately HK$30.8 million of the current period under review from approximately HK$55.1 million of the last corresponding period, representing a decrease of approximately HK$24.3 million. Gross profit ratio was at approximately 6.1% of the current period as compared with approximately 40.2% of the last corresponding period. Such substantial decrease was mainly attributable to (i) lower gross profit ratio in electric vehicle production segment due to higher unit production costs in its initial mass production stage; and (ii) grants and subsidies on related sales of electric vehicles have not yet reflected. The Group's related electric vehicles with models were listed in the catalogue of recommended new energy automobile models announced by the PRC government. The Group expect to receive governmental subsidies for the electric vehicles sold during the current period pending the launch of updated policy from the government. Such subsidies have not been recognised as income during the period.

The Group has widened its loss for the period to approximately HK$402.6 million from approximately HK$317.1 million of the last corresponding period, which is principally attributable to:

(i) the selling and distribution costs of approximately HK$43.7 million, an increase of approximately HK$26.7 million comparing with the last corresponding period of approximately HK$17.0 million, was mainly attributable to the increase of marketing expenses in launching the electric vehicles in the market;

(ii) the general and administrative expenses of approximately HK$171.6 million, an increase of approximately HK$27.3 million comparing with last corresponding period of approximately HK$144.3 million, was mainly attributable to the increase in expenditures incurred by the Group's electric vehicle production segment in Hangzhou plant because of the commencement of its mass production;

(iii) the research and development expenses of approximately HK$36.2 million, an increase of approximately HK$17.9 million comparing with the last corresponding period of approximately HK$18.3 million, was mainly attributable to the increase in the research and development on batteries and electric vehicles with new models and various enhancements; and

(iv) the finance costs of approximately HK$166.9 million, a decrease of approximately HK$9.8 million comparing with the last corresponding period of approximately HK$176.7 million, was mainly attributable to the decrease in imputed interest incurred from the convertible bonds.

The Group recorded the loss before interest, tax, depreciation and amortisation ("LBITDA") of approximately HK$134.7 million for the current period, an increase of approximately HK$106.1 million, comparing with approximately HK$28.6 million in the last corresponding period. Such increase was mainly attributable to the additional research and development expenses, selling and distribution costs, and general and administrative expenses incurred by the Group's electric vehicle production segment which commenced the mass production during the period under review.

During the period under review, the Group recorded an attributable loss to owners of the Company of approximately HK$276.4 million, comparing with a profit for the last corresponding period of approximately HK$181.9 million. The loss attributable to non-controlling interests amounted to approximately HK$126.3 million (six months ended 30 September 2015: loss of approximately HK$499.1 million). Such substantial changes are primarily due to the one-off transactions of (i) the technology transfer income of approximately HK$82.9 million which is only attributable to the owners of the Company; and (ii) the loss arising from the acquisition of interest in an associate of approximately HK$1,693.1 million recorded in FDG Kinetic Limited ("FKL"), such loss is proportionally shared by the non-controlling interests of FKL amounting to approximately HK$447.8 million. The above transactions were incurred for the last corresponding period.

Segment Information

Vehicle design and electric vehicle production business

During the period under review, the Group's electric vehicle production plant in Hangzhou has officially commenced mass production. The sale of electric vehicles during the period contributed approximately HK$355.9 million to the Group, which is approximately 70.2% of the Group's total revenue.

The gross profit ratio from the electric vehicle production business was approximately 2.1% of the current period due to the higher production costs as the production capacity are not yet fully released. Nevertheless, the demand for electric vehicles are expected to remain strong in the future to cope with the continuous favorable government policies. The performance of this segment expected to be improved and accelerated from the better economic of scale for the development of new energy industry in the future.

The segment loss before tax for the current period was approximately HK$113.5 million, an increase of approximately HK$93.6 million as comparing with approximately HK$19.9 million of the last corresponding period, which was mainly attributable to increase in administrative expenses, selling and distribution costs and research and development expenses incurred by the Group's electric vehicle production segment under its initial stage of mass production and without consideration of the expected subsidies from the sales of electric vehicles.

Battery products business

To cope with the Group's electric vehicle production business, the revenue from battery products business increased from approximately HK$181.9 million of the last corresponding period to approximately HK$225.5 million of the current period before the elimination of inter-segment transactions, an increase of approximately 24.0%. The gross profit ratio from the battery products business increased from approximately 36.2% of the last corresponding period to approximately 37.5% of the current period. Such increase was mainly attributable to a better economy of scale that strive for efficiency for the battery production which resulted in a decrease in unit cost per battery product.

The battery products business recorded a segment loss before tax for the current period of approximately HK$23.1 million, an improvement of approximately 39.4% as comparing with a loss of approximately HK$38.1 million of the last corresponding period before the elimination of inter-segment profits. The battery products business recorded earnings before interest, tax, depreciation and amortisation ("EBITDA") at approximately HK$53.7 million for the current period, an improvement of approximately 50.0% comparing with EBITDA of approximately HK$35.8 million of the last corresponding period. Such improvement was mainly attributable to the improved efficiency in operations in the battery factories of the Group in line with the increase in this segment revenue.

Electric vehicle leasing business

There was almost no rental income from electric vehicle leasing business for the current period as compared with approximately HK$0.5 million of the last corresponding period. Such decrease was mainly due to the change of operation model that the Group will deploy its own electric vehicles for leasing and provide different leasing services including sale and leaseback and finance lease services through its vertical integration business model covering the Group's battery production, electric vehicle manufacturing and electric vehicle leasing. The segment loss before tax for the current period was approximately HK$0.8 million, a decrease of approximately HK$0.7 million as comparing with approximately HK$1.5 million of the last corresponding period.

Battery materials production business

The Group completed the acquisition of the battery materials production business in October 2015. During the period under review, this segment contributed the Group's sales of cathode materials for nickel-cobalt-manganese ("NCM") lithium-ion batteries of approximately HK$103.8 million and generated a segment loss before tax of approximately HK$22.7 million. The NCM lithium-ion batteries can be widely used in the telecommunication devices, electric vehicle and energy storage system. The demand for cathode materials are expected to remain strong in the future to cope with the continuous favorable government policies in the development of new energy vehicle industry.

Direct investments business

The interest income from direct investments for the current period of approximately HK$23.1 million, a decrease of approximately HK$1.3 million as compared with approximately HK$24.4 million of the last corresponding period before the elimination of inter-segment transactions. The segment loss before tax for the current period of approximately HK$0.8 million, a decrease of approximately HK$11.3 million comparing with the last corresponding period of approximately HK$12.1 million, was mainly attributable to the increase in unrealised and realised gains on held-for-trading investments.

Liquidity and Financial Resources

As of 30 September 2016, the Group had (i) non-current assets of approximately HK$6,601.2 million (31 March 2016: approximately HK$6,035.0 million), which mainly comprised of goodwill, intangible assets, fixed assets, interests in associates, interests in joint ventures, available-for-sale investments, deposits paid for non-current assets, loan receivable, and other non-current assets; and (ii) current assets of approximately HK$2,935.7 million (31 March 2016: approximately HK$2,654.0 million), which mainly comprised of inventories, trade and bills receivables, loan and other receivables, financial assets at fair value through profit or loss, derivative financial instruments, pledged bank deposits and cash and cash equivalents.

The Group had current liabilities of approximately HK$3,102.3 million (31 March 2016: approximately HK$2,891.3 million), which mainly comprised of bank loans and other borrowings, liability components of convertible bonds of approximately HK$386.0 million, trade and bills payables, accruals and other payables, tax payables, and obligations under finance leases.

The Group's total non-current liabilities (comprised of other non-current liability, deferred income, bank loans and other borrowings, obligations under finance leases, liability components of convertible bonds of approximately HK$292.2 million, deferred tax liabilities and obligations under redeemed convertible bonds of approximately HK$760.8 million) increased from approximately HK$1,705.9 million as at 31 March 2016 to approximately HK$2,519.6 million as at 30 September 2016, which mainly due to a combination effect of the increase in bank loans and other borrowings, the decrease in liability components of convertible bonds and the change of obligations under redeemed convertible bonds of approximately HK$760.8 million from current liabilities to non-current liabilities.

Total bank loans and other borrowings as at 30 September 2016 were approximately HK$2,466.3 million (31 March 2016: approximately HK$1,983.0 million, including (i) the bank loans of approximately HK$1,721.5 million (31 March 2016: approximately HK$1,255.8 million) were secured by certain land and buildings, plant and machinery and construction in progress of the Group with a total carrying value of approximately HK$2,280.9 million (31 March 2016: approximately HK$2,176.9 million), bank deposits of approximately HK$85.4 million (31 March 2016: approximately HK$21.0 million) and share mortgages over certain shares of subsidiaries of the Group, denominated in Renminbi ("RMB") and/or in Euro, bear interest at prevailing market interest rates; (ii) the other borrowings of approximately HK$689.0 million (31 March 2016: approximately HK$694.6 million) were secured by, inter alia, the debentures in favour of the lender by way of the first fixed and floating charges over all the undertaking, property and assets of the Company and two wholly-owned subsidiaries of the Company and a share mortgage over certain shares of FKL. Such borrowings were denominated in Hong Kong dollars and bear fixed interest rate; (iii) an unsecured bank loan of approximately HK$23.2 million (31 March 2016: nil) was denominated in RMB, unsecured, and bear interest at prevailing market interest rates; and (iv) unsecured other borrowing of approximately HK$32.6 million (31 March 2016: approximately HK$32.6 million) were denominated in US dollars, unsecured, bear fixed interest rate. The maturity profile of the bank loans and other borrowings included approximately HK$1,374.9 million (31 March 2016: approximately HK$1,102.2 million) repayable within one year, approximately HK$187.6 million (31 March 2016: approximately HK$169.8 million) repayable within one to two years and approximately HK$903.8 million (31 March 2016: approximately HK$711.0 million) repayable within three to five years respectively. The Group's bank loans and other borrowings are mostly event driven, with little seasonality.

As at 30 September 2016, the Group's obligations under finance leases amounted to approximately HK$86.1 million (31 March 2016: nil), out of which approximately HK$28.4 million, approximately HK$30.2 million and approximately HK$27.5 million are repayable within one year, within one to two years and within three to five years respectively. The obligations under finance leases were secured by certain machineries of the Group with carrying amounts of approximately HK$85.1 million.

The net assets of the Group decreased from approximately HK$4,091.8 million as at 31 March 2016 to approximately HK$3,915.0 million as at 30 September 2016.

As at 30 September 2016, the Group's gearing ratio, without taking into account the obligations under redeemed convertible bonds of approximately HK$760.8 million (31 March 2016: approximately HK$760.8 million) and the liability components of convertible bonds of approximately HK$678.2 million (31 March 2016: approximately HK$476.6 million), was approximately 76.7% (31 March 2016: approximately 59.0%) calculated on the basis of bank loans and other borrowings and obligations under finance leases of total approximately HK$2,552.4 million (31 March 2016: approximately HK$1,983.0 million) to total equity attributable to owners of the Company of approximately HK$3,326.8 million (31 March 2016: approximately HK$3,362.5 million) as at 30 September 2016.

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 period 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 period. The Board will closely monitor the foreign exchange exposure and consider appropriate hedging instruments when necessary.

Capital Structure

On 25 August 2016, a total of 430,000,000 new shares of the Company were issued and allotted at a price of HK$0.50 per share under the general mandate to issue shares granted at the Company's annual general meeting held on 28 August 2015 (the "General Mandate") pursuant to a subscription agreement entered into between the Company and ALEEES on 14 April 2016 (the "Subscription Agreement").

On 25 August 2016, zero coupon convertible bonds due 2021 in the principal amount of HK$275,000,000 (the "Convertible Bonds due 2021") was issued pursuant to the Subscription Agreement. Based on the initial conversion price of HK$0.50, the Convertible Bonds due 2021 will be convertible into 550,000,000 new shares of the Company under the General Mandate upon full conversion.

During the six months ended 30 September 2016, a total of 782,000 new shares of the Company were issued and allotted upon the conversion of the convertible bonds due 2018 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 in the offer to acquire all the issued shares and share options of FKL.

As a result of the above, the number of shares of the Company in issue increased from 21,963,581,108 as at 1 April 2016 to 22,394,363,108 as at 30 September 2016.

As at 30 September 2016, the Company has (i) outstanding share options entitling holders to subscribe for a total of 432,300,000 shares of the Company; (ii) outstanding 8% convertible bonds due 2017 in the principal amount of HK$400,000,000 held by VMS Investment Group Limited which could be convertible into 666,666,666 shares of the Company based on the initial conversion price of HK$0.60; (iii) outstanding Exchange CBs in the amount of HK$131,435,304.80 which could be convertible into 262,870,609 shares of the Company based on the initial conversion price of HK$0.50; and (iv) outstanding Convertible Bonds due 2021 held by ALEEES which could be convertible into 550,000,000 shares of the Company based on the initial conversion price of HK$0.50.

The net proceeds of approximately HK$488.5 million from the issuance of 430,000,000 new shares of the Company and Convertible Bonds due 2021 under the Subscription Agreement are intended to be used for repaying some of the Group's debts, support the development of FKL (if required) and as general working capital of the Group.

As at 30 September 2016, from the above total net proceeds received, of which approximately HK$255 million was used for repayment of the Group's certain borrowings and related interests (which were used to support the development of FKL), approximately HK$96 million was used for the acquisition of assets and equipment of Aleees Eco Ark Co., Ltd. ("Ark Taiwan"), approximately HK$29 million was used for general working capital purposes, and approximately HK$108.5 million will be used for the general working capital of the Group.

Save as disclosed above, the Group had no other debt securities or other capital instruments as at 30 September 2016.

Material Acquisitions and Disposal

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

On 14 April 2016, the Company and FKL jointly announced, inter alia, that the Company and FDG Investment Holdings Limited ("FIHL", being a direct wholly-owned subsidiary of the Company) entered into: (i) the Ark Cayman Sale and Purchase Agreement; (ii) the Ark Taiwan Asset Purchase Agreement; (iii) the R&D Service Agreement; and (iv) the Loan Agreement, whereas FKL and/or FDG Kinetic Investment Limited ("FKIL", being a directly wholly-owned subsidiary of FKL) entered into (v) the ALEEES Share Subscription Agreement and (vi) the Cooperation Agreement with ALEEES, details of which are more described below.

(1) ALEEES Share Subscription Agreement: on 14 April 2016, FKIL, FKL and ALEEES entered into a share subscription agreement pursuant to which ALEEES conditionally agreed to allot and issue and FKIL conditionally agreed to subscribe for 46,000,000 new ordinary shares of ALEEES which represented approximately 21.85% of the total issued shares of ALEEES as enlarged by the subscription of the shares of ALEEES by FKIL for the total subscription price of NT$1,610,000,000.

(2) Ark Cayman Sale and Purchase Agreement: on 14 April 2016, FIHL, the Company and ALEEES entered into a sale and purchase agreement pursuant to which ALEEES conditionally agreed to sell and FIHL conditionally agreed to acquire the total issued shares of Aleees Eco Ark (Cayman) Co., Ltd. ("Ark Cayman") for the consideration of HK$28,000,000. Completion of the acquisition took place on 24 August 2016 and Ark Cayman has become an indirect wholly-owned subsidiary of the Company.

(3) Ark Taiwan Asset Purchase Agreement: on 14 April 2016, FIHL, the Company and Ark Taiwan entered into an asset purchase agreement pursuant to which Ark Taiwan conditionally agreed to sell and deliver to FIHL and FIHL conditionally agreed to purchase the asset and equipment of Ark Taiwan as set out in the Ark Taiwan Asset Purchase Agreement for the consideration of approximately HK$72,000,000 for the asset and a maximum consideration of NT$138,000,000 for the equipment. Completion of the acquisition of the asset and equipment took place on 24 August 2016.

(4) Loan Agreement: on 14 April 2016, FIHL (as lender) entered into a loan agreement with Ark Cayman (as borrower) and ALEEES (as guarantor) pursuant to which FIHL agreed to make available to Ark Cayman the provision of a loan in the principal amount of US$2,000,000 for the purpose of assisting Ark Taiwan to pay or finance its research and development expenses.

As the ALEEES Share Subscription Agreement, the Ark Cayman Sale and Purchase Agreement, the Ark Taiwan Asset Purchase Agreement and the provision of the loan under the Loan Agreement were inter-conditional and related, such transactions were aggregated as a series of transactions which constituted a discloseable transaction of the Company.

On 14 April 2016, the Company and ALEEES also entered into a subscription agreement pursuant to which the Company conditionally agreed to allot and issue and ALEEES conditionally agreed to subscribe for (a) 430,000,000 new ordinary shares of the Company, representing approximately 1.92% of the total issued shares of the Company as at 30 September 2016, at the subscription price of HK$0.50 per new share of the Company; and (b) the unlisted zero coupon convertible bonds due 2021 in the principal amount of HK$275 million to be issued by the Company in favour of ALEEES pursuant to the terms and conditions of the subscription agreement. Completion of the subscription of shares and convertible bonds took place on 25 August 2016.

ALEEES is principally engaged in the business of production, research and development and sales and marketing of cathode materials for lithium ferrous phosphate batteries. It is one of the largest cathode materials manufacturers in the world. It is also a primary supplier of cathode materials for Sinopoly Battery Limited (a lithium-ion battery manufacturer within the Group and is 75% owned by the Company and 25% owned by FKL). The acquisition of Ark Cayman and the asset and equipment of Ark Taiwan represent the acquisition of ALEEES' research and development capabilities in connection with electric vehicle and battery technology which will be synergetic to the Company's existing research and development.

Details of the above agreements are disclosed in the joint announcement of the Company and FKL dated 14 April 2016.

Save as disclosed above, the Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30 September 2016 and up to the date of this announcement.

Pledge of Assets and Contingent Liabilities

There were pledged of assets as at 30 September 2016 and 31 March 2016 with details disclosed under the section heading "Liquidity and Financial Resources". In addition, pledged bank deposits of approximately HK$210.1 million (31 March 2016: approximately HK$212.6 million) were pledged to secure mainly for bills payables, bank loans and letter of credit issued by the Group.

The Group had no significant contingent liabilities as at 30 September 2016 (31 March 2016: nil).

Capital Commitments

Details of the capital commitments of the Group are set out in note 13 of this announcement.

Employees and Remuneration Policies

As of 30 September 2016, the Group had 65 employees (30 September 2015: 58 employees) in Hong Kong and 3,088 employees (30 September 2015: 2,440 employees) in the PRC. Total staff costs (including directors' emoluments and equity-settled-share-based payments) during the period amounted to approximately HK$179.8 million (six months ended 30 September 2015: approximately HK$130.9 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

Efficient cost control to enhance economic effectiveness

Upon the commissioning of the production plant of the Group in Hangzhou in April, the production cost of whole-vehicle of the Group has reduced gradually as the mass production of energy vehicles was introduced, which gradually achieved economies of scale. In future, the Group will be endeavored to control the production cost in order to enhance the economic effectiveness. We will establish a centralized procurement system to standardize different procurements of raw materials, while optimizing the production chains and upgrading our production technologies for the purpose of utilizing manpower and resources more efficiently. In addition to the optimization of downstream production lines, the Group will also control the cost in respect to upstream raw materials. The Group has entered into a strategic corporation with ALEEES to safeguard the stable and premium battery supplies for the Group, which can help control the material costs and further achieve greater cost effectiveness. By implementing those measures, the Group expected that the cost would further be controlled with a further reduction of production cost by 20%, so as to materialize the largest cost effectiveness.

Recycling and Reusing Lithium-ion Batteries to Minimize Environmental Impact

According to the forecast of authoritative organizations, the demand for power lithium-ion batteries will reach 125 Gwh in 2020, with the scrapped amount at 32.2 Gwh or approximately 500,000 tonnes. In the year 2023, the scrapped amount will reach 101 Gwh or approximately 1.16 million tonnes. Large scale of lithium-ion batteries recycling and reuse will be the priority tasks of China and relevant enterprises in order to prevent wastage of resources and environmental pollution.

In future, FDG will apply a green management system to the entire lifecycle of the vehicle power lithium-ion batteries. There will be a comprehensive and systematic management process for every lithium-ion battery used in FDG's electric vehicles, covering its production, utilisation, scrapping, decomposition and re-utilisation. The electric vehicle power lithium-ion batteries will go through a progressive green management process, in which they will be used for various purposes in different stages. When the power lithium-ion batteries cannot be further used in electric vehicles, they will then be re-used in other areas such as power storage, base stations for power supply, street lights, or low-speed electric vehicles, before the batteries enter the professional recycling system. The green management process over the lifecycle of the lithium-ion batteries enhances the effectiveness of the batteries, reduces the use of rare metals, and contributes to global energy preservation and emission reduction. This is in line with the original intention of the government to promote electric vehicles in a bid to minimize the impact on the environment and the earth.

Endeavoring to Become a Global First-class Integrated Manufacturer of New Energy Vehicles

According to the forecast of the Society of Automotive Engineers of China, the annual sales and production scale of the domestic vehicles in the PRC will reach 30 million units, 35 million units and 38 million units by 2020, 2025 and 2035, respectively; and the respective sales volume of new energy vehicles will increase to more than 2.1 million units, 5 million units and 15 million units, respectively. It can be foreseen that the room for development of new energy vehicles is growing, and it is believed that this will be the main direction of the future development of the vehicle industry. From the policy perspective, various grants and subsidies for the purchase of new energy vehicles will continue to be available, and the development of the new energy industry will also be one of the key development strategies of the state and the local governments in future. Therefore, the development of new energy vehicles will remain strong in the coming years.

On the other hand, the domestic new energy vehicle enterprises are entering into a more mature phase of development. How to increase R&D capability, improve technology and optimize the overall chain of upstream and downstream industries are the challenges faced by new energy vehicle enterprises. The Group strives to develop Independent-Forward-Engineering EV and battery businesses, introduce domestic and foreign innovative technologies through various acquisitions and mergers, and focus on enhancing its own R&D capability to establish a comprehensive and quality industry, so that the Group can stand out from new energy vehicle enterprises, showcase its strengths and establish its brand name. Furthermore, China has tightened its subsidy policies recently, in response to such problems as deception of subsidies by certain new energy vehicle enterprises. The Group believes that the move can eliminate non-compliant enterprises and benefit the healthy development of the market. The Group is also confident that by expanding the business on a continual basis, enhancing the strength, establishing the market position and the brand, the Group is highly capable of becoming a leader of the new energy vehicle industry. In the future, the Group will endeavor to become a global first-class integrated manufacturer of new energy vehicles.

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 six months ended 30 September 2016 and up to the date of this announcement except for the following deviation.

Code provision A.2.1

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

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 six months ended 30 September 2016.

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

The Company did not redeem any of its listed securities during the six months ended 30 September 2016.

Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities during the six months ended 30 September 2016.

EVENTS AFTER THE REPORTING PERIOD

On 4 November 2016, (i) the Company and Guian New Area Management Committee* entered into a supplemental agreement to the cooperation agreement dated 8 May 2016; and (ii) Guizhou Guian Asset Investment Co., Ltd.* ("Guizhou Guian Asset Investment"), Jasmin International Auto R&D (Beijing) Co., Ltd.* ("Jasmin International") and Guizhou Changjiang Automobile Co., Ltd.* ("Guizhou Changjiang Automobile") entered into the entrustment agreement, pursuant to which Guizhou Guian Asset Investment has entrusted and will pay Jasmin International a total of RMB1,000,000,000 by instalments as funding for the research, design and development of pure electric vehicles for the benefit of Guizhou Changjiang Automobile in relation to the investment in and construction of pure electric vehicles production facilities in Guian New Area, Guizhou, the People's Republic of China during the entrustment period from 4 November 2016 to 31 December 2021.

Guizhou Guian Asset Investment is a wholly-owned subsidiary of GuiAn New District Development and Investment Co., Ltd. which is a class one major state-owned enterprise incorporated under the approval and supervision of Guizhou Provincial People's Government. Jasmin International is an indirect non-wholly owned subsidiary of the Company and Guizhou Changjiang Automobile is an indirect non-wholly owned subsidiary of the Company of which 51% of its equity interest is owned by the Group, and the remaining 49% equity interest is owned by Guizhou Guian Asset Investment.

The supplemental agreement, the entrustment agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements only pursuant to Rule 14A.101 of the Listing Rules.

Details of the above transactions are disclosed in the announcement of the Company dated 4 November 2016 and set out in note 14 of this announcement.

REVIEW OF INTERIM RESULTS

The Audit Committee of the Company has reviewed with the management the unaudited consolidated interim results of the Group for the six months ended 30 September 2016 and the interim report.

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

Hong Kong, 25 November 2016

As at the date of this announcement, the board of directors 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; Mr. Wong Kwok Yiu 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*