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 2017

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 2017 together with the comparative figures for the corresponding period in 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2017

		Six months ended	
		30.9.2017	30.9.2016
		(unaudited)	(unaudited)
	Note	***HK$'000***	*HK$'000*
Revenue	2	**284,115**	507,130
Cost of sales		**(254,612)**	(476,336)
Gross profit		**29,503**	30,794
Other income		**35,837**	25,933
Other gains and losses, net	3	**(7,789)**	84,455
Selling and distribution costs		**(43,664)**	(43,723)
General and administrative expenses		**(284,071)**	(171,642)
Research and development expenses		**(67,162)**	(36,190)
Finance costs	4	**(174,292)**	(166,941)
Other operating expenses	5	**(77,884)**	—
Amortisation of intangible assets		**(89,418)**	(95,317)
Share of results of associates		**(6,410)**	(8,505)
Share of results of joint ventures		**(37,741)**	(42,508)

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

For the six months ended 30 September 2017

		Six months ended	
		30.9.2017	30.9.2016
		(unaudited)	(unaudited)
	Note	***HK$'000***	*HK$'000*
Loss before tax	5	**(723,091)**	(423,644)
Income tax	6	**19,358**	21,015
Loss for the period		**(703,733)**	(402,629)
Attributable to:			
Owners of the Company		**(546,772)**	(276,353)
Non-controlling interests		**(156,961)**	(126,276)
		(703,733)	(402,629)
		HK cents	*HK cents*
Loss per share attributable to owners of the Company	7		
— **Basic and diluted**		**(2.44)**	(1.25)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2017

	Six months ended	
	30.9.2017	30.9.2016
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Loss for the period	**(703,733)**	(402,629)
Other comprehensive income/(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	**212,151**	(118,378)
Share of other comprehensive income/(loss) of associates	**5,531**	(3,909)
Share of other comprehensive income/(loss) of joint ventures	**4,451**	(3,298)
	222,133	(125,585)
Total comprehensive loss for the period	**(481,600)**	(528,214)
Attributable to:		
Owners of the Company	**(391,971)**	(373,048)
Non-controlling interests	**(89,629)**	(155,166)
Total comprehensive loss for the period	**(481,600)**	(528,214)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

	Note	**30.9.2017 (unaudited) *HK$'000***	31.3.2017 (audited) *HK$'000*
Non-current assets			
Goodwill		**1,302,559**	1,265,028
Intangible assets		**812,836**	786,104
Property, plant and equipment		**3,356,666**	3,163,023
Interests in leasehold land held for own use under operating leases		**343,228**	332,309
Interests in associates		**370,891**	371,770
Interests in joint ventures		**392,260**	425,550
Deposits paid for non-current assets		**293,638**	144,908
Loan receivable	10	**380**	398
Other non-current assets		**7,258**	8,162
		6,879,716	6,497,252
Current assets			
Inventories		**749,944**	657,967
Trade and bills receivables	9	**1,288,657**	1,251,782
Loan and other receivables	10	**1,041,820**	877,684
Financial assets at fair value through profit or loss		**37,813**	50,000
Derivative financial instruments		**22,322**	21,233
Pledged bank deposits		**51,690**	160,163
Cash and cash equivalents		**1,215,288**	1,321,410
		4,407,534	4,340,239
Current liabilities			
Bank loans and other borrowings	11	**(2,358,570)**	(1,340,776)
Trade and bills payables	12	**(796,717)**	(745,544)
Accruals and other payables		**(910,077)**	(740,144)
Tax payables		**(37,476)**	(36,853)
Obligations under finance leases		**(30,563)**	(28,394)
Liability components of convertible bonds		**(123,682)**	(514,636)
		(4,257,085)	(3,406,347)
Net current assets		**150,449**	933,892
Total assets less current liabilities		**7,030,165**	7,431,144

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

As at 30 September 2017

	Note	**30.9.2017 (unaudited)** *HK$'000*	31.3.2017 (audited) *HK$'000*
Non-current liabilities			
Receipts in advance		**(637,594)**	(610,235)
Deferred income		**(116,513)**	(54,067)
Bank loans and other borrowings	11	**(1,075,732)**	(1,094,483)
Obligations under finance leases		**(27,848)**	(41,497)
Liability components of convertible bonds		**(198,355)**	(190,199)
Deferred tax liabilities		**(162,721)**	(180,325)
Obligations under redeemed convertible bonds	13	**(760,752)**	(760,752)
		(2,979,515)	(2,931,558)
NET ASSETS		**4,050,650**	4,499,586
CAPITAL AND RESERVES			
Issued capital		**224,131**	223,985
Reserves		**2,365,187**	2,724,640
Total equity attributable to owners of the Company		**2,589,318**	2,948,625
Non-controlling interests		**1,461,332**	1,550,961
TOTAL EQUITY		**4,050,650**	4,499,586

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 “HKICPA”).

The condensed consolidated interim financial statements should be read in conjunction with the Group’s audited consolidated financial statements for the year ended 31 March 2017, which have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual HKFRSs, HKASs and Interpretations issued by the HKICPA and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

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 2017, except in relation to the following amendments to HKFRSs, which have become effective for accounting periods beginning on or after 1 April 2017, that are adopted for the first time in the current period’s financial statements:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 7	Disclosure Initiatives
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

The application of these amendments to HKFRSs in the current period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or disclosures set out in these condensed consolidated interim financial statements.

The Group has not early adopted the following new standards, amendments and interpretations that have been issued but are not yet effective in these condensed consolidated interim financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers
HKFRS 16	Leases
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and Its Associates or Joint Venture
HK (IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration
HK (IFRIC) - Int 23	Uncertainty over Income Tax Treatments

The Group is in the process of making an assessment of what the impact of these new standards, amendments and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have significant impact on the financial performance and position of the Group.

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, 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	
	30.9.2017	30.9.2016
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Sales of electric vehicles	**64,518**	355,867
Sales of lithium-ion batteries and its related products	**43,506**	41,135
Income from leasing of electric vehicles	**1**	3
Sales of cathode materials for NCM lithium-ion batteries	**169,032**	103,782
Income from direct investments	**7,058**	6,343
Total	**284,115**	507,130

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 leases and finance lease;

(iv) the battery materials production segment, which includes research and development, manufacture and sales of cathode materials for (1) NCM lithium-ion batteries and (2) lithium ferrous phosphate batteries; and

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

Reportable segment profit/(loss) before tax represents the profit earned by/(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. Reportable segment profit/(loss) before tax also excludes the elimination of inter-segment profit/(loss).

2. REVENUE AND SEGMENT INFORMATION *(Continued)*

(a) Segment information

	For the six months ended 30.9.2017 (unaudited)					
	Vehicle design and 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	**64,518**	**43,506**	**1**	**169,032**	**7,058**	**284,115**
Inter-segment revenue	**—**	**10,200**	**—**	**—**	**16,818**	**27,018**
Reportable segment revenue	**64,518**	**53,706**	**1**	**169,032**	**23,876**	**311,133**
Reportable segment profit/(loss) before tax	**(325,729)** #	**(165,734)**	**(195)**	**(28,683)**	**26,298**	**(494,043)**

	For the six months ended 30.9.2016 (unaudited)					
	Vehicle design and 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)

\# Included the other operating expenses of HK$77,884,000 as detailed in Note 5.

\## Included the gain on bargain purchase arising from the acquisition of additional interest in a joint venture, Chanje Energy, Inc. ("Chanje", formerly known as Nohm Inc. or Orng EV Solutions, Inc.) of HK$133,850,000.

	As at 30.9.2017 (unaudited)					
	Vehicle design and 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	**7,293,035**	**1,470,221**	**31,769**	**1,320,639**	**740,449**	**10,856,113**
Reportable segment liabilities	**(3,533,751)**	**(1,512,528)**	**(1,109)**	**(252,126)**	**(70,711)**	**(5,370,225)**

	As at 31.3.2017 (audited)					
	Vehicle design and 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	6,771,198	1,615,136	25,019	1,305,797	740,897	10,458,047
Reportable segment liabilities	(2,888,614)	(1,432,938)	(1,102)	(246,524)	(68,317)	(4,637,495)

2. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

	Six months ended	
	30.9.2017	30.9.2016
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	**311,133**	708,285
Elimination of inter-segment revenue	**(27,018)**	(201,155)
Consolidated revenue	**284,115**	507,130
Loss		
Reportable segment loss before tax	**(494,043)**	(160,873)
Elimination of inter-segment loss/(profit)	**7,678**	(28,129)
Reportable segment loss derived from the Group's external customers	**(486,365)**	(189,002)
Other income, other gains and losses, net	**(13,218)**	(35,451)
Depreciation	**(768)**	(785)
Finance costs	**(130,956)**	(143,475)
Unallocated corporate expenses	**(91,784)**	(54,931)
Consolidated loss before tax	**(723,091)**	(423,644)

	30.9.2017	31.3.2017
	(unaudited)	(audited)
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	**10,856,113**	10,458,047
Unallocated corporate assets:		
Derivative financial instruments	**22,322**	21,233
Cash and cash equivalents	**112,974**	109,369
Other unallocated corporate assets	**295,841**	248,842
Consolidated total assets	**11,287,250**	10,837,491
Liabilities		
Reportable segment liabilities	**(5,370,225)**	(4,637,495)
Unallocated corporate liabilities:		
Bank loans and other borrowings	**(1,471,659)**	(900,000)
Liability components of convertible bonds	**(322,037)**	(704,835)
Other unallocated corporate liabilities	**(72,679)**	(95,575)
Consolidated total liabilities	**(7,236,600)**	(6,337,905)

3. OTHER GAINS AND LOSSES, NET

	Six months ended	
	30.9.2017	30.9.2016
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Gain on bargain purchase arising from the acquisition of additional interest in a joint venture *(Note)*	**—**	133,850
Impairment on available-for-sale investments	**—**	(23,884)
Impairment on loan and other receivables	**—**	(7,658)
Net gains in respect of Smith and Chanje	**—**	102,308
Exchange losses, net	**(14,090)**	(27,071)
Net gain on held-for-trading investments	**16,148**	9,229
Write-down of inventories	**(7,854)**	—
Impairment on trade receivables	**(3,045)**	—
Reversal of write-down of inventories	**1,185**	—
Reversal of impairment on trade receivables	**357**	—
Loss on disposal of property, plant and equipment	**(490)**	(11)
	(7,789)	84,455

Note:

The Group and a joint venture partner, Smith Electric Vehicles Corp. ("Smith"), entered into a loan agreement on 11 December 2015 (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. The Secured Loan was secured by 10,000,000 common stocks of Chanje 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 conducted on the Security on 1 June 2016 (the "Public Auction"). At the Public Auction, the Group acquired the subject 10,000,000 common stocks of Chanje 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. During the six months ended 30 September 2016, a gain on bargain purchase arose from the acquisition of this additional interest in the joint venture of HK$133,850,000 being calculated with reference to the fair value of Chanje based on the valuation report dated 31 May 2016 issued by an independent firm of professional qualified valuers. As the Group cannot control the board of directors of Chanje, Chanje continues to be accounted for as a joint venture of the Group.

4. FINANCE COSTS

	Six months ended	
	30.9.2017	30.9.2016
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Interest expenses on convertible bonds	**18,342**	37,070
Interest on finance leases	**3,094**	459
Interest on bank loans and other borrowings wholly repayable within five years	**160,983**	113,989
Other borrowing costs	**11,817**	6,136
Total interest expenses on financial liabilities not at fair value through profit or loss	**194,236**	157,654
Less: Interest expenses capitalised into construction in progress	**(18,855)**	(22,143)
	175,381	135,511
Fair value (gain)/loss on derivative financial instruments	**(1,089)**	31,430
	174,292	166,941

5. LOSS BEFORE TAX

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

	Six months ended	
	30.9.2017	30.9.2016
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Interest income	**(27,261)**	(9,433)
Cost of inventories recognised as expenses		
– included in cost of sales	**254,115**	475,727
– included in selling and distribution costs	**1,616**	469
– included in research and development expenses	**20,216**	2,717
Amortisation of intangible assets	**89,418**	95,317
Depreciation of property, plant and equipment	**98,732**	54,161
Amortisation of interests in leasehold land held for own use under operating leases	**3,906**	3,958
Warranty provision	**4,581**	17,410
Other operating expenses *(Note)*	**77,884**	—

Note:

The other operating expenses represent certain indirect operating expenses arising from the temporary under-utilisation of production capacity of the electric vehicle production plants in Hangzhou and Yunnan as the Group has spent certain period of time to upgrade and re-configure the production lines, enhance production efficiency and apply for listing in the new catalogue of new energy automobile models announced by the People's Republic of China (the "PRC") government in order to meet the new specification requirements on electric vehicles under the PRC government new subsidy policies. Such upgrades, re-configurations and applications have been successfully completed in July 2017 and the electric vehicle production plants are gradually increasing production afterwards.

6. INCOME TAX

	Six months ended	
	30.9.2017	30.9.2016
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Overseas current tax charge for the period	**612**	240
Deferred tax credit	**(19,970)**	(21,255)
Tax credit for the period	**(19,358)**	(21,015)

No provision for the Hong Kong profits tax or 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 six months ended 30 September 2017 and 2016. 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$19,970,000 (six months ended 30 September 2016: HK$21,255,000) that has been credited to the condensed consolidated statement of profit or loss arose from origination and reversal of temporary differences mainly in respect of fair value adjustments arising from acquisition of subsidiaries.

7. LOSS PER SHARE

(a) Basic loss per share

The basic loss per share is calculated based on (i) the consolidated loss for the period attributable to owners of the Company of HK$546,772,000 (2016: HK$276,353,000); and (ii) the weighted average number of 22,402,226,000 (2016: 22,051,101,000) ordinary shares in issue during the period.

	Six months ended	
	30.9.2017	30.9.2016
	Weighted average number of ordinary shares	Weighted average number of ordinary shares
	(unaudited)	(unaudited)
	'000	*'000*
Issued ordinary shares at beginning of the reporting period	**22,398,476**	21,963,580
Effect of issue of shares pursuant to share subscription	**—**	86,940
Effect of issue of shares upon conversion of convertible bonds	**—**	581
Effect of issue of shares upon exercise of share options	**3,750**	—
Weighted average number of ordinary shares at the end of the reporting period	**22,402,226**	22,051,101

(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 six months ended 30 September 2017 and 2016. Therefore, the diluted loss per share is the same as the basic loss per share for the both periods.

8. INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the period (six months ended 30 September 2016: nil).

9. TRADE AND BILLS RECEIVABLES

	30.9.2017	31.3.2017
	(unaudited)	(audited)
	HK$'000	*HK$'000*
Trade receivables	**1,306,167**	1,291,007
Bills receivable	**37,529**	10,936
Less: Allowance for doubtful debts	**(55,039)**	(50,161)
	1,288,657	1,251,782

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

	30.9.2017	31.3.2017
	(unaudited)	(audited)
	HK$'000	*HK$'000*
Within 1 month	**65,216**	35,721
Over 1 month but within 3 months	**88,593**	52,386
Over 3 months but within 6 months	**58,783**	851,732
Over 6 months but within 9 months	**7,838**	145,784
Over 9 months but within 1 year	**766,077**	113,734
Over 1 year	**302,150**	52,425
	1,288,657	1,251,782

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 one month to six months 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 of the Group. The carrying amounts of the receivables approximate their fair values. Certain portion of the above trade receivables will be settled by the PRC government, on behalf of the customers of the Group, for the sales of electric vehicles, by the way of national subsidies in accordance with the Circular on Financial Support Policies for the Promotion and Application of New Energy Vehicles 2016-2020 (Cai Jian [2015] 134) and other relevant and applicable government's notices and policies promulgated by the PRC government, and the sales contracts made between the Group and these customers. As at 30 September 2017, the subsidy receivables from the PRC government amounting to HK$522,367,000 (31 March 2017: HK$499,615,000), which are mainly grouped under the age bands of over 9 months of trade receivables, are subject to the relevant subsidy policies and were not past due.

10. LOAN AND OTHER RECEIVABLES

	30.9.2017	31.3.2017
	(unaudited)	(audited)
	HK$'000	*HK$'000*
Loan receivables	**233,746**	221,507
Other receivables	**409,485**	323,556
Less: Allowance for doubtful debts	**(72,176)**	(71,283)
	571,055	473,780
Deposits and prepayments	**132,530**	123,580
Value-added-tax receivables	**338,615**	280,722
	1,042,200	878,082
Presented by:		
Non-current assets	**380**	398
Current assets	**1,041,820**	877,684
	1,042,200	878,082

11. BANK LOANS AND OTHER BORROWINGS

At 30 September 2017, the bank loans and other borrowings were repayable as follows:

	30.9.2017	31.3.2017
	(unaudited)	(audited)
	HK$'000	*HK$'000*
Within 1 year or on demand	**2,358,570**	1,340,776
After 1 year but within 2 years	**400,351**	319,917
After 2 years but within 5 years	**675,381**	774,566
	3,434,302	2,435,259
Presented by:		
Current liabilities	**2,358,570**	1,340,776
Non-current liabilities	**1,075,732**	1,094,483
	3,434,302	2,435,259

11. BANK LOANS AND OTHER BORROWINGS *(Continued)*

At 30 September 2017, the bank loans and other borrowings were secured as follows:

	30.9.2017 (unaudited)	31.3.2017 (audited)
	HK$'000	*HK$'000*
Bank loans		
- secured *(Note (a))*	**1,858,102**	1,547,556
- unsecured	**282,456**	157,696
	2,140,558	1,705,252
Other borrowings		
- secured *(Notes (b) and (c))*	**921,658**	697,457
- unsecured	**372,086**	32,550
	1,293,744	730,007
	3,434,302	2,435,259

Notes:

(a) As at 30 September 2017, these bank loans were secured by certain land and buildings, machinery and equipment and construction in progress of the Group with a total carrying amount of HK$2,476,244,000 (31 March 2017: HK$2,332,690,000), share charges over certain shares of the subsidiaries, bills receivable of HK$13,534,000 (31 March 2017: nil) and bank deposits of nil (31 March 2017: HK$55,194,000) of the Group and guaranteed by three executive directors of the Company.

(b) As at 30 September 2017, secured other borrowings of HK$700,000,000 (31 March 2017: HK$697,457,000) 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 its two wholly-owned subsidiaries and a share charge over certain shares of FDG Kinetic Limited ("FKL", a non-wholly-owned listed subsidiary of the Company), and guaranteed by two executive directors of the Company. When any events of default under the loan agreement has occurred and is continuing, the lender will be entitled to sell 51.41% (31 March 2017: 51.41%) of the issued shares of FKL to satisfy any sum due and payable but unpaid to the lender.

(c) As at 30 September 2017, secured other borrowings of HK$150,000,000 (31 March 2017: nil) and HK$58,845,000 (31 March 2017: nil) were secured by certain shares of FKL and intra-group trade receivables, respectively.

(d) As at 30 September 2017, bank loans of HK$2,140,558,000 (31 March 2017: HK$1,705,252,000) were denominated in Renminbi ("RMB") and/or Euro and bearing interest at prevailing market interest rates; and other borrowings of HK$1,293,744,000 (31 March 2017: HK$730,007,000) were denominated in RMB, Hong Kong dollars and/or United States dollars and bearing fixed interest rates.

12. TRADE AND BILLS PAYABLES

	30.9.2017	31.3.2017
	(unaudited)	(audited)
	HK$'000	*HK$'000*
Trade payables	**619,857**	578,479
Bills payable	**176,860**	167,065
	796,717	745,544

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

	30.9.2017	31.3.2017
	(unaudited)	(audited)
	HK$'000	*HK$'000*
Within 1 month	**88,820**	93,343
Over 1 month but within 3 months	**190,447**	131,114
Over 3 months but within 1 year	**423,623**	474,561
Over 1 year	**93,827**	46,526
	796,717	745,544

The carrying amounts of trade and bills payables approximate their fair values. As at 30 September 2017, bills payable of HK$57,754,000 (31 March 2017: HK$127,131,000) were secured by bank deposits of HK$46,256,000 (31 March 2017: HK$94,429,000).

13. OBLIGATIONS UNDER REDEEMED CONVERTIBLE BONDS AND LITIGATION UPDATES

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 total face value of approximately HK$760,752,000 (the "Redemption Amount"). Legal proceedings have been instituted against Mr. Chung and/or companies which are controlled and/or owned by him (together the "Chung Parties") (the "High Court Proceedings"). The convertible bonds were issued to Mei Li pursuant to a series of agreements between the Group and the Chung Parties, which are the subject of the dispute in the High Court Proceedings. As supported by an independent forensic accountant report commissioned by the Group, the damages claimed by the Group in the High Court Proceedings (the "Claim Amount") are estimated to be substantially larger than the Redemption Amount and 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"). Effectively, 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 High Court Proceedings.

On 26 May 2016, the HK Court refused Mei Li's application for leave to appeal the 5 March 2013 Judgment and ordered Mei Li to pay costs to the Company on an indemnity basis.

By reason that the 5 March 2013 Judgment stands and considering the time required for the resolution of the relevant legal proceedings and various interlocutory applications of the parties, the directors of the Company do not expect that the Company will be required to settle the Redemption Amount in the near future. In any event, Mr. Chung was adjudged bankrupt on 27 February 2013 and the property of Mr. Chung became vested in the trustees-in-bankruptcy (the "Trustee"). The Trustee did make an application to take over four companies owned and/or controlled by Mr. Chung, including Mei Li. On 15 September 2017, the HK Court ordered the said four companies to be transferred to the Trustee for further action and the Trustee is in the process of affecting the transfer. By an order of the HK Court on 26 February 2017, Mr. Chung's bankruptcy has been extended for a period of 4 years from 26 February 2017.

Based on the opinion of the Company's external counsel, payment of the Redemption Amount would likely not arise for at least 12 months from the end of the reporting period. Under such circumstances, the Board considered it was appropriate to classify the obligations under the redeemed convertible bonds of approximately HK$760,752,000 as non-current liabilities.

14. CAPITAL COMMITMENTS

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

	30.9.2017	31.3.2017
	(unaudited)	(audited)
	HK$'000	*HK$'000*
Contracted, but not provided for capital commitments in respect of:		
– capital expenditures of the Group's factories in the PRC	**728,122**	744,413
– capital contribution to a joint venture	**38,750**	38,750
– capital contributions to associates	**162,883**	12,278
	929,755	795,441

15. EVENTS AFTER THE REPORTING PERIOD

(a) On 26 October 2017, Union Grace Holdings Limited ("Union Grace", a wholly-owned subsidiary of the Company) gave a conversion notice to convert HK$540,000,000 principal amount of the convertible bonds issued by FKL at the conversion price of HK$0.34 per share into 1,588,235,294 new ordinary shares of FKL (the "Conversion"). The Conversion raised the Company's effective shareholding interest in FKL from approximately 67.12% to approximately 74.89% upon completion on 27 October 2017 and constituted a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

(b) On 30 October 2017, Union Grace and an independent purchaser entered into a deed pursuant to which the purchaser agreed to purchase and Union Grace agreed to sell the convertible bonds with the principal amount of HK$110,000,000 issued by FKL, which could be convertible into 323,529,411 new ordinary shares of FKL at a conversion price of HK$0.34 per share. The consideration of the sale and purchase of the convertible bonds is the aggregate of (i) HK$110,000,000 has been received on that day by way of cashier's orders and (ii) in the event the conversion right of any of these convertible bonds is exercised, HK$0.36 per conversion share so converted payable in cash on the date of such exercise. The Group is in the process of making an assessment on the implication of the sales of the convertible bonds issued by FKL on the Group's consolidated statement of profit or loss.

(c) On 15 November 2017, Hangzhou Changjiang Automobile Co., Ltd.* 杭州長江汽車有限公司 ("Hangzhou Changjiang", an indirect non-wholly-owned subsidiary of the Company), Tianjin Sinopoly New Energy Technology Co., Ltd.* 天津中聚新能源科技有限公司 ("Tianjin Sinopoly", an indirect non-wholly-owned subsidiary of the Company), the People's Government of Jianyang* 簡陽市人民政府 (the "First JV Partner") and Kunlun Stone (Shenzhen) Investment Fund Management Co., Ltd.* 昆侖石(深圳)投資基金管理有限公司 (the "Second JV Partner", together with the First JV Partner, the "JV Partners") entered into an agreement in relation to (i) the establishment of an electric vehicle joint venture (the "EV Joint Venture") by Hangzhou Changjiang and JV Partners in Jianyang, Chengdu, Sichuan Province, the PRC; and (ii) the establishment of a lithium-ion battery joint venture (the "Battery Joint Venture") by Tianjin Sinopoly and JV Partners in Jianyang, Chengdu, Sichuan Province, the PRC. The total registered capital of the EV Joint Venture and the Battery Joint Venture will be RMB800 million and RMB200 million, respectively. Hangzhou Changjiang and Tianjin Sinopoly will have 51% equity interest in the EV Joint Venture and the Battery Joint Venture, respectively.

(d) On 28 November 2017, the Company and an independent subscriber entered into a subscription agreement pursuant to which the Company has conditionally agreed to issue and the subscriber has conditionally agreed to subscribe for the three-year secured convertible bonds with the principal amount of HK$400 million, which bear interest at 8% per annum. On 28 November 2017, the Company entered into a facility agreement with an independent lender, pursuant to which the lender has agreed to provide the Company with a HK$600 million term loan facility for a period of 36 months from the first day of utilisation of the facility. These transactions were not yet completed on the date of this announcement.

* For identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

FDG Electric Vehicles Limited (the "Company" or "FDG") and its subsidiaries (collectively, the "Group") is a vertically-integrated pure electric vehicle manufacturer. FDG aims to become a globally recognised producer of more economical, greener and more energy-efficient pure electric vehicles. The Group's core businesses include ground-up research, design and development, and manufacturing and sales of pure electric vehicles; manufacturing and sales of lithium-ion batteries and cathode materials for lithium-ion batteries. FDG Kinetic Limited ("FKL", stock code: 378) is an indirect non-wholly-owned subsidiary.

MARKET OVERVIEW

The Electric Vehicle Trend Driven by the Desire for Clean Air Globally

In the past years, certain auto industry revelations have triggered stricter regulations worldwide. Research has shown that each vehicle is responsible for an average of 6 tonnes of carbon dioxide (CO_2) emitted into the atmosphere each year, contributing significantly to global warming effects. Nitrogen oxide (NO_x) and particulates (PM2.5) cause smog and acid rain and these emissions have been caused by high temperature combustion process in an Internal Combustion Engine ("ICE") vehicle. As major countries around the globe have been intensifying their emission regulations, traditional Original Equipment Manufacturers ("OEMs") race in a competition for alternative ways to serve mobility needs as well as compliance to the new standards. The traditional OEMs are facing the challenge that producing ICE vehicles which comply with the emission standards would be too costly, which is pushing them to shift into producing pure electric vehicles to avoid the huge cost for non-compliance. According to the statistics release by EV Volumes, from January to August 2017, global sales of plug-in vehicles (including pure electric vehicles and plug-in hybrid electric vehicles) were over 649,000 units, 46% higher compared to the same period in 2016. In the second quarter of 2017, 64% of sales were pure electric vehicles and 36% were plug-in hybrids. These figures clearly show that the international market gradually prefers more pure electric vehicles in a conquest for clean air.

Generous Government Support for Electric Vehicles in China

As the world's largest and fastest growing new energy vehicles market, China experienced the same growing trend as the rest of the world in 2017. According to the statistics from the Ministry of Industry and Information Technology ("MIIT"), sales of new energy vehicles were 398,000 units from January to September 2017, representing a growth of 38% year-on-year. Among those new energy vehicles sold, 325,000 units were pure electric vehicles, up 50% year-on-year; 73,000 units were plug-in hybrids, down 0.6% year-on-year. At the same time, the policy direction of the Chinese Government continues to favour the electric vehicle sector. On 13 September 2017, Mr. Xin Guobin, vice minister of MIIT, announced in an industry forum that the government is considering phasing-out fossil fuel powered vehicles in China. Industry experts believe that this is only the start to electrify the traditional automotive sector, implying that a new era of electric vehicles is emerging. In the long run, the gradual trend for electric vehicles to replace ICE vehicles will become an inevitable situation. We believe that independently developing and designing our own pure electric vehicles from scratch is the right strategy to go ahead.

The recently rolled-out dual-credit scheme in China echoed with this global trend. The "dual-credit scheme", namely "*Parallel Administrative Measures for Passenger Vehicle Corporate Average Fuel Consumption (CAFC) and New Energy Vehicle (NEV) Credits*" was issued on 28 September 2017 by MIIT, Ministry of Finance (MoF), Ministry of Commerce (MoC), General Administration of Customs (GAoC) and the Administration of Quality Supervision, Inspection and Quarantine (AQSIQ). The scheme requires automakers to meet certain requirements on fuel efficiency credit for sales of fleets, and generate new energy vehicle credits equivalent to a certain percentage of sales by selling new energy vehicles. With the policy to be implemented by April 2018, automakers in China are under the urgent need to accommodate to these policies, either by producing more new energy vehicles or by buying credits from competitors at a price, or else they will face penalties. As a rising star in manufacturing pure electric vehicles, FDG will benefit most from this policy; at the same time, it is also expected that traditional auto giants used to lead the ICE vehicle segment will be under intense pressure.

Despite short-term effects seen in the beginning of the reporting period by the change in government requirements for subsidies, FDG continued to produce premium electric vehicles that are safe, high quality and are fully exportable. As a vertically-integrated electric vehicle manufacturer, FDG consistently improves the performance of our products in manufacturing pure electric vehicles, batteries and cathode materials. FDG aims to build the world into a better place by using sustainable energy and to position ourselves to become a world-leading pure electric vehicle manufacturer.

Sales of Automobiles and New Energy Vehicles in China (Thousand Units)				
	9M 2017	**2016**	**2015**	**2014**
Automobiles	20,230	28,030	24,600	23,490
New Energy Vehicles	398	507	331	75
% of New Energy Vehicles	2.0%	1.8%	1.4%	0.3%

BUSINESS REVIEW

Electric Vehicles Business

FDG is a vertically-integrated pure electric vehicle manufacturer. Every FDG vehicle has been designed, manufactured from the ground up. From designing vehicle parts to the battery management system, and from manufacturing the cathode materials to packing the cells together into a battery pack installed onto the vehicle, every detail matters. We insist on independent research and development while we forward-engineer our vehicles for the future. In order to be well-prepared for future electric vehicles demand, FDG has already been strategically planning forward for the integration both upstream and downstream.

Currently FDG focuses on the commercial electric vehicles market, in particular, the logistics and the transit vehicles segment. Our proprietary research has shown that the segment brings best returns without spending huge marketing costs to attract individual vehicle purchasing desires and spending too much on installing lots of charging hubs throughout the country. Infrastructure-wise, charging for commercial vehicles may not be as critical as for passenger cars, due to the predictability and repeatability of driving patterns of commercial vehicles. Unlike the purchase of passenger cars, commercial vehicles' purchasing decisions are influenced by regulations and economic calculations such as the total cost of ownership of the fleets. FDG identifies that there is a significant gap in demand for fleet electrification and the supply of electric logistics and transit vehicles available in the market. Tightening emissions targets and government policy tilting towards banning diesel engines in many Chinese, European and U.S. urban areas should fast-track electric commercial vehicles adoption. With fast growth in online shopping and delivery services, FDG is confident that key players in the urban last-mile delivery segment with central hub and multiple stops would need to upgrade their fleets. Naturally, they will opt for electric vehicles with lower cost, complete after-sales services and full regulatory compliance.

In the period under review, twenty electric vehicle models manufactured by FDG were included in MIIT "*Catalogue of Recommended Models for New Energy Automobile Popularization and Application*" (the "Catalogue"). This is a proof that FDG vehicles are of high quality and are eligible for national subsidies.

FDG Products included in the Catalogue by MIIT in 1H 2017			
Date	**Batch No.**	**Product**	**No. of FDG Models Approved**
01/04/2017	Batch 3	Pure Electric Vehicle	2
02/05/2017	Batch 4	Pure Electric Vehicle	2
02/05/2017	Batch 4	Pure Electric Vehicle	9
02/06/2017	Batch 5	Pure Electric Vehicle	2
31/07/2017	Batch 7	Pure Electric Vehicle	4
31/07/2017	Batch 7	Pure Electric Vehicle	1

Chanje Energy, Inc., a subsidiary of FDG, is the international brand for FDG's exported pure electric vehicles. The name "Chanje" implies both the revolutionary "Change" as well as the resemblance of the local brand "Changjiang". Chanje is a whole new concept in revolutionizing the Chinese made electric fleets to a localised brand easily understood by international customers. In August 2017, Chanje partnered with the leading commercial fleet management and supply chain solutions provider, Ryder System, Inc. ("Ryder", NYSE: R) to establish exclusive sales channel and service network in the United States. FDG's electric vehicles have obtained U.S. homologations for sales in the United States and the first batch of such vehicles has already been delivered. This is not only a significant milestone for FDG and Chanje, but also a significant milestone for the Chinese and American pure electric vehicle industries.

The U.S. is generally known to have extremely stringent requirements for importing new energy vehicles. The co-developed ground-up electric vehicles are internationally recognised, the qualities are of international standards and the products are fully exportable. These commercial electric vehicles have been homologated in the U.S. and have also been qualified for California's Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project (HVIP) eligibility list, indicating the products have earned full accreditations. This is also the first time we bring commercial electric mobility to American fleets at a meaningful scale for the first time in history.

We wish our production could have been done faster to meet both government policies and market demand. As we adapt to the latest requirements by the government similar to everyone in the market in the electric vehicles industry, it is worthwhile understanding that a ramp up period is inevitable. Since the change in policy requirements was announced in the beginning of 2017, our production has been following the typical "S-curve" in electric vehicles manufacturing. It is important to understand that we have no underlying issues that has halted production. We are confident that this is only a gradual start, it will then grow quickly and ultimately achieve full saturation. We have already seen the lowest point of production in this reporting period and there is no better time than now to steel ourselves. We are at a point to scale up production, heading towards our mission to become a world-class pure electric vehicle manufacturer. With clear roadmap for comprehensive supply chain control in electric vehicle manufacturing, we are in a position to take the lead in this massive paradigm shift in the automobile industry.

Batteries Business

There are not many forward-thinking pure electric manufacturers in the market that are as advanced and as revolutionary as FDG in plotting our plan upstream in the value chain of electric vehicles, battery cell and battery materials. Batteries are critical for electric vehicles to run and are also a potential source of value-adding in the chain. Lithium, a rare metal, is in plentiful supply. Lithium is generally used in making batteries, such as the Lithium-Ferrous-Phosphate ("LFP") batteries used in our electric vehicles. Although recent prices have gone up, the U.S. Geological Survey estimated it will take 400 years to extract all of the earth's lithium. LFP batteries are safer to use and do not contain expensive cobalt. With rapid expansion in the electric vehicle boom, it is likely that this would exert a significant influence in the demand in lithium-ion batteries.

Ever since lithium-ion batteries were developed in 1991, energy density has been advancing with better quality cathodes, anodes, separators and electrolytes. Based on the current growing trend of increasing adoption of electric vehicles, this force of demand is extended to lithium-ion batteries. When Phase II of our Tianjin production base is completed, our annual battery capacity would further be increased up to a total of 2.3GWh. Recently the Group has announced a plan for a new battery factory in Jianyang, Sichuan. When the production of the Group's planned battery factories is fully ramped, the Group would have a total production capacity of 6.3GWh. The expansion project enables FDG's subsidiary, Sinopoly Battery Limited ("Sinopoly"), to produce safe and highly efficient batteries with economies of scale so that cost per unit could be lowered. Our expansion also ensures a stable and a quality supply of lithium-ion batteries to FDG's electric vehicle segment.

Sinopoly continued to focus on innovation relying on independent research and development. In particular, the newly developed battery separator technology has improved safety and performance for our ternary battery products at a world-leading standard. During the period under review, FDG has been awarded with 9 new patents on battery technologies. In respect to the upgrade of LFP batteries, FDG has developed new products with higher performances and the energy density has been improved to over 150Wh/Kg, a leading performance indicator that improves market competitiveness.

As a vertically-integrated electric vehicle manufacturer, batteries inevitably form an indispensable part in the supply chain of FDG's electric vehicles. FDG believes that our core battery technology directly powers this electric revolution in the automotive industry.

Cathode Material Business

A research suggested that the demand for cathode materials is expected to be more than 100,000 tonnes globally. Driven by the increasing demand for electric vehicles in China and the recent policy shift to higher energy density batteries, ternary lithium batteries are expected to account for a higher market share in the battery market. FDG's two existing production lines in Chongqing have been focusing on manufacturing of Nickel-Cobalt-Manganese ("NCM") 523 products ever since its commencement in 2014. During the period under review, total sales of cathode materials reached 970 tonnes. FDG's Chongqing factory has already produced approximately 5% of the current national supply of NCM523 cathode materials for electric vehicles according to the statistics compiled by a well-known research institute. Two additional new production lines in Chongqing are in the pipeline to manufacture NCM523 and NCM622, a product with superior performance. The expansion project will help FDG capture the strong demand from the cathode materials market and is expected to bring substantial benefits to the Group.

The cathode materials production base of Advanced Lithium Electrochemistry (Cayman) Co., Ltd. ("ALEEES") in Taiwan specialises in producing LFP cathode materials while FDG's Chongqing production base specialises in producing NCM cathode materials. As such, Taiwan ALEEES and the Chongqing production base complements the range of cathode materials the Group offers. The Group now offers LFP cathode materials products for our downstream electric vehicle manufacturing business as well as selling both NCM and LFP cathode materials to third parties. FDG continues to dedicate research and development of new products such as Nickel Cobalt Aluminum Oxide ("NCA") materials and NCM811, which has a higher energy density than NCM622.

Backed by sturdy electric vehicle demand, FDG expanded upstream to manufacture cathode materials through our subsidiary FKL. FKL partnered with Guizhou Guian Asset Investment Co., Ltd.* （貴州貴安產業投資有限公司）and ALEEES to build a plant to manufacture cathode materials with designed annual production of 30,000 tonnes. This project further improves the Group's business layout upstream and enhances the Group's vertically-integrated supply chain. This project broke ground on 22 October 2017 and is expected to be completed by 2019. FDG continues to solidify its position as a leading vertically-integrated electric vehicles manufacturer and continues to expand upstream in cathode materials, batteries and electric vehicles segments.

FINANCIAL REVIEW

Revenue

During the period under review, the Group's revenue significantly decreased by approximately 44.0% to approximately HK$284.1 million as compared with the revenue of approximately HK$507.1 million of the last corresponding period.

The substantial decrease was mainly due to a combined effect of (i) the significant decrease in the sales of electric vehicles represented by a revenue of approximately HK$64.5 million in the current period, a decline of approximately 81.9% as compared to a revenue of approximately HK$355.9 million of the last corresponding period mainly resulting from the impact of new specification requirements on electric vehicles under the new subsidy policies in the PRC market; (ii) a slight increase in sales of battery products of approximately HK$2.4 million to external customers as compared to that of the last corresponding period; and (iii) the increase in sales of cathode materials to 970 tonnes from the battery materials production business, represented by a revenue of approximately HK$169.0 million, an increase of approximately 62.8% as compared with a revenue of approximately HK$103.8 million of the last corresponding period, which was mainly attributable to the increase in demand of customers.

Gross profit and margin

The Group's gross profit decreased to approximately HK$29.5 million of the current period under review from approximately HK$30.8 million of the last corresponding period, representing a slight decrease of approximately HK$1.3 million. The overall gross profit ratio was at approximately 10.4% of the current financial period as compared with approximately 6.1% of the last corresponding period, representing an increase of approximately 4.3%. The Group's gross profit ratio was still in a low position, which was mainly attributable to the lower production volume in both financial periods. However, the Group strived to decrease the production cost per unit by reselecting suppliers in the current financial period.

Selling and distribution costs

For the period under review, selling and distribution costs amounted to approximately HK$43.7 million, which was similar with the last corresponding period of approximately HK$43.7 million. It included mainly marketing expenses, warranty expenses and selling expenses of the Group. During the period under review, the Group has expanded the sales teams and actively participated in exhibitions and marketing events in order to catch business opportunities.

General and administrative expenses

For the period under review, general and administrative expenses amounted to approximately HK$284.1 million, representing an increase of approximately HK$112.5 million comparing with the last corresponding period of approximately HK$171.6 million, which was mainly attributable to (i) the increase in equity-settled share-based payments of approximately HK$26.4 million mainly arising from approximately 1,018 million share options granted to directors of the Company for the current period; and (ii) the increase in administrative expenditures of approximately HK$75.4 million incurred by the Group's electric vehicle production segment to support the scale of the electric vehicle business to well-equipped for its future developments. Cost control measures were implemented by the Group to control the expenses and all expenses expected to bring values to the Group.

Research and development expenses

For the period under review, research and development expenses amounted to approximately HK$67.2 million, representing an increase of approximately HK$31.0 million comparing with the last corresponding period of approximately HK$36.2 million, was mainly attributable to the increase in the research and development on batteries including battery modules and electric vehicle design with new models and various enhancements.

Finance costs

For the period under review, finance costs amounted to approximately HK$174.3 million, representing an increase of approximately HK$7.4 million comparing with the last corresponding period of approximately HK$166.9 million, was mainly attributable to (i) the increase in the Group's bank loans and other borrowings; and (ii) the turnaround of fair value loss on derivative financial instruments of approximately HK$31.4 million during the last corresponding period to a gain of approximately HK$1.1 million for the period under review.

Other operating expenses

For the period under review, other operating expenses amounted to approximately HK$77.9 million in respect of certain indirect operating expenses was mainly arising from the temporary under-utilisation of production capacity of the electric vehicle production plants in Hangzhou and Yunnan as the Group has spent certain period of time to upgrade and re-configure the production lines, enhance production efficiency and apply for listing in the new catalogue of new energy automobile models announced by the PRC government in order to meet the new specification requirements on electric vehicles under the PRC government new subsidy policies. Such upgrades, re-configurations and applications have been successfully completed in July 2017 and the electric vehicle production plants are gradually increasing production afterwards.

Amortisation of intangible assets

For the period under review, amortisation of intangible assets amounted to approximately HK$89.4 million, representing a decrease of approximately HK$5.9 million comparing with the last corresponding period of approximately HK$95.3 million, as some of the intangible assets were fully amortised in the current period.

Share of results of joint ventures

For the period under review, share of net losses of joint ventures amounted to approximately HK$37.7 million, representing a decrease of approximately HK$4.8 million comparing with the last corresponding period of approximately HK$42.5 million, was mainly attributable to a turnaround of the share in the results of a joint venture, 華能壽光風力發電有限公司 to a profit of approximately HK$3.4 million for the current period from a loss of approximately HK$2.3 million in the last corresponding period.

Loss for the period

The Group has widened its loss for the period to approximately HK$703.7 million from approximately HK$402.6 million of the last corresponding period, with the combined effects as mentioned above.

Excluding one-off gains and losses, the Group's loss for the period increased by approximately 37.5% to approximately HK$694.4 million of the current period as comparing with approximately HK$504.9 million of the last corresponding period. The Group recorded loss before interest, tax, depreciation and amortisation of approximately HK$355.7 million for the current period, an increase of approximately HK$221.0 million, comparing with approximately HK$134.7 million in the last corresponding period. Such increases were mainly attributable to the decrease in revenue and the increase in research and development expenses, general and administrative expenses and other operating expenses incurred.

During the period under review, the Group recorded a loss attributable to owners of the Company of approximately HK$546.8 million, an increase of approximately HK$270.4 million, comparing with approximately HK$276.4 million of the last corresponding period. Such increase was mainly due to the above-mentioned reasons and a one-off gain on bargain purchase arising from the acquisition of additional interest in a joint venture of approximately HK$133.9 million attributable to the owners of the Company which incurred in last corresponding period which did not recur in the current period.

Goodwill

Goodwill that arising on the acquisition of business are allocated to the Group's cash generating units identified according to the Group's operating segments. During the current period, the increase in goodwill was arising from the exchange rate fluctuations.

Property, plant and equipment and interests in leasehold land held for own use under operating leases

As at 30 September 2017, property, plant and equipment and interests in leasehold land held for own use under operating leases totally amounted to approximately HK$3,699.9 million, increased by approximately HK$204.6 million comparing with last financial reporting date, which was mainly attributable to an addition of property, plant and equipment in relation to the electric vehicle production segment.

Inventories

Inventories amounted to approximately HK$749.9 million, increased by approximately HK$92.0 million for the six months ended 30 September 2017, which was mainly due to the increase in inventories for electric vehicle production segment in order to cope with the product offerings in response to the ever-adjusting subsidy policies. The management regularly assess the conditions of inventories through established inventories control system and take proactive measures in minimising the extent of obsoleted and slow-moving inventories.

Trade and bills receivables

Trade and bill receivables amounted to approximately HK$1,288.7 million, increased by approximately HK$36.9 million for the six months ended 30 September 2017, which was mainly attributable to the increase in sales of cathode materials. The Group generally provides a credit period of one month to six months to its customers. Credit limits are set for those customers. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. As at 30 September 2017, the trade receivables that were not past due included the subsidy receivables from the PRC government of approximately HK$522.4 million (31 March 2017: approximately HK$499.6 million). As at 30 September 2017, trade receivables that were past due but not impaired were approximately HK$611.0 million (31 March 2017: approximately HK$429.6 million). It is mainly attributable to the change in the PRC subsidy policies which had direct impact on the customers' ability to settle debts promptly and make payment as a result of the delayed timing in receipt of subsidies by the customers, which in turn delayed their repayment to the Group. Overdue balances are regularly reviewed by senior management of the Group. For those past due customers, the Group has performed a series of additional procedures to assess the recoverability of these overdue amounts.

Convertible bonds

The Group had issued three tranches of convertible bonds due in 2017, 2018 and 2021, respectively. The liability components of convertible bonds (including non-current portion of approximately HK$198.4 million representing convertible bonds due in 2021), amounted to approximately HK$322.0 million as at 30 September 2017, decreased by approximately HK$382.8 million, comparing with last financial reporting date, which was mainly attributable to the convertible bonds due in 2017 matured and fully settled by a short-term promissory note of HK$400 million issued by the Group.

Segment Information

Vehicle design and electric vehicle production business

During the period under review, the segment revenue during the period decreased significantly by approximately 81.9% to approximately HK$64.5 million, comparing with approximately HK$355.9 million of the last corresponding period. It is mainly attributable to the impact of new specification requirements on electric vehicles under new subsidy policies on electric vehicles, leading to a significant decline in the sale of electric vehicles from April to August 2017. The sales had increased remarkably from September 2017 onwards. The sales of electric vehicles in September represent approximately 58.4% of the total sales of electric vehicles in the current period.

The gross profit ratio from the electric vehicle production business after elimination of inter-segment transactions was approximately 18.0% of the current period comparing with approximately 2.1% of the last corresponding period. The segment loss before tax for the current period was approximately HK$325.7 million, an increase of approximately HK$212.2 million as comparing with approximately HK$113.5 million of the last corresponding period, which was mainly attributable to the other operating expenses of approximately HK$77.9 million as detailed under the section heading "other operating expenses". Besides, the one-off gain on bargain purchase arising from the acquisition of additional interest in a joint venture of approximately HK$133.9 million of last corresponding period which did not recur in the current period.

Battery products business

The revenue from battery products business before the elimination of inter-segment transactions decreased from approximately HK$225.5 million of the last corresponding period to approximately HK$53.7 million of the current period, representing a decrease of approximately 76.2%. It is mainly attributable to the decrease in internal demand from electric vehicle production business under new energy subsidy policies adjustments. The gross profit ratio from the battery products business from external customers decreased from approximately 37.5% of the last corresponding period to approximately 15.1% of the current period. The Group's battery products are mainly supplied to the downstream business. Such decrease was mainly attributable to the increase in unit cost per battery product as a result of the lower battery production volume as the demand of battery products from the electric vehicle production business was substantially declined because of the impact of the PRC government new subsidy policies on electric vehicles.

During the period under review, the battery products business widened its segment loss before tax to approximately HK$165.7 million from approximately HK$23.1 million of the last corresponding period, which was principally attributable to the decrease in sales of battery products and the increase in research and development of battery-related products and its improvements including battery module.

Electric vehicle leasing business

The electric vehicle leasing business was not active during the period under review. The segment loss before tax for the current period was approximately HK$0.2 million, a decrease of approximately HK$0.6 million as comparing with approximately HK$0.8 million of the last corresponding period. The Group will maintain the existing operating and marketing channels to cope with the Group's vertical integration business model. The demand for electric vehicle financing lease services are expected to remain strong in the future under the growing development of the finance leasing industry in the PRC.

Battery materials production business

During the period under review, the sales of cathode materials for NCM lithium-ion batteries in Chongqing factory amounted to approximately HK$169.0 million, representing an increase of approximately HK$65.2 million as compared with approximately HK$103.8 million of the last corresponding period, which was mainly attributable to the recognition of our cathode materials quality and the increase in demand from customers through the release of its full capacity. The segment loss before tax was approximately HK$28.7 million for the period under review, which included share of loss of an associate, ALEEES, representing an increase of approximately HK$6.0 million comparing with approximately HK$22.7 million of the last corresponding period.

Without taking into account of share of loss of ALEEES of approximately HK$6.5 million for the period under review, the battery material production business incurred a loss before tax of approximately HK$22.2 million during the period under review, representing a decrease of approximately HK$0.5 million as comparing with the loss before tax of approximately HK$22.7 million for the last corresponding period. The battery material production business narrowed its losses during the period by increasing sales of cathode materials.

Direct investments business

The interest income from direct investments for the current period was approximately HK$23.9 million, representing an increase of approximately HK$0.8 million as compared with approximately HK$23.1 million of the last corresponding period before the elimination of inter-segment transactions. The segment profit before tax for the current period of approximately HK$26.3 million, an increase of approximately HK$27.1 million comparing with the last corresponding period of the loss of approximately HK$0.8 million, was mainly attributable to the increase in gains from held-for-trading investments.

Liquidity and Financial Resources

As at 30 September 2017, the cash and cash equivalents of the Group amounted to approximately HK$1,215.3 million (31 March 2017: approximately HK$1,321.4 million). The amounts were mainly denominated in Hong Kong dollars, RMB and United States dollars.

As at 30 September 2017, the Group recorded net current assets of approximately HK$150.4 million, representing a decrease of approximately HK$783.5 million, as compared with net current assets of approximately HK$933.9 million as at 31 March 2017. The decrease in net current assets was primarily due to the net increase in convertible bonds, bank loans and other borrowings, the net proceeds of which were mainly used for additions of plant and machinery and working capital requirements of the electric vehicle production business.

Total bank loans and other borrowings as at 30 September 2017 were approximately HK$3,434.3 million (31 March 2017: approximately HK$2,435.3 million). The increase was mainly attributable to the combined effect of (i) the increase in bank loans in support of the operations of the Hangzhou electric vehicle production base; and (ii) a short-term promissory note of HK$400 million obtained to finance the settlement of the convertible bonds due in 2017. The Group's bank loans and other borrowings are mostly event driven, with little seasonality. Details of the maturity profile and security of bank loans and other borrowings are set out in note 11 of this announcement.

As at 30 September 2017, the Group's obligations under finance leases amounted to approximately HK$58.4 million (31 March 2017: approximately HK$69.9 million), out of which approximately HK$30.6 million (31 March 2017: approximately HK$28.4 million), approximately HK$27.8 million (31 March 2017: approximately HK$30.1 million) and nil (31 March 2017: approximately HK$11.4 million) were 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 an aggregate carrying amount of approximately HK$76.2 million (31 March 2017: approximately HK$78.3 million).

As at 30 September 2017, the Group had obligations under redeemed convertible bonds of approximately HK$760.8 million which was classified as non-current liabilities with details stated in note 13 of this announcement. The Group had remaining two tranches of convertible bonds that will be due in 2018 and 2021.

As at 30 September 2017, the Group's gearing ratio, without taking into account the obligations under redeemed convertible bonds of approximately HK$760.8 million (31 March 2017: approximately HK$760.8 million) and the liability components of convertible bonds of approximately HK$322.0 million (31 March 2017: approximately HK$704.8 million), was approximately 86.2% (31 March 2017: approximately 55.7%) calculated on the basis of bank loans and other borrowings and obligations under finance leases of total approximately HK$3,492.7 million (31 March 2017: approximately HK$2,505.2 million) to total equity of approximately HK$4,050.7 million (31 March 2017: approximately

HK$4,499.6 million) as at 30 September 2017. On 28 November 2017, the Company entered into the facility agreement with a lender to obtain a HK$600 million term loan facility and entered into subscription agreement with a subscriber to issue convertible bonds with the principal amount of HK$400 million, as detailed in note 15 of this announcement. Save as above, the Group will consider various capital market activities, including refinancing debts with lower interest costs, to solid its financial status for the benefits of shareholders whenever opportunities arise.

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 but substantial assets and liabilities of the Group were denominated in RMB and were mutually hedged. 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

The Company has established an employee benefit trust to receive awarded shares to be vested under the employees' share award scheme of the Company, share options to be granted under the share option scheme of the Company and other assets (if applicable) for the benefit of the employees of the Group and other designated persons. Details of the employee benefit trust are set out in the 2016/17 Annual Report of the Company.

During the six months ended 30 September 2017, (i) 2,118,000,000 share options were granted under the share option scheme of the Company, of which 1,018,000,000 share options were granted to the directors of the Company and 1,100,000,000 share options were granted to FDG EBT (Share Option) Limited which is a company under the employee benefit trust established by the Company; and (ii) a total of 14,600,000 new shares of the Company were issued and allotted upon exercise of share options granted under the Company's share option scheme.

As a result, the number of shares of the Company in issue increased from 22,398,477,108 as at 1 April 2017 to 22,413,077,108 as at 30 September 2017.

As at 30 September 2017, the Company has (i) outstanding share options entitling holders to subscribe for a total of 2,519,700,000 shares of the Company; (ii) outstanding convertible bonds due 2018 in the amount of HK$129,378,304.80 which could be converted into 258,756,609 shares of the Company based on the initial conversion price of HK$0.50; and (iii) outstanding convertible bonds due 2021 in the amount of HK$275,000,000 which could be converted into 550,000,000 shares of the Company based on the initial conversion price of HK$0.50.

Save as disclosed above, the Group had no other debt securities or other capital instruments as at 30 September 2017.

Material Acquisition and Disposal

During the six months ended 30 September 2017, the Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures.

Pledge of Assets and Contingent Liabilities

There were pledge of assets as at 30 September 2017 and 31 March 2017 with details disclosed under the section heading "Liquidity and Financial Resources" and in note 11 of this announcement. In addition, pledged bank deposits of approximately HK$51.7 million (31 March 2017: approximately HK$160.2 million) were pledged to secure mainly for bank loans and bills payables.

The Group had no significant contingent liabilities as at 30 September 2017 (31 March 2017: nil).

Litigation

Details of the litigation updates of the Group are set out in note 13 of this announcement.

Capital Commitments

Details of the capital commitments of the Group are set out in note 14 of this announcement.

Employees and Remuneration Policies

As of 30 September 2017, the Group had 76 employees (30 September 2016: 65 employees) in Hong Kong and 3,016 employees (30 September 2016: 3,088 employees) in the PRC. Total staff costs (including directors' emoluments and equity-settled-share-based payments) during the period amounted to approximately HK$216.1 million (six months ended 30 September 2016: approximately HK$179.8 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 share option schemes, share award schemes and employee benefit trusts for the benefit of its directors and eligible participants.

FUTURE DEVELOPMENT

A report from McKinsey has pointed out that China has already had an impressive 43% of electric vehicles production worldwide in 2016 and has already had the largest number of electric vehicles on the road. For the first time, the number of electric vehicles in China has already overtaken those in the United States. FDG is a true believer in electric vehicles. We believe that one day, electric vehicles will overtake all ICE vehicles which were first developed in the last century. China excels in both the demand dimension as well as the supply dimension in the space of electrification of people's choice of mobility. The big question of which automobile manufacturers would survive in a few years' time after the government's subsidies diminished would heavily depend on whether those particular automobile manufacturers have sufficient economies of scale in order to be able to control cost, quality and their supply-chains. As the up-and-coming electric vehicles manufacturer in the segment, FDG has already strategically crafted the blueprint for future development in scale – a well thought-out development strategy from upstream cathode materials to downstream vehicle manufacturing has already been put in place.

Commercial Electric Vehicle Segment Continues to be the Key Development Area for the Group

The fastest way to breakeven for shareholders lies in penetrating the market quickly without spending an overwhelming cost in doing so. The Group continues to push development in electrifying the commercial vehicle sector as the core of its business given the segment's nature of predictability and repeatability in driving patterns. The zero-fault, zero down-time recorded in the sponsorship of transiting important political figures in the G20 Hangzhou summit in 2016 was truly a solid proof to demonstrate the quality of the Group's products. As a rising star in this race in the growing electric vehicle trend, initially, it is the Group strategy to control not to spend too much on marketing, as well as on infrastructure penetration, such as large scale installation of charging hubs in households. By targeting at the commercial electric vehicle sector, the Group could sell electric vehicles in large batches to fleet managers, versus spending lots of resources on marketing in the mass segment but sales are only made in individual units. Commercial fleet electrification will continue to be the largest segment that the Group would continue to tap into in the second half of 2017.

Electric Vehicles are not Just Environmentally-Friendly, but also Economically-Viable

FDG believes that FDG-made electric vehicles are not only good for the environment, but are also good for the wallets of our end-users. The total cost of ownership of an FDG-made electric vehicle should be lower than an ICE equivalent in the long term. With increasing oil prices, more stringent policy regulations on ICE vehicles, lower maintenance cost and better batteries innovation, the cost per mile driven with an FDG's electric vehicle will be significantly reduced when compared with an ICE equivalent. FDG believes that electrification should not be done merely for compliance, but also for the overall lower cost during the comparable lifetime with an ICE vehicle. In the future, FDG believes that this overall lower cost coupled with solid reliability should become the key driving factor for decision making. Naturally, more and more people would choose to go down the electrification route when faced with the decision on whether one should buy an ICE vehicle or an electric vehicle.

A Vertically-Integrated Electric Vehicle Manufacturer

FDG's strategic vertical development upstream offers significant core advantages to the Group. The expansion of the Guian cathode materials factory, the Tianjin battery factory, the Guian electric vehicle factory, the Jianyang electric vehicle and battery factories etc. put the Group in a valuable position that FDG is strategically ready for economies of scale. As economies of scale becomes feasible, FDG would have a greater control on cost of raw materials and a better control in quality of the heart of an electric vehicle – the battery. The heart itself is also a profitable business from the Group's perspective; thus, such integration with downstream electric vehicles manufacturing enables us to capture the gross profit margin from head to toe. The Group is now in a much better position to understand what the commercial vehicle market demands, and could plan production ahead as market demand transforms. FDG believes that as market consolidation evolves, the electric vehicle manufacturer with a vision to strategically control the supply chain should be the ultimate winner.

Scaling up the Domestic and the International Market

As well as continually tapping into the domestic electric vehicle demand in China, the Group continues to explore development opportunities internationally. The homologation awarded in the United States was only the first milestone that proved FDG's ambition does not only stay within the domestic border; FDG sees ourselves as a world-leading electric vehicle manufacturer in the future.

FDG will continually explore valuable opportunities that bring value to our shareholders, particularly in the United States and in Europe. More international cooperation will be announced when timing is appropriate.

Revenue Continues to Pick up and the Announcement of a Cost Control Program

Although revenue for the first half of 2017 has dropped by 44% year-on-year due to the longer than expected time for the electric vehicle industry to adapt to the new subsidy policy set by the Chinese Government, the Group has already been producing for the new orders including sales to the United States. The Group is confident that the revenue and the number of electric vehicles sold for the full financial year 2017 would surpass those of financial year 2016.

For the past few years, the Group has achieved inorganic growth through mergers and acquisitions to form the blueprint of the vertically-integrated supply chain as seen today. It is inevitable that sales, general and administration expenses as well as finance costs would rise due to the nature of expanding the business inorganically. Senior management is well aware of this and have decided to put in place a Group-wide cost control program. There is no better time than now to start reducing corporate costs given that the Group has just finished transforming itself, and is now strategically ready to scale up after multiple rounds of completed acquisitions.

Outlook

The Group is confident about the future development of electric vehicles market. With clear market positioning strategies, self-developed core technologies and a complete layout of vertical integration in the electric vehicle space, FDG stands out from the crowd. FDG's mission is to help the world to evolve into a better place by bringing high quality, smart and environmentally-friendly electric vehicles. With our proprietary technology, we will bring clean air and blue skies back to our cities!

CORPORATE GOVERNANCE

The Company applied the principles of and complied with all the code provisions of the Corporate Governance Code (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited throughout the six months ended 30 September 2017 and up to the date of this announcement except for the following deviations.

Code provision A.2.1

Since 28 May 2014, both the roles of chairman and chief executive are vested with 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 to be separated and performed by different individuals. The Board considers that it will be more effective in implementing the Company's business strategies under the current arrangement as the Group has expanded into the electric vehicle sector and that a balance of power and authority is maintained at all times as the Board comprises experienced and high calibre individuals including sufficient number of independent non-executive directors as required under the Listing Rules.

Code provision F.1.2

Pursuant to code provision F.1.2 of the Code, a board meeting should be held to discuss the appointment of the company secretary and the matter should be dealt with by a physical board meeting rather than a written resolution. The appointments of company secretaries of the Company were dealt with by written resolutions in April 2017 and October 2017. As all directors were individually consulted on the matters without any dissenting opinion prior to the execution of the relevant written resolutions, it was considered that there was no need to approve the matters by physical board meetings.

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 2017.

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

During the six months ended 30 September 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

EVENTS AFTER THE REPORTING PERIOD

Events occurred after the reporting period are detailed in note 15 to 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 2017 and the interim report.

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

Hong Kong, 30 November 2017

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

Website: http://www.fdgev.com

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