



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

(Formerly named as Sinopoly Battery Limited 中聚電池有限公司)  
(Incorporated in Bermuda with limited liability)  
(Stock Code: 729)

**CHARGING  
UP THE  
FUTURE**

創造光輝 躍動未來

INTERIM REPORT **2014/15**

The board of directors (the “Board”) of FDG Electric Vehicles Limited (the “Company”) presents the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2014 together with the comparative figures for the corresponding period in 2013 as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the six months ended 30 September 2014*

	Note	Six months ended	
		30.9.2014	30.9.2013
		(unaudited) HK\$'000	(unaudited) HK\$'000
<b>Revenue</b>	2	<b>141,982</b>	41,545
Cost of sales		<b>(121,552)</b>	(38,499)
<b>Gross profit</b>		<b>20,430</b>	3,046
Other income		<b>8,153</b>	11,795
Selling and distribution costs		<b>(12,196)</b>	(9,826)
General and administrative expenses		<b>(93,691)</b>	(54,494)
Research and development expenses		<b>(7,612)</b>	(3,876)
Finance costs	3	<b>(39,802)</b>	(10,429)
Amortisation of intangible assets	9	<b>(89,746)</b>	(46,168)
<b>Loss before tax</b>	4	<b>(214,464)</b>	(109,952)
Income tax	5	<b>22,511</b>	11,542
<b>Loss for the period</b>		<b>(191,953)</b>	(98,410)
<b>Attributable to:</b>			
Owners of the Company		<b>(153,195)</b>	(98,410)
Non-controlling interests		<b>(38,758)</b>	–
		<b>(191,953)</b>	(98,410)
		<b>HK cents</b>	<b>HK cents</b>
<b>Loss per share attributable to owners of the Company</b>	6		
– Basic and diluted		<b>(0.89)</b>	(0.74)

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

For the six months ended 30 September 2014

	Six months ended	
	30.9.2014	30.9.2013
	(unaudited)	(unaudited)
	<u>HK\$'000</u>	<u>HK\$'000</u>
<b>Loss for the period</b>	<b>(191,953)</b>	<b>(98,410)</b>
<b>Other comprehensive income for the period, net of nil tax:</b>		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign subsidiaries	<u>4,596</u>	<u>3,273</u>
<b>Total comprehensive loss for the period</b>	<b><u>(187,357)</u></b>	<b><u>(95,137)</u></b>
<b>Attributable to:</b>		
Owners of the Company	<u>(147,845)</u>	<u>(95,137)</u>
Non-controlling interests	<u>(39,512)</u>	<u>–</u>
<b>Total comprehensive loss for the period</b>	<b><u>(187,357)</u></b>	<b><u>(95,137)</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2014

		30.9.2014 (unaudited) HK\$'000	31.3.2014 (audited) HK\$'000
	Note		
<b>Non-current assets</b>			
Goodwill		443,520	349,576
Intangible assets	9	983,108	982,563
Fixed assets	10	1,020,567	874,358
Deposits paid for non-current assets	11	445,052	203,249
Available-for-sale investment		15,716	–
Prepaid rentals		9,254	9,877
		<u>2,917,217</u>	<u>2,419,623</u>
<b>Current assets</b>			
Inventories		132,353	123,346
Trade and other receivables	12	503,979	252,928
Derivative financial instruments	15	26,502	–
Pledged bank deposits		62,234	11,284
Cash and bank balances		714,528	1,069,623
		<u>1,439,596</u>	<u>1,457,181</u>
<b>Current liabilities</b>			
Bank loans and other borrowings		(190,547)	(372,181)
Loan from a non-controlling shareholder		(150,000)	(150,000)
Trade and other payables	13	(403,909)	(212,819)
Tax payable		(8,695)	(8,695)
Obligations under redeemed convertible bonds	14	(760,752)	(760,752)
		<u>(1,513,903)</u>	<u>(1,504,447)</u>
<b>Net current liabilities</b>		<u>(74,307)</u>	<u>(47,266)</u>
<b>Total assets less current liabilities</b>		<u>2,842,910</u>	<u>2,372,357</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

As at 30 September 2014

		<b>30.9.2014</b>	31.3.2014
		<b>(unaudited)</b>	(audited)
	Note	<b>HK\$'000</b>	HK\$'000
<b>Non-current liabilities</b>			
Other non-current liability		(52,693)	(52,656)
Convertible bonds	15	(341,156)	–
Deferred tax liabilities		(250,171)	(256,862)
		<u>(644,020)</u>	<u>(309,518)</u>
<b>NET ASSETS</b>		<b><u>2,198,890</u></b>	<b><u>2,062,839</u></b>
<b>CAPITAL AND RESERVES</b>			
Issued capital	16	173,569	169,769
Reserves		<u>1,687,691</u>	<u>1,564,031</u>
<b>Total equity attributable to owners of the Company</b>		<b>1,861,260</b>	<b>1,733,800</b>
<b>Non-controlling interests</b>		<b><u>337,630</u></b>	<b><u>329,039</u></b>
<b>TOTAL EQUITY</b>		<b><u>2,198,890</u></b>	<b><u>2,062,839</u></b>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2014

	Unaudited										
	Attributable to owners of the Company										
	Issued capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Equity component of convertible bonds HK\$'000	Share option reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
As at 1 April 2014	169,769	6,174,125	20,047	15,506	1,868	-	21,839	(4,669,354)	1,733,800	329,039	2,082,839
Loss for the period	-	-	-	-	-	-	-	(153,195)	(153,195)	(38,758)	(191,953)
Other comprehensive income for the period	-	-	5,350	-	-	-	-	-	5,350	(754)	4,596
Total comprehensive loss for the period	-	-	5,350	-	-	-	-	(153,195)	(147,845)	(39,512)	(187,357)
Non-controlling interests arising on the acquisition	-	-	-	-	-	-	-	-	-	48,103	48,103
Shares issued pursuant to acquisition (Note 16(c))	3,800	178,600	-	-	-	-	-	-	182,400	-	182,400
Equity-settled share-based payments	-	-	-	-	-	-	6,830	-	6,830	-	6,830
Shares options lapsed	-	-	-	-	-	-	(15,076)	15,076	-	-	-
Issue of convertible bonds (Note 15)	-	-	-	-	-	86,075	-	-	86,075	-	86,075
As at 30 September 2014	173,569	6,352,725	25,397	15,506	1,868	86,075	13,593	(4,807,473)	1,861,260	337,630	2,198,890
As at 1 April 2013	122,545	3,925,882	19,217	15,506	1,868	-	18,361	(3,763,188)	340,191	-	340,191
Loss for the period	-	-	-	-	-	-	-	(98,410)	(98,410)	-	(98,410)
Other comprehensive income for the period	-	-	3,273	-	-	-	-	-	3,273	-	3,273
Total comprehensive loss for the period	-	-	3,273	-	-	-	-	(98,410)	(95,137)	-	(95,137)
Shares issued pursuant to subscriptions (Note 16(a))	14,200	314,480	-	-	-	-	-	-	328,680	-	328,680
Share options lapsed	-	-	-	-	-	-	(199)	199	-	-	-
Shares issued upon exercise of share options (Note 16(b))	11	93	-	-	-	-	(35)	-	69	-	69
Equity-settled share-based payments	-	-	-	-	-	-	528	-	528	-	528
Transaction costs attributable to issue of new shares	-	(99)	-	-	-	-	-	-	(99)	-	(99)
As at 30 September 2013	136,756	4,240,366	22,490	15,506	1,868	-	18,655	(3,861,399)	574,232	-	574,232

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2014

	Note	Six months ended	
		30.9.2014	30.9.2013
		(unaudited)	(unaudited)
		HK\$'000	HK\$'000
<b>Operating activities</b>			
<b>Net cash used in operating activities</b>		<b>(143,043)</b>	<b>(62,734)</b>
<b>Investing activities</b>			
Payments for acquisition of fixed assets		(154,527)	(12,071)
Payments of deposits paid for acquisition of fixed assets		(173,741)	(2,260)
Payments for deposit of an investment	11	(77,500)	–
Net cash inflows on acquisition of subsidiaries	8	13,534	–
Other cash flows used in investing activities		(89,863)	(25,349)
<b>Net cash used in investing activities</b>		<b>(482,097)</b>	<b>(39,680)</b>
<b>Financing activities</b>			
Net proceeds from issuance of new shares		–	328,581
Net proceeds from issuance of convertible bonds		392,000	–
Proceeds from bank loans		190,547	144,245
Repayment of bank loans and other borrowings		(372,181)	(109,112)
Other cash flows generated from/(used in) financing activities		59,782	(67,570)
<b>Net cash generated from financing activities</b>		<b>270,148</b>	<b>296,144</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Continued)

For the six months ended 30 September 2014

	Six months ended	
	30.9.2014	30.9.2013
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(354,992)</b>	193,730
Effect of foreign exchange rate changes	(103)	1,824
Cash and cash equivalents at the beginning of the period	<u>1,069,623</u>	<u>140,567</u>
<b>Cash and cash equivalents at the end of the period</b>	<b><u>714,528</u></b>	<b><u>336,121</u></b>
<b>Analysis of balances of cash and cash equivalents:</b>		
Cash and bank balances as stated in the condensed consolidated statement of financial position	714,528	366,121
Less: Time deposits with original maturity over three months when acquired	<u>—</u>	<u>(30,000)</u>
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	<b><u>714,528</u></b>	<b><u>336,121</u></b>



## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 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 unaudited condensed consolidated interim financial information should be read in conjunction with the Group’s audited financial statements for the year ended 31 March 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

In preparing the condensed consolidated 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\$74,307,000 as at 30 September 2014, which included obligations under redeemed convertible bonds of approximately HK\$760,752,000 (the “Redemption Amount”). Based on a court judgment dated on 5 March 2013 which stated that the Company has been given an unconditional leave to defend to the extent of the set-off portion of the damages to be claimed by the Group against the Redemption Amount in the legal proceedings against the holder of such redeemed convertible bonds and its associates, the Company is entitled to a stay of execution of payment for the Redemption Amount before conclusion of the relevant legal proceedings. If the Redemption Amount is excluded from the calculation of the net current assets, the Group would have net current assets of approximately HK\$686,445,000 as at 30 September 2014. Having considered the Group’s business plans, internal financial resources, fund raising activities, and the financial support from a substantial shareholder of the Company, the Board is of the view that the Group has sufficient cash resources to satisfy their working capital and other financial obligations for the next twelve months from the date of this report. Accordingly, the Board is of the view that it is appropriate to prepare these consolidated financial statements on a going concern basis.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

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

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 financial statements for the year ended 31 March 2014, except in relation to 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 2014, that are adopted for the first time in the current period's financial statements:

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

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 applied the new and revised HKFRSs that have been issued but are not yet effective in these interim financial statements.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

### 2. REVENUE AND SEGMENT INFORMATION

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

	Six months ended	
	30.9.2014	30.9.2013
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Sales of Lithium-ion batteries and its related products	135,537	40,320
Service income from vehicle design	2,494	–
Rental income from the leasing of electric vehicles	606	233
Interest income from treasury investment in cash markets	3,345	992
Total	141,982	41,545

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 battery products segment includes the research and development, manufacture and sales of Lithium-ion batteries and its related products;
- (ii) the vehicle design and electric vehicle production segment includes the vehicle design and the design, manufacture and sales of electric vehicles (a new business segment which was acquired in March 2014 and the revenue generated from this segment during the reporting period is solely in connection with the vehicle design service provided. No revenue was generated from the sales of electric vehicles during the reporting period since the electric vehicles manufacturing facility in Hangzhou is still under construction and the electric vehicles manufacturing facility in Kunming only commenced its production in November 2014);

## NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

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

- (iii) the electric vehicle leasing segment represents the provision of leasing service of electric vehicles; and
- (iv) the treasury investment segment represents investments in bank deposits.

Reportable segment profit/(loss) represents the profit earned by/(loss from) each segment without the allocation of central administration costs.

#### (a) *Segment information*

For the six months ended 30.9.2014 (unaudited)

	Battery products HK\$'000	Vehicle design & electric vehicle production HK\$'000	Electric vehicle leasing HK\$'000	Treasury investment HK\$'000	Consolidated HK\$'000
Revenue from external customers	135,537	2,494	606	3,345	141,982
Inter-segment revenue	884	-	-	-	884
Reportable segment revenue	<u>136,421</u>	<u>2,494</u>	<u>606</u>	<u>3,345</u>	<u>142,866</u>
Reportable segment profit/(loss) before tax	<u>(80,683)</u>	<u>(82,115)</u>	<u>(1,935)</u>	<u>3,345</u>	<u>(161,388)</u>

For the six months ended 30.9.2013 (unaudited)

	Battery products HK\$'000	Vehicle design & electric vehicle production HK\$'000	Electric vehicle leasing HK\$'000	Treasury investment HK\$'000	Consolidated HK\$'000
Revenue from external customers	40,320	-	233	992	41,545
Inter-segment revenue	-	-	-	-	-
Reportable segment revenue	<u>40,320</u>	<u>-</u>	<u>233</u>	<u>992</u>	<u>41,545</u>
Reportable segment profit/(loss) before tax	<u>(91,250)</u>	<u>-</u>	<u>(1,040)</u>	<u>992</u>	<u>(91,298)</u>

## NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

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

#### (a) Segment information *(Continued)*

	As at 30.9.2014 (unaudited)				
	Battery products HK\$'000	Vehicle design & electric vehicle production HK\$'000	Electric vehicle leasing HK\$'000	Treasury investment HK\$'000	Consolidated HK\$'000
Reportable segment assets	<u>1,719,568</u>	<u>2,167,788</u>	<u>14,644</u>	<u>318,842</u>	<u>4,220,842</u>
Reportable segment liabilities	<u>(1,472,386)</u>	<u>(324,650)</u>	<u>(1,340)</u>	<u>-</u>	<u>(1,798,376)</u>
	As at 31.3.2014 (audited)				
	Battery products HK\$'000	Vehicle design & electric vehicle production HK\$'000	Electric vehicle leasing HK\$'000	Treasury investment HK\$'000	Consolidated HK\$'000
Reportable segment assets	<u>1,584,683</u>	<u>1,402,124</u>	<u>22,932</u>	<u>855,329</u>	<u>3,865,068</u>
Reportable segment liabilities	<u>(1,341,023)</u>	<u>(466,849)</u>	<u>(1,050)</u>	<u>-</u>	<u>(1,808,922)</u>

## NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

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

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

	Six months ended	
	30.9.2014 (unaudited) HK\$'000	30.9.2013 (unaudited) HK\$'000
<b>Revenue</b>		
Reportable segment revenue	142,866	41,545
Elimination of inter-segment revenue	(884)	–
Consolidated revenue	<u>141,982</u>	<u>41,545</u>
<b>Loss</b>		
Reportable net segment loss before tax	(161,388)	(91,298)
Finance costs	(23,633)	(3,541)
Unallocated corporate expenses	(29,443)	(15,113)
Consolidated loss before tax	<u>(214,464)</u>	<u>(109,952)</u>
	30.9.2014 (unaudited) HK\$'000	31.3.2014 (audited) HK\$'000
<b>Assets</b>		
Reportable segment assets	4,220,842	3,865,068
Unallocated corporate assets	135,971	11,736
Consolidated total assets	<u>4,356,813</u>	<u>3,876,804</u>
<b>Liabilities</b>		
Reportable segment liabilities	(1,798,376)	(1,808,922)
Unallocated corporate liabilities	(359,547)	(5,043)
Consolidated total liabilities	<u>(2,157,923)</u>	<u>(1,813,965)</u>

*(c) Seasonality of operations*

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

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

### 3. FINANCE COSTS

	Six months ended	
	30.9.2014 (unaudited) HK\$'000	30.9.2013 (unaudited) HK\$'000
Interest expenses on convertible bonds (Note 15)	23,633	–
Interest on bank loans and other borrowings wholly repayable within five years	16,169	6,888
Other borrowing costs	–	3,541
	<u>39,802</u>	<u>10,429</u>

### 4. LOSS BEFORE TAX

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

	Six months ended	
	30.9.2014 (unaudited) HK\$'000	30.9.2013 (unaudited) HK\$'000
Interest income	(6,035)	(1,713)
Cost of inventories recognised as expenses		
– included in cost of sales	118,468	37,777
– included in research and development expenses	1,450	789
– included in selling and distribution costs	1,495	222
– included in write-down of inventories	–	8,504
Amortisation of intangible assets	89,746	46,168
Depreciation and amortisation of fixed assets	30,485	19,627
Gain on disposal of fixed assets, net	(566)	–
Exchange gains, net	(1,539)	(6,028)

## NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

### 5. INCOME TAX

	Six months ended	
	30.9.2014	30.9.2013
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
The People's Republic of China (the "PRC") tax:		
Charge for the period	–	–
Deferred	<u>(22,511)</u>	<u>(11,542)</u>
Tax credit during the period	<u>(22,511)</u>	<u>(11,542)</u>

No provision for the Hong Kong profits tax or the PRC enterprise income tax has been made as the Group sustained losses for taxation purposes in Hong Kong and the PRC for the periods ended 30 September 2014 and 2013. The deferred tax of HK\$22,511,000 (2013: HK\$11,542,000) that has been credited to the consolidated statement of profit or loss arose from origination and reversal of temporary differences.



## NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

### 6. 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\$153,195,000 (2013: HK\$98,410,000); and (ii) the weighted average number of 17,282,138,000 (2013: 13,226,217,000) ordinary shares in issue during the period.

	<b>Six months ended</b>	
	<b>30.9.2014</b>	30.9.2013
	<b>Weighted average number of ordinary shares (unaudited) '000</b>	Weighted average number of ordinary shares (unaudited) '000
Issued ordinary shares at beginning of the reporting period	<b>16,976,891</b>	12,254,516
Effect on issue of shares pursuant to share subscriptions	–	971,695
Effect on issue of shares upon exercise of share options	–	6
Effect on issue of shares pursuant to acquisition transaction	<b>305,247</b>	–
	<b>17,282,138</b>	<b>13,226,217</b>

#### (b) *Diluted loss per share*

The calculation of diluted loss per share does not assume the exercise of the Company's outstanding share options or conversion of outstanding convertible bonds which had anti-dilutive effect and would result in a reduction in loss per share for the periods ended 30 September 2014 and 2013. Therefore, the diluted loss per share is the same as the basic loss per share for both periods.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

### 7. INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the period (2013: nil).

### 8. ACQUISITION OF SUBSIDIARIES

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

The Target Company owns the entire share capital of Hong Kong Southwest Electric Vehicles Limited (“Southwest EV”), which in turn is interested in 50% of 雲南美的客車製造有限公司 (now known as 雲南五龍汽車有限公司), a sino-foreign joint venture established in the PRC (the “PRC Manufacturing Company”). The PRC Manufacturing Company and its subsidiary (collectively, the “PRC Manufacturing Group”) are principally engaged in the business of the manufacture and sale of electric vehicles in Kunming, Yunnan Province, the PRC.

Southwest EV would have the right to nominate and appoint the majority of the directors in the board of PRC Manufacturing Company, and the PRC Manufacturing Group would become indirect non-wholly-owned subsidiaries of the Company on the Completion Date.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

### 8. ACQUISITION OF SUBSIDIARIES *(Continued)*

Given the Group had completed the acquisition of a 58.5% interest in another electric vehicle manufacturing company in the first half year of 2014 which represents a merger of the battery production, electric vehicle manufacturing and electric vehicle leasing businesses, the Acquisition will provide an immediate platform for the Group to engage in the manufacture of electric vehicles and will be a furtherance of the Group's initiative to develop its electric vehicle manufacturing capability.

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

The fair value of the identifiable assets and liabilities of the Target Group as at the Completion Date was as follows:

	<b>Fair value recognised on the Acquisition (unaudited) HK\$'000</b>
Intangible assets <i>(Note 9)</i>	65,217
Fixed assets	14,820
Inventories	4,769
Trade and other receivables	15,890
Cash and bank balances	13,534
Trade and other payables	(1,719)
Deferred tax liabilities	(16,304)
	<hr/>
Total identifiable net assets at fair value	96,207
Non-controlling interests	(48,103)
Goodwill arising on the Acquisition	93,591
	<hr/>
	141,695
	<hr/>
	<b>HK\$'000</b>
	<hr/>
Net consideration paid	141,695
	<hr/>

## NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

### 8. ACQUISITION OF SUBSIDIARIES *(Continued)*

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

The Group incurred transaction costs of HK\$550,000 for the Acquisition. These transaction costs have been expensed and are included in the general and administrative expenses in the consolidated statement of profit or loss for the six months ended 30 September 2014.

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

	<b>(unaudited)</b> <b>HK\$'000</b>
Cash and bank balances acquired and included in cash flows from investing activities	<b>13,534</b>
Transaction costs of the Acquisition included in cash flows from operating activities	<b>(550)</b>
	<b>12,984</b>

Since the completion of the Acquisition, the Target Group did not contribute to the Group's revenue and caused a loss of HK\$8,948,000 to the consolidated loss for the six months ended 30 September 2014.

Had the Acquisition taken place at the beginning of the reporting period, the revenue and the loss for the six months ended 30 September 2014 of the Group would have been HK\$141,982,000 and HK\$192,522,000 respectively.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

### 9. INTANGIBLE ASSETS

	Patents and patent using rights HK\$'000	Industrial proprietary rights HK\$'000	Technical know-hows HK\$'000	Lease contractual right HK\$'000	Total HK\$'000
<b>Cost</b>					
At 1 April 2013	3,642,030	-	-	-	3,642,030
Additions through acquisition of subsidiaries	-	29,594	388,599	-	418,193
Additions from internal developments	24	-	2,847	-	2,871
Exchange adjustments	36	(159)	(65)	-	(188)
At 31 March 2014	3,642,090	29,435	391,381	-	4,062,906
Additions through acquisition of subsidiaries (Note 8)	-	27,906	-	37,311	65,217
Additions from internal developments	-	-	26,709	-	26,709
Exchange adjustments	1	52	(1,705)	42	(1,610)
<b>At 30 September 2014</b>	<b>3,642,091</b>	<b>57,393</b>	<b>416,385</b>	<b>37,353</b>	<b>4,153,222</b>
<b>Accumulated amortisation and impairment losses</b>					
At 1 April 2013	2,981,288	-	-	-	2,981,288
Charge for the year	92,578	-	6,477	-	99,055
At 31 March 2014	3,073,866	-	6,477	-	3,080,343
Charge for the period	46,238	962	37,565	4,981	89,746
Exchange adjustments	-	1	18	6	25
<b>At 30 September 2014</b>	<b>3,120,104</b>	<b>963</b>	<b>44,060</b>	<b>4,987</b>	<b>3,170,114</b>
<b>Carrying amount</b>					
<b>At 30 September 2014</b>	<b>521,987</b>	<b>56,430</b>	<b>372,325</b>	<b>32,366</b>	<b>983,108</b>
At 31 March 2014	568,224	29,435	384,904	-	982,563

## NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

### 9. INTANGIBLE ASSETS *(Continued)*

The lease contractual right represents the fair value of leasing the land and manufacturing factory from 雲南美的汽車產業控股有限公司 (Yunnan Meidi Vehicle Industry Holdings Co., Ltd.), a company incorporated in the PRC and 40% owned by the joint venture partner of the PRC Manufacturing Company, for a term of three years from 7 May 2014 at nil consideration.

As there is no indication that the carrying amount of the intangible assets may not be recovered, the Board believes that no provision for impairment is necessary at the end of the reporting periods.

### 10. FIXED ASSETS

During the period, the Group's additions to fixed assets amounting to HK\$164,318,000 (six months ended 30 September 2013: HK\$107,379,000), including an amount of HK\$9,791,000 (six months ended 30 September 2013: HK\$100,772,000) being transferred from deposits paid for non-current assets.

As at 30 September 2014, carrying amounts of certain land and buildings of HK\$302,648,000 (31 March 2014: HK\$206,138,000) were pledged as securities for the Group's bank loans of HK\$190,547,000 (31 March 2014: HK\$107,371,000).

### 11. DEPOSITS PAID FOR NON-CURRENT ASSETS

As at 30 September 2014, the deposits of HK\$367,552,000 were paid mainly for the acquisition of machineries, equipment and mouldings. The remaining deposit of HK\$77,500,000 was paid for the Series E preferred shares issued by Smith Electric Vehicles Corp. ("SEV"), a company incorporated in the United States of America, for a total subscription amount of US\$10 million (the "Preferred Share Subscription").

As at 31 March 2014, the deposits of HK\$203,249,000 were paid for the purchase of machineries, equipment and mouldings.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

### 12. TRADE AND OTHER RECEIVABLES

	<b>30.9.2014</b> <b>(unaudited)</b> <b>HK\$'000</b>	31.3.2014 (audited) HK\$'000
	<u>          </u>	<u>          </u>
Trade receivables	115,378	66,648
Bills receivables	1,318	–
Amounts due from customers for contract work	2,237	3,650
Other receivables	276,914	125,626
Less: Allowance for doubtful debts for other receivables	<b>(28,785)</b>	(28,785)
Deposits and prepayments	26,469	19,578
Value-added-tax receivables	110,448	66,211
	<u>503,979</u>	<u>252,928</u>

An ageing analysis of trade receivables is as follows:

	<b>30.9.2014</b> <b>(unaudited)</b> <b>HK\$'000</b>	31.3.2014 (audited) HK\$'000
	<u>          </u>	<u>          </u>
Within 1 month	46,112	10,131
Between 1 and 3 months	23,583	943
Over 3 months	45,683	55,574
	<u>115,378</u>	<u>66,648</u>

Trading terms with customers are either on a cash basis or on credit. For those customers who trade on credit, a credit period generally ranging from 30 days to 90 days is allowed. Credit limits are set for those customers. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. Overdue balances are regularly reviewed by senior management and the Board believes that no impairment allowance is necessary as there has not been a significant change in credit quality for these customers. The carrying amounts of the receivables approximate their fair values.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

### 13. TRADE AND OTHER PAYABLES

	<b>30.9.2014</b> <b>(unaudited)</b> <b>HK\$'000</b>	31.3.2014 (audited) HK\$'000
Trade payables	49,172	25,437
Bills payables	68,041	8,259
Payables for acquisition of fixed assets	22,833	65,117
Other payables and accruals	246,098	105,358
Receipts in advance	16,345	7,228
Warranty provision	1,420	1,420
	<b>403,909</b>	<b>212,819</b>

An ageing analysis of trade payables is as follows:

	<b>30.9.2014</b> <b>(unaudited)</b> <b>HK\$'000</b>	31.3.2014 (audited) HK\$'000
Within 1 month	28,032	8,474
Between 1 and 3 months	8,727	7,007
Over 3 months	12,413	9,956
	<b>49,172</b>	<b>25,437</b>

The carrying amounts of trade and other payables approximate their fair values. As at 30 September 2014, bills payables of HK\$68,041,000 (31 March 2014: HK\$8,259,000) was secured by the pledged bank deposits of HK\$60,470,000 (31 March 2014: HK\$8,259,000).



## NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

### 14. 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 held by Mei Li for the protection of the Company. Further, in the legal proceedings against Mr. Chung and/or companies which are controlled and/or owned by him, the damages claimed (the “Claim Amount”) by the Group, 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 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. The Company has been given an unconditional leave to defend to the extent of the Set-Off, based on which the Company is entitled to a stay of execution of payment for obligation under the redeemed convertible bonds.

On 27 February 2013, the HK Court has made an order for bankruptcy against Mr. Chung (the “Bankruptcy”). As a result, all litigations involving Mr. Chung have been stayed. The Company is currently awaiting the trustee (the “Trustee”) in Mr. Chung’s bankruptcy to wind up his assets and take over the litigations involving Mr. Chung (the “Winding Up”). Despite Mr. Chung was adjudged bankrupt on 27 February 2013, Mr. Chung neither submitted a substantive statement of affairs, an annual report of his earnings and acquisitions nor delivered any substantial property to the Trustee as required by the Bankruptcy Ordinance. On 4 September 2014, the HK Court issued an arrest warrant against Mr. Chung.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

### 15. CONVERTIBLE BONDS

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

At initial recognition, the liability component of the convertible bonds is measured as the present value of the future interest and principal payments, discounted at the market rate for equivalent non-convertible bonds that do not have a conversion option. The derivatives of the convertible bonds, which are early and mandatory conversion options held by the Company, are measured at fair value and presented as derivative financial instruments in current assets. The equity component was the residual amount after deducting the liability and derivative components from the consideration received for the convertible bonds. The effective interest rate of the liability component of convertible bonds is 14.31% per annum. The valuations of convertible bonds were performed by Asset Appraisal Limited, an independent firm of professional qualified valuers.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

### 15. CONVERTIBLE BONDS *(Continued)*

The convertible bonds have been split as follows:

	Liability component (unaudited) <u>HK\$'000</u>	Equity component (unaudited) <u>HK\$'000</u>	Derivative financial instruments (unaudited) <u>HK\$'000</u>	Total (unaudited) <u>HK\$'000</u>
Issued during the period	338,747	87,755	(26,502)	400,000
Less: Transaction costs	(6,320)	(1,680)	–	(8,000)
Add: Interest expenses <i>(Note 3)</i>	23,633	–	–	23,633
Less: Interest payable	(14,904)	–	–	(14,904)
<b>As at 30 September 2014</b>	<b><u>341,156</u></b>	<b><u>86,075</u></b>	<b><u>(26,502)</u></b>	<b><u>400,729</u></b>

## NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

### 16. SHARE CAPITAL

	30.9.2014		31.3.2014	
	(unaudited)	(unaudited)	(audited)	(audited)
	No. of shares		No. of shares	
	'000	HK\$'000	'000	HK\$'000
<b>Authorised:</b>				
At beginning and at end of the reporting period				
Ordinary shares of HK\$0.01 each	<b>50,000,000</b>	<b>500,000</b>	50,000,000	500,000
<b>Issued and fully paid:</b>				
At beginning of the reporting period				
Ordinary shares of HK\$0.01 each	<b>16,976,891</b>	<b>169,769</b>	12,254,516	122,545
Issue of new shares:				
– pursuant to share subscriptions <i>(Note (a))</i>	–	–	1,420,000	14,200
– upon exercise of share options <i>(Note (b))</i>	–	–	1,125	11
– pursuant to acquisition transaction <i>(Note (c))</i>	<b>380,000</b>	<b>3,800</b>	1,901,250	19,013
– pursuant to share placement <i>(Note (d))</i>	–	–	1,400,000	14,000
At end of the reporting period				
Ordinary shares of HK\$0.01 each	<b>17,356,891</b>	<b>173,569</b>	16,976,891	169,769

#### Notes:

- (a) During the year ended 31 March 2014, the Company issued a total of 1,420,000,000 ordinary shares pursuant to the following subscription agreements:
- On 6 May 2013, the Company issued 1,200,000,000 ordinary shares of HK\$0.01 each at the subscription price of HK\$0.22 per share to five subscribers pursuant to the subscription agreements dated 23 April 2013.
  - On 30 September 2013, the Company issued 220,000,000 ordinary shares of HK\$0.01 each at the subscription price of HK\$0.294 per share pursuant to the subscription agreement dated 19 September 2013.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

### 16. SHARE CAPITAL *(Continued)*

*Notes: (Continued)*

- (b) During the year ended 31 March 2014, share options were exercised to subscribe for 1,125,000 ordinary shares of the Company. The net consideration was HK\$69,000 of which HK\$11,000 was credited to share capital account and the balance of HK\$58,000 was credited to the share premium account. The amount of HK\$35,000 has been transferred from share option reserve account to share premium account upon exercise of share options.
  
- (c) On 7 May 2014, 380,000,000 new ordinary shares of the Company of HK\$0.01 each were issued at an issue price of HK\$0.50 per share as consideration for the acquisition of Giant Industry Holdings Limited, a company incorporated in the British Virgin Islands with limited liability. The fair value of issued shares is calculated based on the closing market price of the ordinary share of the Company of HK\$0.48 on 7 May 2014, the date of completion of the acquisition.

On 7 March 2014, 1,901,250,000 new ordinary shares of the Company of HK\$0.01 each were issued at an issue price of HK\$0.32 per share as consideration for the acquisition of 58.5% equity interest in Agnita Limited ("Agnita"), a company incorporated in the British Virgin Islands with limited liability. The fair value of issued shares is calculated based on the closing market price of the ordinary share of the Company of HK\$0.67 on 7 March 2014, the date of completion of the acquisition.

- (d) On 31 March 2014, the Company issued 1,400,000,000 ordinary shares of HK\$0.01 each at the price of HK\$0.50 per share pursuant to the placing agreement dated 20 March 2014.

All the new ordinary shares of the Company issued and allotted during the above reporting periods rank *pari passu* in all respects with the then existing issued ordinary shares of the Company.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

### 17. CAPITAL COMMITMENTS

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

	<b>30.9.2014</b> <b>(unaudited)</b> <b>HK\$'000</b>	31.3.2014 (audited) HK\$'000
Capital commitments in respect of capital expenditure of the Group's factories in the PRC ( <i>Note</i> )		
Contracted, but not provided for	<b>2,095,458</b>	899,878
Authorised, but not contracted for	<b>167,092</b>	14,045
	<b><u>2,262,550</u></b>	<u>913,923</u>

*Note:*

The amount of approximately HK\$1,982,451,000 (31 March 2014: approximately HK\$786,233,000) related to contracted capital expenditure and the amount of approximately HK\$166,303,000 (31 March 2014: nil) related to authorised but not contracted capital expenditure of electric vehicle production business are intended to be contributed and supported by the Group and non-controlling interests on pro rata to their equity interests.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

### 18. RELATED PARTY TRANSACTIONS

#### *Key management personnel remuneration*

Remuneration of key management personnel, including amounts paid to the Company's directors, is as follows:

	Six months ended	
	30.9.2014 (unaudited) HK\$'000	30.9.2013 (unaudited) HK\$'000
Short-term employee benefits	4,589	2,360
Retirement benefit schemes contributions	48	23
Equity-settled share-based payments	1,719	41
	<b>6,356</b>	<b>2,424</b>

### 19. FAIR VALUE MEASUREMENT

#### *Fair value hierarchy*

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 "Fair Value Measurement". The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1 and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

### 19. FAIR VALUE MEASUREMENT *(Continued)*

As at 30 September 2014, the financial instruments that were measured subsequent to initial recognition at fair value grouped into Level 3 based on the degree to which the fair value is observable, are as follows:

	Fair value measurement categorised into			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Available-for-sale investment	–	–	15,716	15,716
Derivative financial instruments	–	–	26,502	26,502
<b>Total</b>	<b>–</b>	<b>–</b>	<b>42,218</b>	<b>42,218</b>

As at 31 March 2014, there are no Group's financial instrument measured in fair value.

During the period, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (31 March 2014: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

As at 30 September 2014, assets classified as Level 3 are measured at fair value on a recurring basis. The primarily include available-for-sale investment and derivative financial instruments. Fair values are determined using valuation technique, including discounted cash flow valuation, market comparison approach, binomial lattice model, and etc.

As at 30 September 2014, unobservable inputs such as weighted average cost of capital, long term growth rate, discount rate and lack of marketability discount rate were used in the valuation of assets classified as Level 3. The fair value was not significantly sensitive to reasonable changes in these unobservable inputs.



## NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

### 20. EVENTS AFTER THE REPORTING PERIOD

- (a) On 11 May 2014, the Company entered into an agreement with SEV. Pursuant to the agreement, the Company (i) has agreed to subscribe (a) the series AA notes (the “Note Subscription”) in the principal amount of US\$2 million issued by SEV; and (b) the Preferred Share Subscription subject to, among other things, the execution of an exclusive battery supply contract and a memorandum of understanding in relation to the supply of electric vehicle components; and (ii) will enter into definitive agreements to subscribe for common shares of a certain public listed company, of which SEV will become its wholly-owned subsidiary, for a total subscription amount of US\$30 million subject to certain terms and conditions. Details of the above-mentioned transactions were set out in the announcement of the Company dated 11 May 2014. The Note Subscription was completed during the reporting period and the Preferred Share Subscription was completed on 3 October 2014.
- (b) On 2 November 2014, Sinopoly Strategic Investment Limited, a wholly-owned subsidiary of the Company, proposed to make a voluntary conditional offer to acquire all the issued ordinary shares and all the share options of CIAM Group Limited (“CIAM”), a company incorporated in Bermuda with limited liability and with the issued ordinary shares of which being listed on the Main Board of The Stock Exchange of Hong Kong Limited, in exchange for the new convertible bonds to be issued by the Company (the “Offer”). The Offer is subject to the conditions precedents to the making of the Offer;

On 31 October 2014, Preferred Market entered into an agreement with CIAM Investment (BVI) Limited (“CIAM BVI”), a wholly-owned subsidiary of CIAM pursuant to which CIAM BVI conditionally agreed (i) to sell to Preferred Market and Preferred Market conditionally agreed to purchase from CIAM BVI 41.5% of the issued share capital of Agnita Limited (“Agnita”) and all the rights and benefits in the shareholder’s loan extended by CIAM BVI to Agnita; and (ii) to the cancellation of the call option previously granted by Preferred Market to CIAM BVI in respect of 8.5% of Agnita’s issued share capital at a total consideration of HK\$520,000,000, which will be settled by HK\$150,000,000 in cash and the balance of HK\$370,000,000 in a 8% bond due in 2017 to be issued by the Company (the “Agnita Transaction”). The closing of Agnita Transaction is subject to certain condition precedents, including the Offer having become unconditional as to acceptances; and

## NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

### 20. EVENTS AFTER THE REPORTING PERIOD *(Continued)*

(b) *(Continued)*

On 23 October 2014, the Company and the placing manager entered into a placing agreement, pursuant to which the Company has conditionally agreed to appoint the placing manager as placing agent, and the placing manager has conditionally agreed to place up to 1,000,000,000 new shares of the Company with the price per placing share being not lower than HK\$0.50 (the "Placing"). Completion of the Placing is conditional upon the completion on certain condition precedents including the Offer having become unconditional as to acceptances and the independent shareholders of CIAM who have no material interests in the Agnita Transaction pass the resolutions to approve the Agnita Transaction.

Details of the above-mentioned transactions were set out in the announcement of the Company dated 2 November 2014.

## MANAGEMENT DISCUSSION AND ANALYSIS

Officially renamed as FDG Electric Vehicles Limited (“FDG” or the “Company”) in May 2014. FDG together with its subsidiaries (collectively, the “Group”), a company which previously was principally engaged in the research and development (“R&D”), production, distribution and sale of Lithium-ion batteries as well as provision of leasing service of electric vehicles (“EVs”), has developed into an integrated EV manufacturer which also engaged in the R&D, design and production of the EVs.

## MARKET OVERVIEW

Over the past two years, EVs have been gradually accepted and recognised by the market. According to the Institute of Information Technology (the “IIT”) in Japan, the global sales of EVs amounted to approximately 242,000 units in 2013, which is more than two-fold of the 110,000 units in 2012. The IIT also estimated that the global sales of EVs will reach 403,000 units and the total number of EVs on the road will reach 700,000 units in 2014.

Following the trend, the People’s Republic of China (the “PRC”) is also actively developing the EV market. According to the China Association of Automobile Manufacturers, the number of production and sales of the new energy vehicles in the PRC during the first half of 2014 reached 20,692 units and 20,477 units respectively, representing an increase of 2.3 times and 2.2 times as compared with the same period last year respectively. The volume of production and sales has exceeded that of the whole year of 2013. In particular, the volume of production and sales of pure EVs accounted for 12,185 units and 11,777 units respectively. Despite the rapid development of the EVs market, the market share of EVs in the overall vehicle market in China is still relatively very low. According to the information provided by the Ministry of Public Security of the PRC, the car parc (defined as the number of registered automobiles on the road in a specific region or market) in China reached 137 million units as of the end of 2013, representing a year-on-year (y-o-y) increase of 16.51 million units, which fully demonstrates the huge potential of development in the EV market. Meanwhile, the PRC government released the Notice on Further Development of the Application of New Energy Vehicles (《關於繼續開展新能源汽車推廣應用工作的通知》), pursuant to which promotion and adoption of new energy vehicles will continue throughout the nation from 2013 to 2015, offering a subsidy of up to RMB500,000 for each purchase of new energy coach and RMB50,000 for each purchase of new energy private vehicles.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### BUSINESS REVIEW

By leveraging our experience in producing power batteries and expertise of the EV R&D team, and having favorable outlook for long-term development potential of EVs, the Company was officially renamed as FDG Electric Vehicles Limited in May this year with principal business in EV development.

The EVs produced by FDG are all self-developed and independently manufactured, starting from its design to its parts, components, batteries and vehicle frames. Hence, product quality and costs can be fully controlled. The Group's production philosophy for EVs is to begin the design and manufacturing process from original blueprint, such EVs would have a better arrangement of battery packs and operating efficiency compared to those reconfigured from traditional fuel vehicles, and allow the development and manufacturing process to fully take in the EV users' demand and enhance the EVs' operation in order to achieve the optimal economy of scale and a quality product.

In the automobile market in China, development of commercial vehicles has notably accelerated. According to the statistics of the China Automotive Industry Association, domestic sales of commercial vehicles amounted to 1.30 million units in 2013, with a y-o-y increase of 160%. FDG focuses on commercial vehicles as its entry point in developing the EV market, which is different from other domestic EV manufacturers. The Group believes there is more growth potential of the commercial vehicles in the EV market, mainly due to: 1) travel range and time of mid-size buses and commercial vehicles are relatively stable which makes them less dependent on ancillary facilities (e.g. charging stations), and as mid-size buses and commercial vehicles are more frequently used than private cars, users of the mid-size buses and commercial vehicles could gain more prominent economy of scale than those of private cars; 2) government departments and enterprises emphasise long-term cost control and economic benefits that driven greater demand for the commercial EVs, which will bring FDG greater potential market share and competitiveness.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### ***Restructuring of Hangzhou EV project to integrate resources for collaborating development***

Since the completion of FDG's acquisition of 58.5% of the issued share capital of Agnita Limited ("Agnita") in March 2014, Agnita has already commenced construction of electric vehicle manufacturing facilities in Hangzhou according to the plan, and the required validation processes for its electric commercial vehicle and mid-size bus have been completed. The production plant in Hangzhou is expected to put into operation in the first half of 2015, which will mainly focus on producing electric mid-size buses, commercial vehicles and mini SUV with the total designed annual production capacity of 100,000 EVs. It is estimated to produce approximately 10,000 to 20,000 electric mid-size buses and/or commercial vehicles during the financial year from 2015 to 2016. Apart from the traditional production processes such as stamping, welding, painting and assembly; an electric power and electric control component division of the EVs core component production factory was specifically constructed for the Hangzhou EV project. At present, the equipment, tooling and moulds of the production plant in Hangzhou were installed and tested.

As stated in the announcement published by the Group on November 2 of this year, having considered the future development of Agnita, the Group decided to acquire the remaining 41.5% share capital of Agnita as early as possible. The management of the Group believes that the Agnita transaction could help manage the daily operations of Agnita more effectively and satisfy the financing demands of Agnita, and implement its future plans in respect of the supervision of the construction of EVs production plant in Hangzhou, and will further cement the vertical integration of FDG's EV operation, and enable FDG to secure a closer grip on the total production cost and obtain a competitive edge over its competitors.



Pure electric vehicle models manufactured by the Group

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### ***Production plant in Kunming is officially put into production. First launch of six pure EV models***

During the reporting period, the Group completed the acquisition of Hong Kong Southwest Electric Vehicles Limited (香港西南電動汽車有限公司) which held 50% of registered capital of Yunnan Meidi Coach Manufacturing Co., Ltd.\* (雲南美的客車製造有限公司) (the “Yunnan Meidi”). Yunnan Meidi was previously engaged in the business of manufacture, sales, assembly and maintenance of coaches, EVs and parts and components, and holds a vehicle manufacturing license and a vehicle operating license in Kunming, Yunnan, the PRC. The production plant in Kunming which is now known as Yunnan Wulong Automobile Co., Limited\* (雲南五龍汽車有限公司) has officially been put into mass production on 8 November this year, in order to satisfy the market demand of the EV industry, which lays a foundation for the success of the Group’s development in the EV business.

The EV production plant in Kunming has an annual production capacity of 10,000 units of electric coaches/public buses and mid-size buses/commercial vehicles. The first batch of pure EVs includes two models of the FDE6120 series of 12-meter pure electric public buses, two models of the FDE6750 series of pure electric luxury mid-size buses and two models of the FDE6810 series of pure electric luxury commercial vehicles. Such three series of products were completely developed based on the characteristics of pure EV with the technological orientation of international advanced level, aiming at creating an industrialised production plant for new-energy EVs with the perfect scale and advanced technology in Yunnan Province.



Pure electric public bus produced by the Group – FDE6120 series



Pure electric mid-size bus produced by the Group – FDE6750 series

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*



Pure electric commercial vehicle produced by the Group – FDE6810 series

The mid-size bus, commercial vehicle and public bus series, which are self-developed by the Group, have been listed as new products in the announcement published by the Ministry of Industry and Information Technology of the PRC. At present, such products have satisfied the conditions for public sales. In particular, the first batch of pure electric public bus (12-meter) series is the full load safety body, and its first launched model is equipped with a 12-meter low floor and a low entry. In addition, a wheel dual-motor drive axle is adopted, enabling the travel range to be up to 260km; the mid-size buses and commercial vehicles are equipped with the full load stamping-welded safety body and modified power battery of high performance customised by the Group in accordance with characteristics of finished automobile. The electric drive system is a wheel dual-motor drive axle is self-developed by the Group and the travel range can also reach up to 260km.



Kunming Plant officially commences the production of its first batch of electric vehicles in November 2014

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### *Expanding domestic and global market resource through innovative business model*

During the reporting period, the Group entered into a collective agreement, an exclusive battery supply contract and the memorandum of understanding in relation to the supply of EV components with Smith Electric Vehicles Corp. (“SEV”), an internationally renowned pure EV manufacturer, to expand strategic cooperation with SEV and strengthen the long-term development of the Group in the global market. According to the agreement, SEV will fulfill all of its procurement needs for batteries exclusively from Sinopoly Battery Limited, a subsidiary of the Group, and regard our EV production plant in Hangzhou as the original equipment manufacturer (“OEM”) preferred supplier to provide automobile frame and other parts for its EVs. SEV has a stable client base comprising well-known international companies and it partners with global leaders across multiple industries such as food and beverage, utility, telecommunication, retail, grocery, parcel and postal delivery, school transportation, military and government. Its clients include many of the largest fleet operators in the world. SEV has great potential in the development of the global EV market and intends to be listed on the New York Stock Exchange or NASDAQ Stock Market. The Group currently has completed the subscription of Series AA convertible notes of SEV with US\$2 million and Series E preferred shares with US\$10 million, which will become a substantial shareholder of SEV. By integrating the Group’s technology in pure EVs and battery and leveraging SEV’s professional experience and international coverage, both parties will work together to expand businesses to Central America, Europe and other markets in the world.



## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### PROMISING PROSPECTS AND FUTURE OUTLOOK

With the prevailing trend of improving urban environment and conserving society's energy, EVs have become the development direction and future consensus for the global automotive industry. As EVs have gradually infiltrated into the PRC market, the Group expects a favorable outlook and better profitability for the EVs sector in the future. According to the industry consensus, the sale of the new energy vehicles may witness a boom in the coming years with the implementation of preferential tax on vehicles purchase and regional subsidy policies. The China Association of Automobile Manufacturers expects that the sales volume of the new energy vehicles in China in 2014 (including hybrid vehicles) will reach 60,000 units. The Group has comprehensive production and business development planning, its pure electric buses, mid-size buses and commercial vehicles have been put into commercial production in Kunming production plant since November in 2014 and Hangzhou production plant is scheduled to commence large-scale production of electric mid-size buses and commercial vehicles in the first half of 2015. The Group is fully prepared to meet the market challenges and growing demand from customers with the agenda to offer clients the EVs of top quality and after-sales service.

### FINANCIAL REVIEW

During the period under review, the Group's turnover increased by approximately 2.4 times to reach approximately HK\$142.0 million as compared with approximately HK\$41.5 million of the last corresponding period. The substantial increase was due to a better recognition of the Group's Lithium-ion batteries and related products in the market. The battery products business constituted approximately 95.5% (six months ended 30 September 2013: approximately 97.1%) of the Group's total turnover.

Gross profit increased to approximately HK\$20.4 million of the current period under review from approximately HK\$3.0 million of the last corresponding period.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

The Group has widened its loss for the period to approximately HK\$192.0 million from approximately HK\$98.4 million of the last corresponding period, which is principally attributable to the increase in general and administrative expenses and amortisation of intangible assets in respect of vehicle design and electric vehicle production business segment during the current period, which was a new business segment acquired by the Group in March 2014. Throughout the period under review, the electric vehicle manufacturing facilities is still under construction and was yet generated electric vehicles sales income to the Group. Despite the widened of the Group's loss, the segment loss attributable to the battery products business was narrowed due to the strong growth in sales.

The Group's loss before interest, taxes, depreciation and amortisation ("LBITDA") increased to approximately HK\$54.4 million for the current period as compared with approximately HK\$33.7 million in the last corresponding period.

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

- (i) the general and administrative expenses of approximately HK\$93.7 million, an increase of approximately HK\$39.2 million comparing with last corresponding period of approximately HK\$54.5 million, was mainly attributable to the general and administrative expenses incurred for vehicle design and electric vehicle production business in the current period which did not incur in the last corresponding period as the business segment was commenced since March 2014;
- (ii) the research and development expenses of approximately HK\$7.6 million, an increase of approximately HK\$3.7 million comparing with the last corresponding period of approximately HK\$3.9 million, was mainly attributable to the research and development on pure electric vehicles and improvement of the specification of battery products;
- (iii) the finance costs of approximately HK\$39.8 million, an increase of approximately HK\$29.4 million comparing with the last corresponding period of approximately HK\$10.4 million, mainly due to the increase in interest expenses on the liability component of convertible bonds measured at effective interest rate, which did not incur in the last corresponding period; and

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

- (iv) the amortisation of intangible assets of approximately HK\$89.7 million, an increase of approximately HK\$43.5 million when compared with the last corresponding period of approximately HK\$46.2 million mainly due to the increase in amortisation of intangible assets under vehicle design and electric vehicle production business in the current period, which did not incur in the last corresponding period as the Group entered into this business segment since March 2014.

### ***Segment Information***

#### **Battery products business**

During the period under review, the turnover from battery products business of approximately HK\$135.5 million, represents a substantial increase of approximately 2.4 times as compared with approximately HK\$40.3 million of the last corresponding period. The increase is attributed to a stronger demand on Lithium-ion batteries under the rapid growth Lithium-ion battery industry. The gross profit ratio from the battery products business increased from approximately 5.2% of the last corresponding period to approximately 12.0% of the current period. Such increase was mainly attributable to a better economy of scale for the battery production and therefore a decrease in unit cost per battery product.

The battery products business recorded a segment loss for the period of approximately HK\$80.7 million, an improvement of approximately 11.6% as comparing with approximately HK\$91.3 million of the last corresponding period, which was the results from the Group continues to strive for high efficiency in operations.

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

The rental income from electric vehicle leasing business was approximately HK\$0.6 million for the current period, representing an increase of approximately HK\$0.4 million as compared with approximately HK\$0.2 million of the last corresponding period. The increase was attributed to a higher demand to lease the electric vehicles which battery products of the Group were applied onto. The segment loss for the period was approximately HK\$1.9 million (six months ended 30 September 2013: approximately HK\$1.0 million) as electric vehicle leasing business of the Group was still at its initial stage and yet to cover the fixed costs and more resources was incurred in developing self-developed electric vehicles leasing business. The Group intends to adopt self-developed electric vehicles for this leasing business in the future to improve the performance of operation.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

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

During the period under review, service income from vehicle design was approximately HK\$2.5 million (six months ended 30 September 2013: nil) as vehicle design and electric vehicle production business segment commenced since March 2014. The segment loss for the period was approximately HK\$82.1 million (six months ended 30 September 2013: nil) that mainly represents the general and administrative expenses and the amortisation of intangible assets.

### ***Liquidity and Financial Resources***

As of 30 September 2014, the Group had (i) non-current assets of approximately HK\$2,917.2 million (31 March 2014: approximately HK\$2,419.6 million), which comprised of goodwill, intangible assets, fixed assets, deposits paid for non-current assets, available-for-sale investment and prepaid rentals; and (ii) current assets of approximately HK\$1,439.6 million (31 March 2014: approximately HK\$1,457.2 million), which comprised of inventories, trade and other receivables, derivative financial instruments, pledged bank deposits and cash and bank balances.

The Group had current liabilities of approximately HK\$1,513.9 million (31 March 2014: approximately HK\$1,504.4 million), which comprised of bank loans and other borrowings, loan from a non-controlling shareholder of Agnita, trade and other payables, tax payable, and obligations under redeemed convertible bonds of approximately HK\$760.8 million (the "Redemption Amount"). In accordance with a judgment given by the High Court of Hong Kong, the Company has been given an unconditional leave to defend to the extent of the set-off portion of the damages to be claimed by the Group against the Redemption Amount in the legal proceedings against the holder of such redeemed convertible bonds and its associates, and based on which, the Company is entitled to a stay of execution of payment for the Redemption Amount before the conclusion of the relevant legal proceedings. If the Redemption Amount is excluded from the calculation of the net current assets, the Group will have net current assets of approximately HK\$686.4 million (31 March 2014: approximately HK\$713.5 million). The bank loans and other borrowings included the bank loans of approximately HK\$190.5 million (31 March 2014: approximately HK\$107.4 million), which were secured by certain land and buildings of the Group with a carrying value of approximately HK\$302.6 million (31 March 2014: approximately HK\$206.1 million), denominated in Renminbi ("RMB"), bear interest at prevailing market interest rates and were repayable within one year. Save as the above bank loans, all other borrowings are unsecured. The Group's borrowings are mostly project driven, with little seasonality.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

The Group's total non-current liabilities (comprised of other non-current liability, which was the grant received from the PRC government authority for subsidising the Group's acquisition of land, convertible bonds and deferred tax liabilities) increased from approximately HK\$309.5 million as at 31 March 2014 to approximately HK\$644.0 million as at 30 September 2014, which mainly due to the issuance of convertible bonds of the Group in April 2014 with details are set out in Note 15 to this report.

As at 30 September 2014, the Group's gearing ratio, without taking into account the obligations under redeemed convertible bonds of approximately HK\$760.8 million (31 March 2014: approximately HK\$760.8 million), was approximately 18.3% (31 March 2014: approximately 30.1%) calculated on the basis of bank loans and other borrowings and loan from a non-controlling shareholder of a total of approximately HK\$340.5 million (31 March 2014: approximately HK\$522.2 million) to total equity attributable to owners of the Company of approximately HK\$1,861.3 million (31 March 2014: approximately HK\$1,733.8 million).

### ***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 considers appropriate hedging instruments when necessary.

### ***Capital Structure***

On 14 April 2014, the Company issued 8% convertible bonds due 2017 in the principal amount of HK\$400,000,000 (the "Convertible Bonds") to VMS Investment Group Limited ("VMS") pursuant to a convertible bonds agreement dated 20 March 2014 entered into between the Company and VMS. Based on the initial conversion price of HK\$0.60, the Convertible Bonds will be convertible into 666,666,666 new shares of the Company under the general mandate to issue shares granted at the Company's annual general meeting held on 27 August 2013 (the "General Mandate") upon full conversion. The net proceeds of approximately HK\$392 million are intended to be used to support the development of the electric vehicle business of the Company. As at 30 September 2014, approximately

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

HK\$97,000,000 were invested into electric vehicle production business segment through shareholder's loans as planned. The unused balances of approximately HK\$295,000,000 were kept in Hong Kong. No conversion of the Convertible Bonds has been made during the period under review.

On 7 May 2014, a total of 380,000,000 new shares of the Company were issued and allotted at a price of HK\$0.50 per share pursuant to a sale and purchase agreement entered into among Preferred Market Limited ("Preferred Market"), a wholly-owned subsidiary of the Company as the purchaser, Mr. Kam Chi Yip ("Mr. Kam") as the vendor and Mr. Huang Jianmeng ("Mr. Huang") as the guarantor of the vendor on 15 April 2014 under the General Mandate.

As a result of the above issue of consideration shares, the number of shares of the Company in issue increased from 16,976,891,626 as at 1 April 2014 to 17,356,891,626 as at 30 September 2014.

Save as disclosed above and the outstanding share options entitling their holders to subscribe for a total of 493,400,000 shares of the Company, the Group had no debt securities or other capital instruments as at 30 September 2014.

### ***Material Acquisitions and Disposals***

As disclosed in the Annual Report 2013/14 of the Company and the section headed "Capital Structure" above, Preferred Market entered into a sale and purchase agreement on 15 April 2014 with Mr. Kam and Mr. Huang pursuant to which Preferred Market would acquire from Mr. Kam the entire issued share capital of Giant Industry Holdings Limited ("Giant Industry") at the consideration of HK\$190,000,000 which would be satisfied by the Company through the issue of 380,000,000 shares of the Company at the issue price of HK\$0.50 per share. The acquisition of Giant Industry was completed on 7 May 2014 and Giant Industry was accounted for as a subsidiary of the Company after completion. The acquisition of Giant Industry provides an immediate platform for the Group to engage in the manufacture of electric vehicles and will be a furtherance of the Company's initiative to develop its electric vehicle manufacturing capability.

Save as disclosed above, the Group had no material acquisitions or disposals of subsidiaries or associated companies during the six months ended 30 September 2014.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### *Pledge of Assets and Contingent Liabilities*

There were pledged of assets as at 30 September 2014 and 31 March 2014 with details disclosed under the section heading “Liquidity and Financial Resources”. In addition, pledged bank deposits of approximately HK\$62.2 million (31 March 2014: approximately HK\$11.3 million) were pledged to secure mainly for bills payables and letter of credit issued by the Group.

The Group had no significant contingent liabilities (31 March 2014: nil) as at 30 September 2014.

### *Capital Commitments*

Details of the capital commitments of the Group are set out in Note 17 to the financial statements on page 29 of this report.

### *Employees and Remuneration Policies*

As of 30 September 2014, the Group had 45 employees (31 March 2014: 43 employees) in Hong Kong and 1,478 employees (31 March 2014: 848 employees) in the PRC. Total staff costs (including directors’ emoluments and equity-settled-share-based payments) during the period amounted to approximately HK\$68.3 million (six months ended 30 September 2013: approximately HK\$30.8 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 a share option scheme for the benefit of its directors and eligible participants.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2014, the interests and short positions of the directors and chief executives of the Company or their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Name of directors	Capacity	Number of ordinary shares of the Company	Number of underlying shares (unlisted and physically settled equity derivatives) of the Company	Total number of ordinary shares and underlying shares of the Company	Approximate percentage of issued ordinary share capital of the Company
Mr. Cao Zhong ("Mr. Cao")	Interest of controlled corporation	2,311,059,998 (Note 1)	—	2,311,059,998	13.31%
	Beneficial owner	—	10,000,000 (Notes 1 and 2)	10,000,000	0.06%
Mr. Miao Zhenguo ("Mr. Miao")	Interest of controlled corporation	2,606,301,043 (Note 3)	—	2,606,301,043	15.02%
	Interest of controlled corporation	164,250,000 (Note 3)	—	164,250,000	0.95%
	Beneficial owner	—	15,000,000 (Notes 2 and 3)	15,000,000	0.09%
Dr. Chen Yanping ("Dr. Chen")	Interest of controlled corporation	658,125,000 (Note 4)	—	658,125,000	3.79%
	Beneficial owner	—	12,000,000 (Notes 2 and 4)	12,000,000	0.07%
Mr. Lo Wing Yat	Beneficial owner	—	42,800,000 (Note 2)	42,800,000	0.25%



## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

Name of directors	Capacity	Number of ordinary shares of the Company	Number of underlying shares (unlisted and physically settled equity derivatives) of the Company	Total number of ordinary shares and underlying shares of the Company	Approximate percentage of issued ordinary share capital of the Company
Mr. Jaime Che	Beneficial owner	1,000,000	16,000,000 <i>(Note 2)</i>	17,000,000	0.10%
Professor Chen Guohua	Beneficial owner	–	10,000,000 <i>(Note 2)</i>	10,000,000	0.06%
Mr. Chan Yuk Tong	Beneficial owner	–	12,900,000 <i>(Note 2)</i>	12,900,000	0.07%
Mr. Fei Tai Hung	Beneficial owner	–	12,900,000 <i>(Note 2)</i>	12,900,000	0.07%
Mr. Tse Kam Fow	Beneficial owner	–	12,900,000 <i>(Note 2)</i>	12,900,000	0.07%

### Notes:

- For the purpose of the SFO, Mr. Cao is deemed to be interested in (i) 2,311,059,998 shares of the Company which are held by Long Hing International Limited (“Long Hing”). Long Hing is wholly owned by Mr. Cao and he is also a director of Long Hing; and (ii) 10,000,000 underlying shares of the Company in his own account and in the manner as mentioned in Note 2 below.
- The interests in underlying shares of the Company represent interests in options granted to the directors named above to subscribe for shares of the Company, further details of which are set out in the section headed “Share Option Scheme” below.
- For the purpose of the SFO, Mr. Miao is deemed to be interested in (i) a total of 2,770,551,043 shares of the Company, of which 2,606,301,043 shares are held by Union Ever Holdings Limited (“Union Ever”) and 164,250,000 shares are held by Infinity Wealth International Limited (“Infinity Wealth”). Both Union Ever and Infinity Wealth are wholly owned by Mr. Miao and he is also a director of both companies; and (ii) 15,000,000 underlying shares of the Company in his own account and in the manner as mentioned in Note 2 above.
- For the purpose of the SFO, Dr. Chen is deemed to be interested in (i) 658,125,000 shares of the Company which are held by Captain Century Limited (“Captain Century”). Captain Century is owned as to 60% by Dr. Chen and 40% by Ms. Zhang Lu, his spouse; and (ii) 12,000,000 underlying shares of the Company in his own account and in the manner as mentioned in Note 2 above.

## **DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES** *(Continued)*

Save as disclosed above, as at 30 September 2014, none of the directors or chief executives of the Company or their respective associates had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed herein, the share option scheme of the Company disclosed in the section headed "Share Option Scheme" below and the convertible bonds due 2017 issued by the Company on 14 April 2014 as detailed in its announcements dated 20 March 2014 and 14 April 2014 respectively, at no time during the six months ended 30 September 2014 was the Company or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangements to enable the directors or the chief executives of the Company or their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate nor had exercised any such right.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 September 2014, the persons, other than the directors or chief executives of the Company, who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the Securities and Futures Ordinance (the "SFO") were as follows:

Name of substantial shareholders	Capacity	Number of ordinary shares of the Company	Number of underlying shares (unlisted and physically settled equity derivatives) of the Company	Total number of ordinary shares and underlying shares of the Company	Approximate percentage of issued ordinary share capital of the Company
Union Ever Holdings Limited ("Union Ever") (Note 1)	Beneficial owner	2,606,301,043	—	2,606,301,043	15.02%
Long Hing International Limited ("Long Hing") (Note 2)	Beneficial owner	2,311,059,998	—	2,311,059,998	13.31%
Silver Ride Group Limited ("Silver Ride") (Note 3)	Beneficial owner	1,055,000,001	—	1,055,000,001	6.08%
Mr. Chen Jian ("Mr. Chen") (Note 3)	Interest of controlled corporation	1,055,000,001	—	1,055,000,001	6.08%
	Beneficial owner	—	7,000,000	7,000,000	0.04%
Mr. Li Ka-shing (Note 4)	Interest of controlled corporations	977,500,000	—	977,500,000	5.63%

### Notes:

1. Union Ever is wholly owned by Mr. Miao Zhenguo ("Mr. Miao"), a director of the Company. The 2,606,301,043 shares of the Company held by Union Ever are deemed to be owned by Mr. Miao. Mr. Miao is also a director of Union Ever.
2. Long Hing is wholly owned by Mr. Cao Zhong ("Mr. Cao"), a director of the Company. The 2,311,059,998 shares of the Company held by Long Hing are deemed to be owned by Mr. Cao. Mr. Cao is also a director of Long Hing.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY *(Continued)*

Notes: *(Continued)*

3. Silver Ride is wholly owned by Mr. Chen, a director of certain subsidiaries of the Company. The 1,055,000,001 shares of the Company held by Silver Ride are deemed to be owned by Mr. Chen. Mr. Chen was also interested in 7,000,000 underlying shares of the Company which represent interests in the options granted to him on 4 September 2013 at a total consideration of HK\$1 to subscribe for 7,000,000 shares of the Company at an exercise price of HK\$0.45 per share (subject to adjustments). 50% of these options is exercisable from 4 September 2015 to 3 September 2023 while the remaining 50% of these options is exercisable from 4 September 2018 to 3 September 2023.
4. For the purpose of the SFO, Mr. Li Ka-shing is deemed to be interested in a total of 977,500,000 shares of the Company, of which 127,500,000 shares are held by CEF Holdings Limited ("CEF"), 141,660,000 shares are held by Lion Cosmos Limited ("Lion Cosmos") and 708,340,000 shares are held by Li Ka Shing (Canada) Foundation ("LKSCF").

Li Ka-Shing Unity Holdings Limited ("Unity Holdco"), of which Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor are respectively interested in one-third and two-third of the entire issued share capital, owns the entire issued share capital of Li Ka-Shing Unity Trustee Company Limited ("TUT1"). TUT1 as trustee of The Li Ka-Shing Unity Trust ("UT1"), together with certain companies which TUT1 as trustee of UT1 is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings, holds more than one-third of the issued share capital of Cheung Kong (Holdings) Limited ("CKH"). CEF is owned as to 50% by CKH.

In addition, Unity Holdco also owns the entire issued share capital of Li Ka-Shing Unity Trustee Corporation Limited ("TDT1") as trustee of The Li Ka-Shing Unity Discretionary Trust ("DT1") and Li Ka-Shing Unity Trustcorp Limited ("TDT2") as trustee of another discretionary trust ("DT2"). Each of TDT1 and TDT2 holds units in UT1. By virtue of the SFO, Mr. Li Ka-shing, being the settlor of DT1 and DT2, may be regarded as a founder of DT1 and DT2.

Lion Cosmos is a wholly-owned subsidiary of Li Ka Shing (Overseas) Foundation ("LKSOFF"). By virtue of the terms of the constituent documents of LKSOFF and LKSCF, Mr. Li Ka-shing may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of LKSOFF and LKSCF respectively.

Save as disclosed above, as at 30 September 2014, the Company has not been notified of any interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register kept by the Company under Section 336 of the SFO.

## SHARE OPTION SCHEME

On 28 February 2014, the share option scheme adopted by the Company on 30 March 2004 (the “Old Scheme”) was terminated and a new share option scheme (the “New Scheme”) was approved and adopted by the shareholders of the Company for the purpose of enabling the Group to grant options to selected participants (i) in recognition of their contribution to the Group; (ii) to attract and retain or otherwise maintain an on-going relationship with them for the benefit of the Group; and (iii) to align their interests with the shareholders of the Company, thereby encouraging them to work towards enhancing the value of the shares of the Company. The options granted under the Old Scheme before 28 February 2014 remain exercisable under the New Scheme and the New Scheme will be effective for ten years until 27 February 2024.

Details of the options and movements in such holdings during the six months ended 30 September 2014 were as follows:

Category of participants	Date of grant	Number of options					Exercise period	Exercise price per option HK\$
		Outstanding as at 1.4.2014	Granted during the period (Note 2)	Lapsed during the period	Re-classified during the period	Outstanding as at 30.9.2014		
<b>Directors &amp; Substantial Shareholders</b>								
Mr. Cao Zhong	28.4.2014	–	10,000,000	–	–	10,000,000	28.4.2016-27.4.2024 (Note 3)	0.630
Mr. Miao Zhenguo	21.4.2011	10,000,000	–	(10,000,000)	–	–	21.4.2012-20.4.2014 (Note 4)	0.810
	4.9.2013	12,000,000	–	–	–	12,000,000	4.9.2015-3.9.2023 (Note 3)	0.450
	28.4.2014	–	3,000,000	–	–	3,000,000	28.4.2016-27.4.2024 (Note 3)	0.630

## SHARE OPTION SCHEME (Continued)

Category of participants	Date of grant	Number of options					Outstanding as at 30.9.2014	Exercise period	Exercise price per option HK\$
		Outstanding as at 1.4.2014	Granted during the period (Note 2)	Lapsed during the period	Re-classified during the period	Outstanding as at 30.9.2014			
<b>Directors</b>									
Dr. Chen Yanping	28.4.2014	–	–	–	12,000,000 (Note 5)	12,000,000	28.4.2016- 27.4.2024 (Note 3)	0.630	
Mr. Lo Wing Yat	23.8.2007	14,600,000	–	–	–	14,600,000	23.8.2008- 22.8.2017 (Note 6)	0.230	
	8.5.2009	16,200,000	–	–	–	16,200,000	8.5.2010- 7.5.2019 (Note 6)	0.061	
	21.4.2011	20,000,000	–	(20,000,000)	–	–	21.4.2012- 20.4.2014 (Note 4)	0.810	
	4.9.2013	8,000,000	–	–	–	8,000,000	4.9.2015- 3.9.2023 (Note 3)	0.450	
	28.4.2014	–	4,000,000	–	–	4,000,000	28.4.2016- 27.4.2024 (Note 3)	0.630	

## SHARE OPTION SCHEME (Continued)

Category of participants	Date of grant	Number of options					Exercise period	Exercise price per option HK\$
		Outstanding as at 1.4.2014	Granted during the period (Note 2)	Lapsed during the period	Re-classified during the period	Outstanding as at 30.9.2014		
<i>Directors (Continued)</i>								
Mr. Xu Donghui	21.4.2011	20,000,000	—	(20,000,000)	—	—	21.4.2012-20.4.2014 (Note 4)	0.810
	4.9.2013	8,000,000	—	—	(8,000,000) (Note 7)	—	4.9.2015-3.9.2023 (Note 3)	0.450
Mr. Jaime Che	21.4.2011	20,000,000	—	(20,000,000)	—	—	21.4.2012-20.4.2014 (Note 4)	0.810
	4.9.2013	12,000,000	—	—	—	12,000,000	4.9.2015-3.9.2023 (Note 3)	0.450
	28.4.2014	—	4,000,000	—	—	4,000,000	28.4.2016-27.4.2024 (Note 3)	0.630
Professor Chen Guohua	4.9.2013	6,000,000	—	—	—	6,000,000	4.9.2015-3.9.2023 (Note 3)	0.450
	28.4.2014	—	4,000,000	—	—	4,000,000	28.4.2016-27.4.2024 (Note 3)	0.630

## SHARE OPTION SCHEME (Continued)

Category of participants	Date of grant	Number of options				Outstanding as at 30.9.2014	Exercise period	Exercise price per option HK\$
		Outstanding as at 1.4.2014	Granted during the period (Note 2)	Lapsed during the period	Re-classified during the period			
<i>Directors (Continued)</i>								
Mr. Chan Yuk Tong	8.5.2009	900,000	—	—	—	900,000	8.11.2010-7.5.2019 (Note 8)	0.061
	21.4.2011	10,000,000	—	(10,000,000)	—	—	21.4.2012-20.4.2014 (Note 4)	0.810
	4.9.2013	8,000,000	—	—	—	8,000,000	4.9.2015-3.9.2023 (Note 3)	0.450
	28.4.2014	—	4,000,000	—	—	4,000,000	28.4.2016-27.4.2024 (Note 3)	0.630
Mr. Fei Tai Hung	8.5.2009	900,000	—	—	—	900,000	8.11.2010-7.5.2019 (Note 8)	0.061
	21.4.2011	10,000,000	—	(10,000,000)	—	—	21.4.2012-20.4.2014 (Note 4)	0.810
	4.9.2013	8,000,000	—	—	—	8,000,000	4.9.2015-3.9.2023 (Note 3)	0.450
	28.4.2014	—	4,000,000	—	—	4,000,000	28.4.2016-27.4.2024 (Note 3)	0.630



## SHARE OPTION SCHEME (Continued)

Category of participants	Date of grant	Number of options				Outstanding as at 30.9.2014	Exercise period	Exercise price per option HK\$
		Outstanding as at 1.4.2014	Granted during the period (Note 2)	Lapsed during the period	Re-classified during the period			
<i>Directors (Continued)</i>								
Mr. Tse Kam Fow	8.5.2009	900,000	—	—	—	900,000	8.11.2010-7.5.2019 (Note 8)	0.061
	21.4.2011	10,000,000	—	(10,000,000)	—	—	21.4.2012-20.4.2014 (Note 4)	0.810
	4.9.2013	8,000,000	—	—	—	8,000,000	4.9.2015-3.9.2023 (Note 3)	0.450
	28.4.2014	—	4,000,000	—	—	4,000,000	28.4.2016-27.4.2024 (Note 3)	0.630
<i>Employees</i>								
	21.4.2011	50,300,000	—	(50,300,000)	—	—	21.4.2012-20.4.2014 (Note 4)	0.810
	21.4.2011	13,400,000	—	(13,400,000)	—	—	21.4.2013-20.4.2014 (Note 9)	0.810
	4.9.2013	193,300,000	—	(3,300,000) (Note 10)	8,000,000 (Note 7)	198,000,000	4.9.2015-3.9.2023 (Note 3)	0.450
	28.4.2014	—	138,200,000	(500,000) (Note 10)	(12,000,000) (Note 5)	125,700,000	28.4.2016-27.4.2024 (Note 3)	0.630

## SHARE OPTION SCHEME (Continued)

Category of participants	Date of grant	Number of options					Exercise period	Exercise price per option HK\$
		Outstanding as at 1.4.2014	Granted during the period (Note 2)	Lapsed during the period	Re-classified during the period	Outstanding as at 30.9.2014		
Others	23.8.2007	7,200,000	–	–	–	7,200,000	23.8.2008-22.8.2017 (Note 6)	0.230
	21.4.2011	101,000,000	–	(101,000,000)	–	–	21.4.2012-20.4.2014 (Note 4)	0.810
	4.9.2013	10,000,000	–	–	–	10,000,000	4.9.2015-3.9.2023 (Note 3)	0.450
	28.4.2014	–	8,000,000	–	–	8,000,000	28.4.2016-27.4.2024 (Note 3)	0.630
		<u>578,700,000</u>	<u>183,200,000</u>	<u>(268,500,000)</u>	<u>–</u>	<u>493,400,000</u>		
Weighted average exercise price (HK\$)		<u>0.594</u>	<u>0.630</u>	<u>0.805</u>	<u>–</u>	<u>0.492</u>		
Exercisable as at 30.9.2014						21,800,000 18,900,000		0.230 0.061

### Notes:

- Number of options refers to the number of underlying shares of the Company covered by the options under both the Old Scheme and the New Scheme.
- Options to subscribe for 183,200,000 shares of the Company were granted on 28 April 2014. The Company received an aggregate consideration of HK\$95 for the grant of these options. The closing price of the shares of the Company on the trading day immediately before the date on which these options were granted was HK\$0.520.

## SHARE OPTION SCHEME *(Continued)*

Notes: *(Continued)*

3. Options granted are subject to a vesting period of five years with half of the options becoming exercisable 24 months after the relevant date of grant and the remainder becoming exercisable 60 months after the relevant date of grant.
4. Options granted are subject to a vesting period of one year and are exercisable 12 months after the relevant date of grant. These options were lapsed on 21 April 2014 upon the expiry of the exercise period concerned.
5. Dr. Chen Yanping was an employee of the Company prior to his appointment as a director of the Company on 28 May 2014. His outstanding options entitling him to subscribe for a total of 12,000,000 shares of the Company were therefore re-classified from the category of "Employees" to the category of "Directors" during the six months ended 30 September 2014.
6. Options granted are subject to a vesting period of two years with 50%, 25% and 25% of the options becoming exercisable 12 months, 18 months and 24 months after the date of grant respectively.
7. Mr. Xu Donghui resigned as a director of the Company on 28 May 2014 but remained as an employee of the Company. His outstanding options entitling him to subscribe for a total of 8,000,000 shares of the Company were therefore re-classified from the category of "Directors" to the category of "Employees" during the six months ended 30 September 2014.
8. Options granted are subject to a vesting period of two years with half of the options becoming exercisable 18 months after the date of grant and the remainder becoming exercisable 24 months after the date of grant.
9. Options granted are subject to a vesting period of two years and are exercisable 24 months after the relevant date of grant. These options were lapsed on 21 April 2014 upon the expiry of the exercise period concerned.

## SHARE OPTION SCHEME (Continued)

Notes: (Continued)

10. A total of 3,800,000 unvested options lapsed during the six months ended 30 September 2014 following the cessation of option holders to be employees of the Company or eligible participants of the Old Scheme or the New Scheme.
11. The weighted average fair values of the options granted during the six months ended 30 September 2014 calculated using the Binomial Option-Pricing Model and the inputs into such model were as follows:

	<b>Options granted on 28 April 2014 with vesting period of two years</b>	<b>Options granted on 28 April 2014 with vesting period of five years</b>
Weighted average fair value	HK\$0.098	HK\$0.223
Share price on grant date	HK\$0.480	HK\$0.480
Exercise price	HK\$0.630	HK\$0.630
Expected volatility	53.58%	62.26%
Option life	10 years	10 years
Risk-free interest rate	0.37%	1.42%
Expected dividend yield	0%	0%

Expected volatility was determined by using the annualised standard deviations of the continuously compounded rates of return on the share prices of three other comparable companies. The result of the Binomial Option-Pricing Model can be materially affected by changes in these variables and assumptions. Therefore, an option's actual value may differ from the estimated fair value of the options due to limitations of the Binomial Option-Pricing Model.

12. No options were exercised or cancelled during the six months ended 30 September 2014.

## 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 2014 except for the following deviation.

### ***Code provision A.2.1***

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

On 28 May 2014, Mr. Cao Zhong was appointed as the Chief Executive Officer of the Company while Mr. Miao Zhengguo resigned as the Chief Executive Officer of the Company. Since then, both the roles of Chairman and Chief Executive Officer are vested in Mr. Cao Zhong. This constitutes a deviation from the code provision A.2.1 of the Code. The Board considers that it will be more effective in implementing the Company’s business strategies under this arrangement as the Group is expanding into the electric vehicle sector and that a balance of power and authority is maintained at all times as the Board comprises experienced and high calibre individuals including sufficient number of independent non-executive directors as required under the Listing Rules.

## CHANGES IN DIRECTORS' INFORMATION

Changes in the information of the directors of the Company since the date of the Company's 2013/2014 annual report are set out below:

- Apart from being a Fellow of the Chemical Engineering Discipline in the Hong Kong Institution of Engineers, Professor Chen Guohua, a non-executive director of the Company, is also a Senior Member of American Institute of Chemical Engineers, Member of International Society of Electrochemistry, and Vice President of the Asian Pacific Confederation of Chemical Engineering. He was a member of the International Advisory Committee of the 8th World Congress of Chemical Engineering.
- With effect from 28 May 2014, the annual salary entitlements of Mr. Miao Zhenguo and Mr. Jaime Che, executive directors of the Company, have been adjusted from HK\$1,300,000 to HK\$2,340,000 and from HK\$1,040,000 to HK\$2,080,000 respectively.
- The term of appointment of each of Mr. Lo Wing Yat, an executive director of the Company, and Mr. Chan Yuk Tong, an independent non-executive director of the Company, has been renewed for a further fixed period of two years from 22 November 2014 to 21 November 2016 (both dates inclusive) at a director's fee of HK\$320,000 per annum.

Save as disclosed above, there is no other information required to be disclosed pursuant to rule 13.51B(1) of 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 2014.

## **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 2014.

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 2014.

## **REVIEW OF INTERIM RESULTS**

The audit committee of the Company has reviewed with the management the unaudited consolidated results of the Group for the six months ended 30 September 2014 and this report.

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

Hong Kong, 28 November 2014

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

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

*\* For identification only*