



FDG Electric Vehicles Limited

五龍電動車(集團)有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 729)

INTERIM REPORT
2015/16



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 2015 together with the comparative figures for the corresponding period in 2014 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2015

	Note	Six months ended 30.9.2015 (unaudited) HK\$'000	30.9.2014 (unaudited) HK\$'000 (Restated)
Revenue	2	136,696	138,637
Cost of sales		(82,070)	(121,552)
Gross profit		54,626	17,085
Other income		15,037	11,498
Selling and distribution costs		(17,033)	(12,196)
General and administrative expenses		(157,589)	(93,691)
Research and development expenses		(18,343)	(7,612)
Finance costs	3	(176,682)	(39,802)
Amortisation of intangible assets	8	(83,054)	(89,746)
Gain on disposal of intangible assets	4	82,948	–
Share of loss of joint ventures		(4,105)	–
Loss before tax	4	(304,195)	(214,464)
Income tax	5	(12,935)	22,511
Loss for the period		(317,130)	(191,953)
Attributable to:	6(a)		
Owners of the Company		181,923	(153,195)
Non-controlling interests		(499,053)	(38,758)
		(317,130)	(191,953)
		HK cents	HK cents
Earnings/(loss) per share attributable to owners of the Company	6(b)		
– Basic		1.00	(0.89)
– Diluted		1.00	(0.89)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2015

	Six months ended	
	30.9.2015 (unaudited) HK\$'000	30.9.2014 (unaudited) HK\$'000 (Restated)
Loss for the period	(317,130)	(191,953)
Other comprehensive (loss)/income for the period, net of nil tax:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	(110,361)	4,596
Share of other comprehensive loss of joint ventures	(3,831)	–
	(114,192)	4,596
Total comprehensive loss for the period	(431,322)	(187,357)
Attributable to:		
Owners of the Company	74,612	(147,845)
Non-controlling interests	(505,934)	(39,512)
Total comprehensive loss for the period	(431,322)	(187,357)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2015

	Note	30.9.2015 (unaudited) HK\$'000	31.3.2015 (audited) HK\$'000
Non-current assets			
Goodwill		856,112	871,647
Intangible assets	8	798,560	932,447
Fixed assets: Property, plant and equipment	9	2,110,617	1,849,768
Fixed assets: Interest in leasehold land held for own use under operating lease	9	352,337	369,622
Interests in joint ventures	10	298,667	107,866
Available-for-sale investments		93,634	93,634
Financial assets at fair value through profit or loss	11	47,586	48,249
Deposits paid for non-current assets	12	231,500	76,265
Loan receivable	14	451	467
Other non-current assets		8,820	9,731
		4,798,284	4,359,696
Current assets			
Inventories		305,965	192,715
Trade and bills receivables	13	150,117	148,185
Loan and other receivables	14	599,631	399,060
Financial assets at fair value through profit or loss	11	10,059	10,569
Derivative financial instruments	18	33,567	53,862
Pledged bank deposits		80,925	128,871
Deposit in a security account		–	320,019
Cash and cash equivalents		640,468	411,478
		1,820,732	1,664,759
Current liabilities			
Bank loans and other borrowings		(985,398)	(880,203)
Trade and bills payables	15	(215,496)	(139,189)
Accruals and other payables	16	(713,433)	(493,158)
Tax payable		(13,119)	(13,101)
Obligations under redeemed convertible bonds	17	(760,752)	(760,752)
		(2,688,198)	(2,286,403)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

As at 30 September 2015

	Note	30.9.2015 (unaudited) HK\$'000	31.3.2015 (audited) HK\$'000
Net current liabilities		(867,466)	(621,644)
Total assets less current liabilities		3,930,818	3,738,052
Non-current liabilities			
Other non-current liability		(50,873)	(52,718)
Liability components of convertible bonds	18	(1,066,988)	(1,156,011)
Deferred tax liabilities		(225,022)	(215,118)
		(1,342,883)	(1,423,847)
NET ASSETS		2,587,935	2,314,205
CAPITAL AND RESERVES			
Issued capital	19	182,928	178,662
Reserves		1,844,811	1,892,484
Total equity attributable to owners of the Company		2,027,739	2,071,146
Non-controlling interests		560,196	243,059
TOTAL EQUITY		2,587,935	2,314,205

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2015

	Unaudited										
	Attributable to owners of the Company									Non-controlling interests	Total equity
	Issued capital	Share premium	Exchange reserve	Contributed surplus	Capital redemption reserve	Equity component of convertible bonds	Share option reserve	Retained profits/ losses	Total		
HKS'000											
As at 1 April 2015	178,662	6,604,261	26,505	15,506	1,868	511,179	20,623	(5,287,458)	2,071,146	243,059	2,314,205
Profit/(loss) for the period	-	-	-	-	-	-	-	181,923	181,923	(499,053)	(317,130)
Other comprehensive loss for the period											
- Exchange differences on translation of financial statements of foreign operations	-	-	(103,480)	-	-	-	-	-	(103,480)	(6,881)	(110,361)
- Share of other comprehensive loss of joint ventures	-	-	(3,831)	-	-	-	-	-	(3,831)	-	(3,831)
Total other comprehensive loss for the period	-	-	(107,311)	-	-	-	-	-	(107,311)	(6,881)	(114,192)
Total comprehensive (loss)/income for the period	-	-	(107,311)	-	-	-	-	181,923	74,612	(505,934)	(431,322)
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	36,752	36,752
Cancellation of share premium (Note (a))	-	(6,824,625)	-	6,824,625	-	-	-	-	-	-	-
Transfers (Note (a))	-	-	-	(5,420,546)	-	-	-	5,420,546	-	-	-
Conversion of convertible bonds (Note 19)	4,266	220,729	-	-	-	(75,764)	-	-	149,231	-	149,231
Changes in ownership interests in subsidiaries without change of control (Note (b))	-	-	-	-	-	-	-	(273,757)	(273,757)	786,319	512,562
Equity-settled share-based payments	-	-	-	-	-	-	6,507	-	6,507	-	6,507
As at 30 September 2015	182,928	365	(80,806)	1,419,585	1,868	435,415	27,130	41,254	2,027,739	560,196	2,587,935

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Continued)

For the six months ended 30 September 2015

	Unaudited													
	Attributable to owners of the Company										Non-controlling interests	Total equity		
	Issued capital	Share premium	Exchange reserve	Contributed surplus	Capital redemption reserve	Equity component of convertible bonds	Share option reserve	Retained profits/(accumulated losses)	Total	Total				
										HK\$'000			HK\$'000	
HK\$'000										HK\$'000			HK\$'000	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	2,062,839			
Loss for the period	-	-	-	-	-	-	-	(153,195)	(153,195)	(38,758)	(191,953)			
Other comprehensive income/(loss) for the period														
- Exchange differences on translation of financial statements of foreign operations	-	-	5,350	-	-	-	-	-	5,350	(754)	4,596			
Total comprehensive income/(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	3,800	178,600	-	-	-	-	-	-	182,400	-	182,400			
Issue of convertible bonds	-	-	-	-	-	86,075	-	-	86,075	-	86,075			
Share options lapsed	-	-	-	-	-	-	(15,076)	15,076	-	-	-			
Equity-settled share-based payments	-	-	-	-	-	-	6,830	-	6,830	-	6,830			
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			

Notes:

- Pursuant to the special resolution passed at the annual general meeting of the Company held on 28 August 2015 and with effect from 31 August 2015, the amount of approximately HK\$6,824,625,000 standing to the credit of the share premium account was transferred to contributed surplus account of the Company, of which, an amount of approximately HK\$5,420,546,000 was applied to offset the accumulated losses of the Company.
- The changes in ownership interests in subsidiaries without change of control (as stated in the non-controlling interests) in the current period mainly arise from (i) a completion of placing of 150,000,000 shares of CIAM Group Limited ("CGL") held by a wholly-owned subsidiary of the Company on 7 May 2015 which made the shareholdings of CGL held by the Company changed from approximately 89.54% to approximately 73.55%; and (ii) a completion of top-up placing of 35,000,000 new shares of CGL on 5 August 2015 which made the shareholdings of CGL held by the Company changed from approximately 73.55% to approximately 70.91%.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2015

	Six months ended	
	30.9.2015 (unaudited) HK\$'000	30.9.2014 (unaudited) HK\$'000
Operating activities		
Net cash used in operating activities	(149,577)	(143,043)
Investing activities		
Payments for acquisition of property, plant and equipment	(337,617)	(328,268)
Payment of deposit for acquisition of subsidiaries	(186,000)	–
Capital contribution to form a joint venture	(38,750)	–
Payment of deposit for an investment	–	(77,500)
Net cash inflows on acquisition of subsidiaries	–	13,534
Decrease in deposit in a security account	320,019	–
Other cash flows generated from/(used in) investing activities	4,741	(89,863)
Net cash used in investing activities	(237,607)	(482,097)
Financing activities		
Net proceeds from issuance of convertible bonds	–	392,000
Net proceeds from partial disposal of interest in a subsidiary	248,370	–
Net proceeds from issuance of new shares by a subsidiary	264,192	–
Capital contribution from non-controlling interests	36,752	–
Proceeds from bank loans and other borrowings	299,020	190,547
Repayment of bank loans and other borrowings	(183,963)	(372,181)
Other cash flows (used in)/generated from financing activities	(44,617)	59,782
Net cash generated from financing activities	619,754	270,148
Net increase/(decrease) in cash and cash equivalents	232,570	(354,992)
Effect of foreign exchange rate changes	(3,580)	(103)
Cash and cash equivalents at the beginning of the period	411,478	1,069,623
Cash and cash equivalents at the end of the period	640,468	714,528

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 condensed consolidated interim financial statements should be read in conjunction with the Group’s audited financial statements for the year ended 31 March 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

In preparing the condensed consolidated interim financial statements, the Board has considered the Group’s future liquidity in light of the fact that the Group had net current liabilities of approximately HK\$867,466,000 as at 30 September 2015, which included obligations under redeemed convertible bonds of approximately HK\$760,752,000 (the “Redemption Amount”). Based on a court judgment dated 5 March 2013, the Company has been given an unconditional leave to defend to the extent of the set-off portion of the damages to be claimed by the Group against the Redemption Amount in the legal proceedings against the holder of such redeemed convertible bonds and its associates and based on which the Company is entitled to a stay of execution of payment for the Redemption Amount before the conclusion of the relevant legal proceedings. Therefore, the Board considers that it is not likely for the Company to settle the Redemption Amount in cash in the coming year. Subsequent to the end of the reporting period, as disclosed in Note 23(b), the Group has raised fund of approximately HK\$491,500,000 by placing 1,000,000,000 new ordinary shares of the Company. After having considered the Group’s business plans, internal financial resources, fund raising activities and the financial support from the substantial shareholders 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 condensed consolidated interim financial statements on a going concern basis.

The accounting policies and basis of preparation adopted in the preparation of these condensed consolidated interim financial statements are consistent with those used in the Group’s audited consolidated financial statements for the year ended 31 March 2015, 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 2015, that are adopted for the first time in the current period’s financial statements:

Amendments to HKFRSs
Amendments to HKFRSs
Amendments to HKAS 19 (2011)

Annual Improvements to HKFRSs 2010-2012 Cycle
Annual Improvements to HKFRSs 2011-2013 Cycle
Defined Benefit Plans: Employee Contributions

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

(Continued)

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

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

2. REVENUE AND SEGMENT INFORMATION

Revenue, 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 direct investments.

	Six months ended	
	30.9.2015 (unaudited) HK\$'000	30.9.2014 (unaudited) HK\$'000 (Restated)
Sales of lithium-ion batteries and its related products	127,470	135,537
Service income from vehicle design	–	2,494
Rental income from leasing of electric vehicles	540	606
Income from direct investments	8,686	–
Total	136,696	138,637

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. During the current period, the Board considered that the treasury investment segment is no longer as a reportable operating segment for the Group, some of the comparative figures of the segment and financial information are restated accordingly to reflect such changes. 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;

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 direct investments segment represents various direct investments, including loan financing, securities trading and assets investment (a new business segment which was acquired in February 2015).

Reportable segment loss before tax represents the loss from each segment without the allocation of central administration costs, central finance costs and other income earned by the central office.

(a) Segment information

	For the six months ended 30.9.2015 (unaudited)				
	Battery products HK\$'000	Vehicle design & electric vehicle production HK\$'000	Electric vehicle leasing HK\$'000	Direct investments HK\$'000	Total HK\$'000
Revenue from external customers	127,470	–	540	8,686	136,696
Inter-segment revenue	54,420	–	–	15,215	69,635
Reportable segment revenue	181,890	–	540	23,901	206,331
Reportable segment loss before tax	(60,834)	(19,932)*	(1,545)	(12,067)	(94,378)

- * Included a one-off non-cash gain on disposal of intangible assets of approximately HK\$82,948,000 represented the excess of the agreed consideration of such intangible assets over the carrying amount of such intangible assets (the "Excess") contributed by the Group and a joint venture partner to a joint venture, namely Orng EV Solutions, Inc., after eliminating the Group's interest in the Excess of such intangible assets contributed by the Group.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

2. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Segment information (Continued)

	For the six months ended 30.9.2014 (unaudited) (Restated)				
	Battery products HK\$'000	Vehicle design & electric vehicle production HK\$'000	Electric vehicle leasing HK\$'000	Direct investments HK\$'000	Total HK\$'000
Revenue from external customers	135,537	2,494	606	–	138,637
Inter-segment revenue	884	–	–	–	884
Reportable segment revenue	136,421	2,494	606	–	139,521
Reportable segment loss before tax	(80,683)	(82,115)	(1,935)	–	(164,733)

	As at 30.9.2015 (unaudited)				
	Battery products HK\$'000	Vehicle design & electric vehicle production HK\$'000	Electric vehicle leasing HK\$'000	Direct investments HK\$'000	Total HK\$'000
Reportable segment assets	1,636,723	3,425,245	5,881	1,387,944	6,455,793
Reportable segment liabilities	(1,492,237)	(653,488)	(1,329)	(8,720)	(2,155,774)

	As at 31.3.2015 (audited) (Restated)				
	Battery products HK\$'000	Vehicle design & electric vehicle production HK\$'000	Electric vehicle leasing HK\$'000	Direct investments HK\$'000	Total HK\$'000
Reportable segment assets	1,501,810	3,018,066	4,487	1,192,540	5,716,903
Reportable segment liabilities	(1,336,911)	(468,203)	(1,336)	(17,328)	(1,823,778)

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	
	30.9.2015 (unaudited) HK\$'000	30.9.2014 (unaudited) HK\$'000 (Restated)
Revenue		
Reportable segment revenue	206,331	139,521
Elimination of inter-segment revenue	(69,635)	(884)
Consolidated revenue	136,696	138,637
Loss		
Reportable segment loss before tax	(94,378)	(164,733)
Other income	246	4,878
Depreciation of property, plant and equipment	(748)	(640)
Finance costs	(171,330)	(23,633)
Unallocated corporate expenses	(37,985)	(30,336)
Consolidated loss before tax	(304,195)	(214,464)

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 *(Continued)*

	30.9.2015 (unaudited) HK\$'000	31.3.2015 (audited) HK\$'000 (Restated)
Assets		
Reportable segment assets	6,455,793	5,716,903
Unallocated corporate assets:		
Available-for-sale investments	93,634	93,634
Derivative financial instruments	33,567	53,862
Other unallocated corporate assets	36,022	160,056
Consolidated total assets	6,619,016	6,024,455
Liabilities		
Reportable segment liabilities	(2,155,774)	(1,823,778)
Unallocated corporate liabilities:		
Other borrowings	(784,379)	(689,566)
Liability components of convertible bonds	(1,066,988)	(1,156,011)
Other unallocated corporate liabilities	(23,940)	(40,895)
Consolidated total liabilities	(4,031,081)	(3,710,250)

(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	
	30.9.2015 (unaudited) HK\$'000	30.9.2014 (unaudited) HK\$'000
Interest expenses on convertible bonds <i>(Note 18)</i>	77,047	23,633
Interest on bank loans and other borrowings wholly repayable within five years	80,176	16,169
Total interest expenses on financial liabilities not at fair value through profit or loss	157,223	39,802
Fair value loss on derivative financial instruments <i>(Note 18)</i>	19,459	–
	176,682	39,802

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

4. LOSS BEFORE TAX

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

	Six months ended	
	30.9.2015	30.9.2014
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Interest income	(11,298)	(6,035)
Cost of inventories recognised as expenses		
– included in cost of sales	80,565	118,468
– included in research and development expenses	1,950	1,450
– included in selling and distribution costs	701	1,495
Write-down of inventories	171	–
Amortisation of intangible assets	83,054	89,746
Impairment on loan and other receivables	8,035	–
Depreciation of property, plant and equipment	30,819	26,558
Amortisation of interest in leasehold land held for own use under operating lease	4,467	3,927
Gain on disposal of property, plant and equipment	–	(566)
Gain on disposal of intangible assets (Note)	(82,948)	–
Exchange losses/(gains), net	5,094	(1,539)
Net loss on held-for-trading investments	513	–
Fair value loss on derivative financial instruments	19,459	–

Note:

The one-off non-cash gain on disposal of intangible assets represented the Excess contributed by the Group and a joint venture partner to a joint venture, namely Orng EV Solutions, Inc., after eliminating the Group's interest in the Excess of such intangible assets contributed by the Group.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

5. INCOME TAX

	Six months ended	
	30.9.2015 (unaudited) HK\$'000	30.9.2014 (unaudited) HK\$'000
Tax charge for the period	–	–
Deferred tax	12,935	(22,511)
Tax charge/(credit) for the period	12,935	(22,511)

No provision for the Hong Kong profits tax or the People's Republic of China (the "PRC") enterprise income tax has been made as the Group sustained losses for taxation purposes in Hong Kong and the PRC for the six months ended 30 September 2015 and 2014. The deferred tax of approximately HK\$12,935,000 (six months ended 30 September 2014: credit of approximately HK\$22,511,000) that has been charged to the condensed consolidated statement of profit or loss arose from origination and reversal of temporary differences.

6(a). EARNINGS/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY AND NON-CONTROLLING INTERESTS

The Group recorded a net loss for the period of approximately HK\$317,130,000 (six months ended 30 September 2014: net loss of approximately HK\$191,953,000). However, it recorded an attributable profit to owners of the Company of approximately HK\$181,923,000 (six months ended 30 September 2014: loss of approximately HK\$153,195,000) with an attributable loss to the non-controlling interests of the Group of approximately HK\$499,053,000 (six months ended 30 September 2014: loss of approximately HK\$38,758,000).

In addition to the profit/loss contribution through the normal and ordinary course of business of the Group, the change from attributable loss to owners of the Company to attributable profit to owners of the Company during the period is primarily due to certain material one-off transactions and the accounting policy adopted by the Group which is in accordance with HKFRSs, namely:

- (i) the one-off non-cash gain on disposal of intangible assets of approximately HK\$82,948,000 which is only attributable to owners of the Company as disclosed in Note 4; and

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

6(a). EARNINGS/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY AND NON-CONTROLLING INTERESTS *(Continued)*

- (ii) an impairment loss of approximately HK\$1,693,113,000 recorded in CIAM Group Limited (“CGL”), a non-wholly-owned listed subsidiary of the Company, in connection with the Sinopoly Transaction as disclosed in the following paragraph. Such impairment loss is proportionally shared by the non-controlling interests of CGL, in accordance with the accounting policy adopted by the Group, which is consistent with the Group’s past practice in relation to the intra-company transactions involving non-wholly-owned subsidiaries.

On 29 April 2015, Union Grace Holdings Limited (a wholly-owned subsidiary of the Company) as the vendor, the Company as the guarantor of the vendor, Cherrylink Investments Limited (a wholly-owned subsidiary of CGL) as the purchaser and CGL as the guarantor of the purchaser, entered into a sale and purchase agreement pursuant to which the vendor conditionally agreed to sell and the purchaser conditionally agreed to purchase the 25% of the issued share capital of Synergy Dragon Limited at a consideration of HK\$750,000,000 (the “Sinopoly Transaction”). Such consideration was to be satisfied by the 8% coupon per annum convertible bonds of CGL with an aggregate principal amount of HK\$750,000,000 (the “CGL Convertible Bonds”). The Sinopoly Transaction is a connected transaction under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and was approved by CGL’s independent shareholders on 27 July 2015 and completed on 4 August 2015.

Upon completion of the Sinopoly Transaction, an initial recognition of the fair value of the CGL Convertible Bonds was approximately HK\$2.44 billion based on a preliminary valuation report prepared by an external valuer, which was approximately HK\$1.69 billion more than the HK\$750,000,000 face value of the CGL Convertible Bonds. The board of CGL expected the fair value of its interest in Synergy Dragon Limited to be approximately HK\$750,000,000, which is the same as the consideration of the Sinopoly Transaction. Accordingly, an impairment loss has been recognised in the consolidated financial statements of CGL. The details of such impairment are set out in the announcement of CGL dated 27 November 2015.

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

6(b). EARNINGS/(LOSS) PER SHARE

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

	Six months ended	
	30.9.2015 (unaudited) HK\$'000	30.9.2014 (unaudited) HK\$'000
Earnings/(loss)		
Earnings/(loss) for the purpose of basic and diluted earnings/(loss) per share		
– Consolidated profit/(loss) for the period attributable to owners of the Company	181,923	(153,195)
	'000	'000
Number of ordinary shares		
Issued ordinary shares at beginning of the reporting period	17,866,170	16,976,891
Effect of issue of shares upon conversion of convertible bonds	270,434	–
Effect of issue of shares upon acquisition transaction	–	305,247
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	18,136,604	17,282,138
Effect of dilutive share options	99,712	–
Weight average number of ordinary shares for the purpose of diluted earnings/(loss) per share	18,236,316	17,282,138

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

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

7. INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the period (six months ended 30 September 2014: nil).

8. INTANGIBLE ASSETS

	Patents and exclusive patent using rights HK\$'000	Industrial proprietary rights HK\$'000	Technical know-hows HK\$'000	Lease contractual right HK\$'000	Total HK\$'000
Cost					
At 1 April 2014	3,642,090	29,435	391,381	–	4,062,906
Additions through acquisition of subsidiaries	–	27,906	–	37,311	65,217
Additions from internal developments	–	–	65,459	–	65,459
Exchange adjustments	2	79	707	60	848
At 31 March 2015 and 1 April 2015	3,642,092	57,420	457,547	37,371	4,194,430
Additions from internal developments	–	–	44,240	–	44,240
Disposals	–	–	(96,155)	–	(96,155)
Exchange adjustments	(71)	(2,010)	(19,029)	(1,308)	(22,418)
At 30 September 2015	3,642,021	55,410	386,603	36,063	4,120,097
Accumulated amortisation and impairment losses					
At 1 April 2014	3,073,866	–	6,477	–	3,080,343
Charge for the year	92,231	2,014	76,068	11,198	181,511
Exchange adjustments	1	4	104	20	129
At 31 March 2015 and 1 April 2015	3,166,098	2,018	82,649	11,218	3,261,983
Charge for the period	46,245	1,048	29,581	6,180	83,054
Disposals	–	–	(19,116)	–	(19,116)
Exchange adjustments	(16)	(100)	(3,706)	(562)	(4,384)
At 30 September 2015	3,212,327	2,966	89,408	16,836	3,321,537
Carrying amount					
At 30 September 2015	429,694	52,444	297,195	19,227	798,560
At 31 March 2015	475,994	55,402	374,898	26,153	932,447

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

8. INTANGIBLE ASSETS (Continued)

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.

9. FIXED ASSETS: PROPERTY, PLANT AND EQUIPMENT AND INTEREST IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASE

During the period, the Group's additions to property, plant and equipment and interest in leasehold land held for own use under operating lease amounted to approximately HK\$366,505,000 (six months ended 30 September 2014: approximately HK\$164,318,000), including an amount of approximately HK\$45,262,000 (six months ended 30 September 2014: approximately HK\$9,791,000) being transferred from deposits paid for non-current assets.

As at 30 September 2015, certain land and buildings with carrying amounts of approximately HK\$308,696,000 (31 March 2015: approximately HK\$315,210,000) were pledged as securities for the Group's bank loans of approximately HK\$201,020,000 (31 March 2015: approximately HK\$190,637,000).

10. INTERESTS IN JOINT VENTURES

	30.9.2015 (unaudited) HK\$'000	31.3.2015 (audited) HK\$'000
Share of net assets	298,667	107,866

Saved as the existing principal joint venture, namely 華能壽光風力發電有限公司, disclosed in the annual report 2014/15 of the Company, the Group formed another joint venture, namely Orng EV Solutions, Inc, in the United States of America with its joint venture partner, Smith Electric Vehicles Corp., during the period. Details of which were disclosed in the announcement of the Company dated 4 May 2015.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30.9.2015 (unaudited) HK\$'000	31.3.2015 (audited) HK\$'000
Non-current		
<i>Securities designated at fair value through profit or loss:</i>		
Unlisted debt securities with embedded options	29,074	29,311
Unlisted equity securities	18,512	18,938
	47,586	48,249
Current		
<i>Held-for-trading investment:</i>		
Unlisted funds	10,059	10,569

All unlisted securities classified as financial assets at fair value through profit or loss are issued by corporate entities. The fair value changes of these securities are recognised as "Income from direct investments" included in "Revenue".

As at 30 September 2015, the Group's unlisted equity securities amounting to a fair value of approximately HK\$18,512,000 (31 March 2015: approximately HK\$18,938,000) was an investment in an associate, 天津銘度科技有限公司. This investment, as being held by an entity that is a venture capital organisation, was exempted from applying the equity method and was recognised as a financial asset at fair value through profit or loss.

12. DEPOSITS PAID FOR NON-CURRENT ASSETS

As at 30 September 2015, the deposits of approximately HK\$45,500,000 were paid mainly for the acquisition of machineries, equipment and mouldings for the Group's production plants and the deposit of HK\$186,000,000 was paid as part of the cash consideration for the Acquisition (as defined in Note 23(a)).

As at 31 March 2015, the deposits of approximately HK\$76,265,000 were paid mainly for the acquisition of machineries and equipment and mouldings for the Group's production plants.

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

13. TRADE AND BILLS RECEIVABLES

	30.9.2015 (unaudited) HK\$'000	31.3.2015 (audited) HK\$'000
Trade receivables	145,488	131,207
Bills receivable	2,287	14,551
Trade and bills receivables	147,775	145,758
Amounts due from customers for contract work	2,342	2,427
	150,117	148,185

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

	30.9.2015 (unaudited) HK\$'000	31.3.2015 (audited) HK\$'000
Within 1 month	40,354	7,523
Between 1 and 3 months	2,577	49,843
Over 3 months	104,844	88,392
	147,775	145,758

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)

14. LOAN AND OTHER RECEIVABLES

	30.9.2015 (unaudited) HK\$'000	31.3.2015 (audited) HK\$'000
Loan receivables	223,912	66,050
Loan to a joint venture	2,325	–
Other receivables	143,793	129,537
Less: Allowance for doubtful debts for other receivables	(38,362)	(30,276)
Deposits and prepayments	33,415	33,556
Value-added-tax receivables	234,999	200,660
	600,082	399,527
Presented by:		
Non-current assets	451	467
Current assets	599,631	399,060
	600,082	399,527

15. TRADE AND BILLS PAYABLES

	30.9.2015 (unaudited) HK\$'000	31.3.2015 (audited) HK\$'000
Trade payables	190,322	111,459
Bills payable	25,174	27,730
	215,496	139,189

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

15. TRADE AND BILLS PAYABLES (Continued)

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

	30.9.2015 (unaudited) HK\$'000	31.3.2015 (audited) HK\$'000
Within 1 month	49,728	37,659
Between 1 and 3 months	70,708	39,474
Over 3 months	95,060	62,056
	215,496	139,189

The carrying amounts of trade and bills payables approximate their fair values. As at 30 September 2015, bills payable of approximately HK\$25,174,000 (31 March 2015: approximately HK\$27,730,000) were secured by an equivalent amount of bank deposits.

16. ACCRUALS AND OTHER PAYABLES

	30.9.2015 (unaudited) HK\$'000	31.3.2015 (audited) HK\$'000
Bills and other payables for acquisition of non-current assets	416,956	339,285
Other payables and accrued expenses	241,634	132,133
Receipts in advance	52,542	20,320
Warranty provision	2,301	1,420
	713,433	493,158

As at 30 September 2015, the bills payable for acquisition of non-current assets of approximately HK\$55,021,000 (31 March 2015: approximately HK\$98,395,000) were secured by an equivalent amount of bank deposits.

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

17. OBLIGATIONS UNDER REDEEMED CONVERTIBLE BONDS

On 8 March 2011, the Company issued a redemption notice to Mei Li New Energy Limited (“Mei Li”) which was beneficially wholly-owned by Mr. Winston Chung (formerly known as Chung Hing Ka) (“Mr. Chung”) for the redemption of convertible bonds at face value of approximately HK\$760,752,000 (the “Redemption Amount”) held by Mei Li for the protection of the Company. 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. 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. The Company has consequently filed a complaint with the Trustee and the Official Receiver and urged them to take immediate actions to expedite the Winding Up.

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

18. CONVERTIBLE BONDS

	30.9.2015		31.3.2015	
	Liability component (unaudited)	Derivative financial instruments (unaudited)	Liability component (audited)	Derivative financial instruments (audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Convertible bonds due in 2017 <i>(Note (a))</i>	362,090	(28,074)	351,240	(19,383)
Convertible bonds due in 2018 <i>(Note (b))</i>	704,898	(5,493)	804,771	(34,479)
	1,066,988	(33,567)	1,156,011	(53,862)

Notes:

(a) Convertible bonds due in 2017

On 14 April 2014, the Company issued convertible bonds with an aggregate principal amount of HK\$400,000,000 (the "2017 Due CB") pursuant to the agreement dated 20 March 2014 entered between the Company and a subscriber, which is an independent third party to the Company. Details of which were disclosed in the 2014/15 annual report of the Company.

At initial recognition, the liability component of the 2017 Due CB 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 derivative component of the 2017 Due CB, which are early redemption and mandatory conversion options held by the Company, are measured at fair value and presented as derivative financial instruments in current assets. Such derivative financial instruments are re-measured to fair value at the end of each reporting period. The equity component was the residual amount after deducting the fair values of the liability and derivative components from the consideration received for the 2017 Due CB. The effective interest rate of the liability component of the 2017 Due CB is 14.31% per annum. The valuations of the 2017 Due CB were performed by Asset Appraisal Limited, an independent firm of professional qualified valuers.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

18. CONVERTIBLE BONDS (Continued)

Notes: (Continued)

- (a) Convertible bonds due in 2017 (Continued)
The 2017 Due CB have been split as follows:

	Liability component HK\$'000	Equity component HK\$'000	Derivative financial instruments HK\$'000	Total HK\$'000
Issued during the year ended				
31 March 2015	338,747	87,755	(26,502)	400,000
Less: Transaction costs	(6,320)	(1,680)	–	(8,000)
Add: Interest expenses	49,673	–	–	49,673
Less: Interest payable	(30,860)	–	–	(30,860)
Less: Fair value loss on derivative financial instruments	–	–	7,119	7,119
At 31 March 2015 and 1 April 2015 (audited)	351,240	86,075	(19,383)	417,932
Add: Interest expenses (Note 3)	26,853	–	–	26,853
Less: Interest payable	(16,003)	–	–	(16,003)
Add: Fair value gain on derivative financial instruments (Note 3)	–	–	(8,691)	(8,691)
At 30 September 2015 (unaudited)	362,090	86,075	(28,074)	420,091

None of the 2017 Due CB was exercised during the six months ended 30 September 2015 and the year ended 31 March 2015.

- (b) Convertible bonds due in 2018

On 23 February 2015, a voluntary conditional offer made by VMS Securities Limited on behalf of Sinopoly Strategic Investment Limited (a wholly-owned subsidiary of the Company) to acquire all the issued ordinary shares of CGL and to cancel the options which are outstanding under the share option scheme adopted by CGL was closed and the convertible bonds with principal amount of approximately HK\$1,432,171,000 (the "2018 Due CB") were issued by the Company. Details of which were disclosed in the 2014/15 annual report of the Company.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

18. CONVERTIBLE BONDS (Continued)

Notes: (Continued)

(b) Convertible bonds due in 2018 (Continued)

At initial recognition, the liability component of the 2018 Due CB 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 derivative component of the 2018 Due CB, which are early redemption and mandatory conversion options held by the Company, are measured at fair value and presented as derivative financial instruments in current assets. Such derivative financial instruments are re-measured to fair value at the end of each reporting period. The equity component was the residual amount after deducting the fair values of the liability and derivative components from the fair value of the 2018 Due CB. The effective interest rate of the liability component of the 2018 Due CB are ranged from 13.07% to 13.64% per annum. The valuations of the 2018 Due CB were performed by Asset Appraisal Limited, an independent firm of professional qualified valuers.

The 2018 Due CB have been split as follows:

	Liability component HK\$'000	Equity component HK\$'000	Derivative financial instruments HK\$'000	Total HK\$'000
Issued during the year ended				
31 March 2015	961,330	515,819	(44,978)	1,432,171
Add: Interest expenses	16,885	–	–	16,885
Less: Converted during the year	(173,444)	(90,715)	7,531	(256,628)
Less: Fair value loss on derivative financial instruments	–	–	2,968	2,968
At 31 March 2015 and 1 April 2015 (audited)	804,771	425,104	(34,479)	1,195,396
Add: Interest expenses (Note 3)	50,194	–	–	50,194
Less: Converted during the period	(150,067)	(75,764)	836	(224,995)
Less: Fair value loss on derivative financial instruments (Note 3)	–	–	28,150	28,150
At 30 September 2015 (unaudited)	704,898	349,340	(5,493)	1,048,745

During the six months ended 30 September 2015, the 2018 Due CB with principal amount of HK\$213,317,000 (year ended 31 March 2015: approximately HK\$254,640,000) was converted into 426,634,000 ordinary shares (year ended 31 March 2015: approximately 509,279,000 ordinary shares) of the Company at the conversion price of HK\$0.50 per share.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

19. SHARE CAPITAL

	30.9.2015		31.3.2015	
	(unaudited) No. of shares '000	(unaudited) HK\$'000	(audited) No. of shares '000	(audited) HK\$'000
Authorised:				
At beginning and at end of the reporting period				
Ordinary shares of HK\$0.01 each	50,000,000	500,000	50,000,000	500,000
Issued and fully paid:				
At beginning of the reporting period				
Ordinary shares of HK\$0.01 each	17,866,170	178,662	16,976,891	169,769
Issue of new shares:				
– pursuant to acquisition transaction (Note (a))	–	–	380,000	3,800
– upon conversion of convertible bonds (Note (b))	426,634	4,266	509,279	5,093
At end of the reporting period				
Ordinary shares of HK\$0.01 each	18,292,804	182,928	17,866,170	178,662

Notes:

- (a) 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 the 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 of Giant Industry Holdings Limited.
- (b) During the six months ended 30 September 2015, the 2018 Due CB with principal amount of HK\$213,317,000 was converted at a conversion price of HK\$0.50 per share, resulting in 426,634,000 ordinary shares of HK\$0.01 each being issued by the Company.

During the year ended 31 March 2015, the 2018 Due CB with principal amount of approximately HK\$254,640,000 was converted at a conversion price of HK\$0.50 per share, resulting in approximately 509,279,000 ordinary shares of HK\$0.01 each being issued by the Company.

All the new ordinary shares 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)

20. CAPITAL COMMITMENTS

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

	30.9.2015 (unaudited) HK\$'000	31.3.2015 (audited) HK\$'000
Capital commitments in respect of capital expenditure of the Group's plants in the PRC		
Contracted, but not provided for	1,976,619	2,103,739
Authorised, but not contracted for	1,281,781	1,340,103
	3,258,400	3,443,842

In addition, the Group also had the following capital commitments at the end of the reporting period:

- (a) On 4 May 2015, the Company announced that it has formed a joint venture, namely Orng EV Solutions, Inc. (the "JV"), in the United States of America (the "US") with its joint venture partner, Smith Electric Vehicles Corp. ("Smith") to sell electric vehicles by leveraging the Group's electric vehicle designs and combining it with Smith's technologies and sales network. Up to the date of this report, the JV has been formed in the US and contributions from the Company were completed save for the contribution of the additional US\$10,000,000 (equivalent to approximately HK\$77,500,000) in cash and the execution of certain supply agreements between the Company and the JV. Further details of the transaction are set out in the Company's announcement dated 4 May 2015.
- (b) As disclosed in Note 23(a), a remaining cash consideration of HK\$186,000,000 and share consideration of approximately HK\$350,000,000 in relation to the Acquisition (as defined in Note 23(a)) has yet been made as at 30 September 2015. Such amounts have been paid to the Vendors (as defined in Note 23(a)) on 29 October 2015, being the completion date of the Acquisition.

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

21. RELATED PARTY TRANSACTIONS

In addition to the material transactions and balances disclosed elsewhere in this interim report, the Group had the following transactions with related parties during the period:

Key management personnel remuneration

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

	Six months ended	
	30.9.2015 (unaudited) HK\$'000	30.9.2014 (unaudited) HK\$'000
Short-term employee benefits	12,767	4,589
Retirement benefit schemes contributions	78	48
Equity-settled share-based payments	1,845	1,719
	14,690	6,356

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

22. FAIR VALUE MEASUREMENT

(a) Financial assets and liabilities measured at fair value

(i) 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, that is 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, that is, 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.

The Group has a team performing valuations for the financial instruments, including unlisted debt securities with embedded options and unlisted equity securities which are categorised into Level 3 of the fair value hierarchy. The team reports directly to the management. A valuation report with analysis of changes in fair value measurement is prepared by the team at each financial reporting date, and is reviewed and approved by the management. Discussion of the valuation process and results with the management is held twice a year, to coincide with the reporting dates.

An external independent valuation company, with appropriate recognised professional qualifications, is engaged to value the derivative financial instruments at each financial reporting period. Appropriate valuation methods and assumptions with reference to market conditions existing at each financial reporting period to determine the fair value of the derivative financial instruments are adopted.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

22. FAIR VALUE MEASUREMENT (Continued)

(a) Financial assets and liabilities measured at fair value (Continued)

(i) Fair value hierarchy (Continued)

	30.9.2015 (unaudited)			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Recurring fair value measurements				
Held-for-trading investment:				
– Unlisted funds	–	10,059	–	10,059
Financial assets designated at fair value through profit or loss:				
– Unlisted debt securities with embedded options	–	–	29,074	29,074
– Unlisted equity securities	–	–	18,512	18,512
Derivative financial instruments:				
– Redemption and mandatory conversion options embedded in convertible bonds	–	–	33,567	33,567
	–	10,059	81,153	91,212

	31.3.2015 (audited)			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Recurring fair value measurements				
Held-for-trading investment:				
– Unlisted funds	–	10,569	–	10,569
Financial assets designated at fair value through profit or loss:				
– Unlisted debt securities with embedded options	–	–	29,311	29,311
– Unlisted equity securities	–	–	18,938	18,938
Derivative financial instruments:				
– Redemption and mandatory conversion options embedded in convertible bonds	–	–	53,862	53,862
	–	10,569	102,111	112,680

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

22. FAIR VALUE MEASUREMENT *(Continued)*

(a) Financial assets and liabilities measured at fair value *(Continued)*

(i) Fair value hierarchy *(Continued)*

During the six months ended 30 September 2015 and the year ended 31 March 2015, there were no transfer between Level 1 and Level 2, or transfers into or out of Level 3. 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.

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

Fair value of unlisted funds in Level 2 is determined based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs at the end of the reporting period without any deduction for transaction costs. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

(iii) Information about Level 3 fair value measurements

The fair value of unlisted debt securities with embedded options and unlisted equity securities are estimated on the basis of an analysis of the investee's financial position and results, risk profile, prospects and other factors, adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 30 September 2015, if the discount for lack of marketability had been 5% higher/lower, with all other variable held constant, the Group's loss after tax for the six months ended 30 September 2015 would have been HK\$2,379,000 (six months ended 30 September 2014: nil) higher/lower.

The fair value of redemption and mandatory conversion options embedded in convertible bonds is determined using binomial pricing model and the significant unobservable input used in the fair value measurement is expected volatility. The fair value measurement is positively correlated to the expected volatility. As at 30 September 2015, it is estimated that with all other variables held constant, an increase/decrease in the expected volatility by 10%, the Group's loss after tax for the six months ended 30 September 2015 would have decreased by HK\$4,216,000 (six months ended 30 September 2014: nil)/increased by HK\$11,530,000 (six months ended 30 September 2014: nil), respectively.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

22. FAIR VALUE MEASUREMENT (Continued)

(a) Financial assets and liabilities measured at fair value (Continued)

(iii) Information about Level 3 fair value measurements (Continued)

The movement during the reporting period in the balance of Level 3 fair value measurements is as follows:

	30.9.2015 (unaudited) HK\$'000	31.3.2015 (audited) HK\$'000
Unlisted debt securities with embedded options		
At the beginning of reporting period	29,311	–
Additions from acquisition of subsidiaries	–	29,087
Exchange adjustments	(237)	224
At the end of reporting period	29,074	29,311
Total (loss)/gain for the reporting period included in other comprehensive income for assets held at the end of the reporting period	(237)	224

	30.9.2015 (unaudited) HK\$'000	31.3.2015 (audited) HK\$'000
Unlisted equity securities		
At the beginning of reporting period	18,938	–
Additions from acquisition of subsidiaries	–	18,743
Exchange adjustments	(426)	195
At the end of reporting period	18,512	18,938
Total (loss)/gain for the reporting period included in other comprehensive income for assets held at the end of the reporting period	(426)	195

Exchange adjustments of the unlisted debt securities with embedded options and the unlisted equity securities are presented in "Exchange differences on translation of financial statements of foreign operations" in the condensed consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

22. FAIR VALUE MEASUREMENT *(Continued)*

(a) Financial assets and liabilities measured at fair value *(Continued)*

(iii) Information about Level 3 fair value measurements *(Continued)*

The movement during the reporting period in the balance of Level 3 fair value measurements is as follows: *(Continued)*

	30.9.2015 (unaudited) HK\$'000	31.3.2015 (audited) HK\$'000
Derivative financial instruments		
At the beginning of reporting period	53,862	–
Additions from issue of convertible bonds	–	71,480
Transferred to equity upon conversion of convertible bonds	(836)	(7,531)
Changes in fair value recognised in statement of profit or loss during the reporting period	(19,459)	(10,087)
At the end of reporting period	33,567	53,862
Total loss for the reporting period included in profit or loss for assets held at the end of the reporting period	(19,459)	(10,087)

The gains or losses arising from the remeasurement of the derivative financial instruments are presented in “Fair value loss on derivative financial instruments” included in “Finance costs” in the condensed consolidated statement of profit or loss.

(b) Fair value of financial assets and liabilities carried at other than fair value

The directors of the Company consider that the carrying amounts of the Group’s financial assets and liabilities carried at cost or amortised cost approximate their fair values as at 30 September 2015 and 31 March 2015.

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

23. EVENTS AFTER THE REPORTING PERIOD

- (a) On 5 September 2015, the Group announced that Kingspark Group Limited (“Kingspark”, as purchaser), and CIAM Group Limited (“CGL”, as guarantor), both are non-wholly-owned subsidiaries of the Company, entered into a sale and purchase agreement with SK China Company Limited and SKC Co., Ltd. (collectively, the “Vendors”), pursuant to which Kingspark conditionally agreed to purchase and the Vendors conditionally agreed to sell the entire issued share of Premier Property Management Limited including its wholly-owned subsidiary, SK (Chongqing) Lithium Battery Material Company Limited (the “Target Group”). The Target Group is principally engaged in the manufacturing of the cathode materials, which are key raw materials for nickel-cobalt-manganese lithium-ion battery. The acquisition consideration is approximately HK\$722,000,000, which shall be satisfied partly by cash consideration of HK\$372,000,000 and partly by the issuance of the shares of CGL as share consideration of approximately HK\$350,000,000 to the Vendors (the “Acquisition”). As at 30 September 2015, a cash consideration of HK\$186,000,000 was paid in an escrow account as deposit for the Acquisition. Such amount was recorded in the deposits paid for non-current assets under the non-current assets of the Group. On 29 October 2015, the Acquisition was completed in accordance with the sale and purchase agreement. The Target Group became wholly-owned subsidiaries of CGL. Up to the date of this report, the initial accounting for the business combination of the Acquisition has not yet been completed as the Group is still in the process of assessing the fair value of the Target Group.
- (b) On 22 October 2015, the Company entered into a placing agreement with a placing agent to place up to 1,000,000,000 new ordinary shares of the Company at a placing price of HK\$0.50 per share. On 5 November 2015, 1,000,000,000 new ordinary shares of the Company had been placed through the placing agent to not less than six placees who are independent of and not connected with the Company at the placing price of HK\$0.50 per share. The net amount of approximately HK\$491,500,000 was raised by the Group.

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

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

- (c) On 16 November 2015, CGL, being a non-wholly-owned subsidiary of the Company, entered into a non-legally binding memorandum of understanding (the “MOU”) with Advanced Lithium Electrochemistry (Cayman) Co., Ltd (英屬蓋曼群島商立凱電能科技股份有限公司) (“ALE”), a company incorporated in Cayman Islands with limited liability, whose shares are listed on the Taipei Exchange (Stock Code: 5227), in relation to a proposed transaction under which ALE will be consolidated into CGL. The total consideration will be approximately NT\$7,405.81 million (equivalent to approximately HK\$1,747.68 million) by way of the issuance of the shares of CGL. However, the consideration has yet to be finalised and may deviate from that set out in the MOU. If the proposed transaction is successful, ALE will become a wholly-owned subsidiary of CGL.

ALE is principally engaged in the business of production, research and development and sales and marketing of cathode materials for lithium ferrous phosphate batteries as well as manufacture, research & development and sales of electric buses, batteries and battery charging/swap systems, which all falls under the emerging industry of new energy technologies. It is one of the largest cathode materials manufacturers in the world. It is also a primary supplier of cathode materials for the Group’s battery operation.

The MOU does not constitute any legally binding commitment of CGL and ALE (the “Parties”) in relation to the proposed transaction. Once the formal agreement has been entered into, the formal agreement shall bind on the Parties and shall replace and substitute the MOU and any other memorandum or agreement that has been agreed by the Parties.

MANAGEMENT DISCUSSION AND ANALYSIS

FDG Electric Vehicles Limited (“FDG Electric Vehicles”, “FDG”, or the “Company”), together with its subsidiaries (the “Group”), is an integrated electric vehicle manufacturer, the core business includes, 1) R&D, design and production of electric vehicles such as public buses, mid-size buses, commercial vehicles, trucks, passenger vehicles and other models, and other relative products, 2) R&D, production, distribution and sale of lithium-ion batteries, cathode materials for lithium-ion batteries and other relative products, 3) provision of leasing service of electric vehicles.

MARKET OVERVIEW

The global economy has a weak performance during the period under review. The existing economic system is under the pressure of recession, beginning with a crash in the US property market, which then spread to Europe and triggered the debt crisis in the Europe. The political unrest in the region of Middle East increases tension amongst the Middle East, the US and the Europe. In addition the recent refugee crisis reveals the socio-political problems of Europe. Doubling the effect of the recession, the chaotic political situation has complicated the uncertainty of the future development of the world’s economy. Meanwhile, there are concerns for the world’s energy supply under such unstable political and economic environments. Recently, the international price of oil fluctuates due to unstable supply and demand. Although it remains relatively low due to its oversupply, the growing tension from the rising political conflicts in the Middle East may trigger an oil supply crisis at any time. The possibility of a sudden rise in oil prices thus cannot be eliminated. Many countries are trying to carry out sustainable development policies in order to protect the environment and to minimize the dependency on oil and other non-renewable energy. Research and development of new energy seems to be one of the best solutions to solve such problems.

In the first half of 2015, the PRC, as one of the major participants in driving the global economy, was also suffered from the weak global economic performance. The PRC kept its GDP growth rate at about 7% but it is at risk of an economic downturn. The growth rate in consumption remains mild and after years of rapid increase, the market of automobiles is slowing down slightly and entered into a stage of slow growth. However, in order to cope with the consequence of climate change, global energy shortage and environmental pollution, the PRC government highly supports and promotes the use of new energy, and, as a result, the new energy vehicles industry has recorded a significant growth. According to the data of China Association of Automobile Manufacturers (CAAM), from January to September 2015, the cumulative production of new energy vehicles reached 156,200 units which represents an increase of nearly three times in comparison to the same period last year. The production of pure electric passenger vehicles reached 65,500 units, representing an increase of two times as compared to the same period last year. The production of pure electric commercial vehicle has reached 39,700 units, representing an increase of nearly seven times compared to the same period last year. In the field of sales, the cumulative sale of new energy vehicles from January to September reached approximately 136,700 units, while the sales of last year was approximately 30,000 units.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

The development of electric vehicles (“EV”) is still in its early stage, the domestic production rate of EV in overall automobile production was 0.33% in 2014, which is about four of the production rate of 0.08% in 2013. The production in the first nine months of 2015 reached 0.91% out of overall automobile production volume. Although the market shares of EV in the automobile market remains small, the room for growth is huge. The sale of EV in relation to total sales of automobiles was 0.32% in 2014 (2013: 0.08%). The sale of EV in the first nine months of 2015 was 136,700 units, which is 300% increase compared to the same period last year. At the same time, the sale of traditional vehicles has decreased 0.8% compared to the same period last year. This shows an increasing need and use of EV. The huge growth in EV has proved that it will be the major automobile development trend in the future.

In April of 2015, the Ministry of Finance, Ministry of Science and Technology, Ministry of Industry and Information Technology and National Development and Reform Commission jointly issued the “Circular on Financial Support Policies on the Promotion and Application of New Energy Vehicles (2016-2020)”, the support policies on promotion and application of new energy vehicles will be valid from 2016 to 2020, which will assist in acceleration of the development of new energy vehicles. The government tends to extend the new energy policy. The Ministry of Industry and Information Technology clearly stated that, in 2020, the annual sales of the own developed pure electric and plug-in new energy vehicles will exceed 1 million units, accounting for more than 70% of the domestic new energy vehicle market. The PRC government introduced various measures and policies to meet the development of EV, in “Construction of Elective Vehicle Charging Infrastructure Planning” proposed that, the number of Chinese EV battery charging or swapping stations shall reach 12,000 units, the charging pile will reach 4.5 million units; the ratio of EV and EV charging facilities will be nearly 1:1.

THE OWNERSHIP, PRODUCTION AND SALES OF EV AND AUTOMOBILE IN PRC 2013 AND 2014, AND THE PROPORTION OF EV OVER AUTOMOBILE.

Ownership of automobile and EV in PRC

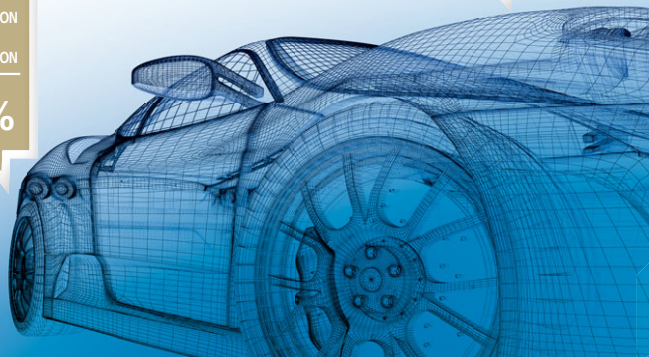
	2013	2014
AUTOMOBILE	137 MILLION	154 MILLION
EV	0.045 MILLION	0.12 MILLION
	0.03%	0.08%

Production of automobile and EV in PRC

	2013	2014
AUTOMOBILE	22.12 MILLION	23.72 MILLION
EV	0.0175 MILLION	0.078 MILLION
	0.08%	0.33%

Sales of automobile and EV in PRC

	2013	2014
AUTOMOBILE	21.98 MILLION	23.49 MILLION
EV	0.0176 MILLION	0.075 MILLION
	0.08%	0.32%



MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS OVERVIEW

Electric Vehicles Business

Hangzhou EV factory and Kunming EV factory commenced trial production

The production base in Hangzhou of the Group is in stage of trial production. It enables the Group to further transform into one of the biggest own developed EV manufacturers in the PRC. Hangzhou production base is one of the biggest pure EV production plants in the PRC, and it mainly focuses on the manufacturing of electric mid-size buses, commercial vehicles and passenger vehicles. The designed annual production capacity is 100,000 units, which provides more varieties of EV to fulfill strong demand in the domestic market.

The Group will achieve better economic of scale while its vertical integration business model covering the R&D and production of battery, the design and production of EV as well as the leasing business of the EV, will be further strengthened after the completion of trial production of the production base in Hangzhou. This enables the Group to have a better control of production cost and to optimize the design of EV and battery, resulting in a synergistic effect for an advantage over its competitors in the ever-changing EV industry. It is estimated that the production base in Hangzhou will commence operation by the end of this year.

The EV production plant in Kunming of the Group holds a vehicle production license and a vehicle operating license in Kunming. The mid-size bus, commercial vehicle and public bus series developed by the Group have been listed as new products in the announcement published by the Ministry of Industry and Information Technology. As another major production plant of the Group, the production plant in Kunming achieves synergy effect with the production base in Hangzhou of the Group. It mainly focuses on the production of pure electric buses. It has commenced trail production after technical upgraded. The Group aims to make the Kunming production plant a well-established plant with advanced EV technology in Yunnan Province.

Gross Profit increases **219%**
Gross Profit Margin increases **27.6%**



MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Deepen strategic cooperation and Strengthen the competitive advantage

FDG has partnered with Smith Electric Vehicles Corp. ("SMITH"), a world-renowned EV manufacturer, to establish a joint venture (the "JV") in May 2015. The Group will contribute the US exclusive right to use its self-designed passenger van, mid-size bus, panel van and cab/chassis into the JV; while SMITH will inject all of its US exclusive IP pertaining to EV related technology (includes the battery management system and data control system) and its current client base. In addition, the JV will enter into an exclusive sourcing agreement for EV's SKD (semi-knocked down) kits and EV battery with the Group, and the exclusive agreement of assembly and production with SMITH respectively to entrust SMITH to manufacture EVs using the Group's SKD kits and batteries.

Upon completion of the transactions, the JV will become an EV agent which encompasses sound model design of EVs, high-quality battery and EVs' SKD kits, advanced EV software technology and world-renown customer base. Through the collaboration with SMITH via establishing a joint venture will promote the Group's EV products, including vehicle design, power battery and EV SKD kits, into the US market, which will be adopted by the fleet of world-renowned blue chip clients such as Pepsi Cola/Frito Lay, FedEx, Coca Cola, etc., accelerate the establishment of the Group's brand name and products into the US market, hence to build up an international brand reputation.

The JV has applied authentication for its EV products from the relevant department in the US, to prove the products completely met the US Federal Motor Vehicle Safety Standard. The authentication is estimated to be completed in first half of 2016. After obtaining of authentication, the EV products of the JV will start sale in the second half of 2016, which means the Group's product has reached international standard and mark as a milestone of the Group entering the international market. During the period under review, there was a one-off non-cash gain of HK\$82,948,000 through the setting up of JV. The one-off non-cash gain on disposal of intangible assets represented the excess of the agreed consideration of such intangible assets over the carrying amount of such intangible assets ("the Excess") contributed by the Group and a joint venture partner to a joint venture, after eliminating the Group's interest in the Excess of such intangible assets contributed by the Group.

Battery Business

During the period under review, the production capacity of the Group's battery business is 32.60 million AH, increased 90.6% in comparison to production capacity of 17.10 million AH of the same period last year. The amount of sales sold to other clients is 17.15 million AH, while the rest was supplied to the production bases in Hangzhou and Kunming of the Group. The production technique and scale of the Group's battery production are very mature. The growth in production capacity also brings to the Group a more efficient production process as well as better economic of scale. In the future, the battery produced by the Group will be the main supply to the production plant of Hangzhou and Kunming. In order to cope with the demand from the two production plants, the Group has started to expand the battery production base in Tianjin.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Diversification of Battery business and Build up the market foundation

FDG's indirect non wholly-owned subsidiary, CIAM Group Limited ("CGL", stock code: 378.HK) has entered into an agreement with the members of SK Group on 5th of September 2015, to wholly acquire SK (Chongqing) Lithium Battery Material Company Limited ("SK(Chongqing)"). SK(Chongqing) mainly engaged in the manufacturing of the cathode materials for nickel-cobalt-manganese ("NCM") lithium-ion battery which can be used in EV, energy storage system and telecommunication devices, with a current designed annual production capacity of 2,400 tonnes. The annual production capacity is expected to increase to 9,600 tonnes per year through further expansion. SK Group is one of the largest conglomerates in the Republic of Korea, with near 10 years of proven track record in battery business. Its lithium-ion battery separator business ranks first in the Republic of Korea and ranks second in the world. Its production capacity of flexible copper clad laminate ranks second by production capacity globally. SK Group's well-known clients include Mercedes-Benz, Mitsubishi Fuso, Kia Motors and Hyundai etc. NCM battery is one of the most common types of lithium-ion batteries, to further meet the needs of different EV market; the Group actively explores the potential application of NCM lithium-ion batteries in EVs. SK (Chongqing) has good reputation and cutting edge technology in producing cathode materials for NCM lithium-ion battery. This acquisition represents an entry point for FDG to enter into the NCM lithium-ion battery market, which helps diversify and enhance the competitiveness of its battery business.

FINANCIAL REVIEW

During the period under review, the Group's recorded turnover of approximately HK\$136.7 million, representing a slightly decrease of approximately 1.4% as compared with the turnover of approximately HK\$138.6 million of the last corresponding period. The decrease was mainly attributable to a combination effect of (i) a decrease in sales of battery products of approximately HK\$8.1 million as compared to that of the last corresponding period; (ii) there was no provision of service income from vehicle design in the current period as compared to that of approximately HK\$2.5 million of the last corresponding period; and (iii) the contribution of interest income from direct investments segment of approximately HK\$8.7 million, which was a new business segment acquired by the Group in February 2015.

Gross profit increased to approximately HK\$54.6 million of the current period under review from approximately HK\$17.1 million of the last corresponding period, representing an increase of approximately 219.3%. Gross profit ratio was at approximately 39.9% of the current period as compared with approximately 12.3% of the last corresponding period, representing an increase of approximately 27.6%. Such increase was mainly attributable to (i) the increase of production volume of the battery products to cope with the strong demand of electric vehicles production and reached a better economy of scale in the battery production to achieve a decrease in unit cost per battery product; and (ii) the contribution of interest income from direct investments segment which was acquired in February 2015.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

The Group has widened its loss for the period to approximately HK\$317.1 million from approximately HK\$192.0 million of the last corresponding period, which is principally attributable to:

- (i) the general and administrative expenses of approximately HK\$157.6 million, an increase of approximately HK\$63.9 million comparing with last corresponding period of approximately HK\$93.7 million, was mainly attributable to the additional expenditure incurred by the Group's electric vehicle production segment which the Kunming production plant is in the process of improvement of research and development and production while the Hangzhou production plant is in the initial stage of production process during the period under review;
- (ii) the research and development expenses of approximately HK\$18.3 million, an increase of approximately HK\$10.7 million comparing with the last corresponding period of approximately HK\$7.6 million, was mainly attributable to the increase in the research and development on electric vehicles and battery products;
- (iii) the finance costs of approximately HK\$176.7 million, an increase of approximately HK\$136.9 million comparing with the last corresponding period of approximately HK\$39.8 million, was mainly attributable to interest expenses from the increase in bank loans and other borrowings, the increase of imputed interest incurred from the convertible bonds and the increase of fair value loss on derivative financial instruments; and
- (iv) the gain on disposal of intangible assets of approximately HK\$82.9 million which represented the one-off gain on disposal of the certain technical know-hows in the current period, which did not incur in the last corresponding period. The one-off gain on disposal of intangible assets represented the excess of the agreed consideration of such intangible assets over the carrying amount of such intangible assets (the "Excess") contributed by the Group and a joint venture partner to a joint venture, namely Omg EV Solutions, Inc., after eliminating the Group's interest in the Excess of such intangible assets contributed by the Group.

The Group recorded the loss before interest, tax, depreciation and amortisation ("LBITDA") of approximately HK\$28.6 million, a significant improvement of approximately HK\$25.8 million, comparing with approximately HK\$54.4 million in the last corresponding period. Such improvement was mainly attributable to a combination effect of (i) the increase of the Group's gross profit of approximately HK\$37.5 million; (ii) the one-off gain on disposal of the intangible assets of approximately HK\$82.9 million; and partly set-off by (iii) the additional general and administrative expenses incurred by the Group's electric vehicle production segment that is in the initial stage of production process during the period under review.

During the period under review, the Group recorded the first time the profit attributable to owner of the Company at approximately HK\$181.9 million, comparing with a loss for the last corresponding period of approximately HK\$153.2 million. The loss attributable to non-controlling interests amount to approximately HK\$499.1 million (six months ended 30 September 2014: loss of approximately HK\$38.7 million). The reasons for such substantial changes are primarily due to (i) the one-off gain on disposal of intangible assets of approximately HK\$82.9 million which is only attributable to the owners of the Company; and (ii) the share of impairment loss by non-controlling interests of approximately HK\$447.8 million arising from the intracompany transaction, with details set out in note 6(a) of this report.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Segment Information

Battery products business

During the period under review, the turnover from battery products business of approximately HK\$127.5 million, represents a slightly decrease of approximately 5.9% as compared with approximately HK\$135.5 million of the last corresponding period, which mainly due to the decrease in selling price per unit product. However, the gross profit ratio from the battery products business increased from approximately 12.0% of the last corresponding period to approximately 36.2% of the current period. Such increase was mainly attributable to a better economy of scale that strive for efficiency for the battery production which resulted in a decrease in unit cost per battery product.

The battery products business recorded a segment loss before tax for the current period of approximately HK\$60.8 million, an improvement of approximately 24.7% as comparing with a loss of approximately HK\$80.7 million of the last corresponding period. The battery products business recorded an earnings before interest, tax, depreciation and amortisation at approximately HK\$13.1 million for the current period comparing with the LBITDA of approximately HK\$8.9 million of the last corresponding period. Such improvement was mainly attributable to the improved efficiency in operations in the battery factories of the Group.

Vehicle design and electric vehicle production business

During the period under review, the Hangzhou electric vehicles production plant is in the initial stage of production process and Kunming electric vehicles production plant was in the process of improving research and development and production process, aiming to make the Kunming production plant a well-established plant with advanced electric vehicle technology.

The segment loss before tax for the current period was approximately HK\$19.9 million. Excluding the one-off gain on disposal of intangible assets of approximately HK\$82.9 million, the segment loss before tax would be approximately HK\$102.8 million, an increase of approximately 25.2% as comparing with approximately HK\$82.1 million of the last corresponding period, which was mainly attributable to additional administrative expenses incurred by the Group's electric vehicle production segment that is in the initial stage of production process during the period under review.

Electric vehicle leasing business

The rental income from electric vehicle leasing business remained flat at approximately HK\$0.5 million for the current period comparing with approximately HK\$0.6 million of the last corresponding period. The segment loss before tax for the current period was approximately HK\$1.5 million, an improvement of approximately 21.1% as comparing with approximately HK\$1.9 million of the last corresponding period.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Direct investments business

The Group completed the acquisition of CIAM Group Limited (“CGL”) by the end of February 2015. CGL is principally engaged in direct investments, including loan financing, securities trading and asset management. It primarily invests in the energy conservation, environmental protection and clean energy sectors. As at 30 September 2015, CGL has (i) a 25% equity interest in Synergy Dragon Limited, whose subsidiaries are an integrated high-tech enterprise which specialises in production, sales and research and development of high capacity lithium-ion battery and its related products; (ii) a 20% equity interest in 天津銘度科技有限公司 which is a developer of electric bike driving units; and (iii) a 45% equity interest in 華能壽光風力發電有限公司, a wind power electricity developer and operator in the PRC.

The interest income from direct investments for the current period of approximately HK\$8.7 million, was mainly attributable from the interest income from loan financing activities and bank interest income. The segment loss before tax for the current period was approximately HK\$12.1 million (six months ended 30 September 2014: nil).

Liquidity and Financial Resources

As of 30 September 2015, the Group had (i) non-current assets of approximately HK\$4,798.3 million (31 March 2015: approximately HK\$4,359.7 million), which mainly comprised of goodwill, intangible assets, fixed assets, interests in joint ventures, available-for-sale investments, financial assets at fair value through profit or loss, deposits paid for non-current assets, loan receivable, and other non-current assets; and (ii) current assets of approximately HK\$1,820.7 million (31 March 2015: approximately HK\$1,664.8 million), which mainly comprised of inventories, trade and bills receivables, loan and other receivables, financial assets at fair value through profit or loss, derivative financial instruments, pledged bank deposits and cash and cash equivalents.

As of 30 September 2015, the Group had current liabilities of approximately HK\$2,688.2 million (31 March 2015: approximately HK\$2,286.4 million), which mainly comprised of bank loans and other borrowings, trade and bills payables, accruals and other payables, tax payable, and obligations under redeemed convertible bonds of approximately HK\$760.8 million (the “Redemption Amount”). In accordance with a court judgment dated 5 March 2013, the Company has been given an unconditional leave to defend to the extent of the set-off portion of the damages to be claimed by the Group against the Redemption Amount in the legal proceedings against the holder of such redeemed convertible bonds and its associates and based on which the Company is entitled to a stay of execution of payment for the Redemption Amount before the conclusion of the relevant legal proceedings. If the Redemption Amount is excluded from the calculation of the net current assets, the Group will have net current liabilities of approximately HK\$106.7 million (31 March 2015: net current assets of approximately HK\$139.1 million). Subsequent to the end of the reporting period, as disclosed in note 23(b) of this report, the Group has raised fund of approximately HK\$491,500,000 by placing 1,000,000,000 new ordinary shares of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

As of 30 September 2015, the bank loans and other borrowings included (i) the bank loans of approximately HK\$201.0 million (31 March 2015: approximately HK\$190.6 million) were secured by certain land and buildings of the Group with a carrying value of approximately HK\$308.7 million (31 March 2015: approximately HK\$315.2 million), denominated in Renminbi (“RMB”), bear interest at prevailing market interest rates and repayable within one year; (ii) the other borrowings of approximately HK\$686.4 million (31 March 2015: approximately HK\$689.6 million) were secured by, inter alia, the debentures in favour of the lender by way of the first fixed and floating charges over all the undertaking, property and assets of the Company and two wholly-owned subsidiaries of the Company and a share mortgage over certain shares of CGL. Such borrowings were denominated in Hong Kong dollars, bear fixed interest rate and repayable within one year; and (iii) the other borrowing of approximately HK\$98 million were unsecured, bear fixed interest rate and repayment within one year (31 March 2015: nil). The Group’s bank loans and other borrowings are mostly event driven, with little seasonality.

The Group’s total non-current liabilities (comprised of other non-current liability, liability components of convertible bonds and deferred tax liabilities) decreased from approximately HK\$1,423.8 million as at 31 March 2015 to approximately HK\$1,342.9 million as at 30 September 2015, which mainly due to a decrease in the liability components of convertible bonds of the Group.

As at 30 September 2015, the Group’s gearing ratio, without taking into account the obligations under redeemed convertible bonds of approximately HK\$760.8 million (31 March 2015: approximately HK\$760.8 million) and the liability components of convertible bonds of approximately HK\$1,067.0 million (31 March 2015: approximately HK\$1,156.0 million), was approximately 48.6% (31 March 2015: approximately 42.5%) calculated on the basis of bank loans and other borrowings of approximately HK\$985.4 million (31 March 2015: approximately HK\$880.2 million) to total equity attributable to owners of the Company of approximately HK\$2,027.7 million (31 March 2015: approximately HK\$2,071.1 million) as at 30 September 2015.

Foreign Exchange Exposure

The Group’s transactions were mainly denominated in RMB, Hong Kong dollars and United States dollars. Exchange rates between United States dollars and Hong Kong dollars were pegged with fixed rates and relatively stable during the period under review. The Group has transactional currency exposures in RMB. The Group has not entered into any foreign currency exchange forward contracts for hedging purposes during the period. The Board will closely monitor the foreign exchange exposure and consider appropriate hedging instruments when necessary.

Capital Structure

The board lot size of the shares of HK\$0.01 each in the share capital of the Company for trading on The Stock Exchange of Hong Kong Limited had been changed from 20,000 shares to 5,000 shares with effect from 28 July 2015.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

The reduction of the entire amount standing to the credit of the share premium account of the Company to nil had been approved at the annual general meeting of the Company held on 28 August 2015 and became effective with effect from 31 August 2015.

During the six months ended 30 September 2015, the number of shares of the Company in issue increased from 17,866,170,734 to 18,292,804,734 as a result of the allotment and issuance of 426,634,000 new shares of the Company upon the conversion of the convertible bonds which are convertible into new shares of the Company at an initial conversion price of HK\$0.50 (the "Exchange CBs") issued by the Company in the offer to acquire all the issued shares and share options of CGL.

As at 30 September 2015, the Company has (i) outstanding Exchange CBs in the amount of HK\$964,214,491.80 which could be convertible into 1,928,428,983 shares of the Company based on the initial conversion price of HK\$0.50; (ii) outstanding share options entitling holders to subscribe a total of 471,600,000 shares of the Company; and (iii) outstanding 8% convertible bonds due 2017 in the principal amount of HK\$400,000,000 held by VMS Investment Group Limited which could be convertible into 666,666,666 shares of the Company based on the initial conversion price of HK\$0.60.

Save as disclosed above, the Group had no debt securities or other capital instruments as at 30 September 2015.

Material Acquisitions and Disposals

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

Transaction 1: On 29 April 2015, a placing agreement was entered into between Sinopoly Strategic Investment Limited ("Sinopoly Strategic", a wholly-owned subsidiary of the Company) and VMS Securities Limited ("VMS") pursuant to which VMS would, on best-effort basis, place up to 150,000,000 shares in CGL held by Sinopoly Strategic to parties independent from and not a connected person with Sinopoly Strategic at a placing price of HK\$1.70 per share. Completion of the placing took place on 7 May 2015 and 150,000,000 shares in CGL have been placed out successfully. The number of shares in CGL held by Sinopoly Strategic decreased from 840,106,498 shares to 690,106,498 shares, representing a decrease of shareholding in CGL from approximately 89.54% to approximately 73.55%.

Transaction 2: On 4 May 2015, a joint venture, namely Orng EV Solutions, Inc. (the "JV"), was formed by the Company with Smith Electric Vehicles Corp ("Smith") to sell electric vehicles in the US. Each of the Company and Smith entered into their respective contribution agreements with the joint venture on 4 May 2015, known as the FDG Contribution Agreement and the Smith Contribution Agreement. Pursuant to the FDG Contribution Agreement, the Company conditionally agreed to provide, inter alia, the Group's current design specifications for electric vehicles and a contribution of a total of US\$15,000,000 in cash to the JV, whereas the JV conditionally agreed to issue an aggregate of 22,500,000 newly issued common stock of the JV to the Company. Pursuant to the Smith Contribution Agreement, Smith conditionally agreed to provide, inter alia, its technologies, know-how and sales network to the JV, whereas the JV conditionally agreed to issue 20,000,000 newly issued common stock of the JV to Smith.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

The formation of the JV will combine the electric vehicle designs, battery and the semi knock down kits manufacturing capacity of the Group, with the existing sales network, after-sales services and software technologies of Smith. Upon completion of all the transactions contemplated under the FDG Contribution Agreement and the Smith Contribution Agreement, the Group will become the single largest shareholder of the JV, holding approximately 45.45% of the issued share capital of the JV.

Details of the formation of the JV are disclosed in the announcement of the Company dated 4 May 2015.

Transaction 3: On 23 July 2015, Sinopoly Strategic (as vendor), CGL and Guotai Junan Securities (Hong Kong) Limited (the "Placing Agent") entered into a placing and top-up subscription agreement pursuant to which (i) the Placing Agent agreed to procure the placing of up to 35,000,000 shares of CGL held by Sinopoly Strategic at the placing price of HK\$7.73 per placing share; and (ii) Sinopoly Strategic agreed to subscribe for up to 35,000,000 new shares of CGL at the subscription price of HK\$7.73 per subscription share (the "Top-up Subscription"). Completion of the placing and the Top-up Subscription took place on 28 July 2015 and 5 August 2015 respectively and, as a result, the equity interest of CGL held by the Company reduced from approximately 73.55% to approximately 70.91%. Details of the placing and Top-up Subscription are disclosed in the joint announcement of the Company and CGL dated 23 July 2015.

Transaction 4: On 5 September 2015, the Company and CGL jointly announced that Kingspark Group Limited ("Kingspark", a direct wholly-owned subsidiary of CGL, as purchaser), SK China Company Limited (the "First Vendor") and SKC Co., Ltd. (the "Second Vendor") entered into a sale and purchase agreement (the "Sale and Purchase Agreement") pursuant to which (i) Kingspark conditionally agreed to purchase and the First Vendor conditionally agreed to sell 39,291,010 shares of Premier Property Management Limited ("Premier Property"), which represent approximately 90.91% of the issued shares of Premier Property; and (ii) Kingspark conditionally agreed to purchase and the Second Vendor conditionally agreed to sell 3,929,000 shares of Premier Property, which represent approximately 9.09% of the issued shares of Premier Property. The total consideration was HK\$722,000,000, which was satisfied by CGL on 29 October 2015 through (i) the payment of HK\$338,182,608 in cash and the issuance of 244,755,815 shares in CGL to the First Vendor; and (ii) the payment of HK\$33,817,392 in cash and the issuance of 24,474,955 shares in CGL to the Second Vendor. The Sale and Purchase Agreement constituted a discloseable transaction of the Company under the Listing Rules. Upon its completion, (i) Premier Property has become an indirect subsidiary of the Company and (ii) the equity interest of CGL held by the Company reduced from approximately 70.91% to approximately 67.19% and CGL remained as a subsidiary of the Company.

Premier Property's group is principally engaged in the manufacturing of the cathode materials for nickel-cobalt-manganese lithium-ion battery which is another type of battery that the Company is exploring for the applications in its electric vehicles. Thus, the acquisition of Premier Property represents a diversification of the Company's current battery business and is an entry point for the Company to enter into the nickel-cobalt-manganese lithium-ion battery market.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Details of the Sale and Purchase Agreement are disclosed in the joint announcements of the Company and CGL dated 5 September 2015, 8 September 2015 and 29 October 2015, and note 23(a) of the interim financial statements.

Save as disclosed above, the Group had no material acquisitions or disposals of subsidiaries or associated companies during the six months ended 30 September 2015 and up to the date of this report.

Pledge of Assets and Contingent Liabilities

There were pledged of assets as at 30 September 2015 and 31 March 2015 with details disclosed under the section heading "Liquidity and Financial Resources". In addition, pledged bank deposits of approximately HK\$80.9 million (31 March 2015: approximately HK\$128.9 million) were pledged to secure mainly for bills payable and letter of credit issued by the Group.

The Group had no significant contingent liabilities as at 30 September 2015 (31 March 2015: nil).

Capital Commitments

Details of the capital commitments of the Group are set out in note 20 of this report.

Employees and Remuneration Policies

As of 30 September 2015, the Group had 58 employees (30 September 2014: 45 employees) in Hong Kong and 2,440 employees (30 September 2014: 1,478 employees) in the PRC. Total staff costs (including directors' emoluments and equity-settled share-based payments) during the period amounted to approximately HK\$130.9 million (six months ended 30 September 2014: approximately HK\$68.3 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.

PROSPECTS

Environmental protection will be the substantial topic over the world. The PRC government continuously provides more support in the sector of new energy development. The living standard in PRC keeps improving while awareness in environmental protection is rising, the market of new energy vehicle has great development potential in PRC. FDG proactively develops its EV business while it keeps focusing on its power battery business. With the synergy effect of the business integration and resource allocation, the Group is capable of being a comprehensive and integrated EV manufacturer. In the long run, under the rapid development of the EV market, FDG will continuously focus on the development of its own R&D and production of EVs, aiming to launch electric trucks and even electric sedan in the next two to three years. In addition, to cope with the Group's strategy of vertical integration, FDG will explore more potential investment projects, grasp the development opportunities and expand its market share.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2015, the interests and short positions of the directors and the 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 (Note 7)
Mr. Cao Zhong	Interest of controlled corporations	2,311,059,998 (Note 1)	340,000,000 (Notes 1 and 6)	2,651,059,998	14.49%
	Beneficial owner	–	16,800,000 (Notes 1, 5 and 6)	16,800,000	0.09%
Mr. Miao Zhenguo	Interest of controlled corporations	1,970,551,043 (Note 2)	–	1,970,551,043	10.77%
	Beneficial owner	–	15,000,000 (Notes 2 and 5)	15,000,000	0.08%
Dr. Chen Yanping	Interest of controlled corporation	658,125,000 (Note 3)	–	658,125,000	3.60%
	Beneficial owner	–	12,000,000 (Notes 3 and 5)	12,000,000	0.07%
Mr. Lo Wing Yat	Beneficial owner	–	49,379,000 (Notes 4, 5 and 6)	49,379,000	0.27%
Mr. Jaime Che	Beneficial owner	1,000,000	16,000,000 (Note 5)	17,000,000	0.09%

DIRECTORS' AND CHIEF EXECUTIVE'S 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 (Note 7)
Mr. Chan Yuk Tong	Beneficial owner	–	12,900,000 (Note 5)	12,900,000	0.07%
Mr. Fei Tai Hung	Beneficial owner	–	12,900,000 (Note 5)	12,900,000	0.07%
Mr. Tse Kam Fow	Beneficial owner	–	12,900,000 (Note 5)	12,900,000	0.07%
Professor Chen Guohua (resigned on 29 October 2015)	Beneficial owner	–	10,000,000 (Note 5)	10,000,000	0.05%

Notes:

- Mr. Cao Zhong is interested or deemed to be interested in a total of 2,667,859,998 shares/underlying shares of the Company including: (i) 2,311,059,998 shares held by Long Hing International Limited which is wholly owned by Mr. Cao who is a director; (ii) 340,000,000 shares upon conversion of the convertible bonds^(note 6) held by Champion Rise International Limited which is wholly owned by Mr. Cao who is a director; and (iii) 16,800,000 underlying shares including 10,000,000 share options^(note 5) and 6,800,000 shares upon conversion of the convertible bonds^(note 6).
- Mr. Miao Zhenguo is interested or deemed to be interested in a total of 1,985,551,043 shares/underlying shares of the Company including: (i) 1,806,301,043 shares held by Union Ever Holdings Limited which is wholly owned by Mr. Miao who is a director; (ii) 164,250,000 shares held by Infinity Wealth International Limited which is wholly owned by Mr. Miao who is a director; and (iii) 15,000,000 share options^(note 5).
- Dr. Chen Yanping is interested or deemed to be interested in a total of 670,125,000 shares/underlying shares of the Company including: (i) 658,125,000 shares held by Captain Century Limited which is owned as to 60% by Dr. Chen and 40% by his spouse, Ms. Zhang Lu; and (ii) 12,000,000 share options^(note 5).

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

Notes: *(Continued)*

- Mr. Lo Wing Yat is interested in a total of 49,379,000 underlying shares of the Company including: (i) 42,800,000 share options^(note 5); and (ii) 6,579,000 shares upon conversion of the convertible bonds^(note 6).
- 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.
- The interests in underlying shares of the Company represent interests in the Company's shares which will be allotted and issued to the relevant director or his wholly-owned company upon conversion of the zero coupon convertible bonds issued by the Company due 2018 that he/it holds at the initial conversion price of HK\$0.50 per share of the Company.
- These percentages are calculated on the basis of 18,292,804,734 shares of the Company in issue as at 30 September 2015.

Save as disclosed above, as at 30 September 2015, 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 kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 September 2015, 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 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 (Note 5)
Long Hing International Limited (Note 1)	Beneficial owner	2,311,059,998	–	2,311,059,998	12.63%
Union Ever Holdings Limited (Note 2)	Beneficial owner	1,806,301,043	–	1,806,301,043	9.87%
CITIC Group Corporation (Note 3)	Interest of controlled corporations	448,780,000	1,026,116,124	1,474,896,124	8.06%
Mr. Li Ka-shing (Note 4)	Interest of controlled corporations	1,456,810,000	–	1,456,810,000	7.96%

Notes:

1. Long Hing International Limited (“Long Hing”) is wholly owned by Mr. Cao Zhong, 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 who is a director of Long Hing.
2. Union Ever Holdings Limited (“Union Ever”) is wholly owned by Mr. Miao Zhengguo, a director of the Company. The 1,806,301,043 shares of the Company held by Union Ever are deemed to be owned by Mr. Miao who is a director of Union Ever.

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

Notes: *(Continued)*

- For the purpose of the SFO, CITIC Group Corporation is deemed to be interested in a total of 448,780,000 shares of the Company and 1,026,116,124 underlying shares of the Company, of which (i) 448,780,000 shares are held by CITIC International Assets Management Limited; (ii) 3,128,000 underlying shares are held by CITIC International Assets Management Limited and 1,022,988,124 underlying shares are held by Right Precious Limited. These interests in the underlying shares of the Company are in connection with interests in the convertible bonds due 2018 of the Company that they hold.

Right Precious Limited is a wholly-owned subsidiary of CITIC International Assets Management Limited of which CITIC International Financial Holdings Limited owns 40%. CITIC International Financial Holdings Limited is 100% owned by China CITIC Bank Corporation Limited which, in turn, is 67.13% owned by CITIC Limited through its wholly-owned subsidiary, CITIC Corporation Limited. CITIC Group Corporation owns 58.13% of CITIC Limited through its wholly-owned subsidiaries, CITIC Polaris Limited and CITIC Glory Limited.

- For the purpose of the SFO, Mr. Li Ka-shing is deemed to be interested in a total of 1,456,810,000 shares of the Company, of which 6,660,000 shares are held by Lion Cosmos Limited ("Lion Cosmos"), 707,150,000 shares are held by Li Ka Shing (Canada) Foundation ("LKSCF") and 743,000,000 shares are held by Lucky River Holdings Limited ("Lucky River").

Lion Cosmos is a wholly-owned subsidiary of Li Ka Shing (Overseas) Foundation ("LKSOFF"). By virtue of the terms of the constituent documents of LKSOF 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 LKSOF and LKSCF respectively.

Lucky River is a wholly-owned subsidiary of Mayspin Management Limited, which in turn is wholly owned by Mr. Li Ka-shing.

- These percentages are calculated on the basis of 18,292,804,734 shares of the Company in issue as at 30 September 2015.

Save as disclosed above, as at 30 September 2015, the Company had 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 was terminated and a new share option scheme (the "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 previous share option scheme before 28 February 2014 remain exercisable under the Scheme and the 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 2015 were as follows:

Category of participants	Date of grant	Number of options					Exercise price per option HK\$	
		Outstanding as at 1.4.2015	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30.9.2015		
Directors & Substantial Shareholders								
Mr. Cao Zhong	28.4.2014	10,000,000	-	-	-	10,000,000	28.4.2016-27.4.2024 (Note 2)	0.630
Mr. Miao Zhenguo	4.9.2013	12,000,000	-	-	-	12,000,000	4.9.2015-3.9.2023 (Note 2)	0.450
	28.4.2014	3,000,000	-	-	-	3,000,000	28.4.2016-27.4.2024 (Note 2)	0.630
Directors								
Dr. Chen Yanping	28.4.2014	12,000,000	-	-	-	12,000,000	28.4.2016-27.4.2024 (Note 2)	0.630

SHARE OPTION SCHEME (Continued)

Category of participants	Date of grant	Number of options				Outstanding as at 30.9.2015	Exercise period	Exercise price per option HK\$
		Outstanding as at 1.4.2015	Granted during the period	Exercised during the period	Lapsed during the period			

Directors (Continued)

Mr. Lo Wing Yat	23.8.2007	14,600,000	-	-	-	14,600,000	23.8.2008-22.8.2017 (Note 3)	0.230
	8.5.2009	16,200,000	-	-	-	16,200,000	8.5.2010-7.5.2019 (Note 3)	0.061
	4.9.2013	8,000,000	-	-	-	8,000,000	4.9.2015-3.9.2023 (Note 2)	0.450
	28.4.2014	4,000,000	-	-	-	4,000,000	28.4.2016-27.4.2024 (Note 2)	0.630
Mr. Jaime Che	4.9.2013	12,000,000	-	-	-	12,000,000	4.9.2015-3.9.2023 (Note 2)	0.450
	28.4.2014	4,000,000	-	-	-	4,000,000	28.4.2016-27.4.2024 (Note 2)	0.630
Mr. Chan Yuk Tong	8.5.2009	900,000	-	-	-	900,000	8.11.2010-7.5.2019 (Note 4)	0.061
	4.9.2013	8,000,000	-	-	-	8,000,000	4.9.2015-3.9.2023 (Note 2)	0.450
	28.4.2014	4,000,000	-	-	-	4,000,000	28.4.2016-27.4.2024 (Note 2)	0.630

SHARE OPTION SCHEME (Continued)

Category of participants	Date of grant	Number of options					Outstanding as at 30.9.2015	Exercise period	Exercise price per option HK\$
		Outstanding as at 1.4.2015	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30.9.2015			
Directors (Continued)									
Mr. Fei Tai Hung	8.5.2009	900,000	-	-	-	900,000	8.11.2010–7.5.2019 (Note 4)	0.061	
	4.9.2013	8,000,000	-	-	-	8,000,000	4.9.2015–3.9.2023 (Note 2)	0.450	
	28.4.2014	4,000,000	-	-	-	4,000,000	28.4.2016–27.4.2024 (Note 2)	0.630	
Mr. Tse Kam Fow	8.5.2009	900,000	-	-	-	900,000	8.11.2010–7.5.2019 (Note 4)	0.061	
	4.9.2013	8,000,000	-	-	-	8,000,000	4.9.2015–3.9.2023 (Note 2)	0.450	
	28.4.2014	4,000,000	-	-	-	4,000,000	28.4.2016–27.4.2024 (Note 2)	0.630	
Professor Chen Guohua (resigned on 29 October 2015)	4.9.2013	6,000,000	-	-	-	6,000,000	4.9.2015–3.9.2023 (Note 2)	0.450	
	28.4.2014	4,000,000	-	-	-	4,000,000	28.4.2016–27.4.2024 (Note 2)	0.630	
Employees	4.9.2013	189,100,000	-	-	(1,500,000) (Note 5)	187,600,000	4.9.2015–3.9.2023 (Note 2)	0.450	
	28.4.2014	122,800,000	-	-	(8,500,000) (Note 5)	114,300,000	28.4.2016–27.4.2024 (Note 2)	0.630	

SHARE OPTION SCHEME (Continued)

Category of participants	Date of grant	Number of options					Exercise price per option HK\$	
		Outstanding as at 1.4.2015	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30.9.2015		
Others	23.8.2007	7,200,000	-	-	-	7,200,000	23.8.2008–22.8.2017 (Note 3)	0.230
	4.9.2013	10,000,000	-	-	-	10,000,000	4.9.2015–3.9.2023 (Note 2)	0.450
	28.4.2014	8,000,000	-	-	-	8,000,000	28.4.2016–27.4.2024 (Note 2)	0.630
		481,600,000	-	-	(10,000,000)	471,600,000		
Weighted average exercise price (HK\$)		0.492	-	-	0.603	0.490		
Exercisable as at 30.9.2015						21,800,000 18,900,000 129,800,000		0.230 0.061 0.450

Notes:

- Number of options refers to the number of underlying shares of the Company covered by the options under the Scheme.
- Options granted are subject to a vesting period up to 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.
- Options granted are subject to a vesting period up to 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.
- Options granted are subject to a vesting period up to 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.
- A total of 10,000,000 unvested options lapsed during the six months ended 30 September 2015 following the cessation of optionholders to be employees of the Company or eligible participants of the Scheme.
- No options were granted, exercised or cancelled during the six months ended 30 September 2015.

EMPLOYEES' SHARE AWARD SCHEME

On 29 June 2015, the Company has adopted an employees' share award scheme in which any employee, director or advisor/consultant of any member of the Group or any employee of such advisor or consultant will be entitled to participate. Details of the employees' share award scheme are disclosed in the announcement of the Company dated 29 June 2015.

No shares were awarded under the share award scheme for the six months ended 30 September 2015.

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 Listing Rules throughout the six months ended 30 September 2015 and up to the date of this report except for the following deviations.

Code provision A.2.1

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

Code provision A.5.1

As at 30 September 2015, the Nomination Committee consisted of three executive directors and three independent non-executive directors which constitutes a deviation from code provision A.5.1 of the Code which requires a nomination committee to comprise a majority of independent non-executive directors. At the Board meeting held on 27 November 2015, this deviation has been rectified and now the Nomination Committee comprises a majority of independent non-executive directors in compliance with this code provision.

CHANGES IN DIRECTORS' INFORMATION

Changes in the information of the directors of the Company since the date of the Company's 2014/2015 annual report are set out below:

- Mr. Cao Zhong has been appointed as the Chairman of CIAM Group Limited ("CGL") (Stock Code: 378, a subsidiary of the Company whose shares are listed on the Stock Exchange) with effect from 29 October 2015.
- Mr. Miao Zhenguo has been appointed as the Chief Executive Officer of CGL with effect from 29 October 2015.
- Mr. Lo Wing Yat (i) has been appointed as the Chief Executive Officer of CITIC International Financial Holdings Limited with effect from 17 August 2015; and (ii) has resigned as the Vice-chairman and Chief Executive Officer of CGL with effect from 29 October 2015.
- With effect from 1 July 2015, (i) the annual emoluments of Mr. Cao Zhong (*Chairman, Executive Director and Chief Executive Officer*), Mr. Miao Zhenguo (*Deputy Chairman and Executive Director*), Dr. Chen Yanping (*Executive Director and Chief Operating Officer*) and Mr. Jaime Che (*Executive Director and Vice President*), have been revised to HK\$5,200,000, HK\$3,900,000, HK\$3,900,000 and HK\$3,250,000 respectively; (ii) the director's fee of Mr. Lo Wing Yat (*Executive Director*) has been revised to HK\$480,000 per annum; and (iii) the directors' fees of each of Mr. Chan Yuk Tong, Mr. Fei Tai Hung and Mr. Tse Kam Fow, all of them are Independent Non-executive Directors, have been revised to HK\$480,000 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 2015.

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 2015.

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 2015.

EVENTS AFTER THE REPORTING PERIOD

The Company had the following material events subsequent to the end of the reporting period and up to the date of this report:

- (1) On 22 October 2015, the Company entered into a placing agreement with VMS Securities Limited for the placing of up to 1,000,000,000 new shares of the Company at HK\$0.50 per placing share to not less than six placees who are independent of and not connected with the Company or any of its connected persons. Completion of the placing took place on 5 November 2015 and 1,000,000,000 new shares of the Company have been placed out which resulted in the Company's issued share capital increased to 19,296,338,734 shares, representing approximately 5.18% of the Company's issued share capital as enlarged by the issuance of such shares. The net proceeds from the placing is approximately HK\$491.5 million which will be primarily applied in and towards the operational cash flow required for the scale production of electric vehicles in the manufacturing plant in Hangzhou of the Group and other general working capital purposes.
- (2) On 16 November 2015, the Company and CGL jointly announced that CGL (as purchaser) entered into a memorandum of understanding with Advanced Lithium Electrochemistry (Cayman) Co., Ltd. ("ALE") in relation to a proposed merger and acquisition transaction (the "Proposed Transaction") which, if materialised, may constitute a major transaction of the Company under the Listing Rules. The Proposed Transaction may or may not proceed and the final terms of the Proposed Transaction are still subject to further negotiations between the parties. Further announcement in relation to the Proposed Transaction will be made as and when required.

Details of the above subsequent events after the reporting period are set out in note 23 of the interim financial statements.

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 2015 and this report.

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

Hong Kong, 27 November 2015

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

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