FDG ELECTRIC VEHICLES LIMITED
五龍電動車(集團)有限公司

(Incorporated in Bermuda with limited liability)

Stock Code: 0729

2018/19

INTERIM REPORT

e Road Forward

CONTENTS

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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 2018 together with the comparative figures for the corresponding period in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2018

	Note	**Six months ended** **30.9.2018 (unaudited) HK$'000**	30.9.2017 (unaudited) HK$'000
Revenue	3	**255,789**	284,115
Cost of sales		**(229,146)**	(254,612)
Gross profit		**26,643**	29,503
Other income		**28,280**	35,837
Other gains and losses, net	4	**(266,998)**	(7,789)
Selling and distribution costs		**(46,747)**	(43,664)
General and administrative expenses		**(201,545)**	(284,071)
Research and development expenses		**(46,465)**	(67,162)
Finance costs	5	**(196,232)**	(174,292)
Other operating expenses		**(66,576)**	(77,884)
Amortisation of intangible assets		**(51,456)**	(89,418)
Share of results of associates		**(51,921)**	(6,410)
Share of results of joint ventures		**(82,498)**	(37,741)
Loss before tax	6	**(955,515)**	(723,091)
Income tax	7	**13,347**	19,358
Loss for the period		**(942,168)**	(703,733)
Attributable to:			
Owners of the Company		**(623,131)**	(546,772)
Non-controlling interests		**(319,037)**	(156,961)
		(942,168)	(703,733)
		HK cents	HK cents
Loss per share attributable to owners of the Company	8		
– Basic and diluted		**(2.78)**	(2.44)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2018

	Six months ended	
	30.9.2018	30.9.2017
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Loss for the period	**(942,168)**	(703,733)
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	**(307,965)**	212,151
Derecognition of exchange reserve upon disposal of subsidiaries	**(6,606)**	–
Share of other comprehensive (loss)/income of associates	**(13,841)**	5,531
Share of other comprehensive (loss)/income of joint ventures	**(10,263)**	4,451
	(338,675)	222,133
Total comprehensive loss for the period	**(1,280,843)**	(481,600)
Attributable to:		
Owners of the Company	**(885,614)**	(391,971)
Non-controlling interests	**(395,229)**	(89,629)
Total comprehensive loss for the period	**(1,280,843)**	(481,600)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	Note	30.9.2018 (unaudited) HK$'000	31.3.2018 (audited) HK$'000
Non-current assets			
Goodwill		**620,877**	681,850
Intangible assets	10	**612,037**	620,894
Property, plant and equipment	11	**3,273,692**	3,538,502
Interests in leasehold land held for own use under operating leases	11	**324,258**	359,752
Interests in associates		**359,185**	436,142
Interests in joint ventures		**300,681**	354,692
Deposits paid for non-current assets		**314,241**	392,505
Loan receivables	13	**16,595**	16,128
Other non-current assets		**6,261**	7,416
		5,827,827	6,407,881
Current assets			
Inventories		**333,732**	566,829
Trade and bills receivables	12	**418,231**	1,409,167
Contract assets	12	**519,338**	–
Loan and other receivables	13	**846,169**	1,176,005
Financial assets at fair value through profit or loss		**8,340**	79,554
Derivative financial instruments	17	**822**	19,183
Pledged bank deposits		**99,755**	235,317
Cash and cash equivalents		**592,745**	752,351
		2,819,132	4,238,406
Current liabilities			
Bank loans and other borrowings	14	**(1,673,180)**	(1,628,383)
Trade and bills payables	15	**(593,442)**	(959,629)
Accruals and other payables	16	**(1,332,356)**	(1,375,624)
Tax payables		**(37,106)**	(39,661)
Obligations under finance leases		**(79,137)**	(115,235)
Liability components of convertible bonds	17	**–**	(98,079)
		(3,715,221)	(4,216,611)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

As at 30 September 2018

	Note	30.9.2018 (unaudited) HK$'000	31.3.2018 (audited) HK$'000
Net current (liabilities)/assets		**(896,089)**	21,795
Total assets less current liabilities		**4,931,738**	6,429,676
Non-current liabilities			
Receipts in advance		**(615,653)**	(676,113)
Deferred income		**(460,743)**	(502,944)
Bank loans and other borrowings	14	**(1,302,181)**	(1,694,268)
Obligations under finance leases		**–**	(12,588)
Liability components of convertible bonds	17	**(573,921)**	(548,415)
Deferred tax liabilities		**(69,795)**	(86,191)
Obligations under redeemed convertible bonds	18	**(760,752)**	(760,752)
		(3,783,045)	(4,281,271)
NET ASSETS		**1,148,693**	2,148,405
CAPITAL AND RESERVES			
Issued capital	19	**234,131**	224,131
Reserves		**265,547**	944,409
Total equity attributable to owners of the Company		**499,678**	1,168,540
Non-controlling interests		**649,015**	979,865
TOTAL EQUITY		**1,148,693**	2,148,405

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	Unaudited											
	Attributable to owners of the Company											
	Issued capital HK$'000	Share premium HK$'000	Exchange reserve HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Equity component of convertible bonds HK$'000	Share option reserve HK$'000	Investment revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
As at 1 April 2018	224,131	2,062,317	46,735	1,419,585	1,868	186,710	76,421	–	(2,849,227)	1,168,540	979,865	2,148,405
Loss for the period	–	–	–	–	–	–	–	–	(623,131)	(623,131)	(319,037)	(942,168)
Other comprehensive loss for the period												
– Exchange differences on translation of financial statements of foreign operations	–	–	(237,843)	–	–	–	–	–	–	(237,843)	(70,122)	(307,965)
– Derecognition of exchange reserve upon disposal of subsidiaries	–	–	(6,606)	–	–	–	–	–	–	(6,606)	–	(6,606)
– Share of other comprehensive loss of associates	–	–	(10,382)	–	–	–	–	–	–	(10,382)	(3,459)	(13,841)
– Share of other comprehensive loss of joint ventures	–	–	(7,652)	–	–	–	–	–	–	(7,652)	(2,611)	(10,263)
Total other comprehensive loss for the period	–	–	(262,483)	–	–	–	–	–	–	(262,483)	(76,192)	(338,675)
Total comprehensive loss for the period	–	–	(262,483)	–	–	–	–	–	(623,131)	(885,614)	(395,229)	(1,280,843)
Issue of new shares *(Note 19(b))*	10,000	94,087	–	–	–	–	–	–	–	104,087	–	104,087
Settlement of convertible bonds issued by a subsidiary *(Note 17(c))*	–	–	–	–	–	–	–	–	109,164	109,164	(109,164)	–
Derecognition upon disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	173,543	173,543
Share options lapsed	–	–	–	–	–	–	(1,690)	–	1,690	–	–	–
Equity-settled share-based payments	–	–	–	–	–	–	3,501	–	–	3,501	–	3,501
As at 30 September 2018	234,131	2,156,404	(215,748)	1,419,585	1,868	186,710	78,232	–	(3,361,504)	499,678	649,015	1,148,693

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

For the six months ended 30 September 2018

	Unaudited											
	Attributable to owners of the Company											
	Issued capital HK$'000	Share premium HK$'000	Exchange reserve HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Equity component of convertible bonds HK$'000	Share option reserve HK$'000	Investment revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
As at 1 April 2017	223,985	2,057,457	(290,646)	1,419,585	1,868	251,871	36,734	(10,891)	(741,338)	2,948,625	1,550,961	4,499,586
Loss for the period	–	–	–	–	–	–	–	–	(546,772)	(546,772)	(156,961)	(703,733)
Other comprehensive income/(loss) for the period												
– Exchange differences on translation of financial statements of foreign operations	–	–	148,056	–	–	–	–	–	–	148,056	64,095	212,151
– Share of other comprehensive income/(loss) of associates	–	–	(59)	–	–	–	–	3,813	–	3,754	1,777	5,531
– Share of other comprehensive income of joint ventures	–	–	2,991	–	–	–	–	–	–	2,991	1,460	4,451
Total other comprehensive income for the period	–	–	150,988	–	–	–	–	3,813	–	154,801	67,332	222,133
Total comprehensive income/(loss) for the period	–	–	150,988	–	–	–	–	3,813	(546,772)	(391,971)	(89,629)	(481,600)
Proceeds from shares issued upon exercise of share options *(Note 19(c))*	146	4,860	–	–	–	–	(1,648)	–	–	3,358	–	3,358
Settlement of convertible bonds	–	–	–	–	–	(86,075)	–	–	86,075	–	–	–
Share options lapsed	–	–	–	–	–	–	(938)	–	938	–	–	–
Equity-settled share-based payments	–	–	–	–	–	–	29,306	–	–	29,306	–	29,306
As at 30 September 2017	224,131	2,062,317	(139,658)	1,419,585	1,868	165,796	63,454	(7,078)	(1,201,097)	2,589,318	1,461,332	4,050,650

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018

	Six months ended	
	30.9.2018	30.9.2017
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Operating activities		
Net cash generated from/(used in) operating activities	**81,939**	(535,653)
Investing activities		
Proceeds from disposal of subsidiaries	**61,231**	–
Payments for acquisition of property, plant and equipment	**(230,213)**	(28,300)
Payments for acquisition of intangible assets	**(99,258)**	(94,188)
Payment for investment in a joint venture	**(24,025)**	–
Receipts of government grants and other subsidies fundings for capital expenditures	**3,991**	69,300
Placement of pledged bank deposits	**(50,077)**	(27,990)
Withdrawal of pledged bank deposits	**170,184**	141,491
Other cash flows generated from investing activities	**12,404**	28,768
Net cash (used in)/generated from investing activities	**(155,763)**	89,081
Financing activities		
Proceeds from issuance of new shares	**104,087**	–
Receipts in advance from subscription of new shares	**230,411**	–
Proceeds from bank loans and other borrowings	**620,990**	977,294
Repayment of bank loans and other borrowings	**(691,724)**	(475,601)
Repayment of convertible bonds	**(100,000)**	–
Interest paid	**(159,137)**	(203,613)
Other cash flows used in financing activities	**(40,915)**	(10,983)
Net cash (used in)/generated from financing activities	**(36,288)**	287,097
Net decrease in cash and cash equivalents	**(110,112)**	(159,475)
Effect of foreign exchange rate changes	**(49,494)**	53,353
Cash and cash equivalents at the beginning of the period	**752,351**	1,321,410
Cash and cash equivalents at the end of the period	**592,745**	1,215,288

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

The condensed consolidated interim financial statements should be read in conjunction with the Group's audited consolidated financial statements for the year ended 31 March 2018, which have been prepared in accordance with all applicable individual Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable HKFRSs, HKASs and Interpretations issued by the HKICPA and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

As at 30 September 2018, the Group had net current liabilities of approximately HK$896 million and capital commitments of approximately HK$1,321 million. Notwithstanding the aforesaid conditions, the condensed consolidated interim financial statements have been prepared on a going concern basis because the Board is of the opinion that the Group can meet its financial obligations as and when they fall due in the next twelve months, after taking into consideration of the followings:

(i) Based on the cash flow forecast of the Group for the next twelve months ending 30 September 2019, the Group will have sufficient working capital for its financial and capital expenditure requirements for the next twelve months;

(ii) On 2 October 2018, a subscription agreement was completed for which the Company allotted and issued 2,600,000,000 ordinary shares of the Company under general mandate to an independent subscriber for HK$0.09 per share issued and raised net funds of approximately HK$230 million, as disclosed in Note 24(a);

(iii) On 9 September 2018, the Company entered into a subscription agreement to conditionally allot and issue 7,000,000,000 ordinary new shares of the Company under specific mandate to a subscriber for HK$0.09 per new share issued and will raise net funds of approximately HK$627 million, as disclosed in Note 24(b); and

(iv) The Group will be able to manage the timing of the payment of capital commitments, in particular, the capital injections in associates and the capital expenditures without hindering the Company's future development to ensure the Group will have sufficient working capital to meet its obligations in the foreseeable future.

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

1. BASIS OF PREPARATION *(Continued)*

After having taken into account of the Group's projected cash flows, current financial resources and capital expenditure requirements and in light of the measures and arrangements implemented to date and to be implemented, the Board is of the view that the Group has sufficient cash resources to satisfy its working capital and other financial obligations for the next twelve months from the end of the reporting period of these condensed consolidated interim financial statements. Accordingly, the Board is of the view that it is appropriate to prepare these condensed consolidated interim financial statements on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to make provision for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these potential adjustments have not been reflected in these condensed consolidated interim financial statements.

2. PRINCIPAL ACCOUNTING POLICIES AND CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies 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 2018, except in relation to the following new standards, amendments to HKFRSs and an interpretation, which have become effective for accounting periods beginning on or after 1 April 2018, that are adopted for the first time in the current period's financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers
Amendments to HKFRSs	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

Except for HKFRS 9 and HKFRS 15, the adoption of the above new and revised standards in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or disclosures set out in these condensed consolidated interim financial statements.

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

2. PRINCIPAL ACCOUNTING POLICIES AND CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

HKFRS 9, Financial instruments

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 April 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 April 2018. Therefore, comparative information continues to be reported under HKAS 39.

(i) *Classification of financial assets and financial liabilities*

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

– FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

– FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

There is no reclassification or remeasurement of the financial assets for the adoption of HKFRS 9. The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 April 2018 have not been impacted by the initial application of HKFRS 9. The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 April 2018.

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

2. PRINCIPAL ACCOUNTING POLICIES AND CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

HKFRS 9, Financial instruments *(Continued)*

(ii) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including trade and bills receivables, contract assets, loan and other receivables, pledged bank deposits and cash and cash equivalents).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the effective interest rate determined at initial recognition or an approximation thereof for fixed rate financial assets and trade and other receivables where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade and bills receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

2. PRINCIPAL ACCOUNTING POLICIES AND CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

HKFRS 9, Financial instruments *(Continued)*

(ii) Credit losses (Continued)

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessments of significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

2. PRINCIPAL ACCOUNTING POLICIES AND CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

HKFRS 9, Financial instruments *(Continued)*

(ii) Credit losses (Continued)

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

In the current period, the Group has applied HKFRS 9 simplified approach to measure ECL using lifetime ECL for trade and bills receivables and contract assets.

Loss allowance for other financial assets at amortised cost mainly comprise of loan and other receivables, pledged bank deposits and cash and cash equivalents, and are measured on 12-month ECL basis and there had been no significant increase in credit risk since initial recognition.

The directors of the Company considered the additional ECL allowance as at 1 April 2018 measured under the ECL model is insignificant.

HKFRS 15, Revenue from Contracts with Customers

HKFRS 15 establishes a five step model comprehensive framework for recognising revenue from contracts with customer: (i) identify the contract; (ii) identify performance obligations; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations; and (v) recognise revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. HKFRS 15 replaced HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

2. PRINCIPAL ACCOUNTING POLICIES AND CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

HKFRS 15, Revenue from Contracts with Customers *(Continued)*

The Group adopted HKFRS 15 using the modified retrospective method of adoption. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 April 2018, thus the comparative figures have not been restated.

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contact liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract assets or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Previously, contract balances relating to the People's Republic of China ("PRC") national subsidy receivables and receipts in advance from customers were presented in the condensed consolidated statement of financial position under "Trade and bills receivables" and "Accruals and other payables", respectively.

To reflect the following changes in presentation, the Group has made the following adjustments at 1 April 2018, as a result of the adoption of HKFRS 15:

(i) "PRC national subsidy receivables" and related allowance for doubtful debts amounting to HK$784,817,000 and HK$104,395,000, respectively, which were previously included in trade and bills receivables as at 31 March 2018, were reclassified to contract assets; and

(ii) "Receipts in advance" amounting to HK$122,094,000 which were previously included in accruals and other payables as at 31 March 2018, were reclassified to contract liabilities included in accruals and other payables.

Except for the above, the adoption of HKFRS 15 has no material impact on the Group's financial position and results of operations based on the current business model, other than presenting additional disclosures.

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

2. PRINCIPAL ACCOUNTING POLICIES AND CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRS 9	Prepayment Features with Negative Compensation
HKFRS 16	Leases
Amendments to HKFRSs	Annual Improvements to HKFRS 2015-2017 Cycle
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and Its Associates or Joint Venture
Amendments to HKAS 28	Long-term interests in Associates and Joint Ventures
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments

The Group is in the process of making an assessment of what the impact of these new standard, amendments to HKFRSs and an interpretation is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have significant impact on the financial performance and position of the Group, except for HKFRS 16 as explained below:

HKFRS 16 Leases

As discussed in the 2017/18 annual report, currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. Upon the adoption of HKFRS 16, where the Group is the lessee under the lease, the Group will be required to account for all leases in a similar way to current finance lease accounting, i.e. recognise and measure a lease liability at the present value of the minimum future lease payments and recognise a corresponding "right-of-use" asset at the commencement date of the lease, subject to practical expedients. HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases.

At 30 September 2018, the Group has non-cancellable operating leases commitments of HK$72,852,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of new assets and liabilities for future payments on adoption of HKFRS 16.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

HKFRS 16 is effective for annual periods beginning on or after 1 April 2019. The Group has decided not to early adopt HKFRS 16 in these condensed consolidated interim financial statements.

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

3. REVENUE AND SEGMENT INFORMATION

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

	Six months ended	
	30.9.2018	30.9.2017
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Type of goods or services		
Sales of electric vehicles	**68,424**	64,518
Sales of lithium-ion batteries and its related products	**83,310**	43,506
Income from leasing of electric vehicles	**–**	1
Sales of cathode materials for NCM lithium-ion batteries	**100,255**	169,032
	251,989	277,057
Income from direct investments	**3,800**	7,058
Total	**255,789**	284,115
Timing of revenue recognition		
A point in time	**251,989**	277,057

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Operating segments are identified on the basis of internal reports which provide information about components of the Group. These information are reported to and reviewed by the Board, the chief operating decision maker of the Group, for the purposes of resource allocation and performance assessment. The Board considers that the Group is organised into business units based on their products and services, and has reportable operating segments as follows:

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

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

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

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

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

Reportable segment profit/(loss) before tax represents the profit earned by/(loss from) each segment without the allocation of central administration costs, central finance costs and other income earned which is not attributable to any reportable segment. Reportable segment profit/(loss) before tax also excludes the elimination of inter-segment profit/(loss).

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

(a) Segment information

	For the six months ended 30.9.2018 (unaudited)					
	Vehicle design and electric vehicle production HK$'000	Battery products HK$'000	Electric vehicle leasing HK$'000	Battery materials production HK$'000	Direct investments HK$'000	Total HK$'000
Revenue from external customers	**68,424**	**83,310**	**–**	**100,255**	**3,800**	**255,789**
Inter-segment revenue	**–**	**1,108**	**–**	**–**	**2,779**	**3,887**
Reportable segment revenue	**68,424**	**84,418**	**–**	**100,255**	**6,579**	**259,676**
Reportable segment loss before tax	**(521,877)**	**(80,141)**	**(689)**	**(71,880)**	**(25,300)**	**(699,887)**

	For the six months ended 30.9.2017 (unaudited)					
	Vehicle design and electric vehicle production HK$'000	Battery products HK$'000	Electric vehicle leasing HK$'000	Battery materials production HK$'000	Direct investments HK$'000	Total HK$'000
Revenue from external customers	64,518	43,506	1	169,032	7,058	284,115
Inter-segment revenue	–	10,200	–	–	16,818	27,018
Reportable segment revenue	64,518	53,706	1	169,032	23,876	311,133
Reportable segment profit/(loss) before tax	(325,729)	(165,734)	(195)	(28,683)	26,298	(494,043)

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

(a) Segment information *(Continued)*

	As at 30.9.2018 (unaudited)					
	Vehicle design and electric vehicle production HK$'000	Battery products HK$'000	Electric vehicle leasing HK$'000	Battery materials production HK$'000	Direct investments HK$'000	Total HK$'000
Reportable segment assets	**5,881,603**	**1,070,820**	**18,661**	**1,087,018**	**263,989**	**8,322,091**
Reportable segment liabilities	**(3,353,976)**	**(1,497,064)**	**(1,727)**	**(359,784)**	**(168,282)**	**(5,380,833)**

	As at 31.3.2018 (audited)					
	Vehicle design and electric vehicle production HK$'000	Battery products HK$'000	Electric vehicle leasing HK$'000	Battery materials production HK$'000	Direct investments HK$'000	Total HK$'000
Reportable segment assets	7,420,930	1,298,986	21,200	1,274,307	306,588	10,322,011
Reportable segment liabilities	(4,410,796)	(1,567,967)	(2,196)	(410,013)	(176,579)	(6,567,551)

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

	Six months ended	
	30.9.2018	30.9.2017
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Revenue		
Reportable segment revenue	**259,676**	311,133
Elimination of inter-segment revenue	**(3,887)**	(27,018)
Consolidated revenue	**255,789**	284,115
Loss		
Reportable segment loss before tax	**(699,887)**	(494,043)
Elimination of inter-segment loss	**110**	7,678
Reportable segment loss derived from the Group's external customers	**(699,777)**	(486,365)
Other income and other gains and losses, net	**(66,072)**	(13,218)
Depreciation	**(405)**	(768)
Finance costs	**(130,918)**	(130,956)
Unallocated corporate expenses	**(58,343)**	(91,784)
Consolidated loss before tax	**(955,515)**	(723,091)

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

	30.9.2018 (unaudited) HK$'000	31.3.2018 (audited) HK$'000
Assets		
Reportable segment assets	**8,322,091**	10,322,011
Unallocated corporate assets:		
Derivative financial instruments	**822**	19,183
Cash and cash equivalents	**149,866**	101,157
Other unallocated corporate assets	**174,180**	203,936
Consolidated total assets	**8,646,959**	10,646,287
Liabilities		
Reportable segment liabilities	**(5,380,833)**	(6,567,551)
Unallocated corporate liabilities:		
Bank loans and other borrowings	**(1,129,069)**	(1,289,617)
Liability components of convertible bonds	**(573,921)**	(548,415)
Subscription receipts in advance	**(230,411)**	–
Other unallocated corporate liabilities	**(184,032)**	(92,299)
Consolidated total liabilities	**(7,498,266)**	(8,497,882)

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

4. OTHER GAINS AND LOSSES, NET

	Six months ended	
	30.9.2018	30.9.2017
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Exchange gains/(losses), net	**11,816**	(14,090)
Net (loss)/gain on held-for-trading investments	**(6,563)**	16,148
Net loss on financial assets designated as at fair value through profit or loss *(Note (a))*	**(57,054)**	–
Write-down of inventories	**(33,073)**	(7,854)
Reversal of write-down of inventories	**–**	1,185
Impairment loss on trade receivables	**(129,750)**	(3,045)
Impairment loss on contract assets	**(10,250)**	–
Impairment loss on loan and other receivables	**(22,008)**	–
Impairment loss on property, plant and equipment	**(2,590)**	–
Impairment loss on intangible assets	**(889)**	–
Impairment loss on interest in an associate *(Note (b))*	**(11,194)**	–
Reversal of impairment losses on trade receivables	**5,935**	357
Loss on disposal of property, plant and equipment, net	**(1,635)**	(490)
Loss on disposal of subsidiaries *(Note (c))*	**(9,743)**	–
	(266,998)	(7,789)

Notes:

(a) On 30 October 2017, the convertible bonds issued by FDG Kinetic Limited ("FKL", a non-wholly-owned listed subsidiary of the Company) (the "FKL CB") with the principal amount of HK$110,000,000 held by Union Grace Holdings Limited ("Union Grace", a wholly-owned subsidiary of the Company) were disposed of to an independent third party purchaser at a consideration equal to the aggregate of (i) HK$110,000,000 which has been received from the purchaser on the date of the sale and purchase agreement by way of cashier's orders; and additionally (ii) in the event the conversion right of any of the FKL CB is exercised, HK$0.36 per conversion share so converted payable on the date of such exercise by way of cash (the "Contingent Assets"). Such Contingent Assets are designated and measured at fair value and included in financial assets at fair value through profit or loss during the year ended 31 March 2018. Thereafter, any change in fair value of the Contingent Assets is dealt with in profit or loss. The FKL CB was matured during the period ended 30 September 2018 and was fully settled. During the period ended 30 September 2018, net loss on financial assets designated as at fair value through profit or loss of HK$57,054,000 (six months ended 30 September 2017: nil) was recognised in the condensed consolidated statement of profit or loss.

(b) For the interest in an associate, Advanced Lithium Electrochemistry (Cayman) Co., Ltd. ("ALEEES"), at the end of the reporting period, the carrying amount exceeded its recoverable amount which was based on its market value less cost of disposal of approximately HK$211,925,000 and thus an impairment loss of HK$11,194,000 (six months ended 30 September 2017: nil) was recognised in the condensed consolidated statement of profit or loss.

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

4. OTHER GAINS AND LOSSES, NET *(Continued)*

Notes: (Continued)

(c) On 3 May 2018, the Company, Preferred Market Limited ("PML", a wholly-owned subsidiary of the Company) and Hong Kong ShengHai DeYong Investment Limited (the "Purchaser", an independent third party to the Company), entered into a sale and purchase agreement. Pursuant to the agreement, PML agreed to sell and the Purchaser agreed to purchase the entire issued share capital of Giant Industry Holdings Limited, which indirectly holds 50% interests in Yunnan FDG Automobile Co., Ltd* (雲南五龍汽車有限公司), for a net consideration of RMB73,436,000 (equivalent to approximately HK$90,639,000), representing that the gross consideration of RMB80,000,000 (equivalent to HK$98,741,000) net of a deduction of RMB6,564,000 (equivalent to HK$8,102,000), being the excess of net accounts payable over the guaranteed amount in the completion account pursuant to the sale and purchase agreement based on the preliminary assessments of the Group. The disposal transaction was completed on 3 May 2018,and loss on disposal of subsidiaries of HK$9,743,000 was recognised in the condensed consolidated statement of profit or loss.

Particulars of the disposal transaction are as follows:

	Provisional amounts (unaudited) HK$'000
Assets and liabilities at the date of disposal:	
Inventories	98,405
Trade and bills receivables	94,219
Contract assets	116,425
Loan and other receivables	106,436
Cash and cash equivalents	482
Bank loans and other borrowings	(84,957)
Trade and bills payables	(204,625)
Accruals and other payables	(201,512)
Obligations under finance leases	(2,568)
Net amounts due to fellow subsidiaries	(281,436)
Non-controlling interests	173,543
Net liabilities disposed of	(185,588)
Loss on disposal of subsidiaries:	
Net liabilities disposed of	185,588
The fair value of the contractual right of licensing associated brand and trademarks	(11,140)
Release of exchange reserve	6,606
Waiver of net amounts due to fellow subsidiaries	(281,436)
Total net consideration	90,639
	(9,743)
Consideration was satisfied by:	
Cash consideration received	61,713
Cash consideration receivable	37,028
	98,741
Less: the excess of net accounts payable over the guaranteed amount	(8,102)
Total net cash consideration	90,639
An analysis of the cash flows in respect of the disposal is as follows:	
Cash consideration received	61,713
Cash and cash equivalents disposed of	(482)
	61,231

* *For identification purpose only*

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

5. FINANCE COSTS

	Six months ended	
	30.9.2018	30.9.2017
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Interest expenses on convertible bonds		
– issued by the Company	**41,550**	18,342
– issued by a listed subsidiary of the Company	**5,121**	–
Interest on finance leases	**3,012**	3,094
Interest on bank loans and other borrowings wholly repayable within five years	**124,077**	160,983
Other borrowing costs	**7,258**	11,817
Total interest expenses on financial liabilities not at fair value through profit or loss	**181,018**	194,236
Less: Interest expenses capitalised into construction in progress	**(3,147)**	(18,855)
	177,871	175,381
Fair value loss/(gain) on derivative financial instruments	**18,361**	(1,089)
	196,232	174,292

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

6. LOSS BEFORE TAX

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

	Six months ended	
	30.9.2018	30.9.2017
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Interest income	**(12,635)**	(27,261)
Cost of inventories recognised as expenses		
– included in cost of sales	**227,916**	254,115
– included in selling and distribution costs	**772**	1,616
– included in research and development expenses	**560**	20,216
– included in other gains and losses, net	**33,073**	6,669
Amortisation of intangible assets	**51,456**	89,418
Depreciation of property, plant and equipment	**96,320**	98,732
Amortisation of interests in leasehold land held for own use under operating leases	**4,658**	3,906
Warranty provision	**1,357**	4,581
Other operating expenses *(Note)*	**66,576**	77,884

Note:

During the six months ended 30 September 2018, the other operating expenses amounted to HK$66,576,000 in respect of certain indirect operating expenses arising from the under-utilisation of production capacity of the electric vehicle production plants in Hangzhou (six months ended 30 September 2017: HK$77,884,000).

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

7. INCOME TAX

	Six months ended	
	30.9.2018	30.9.2017
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Overseas current tax charge for the period	**384**	612
Deferred tax credit	**(13,731)**	(19,970)
Total tax credit for the period	**(13,347)**	(19,358)

No provision for the Hong Kong profits tax or the PRC enterprise income tax has been made as the Group either sustained losses for taxation purposes or has available tax losses brought forward from prior years to offset against the current period estimated assessable profits in Hong Kong and the PRC for the six months ended 30 September 2018 and 2017. Taxes on overseas profits have been calculated at the rates of taxation prevailing in the jurisdictions in which the entity operates. The deferred tax of HK$13,731,000 (six months ended 30 September 2017: HK$19,970,000) that has been credited to the condensed consolidated statement of profit or loss arose from origination and reversal of temporary differences mainly in respect of fair value adjustments arising from acquisition of subsidiaries.

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

8. LOSS PER SHARE

(a) Basic loss per share

The basic loss per share is calculated based on (i) the consolidated loss for the period attributable to owners of the Company of HK$623,131,000 (Six months ended 30 September 2017: HK$546,772,000); and (ii) the weighted average number of 22,417,886,000 (Six months ended 30 September 2017: 22,402,226,000) ordinary shares in issue during the period.

	Six months ended	
	30.9.2018 Weighted average number of ordinary shares (unaudited) '000	30.9.2017 Weighted average number of ordinary shares (unaudited) '000
Issued ordinary shares at the beginning of the reporting period	**22,413,077**	22,398,476
Effect of issue of shares pursuant to share subscription	**4,809**	–
Effect of issue of shares upon exercise of share options	**–**	3,750
Weighted average number of ordinary shares at the end of the reporting period	**22,417,886**	22,402,226

(b) Diluted loss per share

The calculation of diluted loss per share does not assume the exercise of the Company's outstanding share options or conversion of outstanding convertible bonds of the Group which had an anti-dilutive effect and would result in a reduction in loss per share for the six months ended 30 September 2018 and 2017. Therefore, the diluted loss per share is the same as the basic loss per share for the both periods.

9. INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the period (six months ended 30 September 2017: nil).

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

10. INTANGIBLE ASSETS

	Patents and patent using rights HK$'000	Industrial proprietary rights HK$'000	Technical know-hows HK$'000	Lease contractual right HK$'000	Software HK$'000	Total HK$'000
Cost						
At 1 April 2017 (audited)	3,676,501	51,230	601,950	33,342	–	4,363,023
Additions	–	–	–	–	17,054	17,054
Additions from internal developments	–	–	189,655	–	–	189,655
Written-off	–	–	–	(34,887)	–	(34,887)
Exchange adjustments	196	5,531	78,291	1,545	1,004	86,567
At 31 March 2018 and 1 April 2018 (audited)	3,676,697	56,761	869,896	–	18,058	4,621,412
Additions from internal developments	–	–	99,258	–	–	99,258
Disposal of subsidiaries	–	(27,406)	(24,495)	–	–	(51,901)
Exchange adjustments	(241)	(2,829)	(80,562)	–	(1,615)	(85,247)
At 30 September 2018 (unaudited)	**3,676,456**	**26,526**	**864,097**	**–**	**16,443**	**4,583,522**
Accumulated amortisation and impairment losses						
At 1 April 2017 (audited)	3,353,736	5,566	185,380	32,237	–	3,576,919
Charge for the year	97,299	24,670	106,764	1,157	834	230,724
Impairment loss for the year	197,790	–	–	–	–	197,790
Written-off	–	–	–	(34,887)	–	(34,887)
Exchange adjustments	76	2,054	26,300	1,493	49	29,972
At 31 March 2018 and 1 April 2018 (audited)	3,648,901	32,290	318,444	–	883	4,000,518
Charge for the period	2,597	557	46,616	–	1,686	51,456
Impairment loss for the period *(Note)*	–	–	889	–	–	889
Disposal of subsidiaries	–	(27,406)	(24,495)	–	–	(51,901)
Exchange adjustments	(78)	(666)	(28,576)	–	(157)	(29,477)
At 30 September 2018 (unaudited)	**3,651,420**	**4,775**	**312,878**	**–**	**2,412**	**3,971,485**
Carrying amount						
At 30 September 2018 (unaudited)	**25,036**	**21,751**	**551,219**	**–**	**14,031**	**612,037**
At 31 March 2018 (audited)	27,796	24,471	551,452	–	17,175	620,894

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

10. INTANGIBLE ASSETS *(Continued)*

Note:

An impairment loss on intangible assets of HK$889,000 attributable to the disposed subsidiaries was recognised during the six months ended 30 September 2018 with reference to the proceeds from disposal of the subsidiaries.

11. PROPERTY, PLANT AND EQUIPMENT AND INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES

The Group's additions to property, plant and equipment and interests in leasehold land held for own use under operating leases during the six months ended 30 September 2018 amounting to HK$154,030,000 (six months ended 30 September 2017: HK$152,703,000), include an amount of HK$106,149,000 (six months ended 30 September 2017: HK$37,180,000) being transferred from deposits paid for non-current assets.

As at 30 September 2018, certain land and buildings, plant and machinery, construction in progress of the Group with a total carrying amount of HK$2,332,587,000 (31 March 2018: HK$2,497,659,000) were pledged as securities for the Group's bank loans (Note 14(a)).

As at 30 September 2018, the carrying amount of plant and machinery held under finance leases was HK$142,071,000 (31 March 2018: HK$162,031,000).

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

12. TRADE AND BILLS RECEIVABLES/CONTRACT ASSETS

	30.9.2018 (unaudited) HK$'000	31.3.2018 (audited) HK$'000
Trade receivables	**733,574**	1,732,436
Bills receivable	**15,651**	14,682
Less: Allowance for doubtful debts	**(330,994)**	(337,951)
	418,231	1,409,167
Contract assets	**624,175**	–
Less: Allowance for doubtful debts	**(104,837)**	–
	519,338	–

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

	30.9.2018 (unaudited) HK$'000	31.3.2018 (audited) HK$'000
Within 1 month	**17,056**	54,731
Over 1 month but within 3 months	**22,048**	114,645
Over 3 months but within 6 months	**15,751**	251,596
Over 6 months but within 9 months	**28,446**	154,976
Over 9 months but within 1 year	**14,602**	126
Over 1 year	**320,328**	833,093
	418,231	1,409,167

Trading terms with customers are either on a cash basis or on credit. For those customers who trade on credit, a credit period generally ranging from one month to six months is allowed. Credit limits are set for those customers. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. Overdue balances are regularly reviewed by senior management of the Group.

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

12. TRADE AND BILLS RECEIVABLES/CONTRACT ASSETS *(Continued)*

During the six months ended 30 September 2018, the Group performed recoverability assessments on those customers with long overdue balances. Amounts of HK$129,750,000 and HK$10,250,000 (31 March 2018: HK$269,987,000 and nil) were recognised as allowance for doubtful debts on trade receivables and contract assets, respectively, using expected credit loss model, taking into account the financial status and repayment records of those individual customers, as well as the status of the electric vehicles sold to them. The carrying amounts of the balances approximate their fair values.

Certain portion of the sales of electric vehicles of the Group will be settled by the PRC government, on behalf of the customers of the Group, for the sales of electric vehicles, by the way of national subsidies in accordance with the Circular on Financial Support Policies for the Promotion and Application of New Energy Vehicles 2016-2020 (Cai Jian [2015] 134) and other relevant and applicable government's notices and policies promulgated by the PRC government, and the sales contracts made between the Group and these customers. As at 30 September 2018 and 31 March 2018, the subsidy receivables from the PRC government, net of impairment losses, amounting to HK$519,338,000 and HK$680,422,000, respectively, were subject to the relevant subsidy policies and were not unconditional. As at 31 March 2018, the subsidy receivables were principally grouped under trade and bills receivables with the age bands of over 1 year and were considered not past due. In view of change in accounting policies, the subsidy receivables of HK$680,422,000 were reclassified from trade and bills receivables to contract assets upon adoption of HKFRS 15 since 1 April 2018. As at 30 September 2018, the subsidy receivables of HK$519,338,000 were presented as contract assets.

As at 30 September 2018, certain electric vehicles sold were pledged to the Group as collaterals by certain customers against certain portion of Group's trade receivables amounting to HK$11,455,000 (31 March 2018: nil).

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

13. LOAN AND OTHER RECEIVABLES

	30.9.2018 (unaudited) HK$'000	31.3.2018 (audited) HK$'000
Loan receivables	230,812	211,344
Other receivables	385,149	418,615
Less: Allowance for doubtful debts	(91,027)	(73,432)
	524,934	556,527
Deposits and prepayments	119,430	244,366
Value-added-tax receivables	218,400	391,240
	862,764	1,192,133
Presented by:		
Non-current assets	16,595	16,128
Current assets	846,169	1,176,005
	862,764	1,192,133

14. BANK LOANS AND OTHER BORROWINGS

At 30 September 2018, the bank loans and other borrowings were repayable as follows:

	30.9.2018 (unaudited) HK$'000	31.3.2018 (audited) HK$'000
Within 1 year	1,673,180	1,628,383
After 1 year but within 2 years	286,368	564,901
After 2 years but within 5 years	1,015,813	1,129,367
	2,975,361	3,322,651
Presented by:		
Current liabilities	1,673,180	1,628,383
Non-current liabilities	1,302,181	1,694,268
	2,975,361	3,322,651

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

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

At 30 September 2018, the bank loans and other borrowings were secured as follows:

	30.9.2018 (unaudited) HK$'000	31.3.2018 (audited) HK$'000
Bank loans		
– secured *(Note (a))*	**1,734,257**	1,799,442
– unsecured	**22,728**	149,760
Total bank loans *(Note (c))*	**1,756,985**	1,949,202
Other borrowings		
– secured *(Note (b))*	**1,018,876**	1,113,949
– unsecured	**199,500**	259,500
Total other borrowings *(Note (c))*	**1,218,376**	1,373,449
	2,975,361	3,322,651

Notes:

(a) As at 30 September 2018, the bank loans were secured by certain land and buildings, machinery and equipment and construction in progress of the Group with a total carrying amount of HK$2,332,587,000 (31 March 2018: HK$2,497,659,000), share charges over certain shares of the subsidiaries of the Company, trade and bills receivables and contract assets of totally HK$296,171,000 (31 March 2018: HK$30,891,000) and intra-group trade receivables of the Group, and guaranteed by two (31 March 2018: three) executive directors of the Company.

(b) As at 30 September 2018, the secured other borrowings included (i) a loan of HK$586,248,000 (31 March 2018: HK$583,602,000) which was secured by debentures in favour of the lender by way of the first fixed and floating charges over the tangible moveable property and investments of two wholly-owned subsidiaries of the Company and share charges over all issued shares of its two wholly-owned subsidiaries and 74.56% of the issued shares of FKL; (ii) a loan of HK$175,000,000 (31 March 2018: HK$150,000,000) which was secured by a promissory note issued by FKL held by the Company (31 March 2018: certain principal amount of convertible bonds of FKL held by the Group), a fixed and floating charge over all the undertaking, property and assets of a wholly-owned subsidiary of the Company and a share charge over 75% (31 March 2018: 51%) of issued shares of its wholly-owned subsidiary; (iii) loans of HK$209,083,000 (31 March 2018: HK$294,136,000) which were secured by trade receivables of HK$12,029,000 (31 March 2018: nil), intra-group trade and bill receivables and a bank deposit of HK$49,336,000 (31 March 2018: HK$54,181,000) of the Group; and (iv) loans of HK$48,545,000 (31 March 2018: HK$86,211,000) which were secured by certain machineries of the Group.

(c) As at 30 September 2018, bank loans of HK$1,756,985,000 (31 March 2018: HK$1,949,202,000) were denominated in Renminbi ("RMB"), United States dollars or Euro and bearing interest at prevailing market interest rates; and other borrowings of HK$1,218,376,000 (31 March 2018: HK$1,373,449,000) were denominated in RMB or Hong Kong dollars and bearing fixed interest rates.

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

15. TRADE AND BILLS PAYABLES

	30.9.2018 (unaudited) HK$'000	31.3.2018 (audited) HK$'000
Trade payables	**436,887**	626,599
Bills payable	**156,555**	333,030
	593,442	959,629

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

	30.9.2018 (unaudited) HK$'000	31.3.2018 (audited) HK$'000
Within 1 month	**29,404**	83,559
Over 1 month but within 3 months	**109,190**	242,510
Over 3 months but within 1 year	**370,759**	521,065
Over 1 year	**84,089**	112,495
	593,442	959,629

The carrying amounts of trade and bills payables approximate their fair values. As at 30 September 2018, bills payable of HK$49,054,000 (31 March 2018: HK$179,660,000) were secured by bank deposits of HK$47,285,000 (31 March 2018: HK$177,790,000).

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

16. ACCRUALS AND OTHER PAYABLES

	30.9.2018 (unaudited) HK$'000	31.3.2018 (audited) HK$'000
Bills and other payables for acquisition of non-current assets *(Note (a))*	**302,694**	456,708
Other payables and accrued expenses *(Note (b))*	**684,293**	697,915
Amounts due to directors *(Note (c))*	**13,008**	23,971
	999,995	1,178,594
Value-added-tax payables	**959**	877
Receipts in advance	**–**	122,094
Contract liabilities	**38,151**	–
Subscription receipts in advance *(Note (d))*	**230,411**	–
Warranty provision	**62,840**	74,059
	1,332,356	1,375,624

Notes:

(a) As at 31 March 2018, bills payable for acquisition of non-current assets of HK$2,346,000 were secured by bank deposits of HK$2,346,000.

(b) Included in other payables is an amount of HK$144,891,000 (31 March 2018: HK$159,120,000), representing payable for investment cost in an associate, which is interest-free and repayable on demand (31 March 2018: with maturity within one year). Further details are set out in Note 24(d).

(c) The amounts due to directors were unsecured, interest-free and repayable on demand as at 30 September 2018 and 31 March 2018. These transactions constituted related party transactions and connected transactions of the Company which however, are fully exempted from shareholders' approval, annual review and all disclosure requirements under the Listing Rules.

(d) The subscription receipts in advance represents considerations received from a subscriber in respect of a share subscription of the Company pursuant to a subscription agreement dated 28 July 2018 as detailed in Note 24(a). The considerations received were regarded as paid-up capital of the Company upon completion of the subscription on 2 October 2018.

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

17. CONVERTIBLE BONDS

	30.9.2018		31.3.2018	
	Liability components (unaudited) HK$'000	**Derivative financial instruments (unaudited) HK$'000**	Liability components (audited) HK$'000	Derivative financial instruments (audited) HK$'000
Convertible bonds due in 2020 *(Note (a))*	**358,240**	**(185)**	341,602	(8,303)
Convertible bonds due in 2021 *(Note (b))*	**215,681**	**(637)**	206,813	(10,880)
Convertible bonds issued by FKL *(Note (c))*	**–**	**–**	98,079	–
	573,921	**(822)**	646,494	(19,183)
Presented by:				
Current assets	**–**	**(822)**	–	(19,183)
Current liabilities	**–**	**–**	98,079	–
Non-current liabilities	**573,921**	**–**	548,415	–
	573,921	**(822)**	646,494	(19,183)

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

17. CONVERTIBLE BONDS *(Continued)*

Notes:

(a) Convertible bonds due in 2020

On 5 December 2017, the Company issued convertible bonds with an aggregate principal amount of HK$400,000,000 (the "2020 Due CB") pursuant to the agreement dated 28 November 2017 entered into between the Company and a subscriber, which was an independent third party to the Company. Details of which were disclosed in 2017/18 annual report of the Company.

The 2020 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 2018	341,578	69,602	(11,180)	400,000
Less: Transaction costs	(9,961)	(2,040)	–	(12,001)
Add: Interest expenses	20,242	–	–	20,242
Less: Interest payable	(10,257)	–	–	(10,257)
Less: Fair value loss on derivative financial instruments	–	–	2,877	2,877
As at 31 March 2018 and 1 April 2018 (audited)	**341,602**	**67,562**	**(8,303)**	**400,861**
Add: Interest expenses	32,682	–	–	32,682
Less: Interest paid	(16,000)	–	–	(16,000)
Less: Interest payable	(44)	–	–	(44)
Less: Fair value loss on derivative financial instruments	–	–	8,118	8,118
As at 30 September 2018 (unaudited)	**358,240**	**67,562**	**(185)**	**425,617**

None of the 2020 Due CB was converted during the six months ended 30 September 2018 and the year ended 31 March 2018.

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

17. CONVERTIBLE BONDS *(Continued)*

Notes: (Continued)

(b) Convertible bonds due in 2021

On 25 August 2016, the Company issued convertible bonds with an aggregate principal amount of HK$275,000,000 (the "2021 Due CB") pursuant to the subscription agreement dated 14 April 2016 entered into between the Company and ALEEES. Details of which were disclosed in 2017/18 annual report of the Company.

The 2021 Due CB have been split as follows:

	Liability component HK$'000	Equity component HK$'000	Derivative financial instruments HK$'000	Total HK$'000
As at 1 April 2017	190,199	119,148	(19,951)	289,396
Add: Interest expenses	16,614	–	–	16,614
Less: Fair value loss on derivative financial instruments	–	–	9,071	9,071
As at 31 March 2018 and 1 April 2018 (audited)	**206,813**	**119,148**	**(10,880)**	**315,081**
Add: Interest expenses	8,868	–	–	8,868
Less: Fair value loss on derivative financial instruments	–	–	10,243	10,243
As at 30 September 2018 (unaudited)	**215,681**	**119,148**	**(637)**	**334,192**

None of the 2021 Due CB was converted during the six months ended 30 September 2018 and the year ended 31 March 2018.

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

17. CONVERTIBLE BONDS *(Continued)*

Notes: (Continued)

(c) Convertible bonds issued by FKL

On 30 October 2017, an independent third party purchased the convertible bonds with an aggregate principal amount of HK$110,000,000 issued by FKL on 4 August 2015 (the "FKL CB") from Union Grace. Details of which were disclosed in 2017/18 annual report of the Company.

The FKL CB have been split as follows:

	Liability component HK$'000	Equity component HK$'000	Total HK$'000
Initially recognised during the year ended 31 March 2018	105,411	120,080	225,491
Add: Interest expenses	5,888	–	5,888
Less: Interest payable	(3,524)	–	(3,524)
Less: Converted during the year	(9,696)	(10,916)	(20,612)
As at 31 March 2018 and 1 April 2018 (audited)	**98,079**	**109,164**	**207,243**
Add: Interest expenses	5,121	–	5,121
Less: Interest paid	(3,200)	–	(3,200)
Less: Derecognition upon maturity	(100,000)	(109,164)	(209,164)
As at 30 September 2018 (unaudited)	**–**	**–**	**–**

None of the FKL CB was converted during the six months ended 30 September 2018. During the year ended 31 March 2018, the FKL CB with an aggregate principal amount of HK$10,000,000 were converted into 29,412,000 ordinary shares of FKL at the conversion price of HK$0.34 per share, and additional consideration of HK$10,589,000 was received by the Group.

The equity component of the FKL CB of HK$109,164,000 was released to accumulated losses upon maturity on 4 August 2018.

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

18. 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"). In the legal proceedings instituted against Mr. Chung and/or companies which are controlled and/or owned by him (together the "Chung Parties") for breaches of various agreements in relation to the acquisition completed by the Group in 2010 (the "High Court Proceedings"), the damages claimed by the Group (the "Claim Amount"), as supported by an independent forensic accountant report commissioned by the Group, are estimated to be substantially larger than the Redemption Amount. The Group has sought to set off a portion of the Claim Amount against the Redemption Amount (the "Set-Off").

On 5 March 2013, the High Court of Hong Kong (the "HK Court") issued a judgement in favour of the Company, granting the Company unconditional leave to defend the Claim Amount and to argue the Set-Off in the High Court Proceedings (the "5 March 2013 Judgement"). Effectively, since 5 March 2013, the Company's payment obligations under the redeemed convertible bonds are subject to a stay of execution pending determination of the High Court Proceedings. Any claim to payment under convertible bonds may be subject to the Company's argument of the Set-Off.

By reason of the 5 March 2013 Judgement stands and considering the complexity of the High Court Proceedings and the time required for various interlocutory applications of the parties, in addition to the fact that, Mr. Chung was adjudged bankrupt on 27 February 2013 and the bankruptcy has been extended for a period of 4 years from 26 February 2017 by an order of the HK Court on 26 February 2017. The directors of the Company do not expect that the Company will be required to settle the Redemption Amount regarding the convertible bonds in the near future.

The Company's instructing external counsels are in the process of reviewing the case and the Company is in the course of amending its Statement of Claim. Based on the legal opinion, payment of the Redemption Amount regarding the convertible bonds would likely not arise for at least 12 months after the end of the reporting period. Under such circumstances, the Board considered it was appropriate to classify the obligations under the redeemed convertible bonds of approximately HK$760,752,000 under non-current liabilities.

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

19. SHARE CAPITAL

	30.9.2018 (unaudited) No. of shares '000	30.9.2018 (unaudited) HK$'000	31.3.2018 (audited) No. of shares '000	31.3.2018 (audited) HK$'000
Authorised:				
At beginning of the reporting period				
Ordinary shares of HK$0.01 each	**50,000,000**	**500,000**	50,000,000	500,000
Increase in authorised share capital *(Note (a))*	**50,000,000**	**500,000**	–	–
At end of the reporting period				
Ordinary shares of HK$0.01 each	**100,000,000**	**1,000,000**	50,000,000	500,000
Issued and fully paid:				
At beginning of the reporting period				
Ordinary shares of HK$0.01 each	**22,413,076**	**224,131**	22,398,476	223,985
Issue of new shares:				
– pursuant to share placement *(Note (b))*	**1,000,000**	**10,000**	–	–
– upon exercise of share options *(Note (c))*	**–**	**–**	14,600	146
At end of the reporting period				
Ordinary shares of HK$0.01 each	**23,413,076**	**234,131**	22,413,076	224,131

Notes:

(a) Pursuant to an ordinary resolution passed at annual general meeting of the Company on 31 August 2018, the authorised share capital of the Company was increased from HK$500,000,000 divided into 50,000,000,000 shares of HK$0.01 each to HK$1,000,000,000 divided into 100,000,000,000 shares of HK$0.01 each.

(b) During the six months ended 30 September 2018, the Company issued a total of 1,000,000,000 ordinary shares of HK$0.01 each at the placing price of HK$0.109 per share pursuant to the placing agreement dated 25 June 2018.

(c) During the year ended 31 March 2018, share options to subscribe for 14,600,000 ordinary shares of the Company were exercised. The net consideration for the exercise of the share option was HK$3,358,000 of which HK$146,000 was credited to share capital account and the balance of HK$3,212,000 was credited to share premium account. The amount of HK$1,648,000 was transferred from share option reserve account to share premium account upon the exercise of the share options.

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:

	30.9.2018 (unaudited) HK$'000	31.3.2018 (audited) HK$'000
Contracted, but not provided for capital commitments in respect of:		
– capital expenditures of the Group's factories in the PRC *(Note)*	**1,308,793**	1,434,146
– investment in a joint venture	**–**	38,750
– investments in associates	**12,387**	13,603
	1,321,180	1,486,499

Note:

As at 30 September 2018, the amounts of HK$715,088,000 (31 March 2018: HK$703,613,000) related to capital expenditures of electric vehicle production plants in Guizhou will be financed with the assistance of the Guizhou local government.

21. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these unaudited condensed consolidated interim financial statements, the Group had the following material transactions with related parties during the reporting period:

(a) Sales/purchase of goods and other transactions

	Six months ended	
	30.9.2018 (unaudited) HK$'000	30.9.2017 (unaudited) HK$'000
Sales of electric vehicles to a joint venture	**2,290**	19,682
Purchase of raw materials from an associate	**(4,813)**	(11,770)
Research and development expenses charged by an associate	**(1,592)**	(16,711)

The transactions were based on the terms mutually agreed between the Group and the joint venture or the associate. In the opinion of directors of the Company, the transactions were conducted in the ordinary course of business.

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

21. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Key management personnel remuneration

The remuneration of key management personnel during the period was as follows:

	Six months ended	
	30.9.2018	30.9.2017
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Short-term employee benefits	**13,047**	15,655
Retirement benefit schemes contributions	**96**	100
Equity-settled share-based payments	**4,277**	27,164
	17,420	42,919

(c) Period-end balances arising from sales/purchase of goods and other transactions

	30.9.2018	31.3.2018
	(unaudited)	(audited)
	HK$'000	HK$'000
Trade and other receivables from a joint venture	**–**	23,686
Deposits received from a joint venture	**(161)**	–
Trade and other payables to associates	**(40,524)**	(42,259)

As at 31 March 2018, the trade and other receivables from the joint venture arose mainly from sale transactions with credit period generally within three months and other advances. The receivables were unsecured and non-interest-bearing. No provision for doubtful debt has been made on the receivables from the joint venture. The deposits received from the joint venture arose from settlement in excess of receivables, and were unsecured, non interest-bearing and repayment on demand. The payables to the associates arose mainly from the purchase of raw materials and research and development expenses charged. The payables were unsecured, non-interest-bearing and repayable within one year.

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

21. RELATED PARTY TRANSACTIONS *(Continued)*

(d) Loans to a related party

	30.9.2018 (unaudited) HK$'000	31.3.2018 (audited) HK$'000
Loans to a joint venture	**53,056**	28,215

The movements of loans to a joint venture during the period are as follows:

	Six months ended	
	30.9.2018 (unaudited) HK$'000	30.9.2017 (unaudited) HK$'000
Loans to a joint venture:		
At beginning of the reporting period	**28,215**	43,714
Loans advanced during the reporting period	**38,285**	7,788
Conversion of loans to capital injection	**(14,725)**	–
Interest charged	**1,665**	2,042
Interest withholding tax provided	**(384)**	(612)
At end of the reporting period	**53,056**	52,932

As at 30 September 2018 and 31 March 2018, the balances were due within one year, bearing interest at 8% per annum and secured by a lien on any and all properties, rights and assets of the joint venture, now owned or hereafter acquired.

As at 30 September 2018, no provision for doubtful debt has been made on the loans to the joint venture (31 March 2018: nil).

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 and 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 valuations are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 valuations are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 valuations are unobservable inputs for the asset or liability.

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets under recurring fair value measurements are determined (in particular, the valuation technique(s) and inputs used).

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(Continued)*

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	30.9.2018 (unaudited) HK$'000	31.3.2018 (audited) HK$'000				
Held-for-trading investments						
– Listed equity securities	**2,135**	15,495	Level 1	Quoted bid prices in active markets	N/A	N/A
– Unlisted funds	**6,205**	7,005	Level 2	Quoted prices in the over-the-counter markets	N/A	N/A
Derivative financial instruments						
– Early redemption and mandatory conversion options embedded in convertible bonds	**822**	19,183	Level 3	Binomial pricing model	Expected volatility	The higher/lower of expected volatility, the higher/lower of fair value
Designated:						
– Contingent receivable	**–**	57,054	Level 3	Binomial pricing model	Expected volatility	The higher/lower of expected volatility, the higher/lower of fair value

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(Continued)*

During the six months ended 30 September 2018 and the year ended 31 March 2018, there were no transfer between Level 1 and Level 2, or transfer into or out of Level 3. The Group's policy is to recognise the transfer between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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

	Six months ended	
	30.9.2018	30.9.2017
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Early redemption and mandatory conversion options embedded in convertible bonds		
At beginning of the reporting period	**19,183**	21,233
Changes in fair value recognised in the condensed consolidated statement of profit or loss during the reporting period	**(18,361)**	1,089
At end of the reporting period	**822**	22,322

The fair value of early redemption and mandatory conversion options embedded in the 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 2018, it is estimated that with all other variables held constant, an increase/decrease in the expected volatility by 10% would decrease the Group's loss by HK$1,567,000 (six months ended 30 September 2017: HK$10,661,000)/increase the Group's loss by HK$703,000 (six months ended 30 September 2017: HK$8,245,000), respectively.

	Six months ended	
	30.9.2018	30.9.2017
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Contingent receivable		
At beginning of the reporting period	**57,054**	–
Changes in fair value recognised in the condensed consolidated statement of profit or loss during the reporting period *(Note 4(a))*	**(57,054)**	–
At end of the reporting period	**–**	–

The fair value of contingent receivable 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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

23. LITIGATION UPDATE

LITIGATIONS INVOLVING MR. WINSTON CHUNG

The Company and two of its subsidiaries are involving in litigations with the Chung Parties in the High Court Proceedings, which were instituted against the Chung Parties for, inter alia, breaches of various agreements in relation to the acquisition completed by the Group on 25 May 2010. In the same action, the Chung Parties issued a counterclaim based on certain documents.

After the Group instituted the High Court Proceedings against the Chung Parties, the Chung Parties attempted to claim against a subsidiary of the Company by filing a lawsuit in the Shenzhen Intermediate Court of the PRC (the "SZ Court") for breaches of various agreements in relation to the production of battery products (the "SZ Case"). On 2 June 2015, the SZ Court ruled that the evidence provided by the Chung Parties did not support the Chung Parties' claims, thus dismissed the SZ Case and ordered the Chung Parties to pay the SZ Court's costs (the "SZ Court Order").

On 27 February 2013, the HK Court made an order for bankruptcy against Mr. Chung (the "Bankruptcy"). Despite being adjudged bankrupt, Mr. Chung failed to submit relevant documents to the Trustee as required under the Bankruptcy Ordinance. The HK Court issued a warrant of arrest to apprehend Mr. Chung on 4 September 2014 (the "Warrant of Arrest"). However, on 26 February 2017, the HK Court ordered that Mr. Chung's Bankruptcy be extended by 4 years.

Regarding the Bankruptcy proceedings, the Trustee did take over four companies owned and/or controlled by Mr. Chung, including Mei Li, one of the defendants of the High Court Proceedings in around middle of 2018 and now in the process of making application to take over other companies, which include the holding companies of the remaining five defendants in the High Court Proceedings.

Based on legal advice sought, the directors of the Company do not believe that it is probable that the courts will find against the Group in the High Court Proceedings. In light of the SZ Court Order which casts serious doubt on the Chung Parties' credibility, together with the fact that Mr. Chung has disappeared since the Warrant of Arrest was issued in 2014, the directors of the Company are of the view that the defence and counterclaim of the Chung Parties are frivolous, vexatious and based on unsubstantiated and invalid grounds. In the meantime, the Company's instructing external Counsels are reviewing the case based on updated new information and the Company is in the course of amending its Statement of Claim. The Company will proceed with the case accordingly and no provision for claims has therefore been made in respect of these litigations.

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

24. EVENTS AFTER THE REPORTING PERIOD

(a) On 28 July 2018, the Company entered into a subscription agreement to conditionally allot and issue 2,600,000,000 ordinary shares of the Company under general mandate to an independent subscriber for HK$0.09 per new share. The deposits for the subscription of approximately HK$230 million was received during the six months ended 30 September 2018 and included in accruals and other payables in the condensed consolidated statement of financial position as at 30 September 2018. The subscription transaction was completed on 2 October 2018 and raised net proceeds of approximately HK$230 million to the Group.

(b) On 9 September 2018, the Company entered into a subscription agreement to conditionally allot and issue 7,000,000,000 ordinary shares of the Company under specific mandate to the same subscriber as mentioned in Note 24(a) above for HK$0.09 per new share and will raise net funds of approximately HK$627 million. The subscription agreement was approved by a resolution passed at the special general meeting of the Company held on 5 November 2018. As disclosed in the announcement of the Company dated 21 November 2018, the Company and the subscriber agreed to extend the date of completion of the subscription agreement to 4 December 2018. Up to the date of this report, the subscription transaction has not yet been completed.

(c) On 18 October 2018, a settlement agreement was entered into by, among others, the Company, FDG Strategic Investment Limited ("FDG Strategic"), Chanje Energy, Inc. ("Chanje") and Smith Electric Vehicles Corp ("Smith", a joint venture partner of Chanje). Pursuant to the settlement agreement, among others, (i) Smith will transfer its approximately 16.84% equity interest in Chanje to the Company; (ii) the Company will allot and issue 476,666,666 ordinary shares of the Company to Smith and pay an amount of US$1,312,661.25 to Smith; (iii) Smith will assign to the Company all of its rights, title, and interests granted to it by Chanje pursuant to the contribution agreement dated 4 May 2015 entered into between Smith and Chanje (the "Smith Contribution Agreement"), including but not limited to the contractual right to designate two members to the board of directors of Chanje; (iv) the Company shall release and return to Smith all the Company's common and series E shares in Smith and cancel any rights arising therefrom; and (v) Chanje shall transfer and release to Smith all of Smith's rights and property contributed, transferred or in any manner granted to Chanje and all of the licensed intellectual property contributed by Smith pursuant to the Smith Contribution Agreement and an intellectual property license agreement dated 4 May 2015 entered into between Smith and Chanje provided that Chanje and the Company shall be permitted to continue to utilise on a non-exclusive basis as agreed.

Upon completion of the transfer of approximately 16.84% equity interest in Chanje by Smith to the Company, Chanje will be owned as to 94.74% by the Group and 5.26% by the employee benefit trust established by the Company. As the Group has the right to nominate and appoint the majority of the directors of Chanje, Chanje will become a subsidiary of the Group. Up to the date of this report, the settlement has not yet been completed.

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

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

(d) Pursuant to a board resolution of an associate passed on 19 November 2018, the Group agreed to dispose of the entire interest in the associate with carrying amount of approximately HK$144,891,000 as at 30 September 2018 to one of the existing shareholders of the associate. Up to the date of this report, the disposal transaction has not been completed as the terms of the disposal are still under negotiation among the parties.

MANAGEMENT DISCUSSION AND ANALYSIS

FDG Electric Vehicles Limited (the "Company" or "FDG", together with its subsidiaries collectively, the "Group") is a pure electric vehicle manufacturer. FDG aims to become a globally recognised manufacturer of more economical, greener and more energy-efficient pure electric vehicles. The Group's core businesses include ground-up research, design and development, and manufacturing and sales of pure electric vehicles; manufacturing and sales of lithium-ion ("Li-ion") batteries and cathode materials for Li-ion batteries. FDG Kinetic Limited ("FKL", stock code: 378, together with its subsidiaries, collectively the "FKL Group") is an indirect non-wholly-owned subsidiary of the Company. FDG's mission is to replace and electrify the commercial vehicle segment of the internal combustion engine ("ICE") vehicles which is the most possible segment to be electrified.

MARKET OVERVIEW

During the period under review, the global economic development had faced many uncertainties like U.S. interest rate hike caused emerging market currencies weakened; geopolitical risks sent oil price surging; Sino-US trade tensions worsened due to trade unilateralism. However, China's economy maintained steady growth in the first half of 2018 with a GDP growth of 6.8% year-on-year, while inflation and employment rate remained stable. In the first half of 2018, China's economy was in the process of further economic structure adjustment and is expected to be continued.

While other countries successively promised to reduce carbon emission and aimed to replace conventional ICE vehicles with new energy vehicles ("NEV"), China is a clear global leader in adopting electric vehicles ("EV"). According to the statistics from the China Association of Automobile Manufacturers, from January to September 2018, the production and sales volume of NEV added up to 735,000 units and 721,000 units, up by 73.0% and 81.1% year-on-year, respectively. In particular, the production and sales volume of pure electric vehicles added up to 555,000 units and 541,000 units, up by 58.9% and 66.2% year-on-year, respectively. Moreover, by the end of June 2018, the NEVs on the road in China added up to 1,990,000 units, in particular, pure electric vehicles on the road accounted for 1,620,000 units. Benefitting from the support of government policies, global customers' increasing awareness of environmental protection and battery technology advancement, the total cost of ownership of EVs is decreasing and it is expected that the NEV market in China will continue to grow in a rapid pace.

The most notable policy in the first half of 2018 was "The Notice on the Adjustment and Improvement of Financial Subsidy Policies for the Promotion of Application of New Energy Vehicles" (《關於調整完善新能源汽車推廣應用財政補貼政策的通知》) announced by the Chinese government in February 2018. The new subsidy standard, effective since 12 June 2018, lowers or cancels subsidies to NEV with low driving range and low technology level but offers higher subsidies to NEV with longer driving range and higher battery energy density. Due to the adjustment of the NEV subsidy policies, the NEV industry will transit from policy driven to market orientated. The policy aims to remove and decrease subsidies to NEV with low driving range while encouraging technological revolution from the industry and to propel the industry to adopt a higher quality development which will be favorable to the long-term sustainable growth of the NEV industry.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW

Electric Vehicle Business

FDG focuses on its core B2B segment in electric commercial vehicles as its electric commercial vehicles are a result of the Group's years of research and development effort and are ready to enter the market. In addition, electric commercial vehicles have higher efficiency in reducing carbon emissions. We believe that the B2B segment is the most valuable asset of the Group. Taking into account FDG's first mover advantage in the B2B segment, the total cost of ownership concerns from fleet operators and the increasing environmental awareness by fleet operators, FDG believes these factors will be the turning point for the commercial electric vehicle market.

Changjiang EV, a brand of FDG, displayed in the Beijing Auto Show

Changjiang EV, a brand of FDG, unveiled six electric commercial vehicles with the theme of "Heritage and Innovation" in the Beijing Auto Show. This had shown FDG's determination to deploy its unique Replacement Strategy to aim at niche segments. Six new pure electric logistics vehicle models were demonstrated by the Group. In the logistics niche segment, our newly-announced products could fully replace traditional ICE logistics vehicles. Our featured first-ever exported vehicle model V08S was also displayed on stage. This logistics vehicle model has already been granted with full U.S. homologations and is already running in the streets in the U.S. delivering goods for large American logistics companies.

Continually expanding into local niche segments

The new subsidy policy became effective on 12 June 2018. Affected by the decrease in subsidies, the new energy commercial vehicle market saw decline in sales. The Group will persist in adopting the "Replacement Strategy", gradually replacing the conventional ICE vehicles in various niche segments, thereby increasing the Group's overall EV market share. The Group's high-end electric commercial vehicles serviced multiple international events such as the G20 Hangzhou Summit and the Boao Forum for Asia. They served as the designated guest shuttles in the events and were a demonstration to the world about the Group's capabilities in high-end pure electric commercial vehicle manufacturing technology. The Group's high-end electric commercial vehicles will service in high-end conferences guests shuttles, VIP pick-up at tourist attractions, as well as in high-end hotels' VIP pick-up.

Ryder placed a reservation order for additional electric logistics vehicles

In last year, the Group finalised an exclusive partnership with Ryder System Inc. ("Ryder", NYSE: R). Through this partnership, FDG could leverage on Ryder's network of 800 locations in the U.S. which enables our vehicles to be sold to other blue-chip customers and provide original equipment manufacturer (OEM) level maintenance services through Ryder. In the meantime, we have exported the first batch of electric logistics vehicles to Ryder.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Given the Group's product's superior qualities and the uniqueness in the market, Ryder placed a reservation order for additional electric logistics vehicles during the period under review. In fact, businesses of various sizes and industries continue to see the benefits of EVs, and especially from those companies in the "last-mile" delivery industry. The Group's zero-emission electric logistics vehicles allow its customers to lower their total cost of ownership; operate with higher environmental efficiency; increase its commercial values as well as bring a cleaner environment to the community. Therefore we are confident that there will be more blue-chip logistics customers purchasing the Group's products in the future.

Battery Business

Li-ion batteries are mostly deployed in three main downstream segments, which are consumable batteries (electronic products), power batteries (new energy vehicles) and energy storage batteries. Currently, the energy storage batteries market in China is relatively small; consumable batteries are gradually dropping in market shares and the new demands and investments in the Li-ion battery industry are focused on the power battery segment. Power batteries will be the largest engine to drive the Li-ion battery market forward.

Driven by the vehicles electrification boom, huge amount of capitals poured into the battery industry, therefore creating massive production capacity. The profit of power batteries was further squeezed by the decrease in subsidy making the overall battery industry highly competitive. In such competitive environment, the Group executed a cost control programme in a pragmatic manner in order to maintain its competitive edge in the market. The Group successfully negotiated with its upstream suppliers for lower costs in purchasing cathode materials, anode materials, electrolytes and separators. The Group also managed to increase its labour productivity per unit and implemented seasonal production planning that are of its cost control effort. As to product development, the Group has continually improved its batteries' energy density and lifespan, and has developed battery modules that are suitable for varieties of EVs and energy storage systems which enriches the Group's product lines to satisfy different customer needs.

Under the highly competitive market environment in the PRC, the Group has always been developing overseas market business. The Group's battery products are mainly exported to Europe, such as Germany, Belgium, Italy and Russia. In the European market, the Group's battery products are mainly used for energy storage purpose since the European energy storage industry is developed earlier and more mature in comparing with the Chinese energy storage industry; the customers in the energy storage industry do not blindly pursue high energy density, instead, they value battery's stability and safety more.

Cathode Material Business

On 26 March 2018, FKL, FDG's subsidiary, announced that all four production lines in Chongqing production base have been allocated for producing ternary products – the cathode material of Li-ion batteries for a client until 31 December 2018. Currently, the four production lines are operating at almost full capacity, providing stable revenue at least until the end of December 2018.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Apart from the A1 to A4 production lines in Chongqing production base at almost full capacity, the FKL Group has been strengthening its production capacity. The new A5 and A6 production lines are currently under construction with designed annual capacity of 2,400 tonnes ternary materials and are expected to be completed by the end of 2018. After completing the construction of the new A5 and A6 production lines, together with the existing A1 to A4 production lines, the designed annual capacity of Chongqing production base is estimated to reach 7,200 tonnes. The Group's associate, Advanced Lithium Electrochemistry (Cayman) Co., Ltd. ("ALEEES") which operates in Taiwan, specialises in manufacturing Lithium-Iron-Phosphate (LFP) cathode materials. Affected by the decline in the NEV subsidy and the lifted subsidy hurdle, the demands for LFP cathode material were substantially decreased, therefore ALEEES plans to export products to overseas market in order to increase its revenue.

With the adjustment of the new subsidy policy, the electric vehicle industry chain is committed to developing higher energy density products. The FKL Group is dedicated to improving its product competitiveness, developing higher energy density and safer cathode materials that stick to the market trend. The FKL Group is mainly supplying NCM523 products and conducting research and development on NCM622, NCM811 and NCA ternary products currently. The FKL Group's research and development team for cathode materials is led by a group of experts from Japan and the PRC where the team focuses on developing ternary cathode materials and operates with complementary testing equipment and researchers.

FINANCIAL REVIEW

Revenue

During the period under review, the Group's revenue decreased by approximately 10.0% to approximately HK$255.8 million as compared with the revenue of approximately HK$284.1 million of the last corresponding period.

The decrease was mainly due to a combined effect of (i) the slight increase in the sales of electric vehicles represented by a revenue of approximately HK$68.4 million in the current period, an increase of approximately 6.0% as compared to a revenue of approximately HK$64.5 million of the last corresponding period; (ii) an increase in sales of battery products of approximately HK$39.8 million to external customers as compared to that of the last corresponding period due to an increase in demand of battery products from overseas market; and (iii) the substantial decrease in sales of cathode materials from the battery materials production business, represented by a revenue of approximately HK$100.3 million, a decrease of approximately 40.7% as compared with a revenue of approximately HK$169.0 million of the last corresponding period, which was mainly attributable to the delay in production schedule after adjusting production lines to carry out subcontracting sales to a customer.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Gross profit and margin

The Group's gross profit decreased to approximately HK$26.6 million of the period under review from approximately HK$29.5 million of the last corresponding period. The overall gross profit ratio was at approximately 10.4% of the period under review as compared with approximately 10.4% of the last corresponding period, which was at similar level. With the lower production volume in both financial periods, the Group's gross profit ratio was still in a low position. However, the Group will strive to decrease the production cost per unit through increasing production volume and increasing efficiency in the next financial period.

Other gains and losses, net

During the period under review, the other net losses amounted to approximately HK$267.0 million, representing an increase of loss of approximately HK$259.2 million comparing with other net losses of approximately HK$7.8 million of the last corresponding period. Such losses mainly represent (i) the net loss on financial assets designated as at fair value through profit or loss upon maturity of the convertible bonds issued by the Group of approximately HK$57.1 million which did not incur in the last corresponding period; (ii) the impairment losses on trade receivables of approximately HK$129.8 million for those customers with long overdue balances as compared with approximately HK$3.0 million of the last corresponding period; and (iii) impairment losses on loan and other receivables of approximately HK$22.0 million mainly arising from impairment on a loan to an independent third party, which did not incur in the last corresponding period.

Selling and distribution costs

During the period under review, selling and distribution costs amounted to approximately HK$46.7 million, representing an increase of approximately HK$3.0 million, comparing with approximately HK$43.7 million of the last corresponding period. It included mainly marketing expenses, warranty expenses and selling expenses of the Group.

General and administrative expenses

During the period under review, general and administrative expenses amounted to approximately HK$201.5 million, representing a decrease of approximately HK$82.6 million comparing with approximately HK$284.1 million of the last corresponding period, which was mainly attributable to (i) the decrease in equity-settled share-based payments of approximately HK$25.8 million mainly arising from share options granted to directors of the Company; (ii) the decrease in staff costs including directors' emoluments; and (iii) the decrease in other administrative expenses by means of reallocating and consolidating internal resource to enhance the cost effectiveness of operation.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Research and development expenses

During the period under review, research and development expenses amounted to approximately HK$46.5 million, representing a decrease of approximately HK$20.7 million comparing with approximately HK$67.2 million of the last corresponding period, which was mainly attributable to that the Group's strategy of focusing on those research and development that can be utilised into production in short term.

Finance costs

During the period under review, finance costs amounted to approximately HK$196.2 million, representing an increase of approximately HK$21.9 million comparing with approximately HK$174.3 million of the last corresponding period, which was mainly attributable to the turnaround effect of the fair value gain on derivative financial instruments of approximately HK$1.1 million of the last corresponding period to a loss of approximately HK$18.4 million of the period under review.

Other operating expenses

During the period under review, other operating expenses amounted to approximately HK$66.6 million, representing a decrease of approximately HK$11.3 million comparing with approximately HK$77.9 million of the last corresponding period in respect of certain indirect operating expenses arising from the under-utilisation of production capacity of the electric vehicle production plant in Hangzhou.

Amortisation of intangible assets

During the period under review, amortisation of intangible assets amounted to approximately HK$51.5 million, representing a decrease of approximately HK$37.9 million comparing with approximately HK$89.4 million of the last corresponding period, as most of the intangible assets related to battery products segment were fully impaired in the last financial year.

Share of results of joint ventures

During the period under review, share of net losses of joint ventures amounted to approximately HK$82.5 million, representing a substantial increase of approximately HK$44.8 million comparing with approximately HK$37.7 million of the last corresponding period, which was mainly attributable to an increase in the share of the loss of a joint venture, Chanje Energy, Inc. ("Chanje") to approximately HK$87.6 million for the period under review from a loss of approximately HK$41.1 million of the last corresponding period, which was mainly attributable to (i) the increase of sales and engineering staff and marketing expenses of Chanje for our expansion in the US market; and (ii) amortisation of intangible assets of Chanje made for the period under review which did not incur in the last corresponding period.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Loss for the period

The Group has widened its loss for the period to approximately HK$942.2 million from approximately HK$703.7 million of the last corresponding period, with the combination effects as mentioned above.

The Group recorded loss before interest, tax, depreciation and amortisation of approximately HK$625.2 million for the period under review, representing an increase of approximately HK$269.5 million, comparing with approximately HK$355.7 million of the last corresponding period. Such increase was mainly attributable to the increase in other net losses, finance costs and the share of losses of associates and joint ventures incurred.

During the period under review, the Group recorded a loss attributable to owners of the Company of approximately HK$623.1 million, representing an increase of approximately HK$76.3 million comparing with approximately HK$546.8 million of the last corresponding period.

Goodwill

Goodwill that arising on the acquisition of business are allocated to the Group's cash generating units identified according to the Group's operating segments. As at 30 September 2018, goodwill amounted to approximately HK$620.9 million, decreased by approximately HK$61.0 million comparing with those as at 31 March 2018, which was arising from the exchange rate fluctuations.

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

As at 30 September 2018, property, plant and equipment and interests in leasehold land held for own use under operating leases totally amounted to approximately HK$3,598.0 million, decreased by approximately HK$300.3 million comparing with those as at 31 March 2018, which was mainly arising from the exchange rate fluctuations.

Inventories

As at 30 September 2018, inventories amounted to approximately HK$333.7 million, decreased by approximately HK$233.1 million comparing with those as at 31 March 2018, which was mainly due to (i) the decrease in inventories for electric vehicle production segment upon the disposal of Yunnan electric vehicles business as well as the inventories utilisation control by Hangzhou production site, and (ii) the speed up of sales of old inventories by the battery products segment.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Trade and bills receivables/Contract assets

For trade and bills receivables, the amount was approximately HK$418.2 million as at 30 September 2018, decreased by approximately HK$991.0 million comparing with those as at 31 March 2018, which was mainly attributable to (i) reclassification from trade and bills receivables to contract assets of approximately HK$680.4 million as at 1 April 2018 in view of change in accounting policies; (ii) the decrease in trade receivables of electric vehicle production segment arising from the disposal of Yunnan electric vehicles business; and (iii) the impairment losses of trade receivables on certain customers with long overdue balances.

The Group generally provides a credit period of one month to six months to its customers. Credit limits are set for those customers. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. As at 30 September 2018, trade receivables that were past due but not impaired were approximately HK$322.9 million (31 March 2018: approximately HK$464.7 million). They are mainly attributable to the change in the PRC subsidy policies which had direct impact on the customers' ability to settle debts promptly and make payment as a result of the delayed timing in receipt of local subsidies by the customers, which in turn delayed their repayment to the Group. Overdue balances are regularly reviewed by the senior management of the Group. For those past due customers, the Group has performed a series of additional procedures to assess the recoverability of these overdue amounts.

For contract assets, the amount represented the subsidy receivables from the PRC government were subject to the relevant subsidy policies and not unconditional but not past due. As at 30 September 2018, contract assets amounted to approximately HK$519.3 million, representing a decrease of approximately HK$161.1 million comparing with the amounts classified in trade and bills receivables of approximately HK$680.4 million as at 1 April 2018 as mentioned above, which was mainly attributable to the decrease in subsidy receivables from the disposal of Yunnan electric vehicles business.

During the period under review, amount of approximately HK$129.8 million and approximately HK$10.3 million was provided as allowance for doubtful debts on trade receivables and contract assets, respectively, after reviewing the financial status and repayment records of those individual customers as well as the status of the electric vehicles sold to them.

Loan and other receivables

The decrease in loan and other receivables (including current and non-current portions) by approximately HK$329.3 million from approximately HK$1,192.1 million as at 31 March 2018 to approximately HK$862.8 million as at 30 September 2018, was mainly attributable to (i) the decrease in other receivables, deposits and prepayments and value-added-tax receivables resulted from the disposal of Yunnan electric vehicle business; and (ii) the refund of value-added-tax receivables of some PRC companies in accordance with the relevant government notices.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Trade and bills payables

Trade and bills payables amounted to approximately HK$593.4 million (31 March 2018: approximately HK$959.6 million) as at 30 September 2018, decreased by approximately HK$366.2 million, which was mainly attributable to (i) the decrease in trade and bills payables of approximately HK$204.6 million resulted from disposal of Yunnan electric vehicles business; and (ii) the scale down of production of battery products for those non-profitable sections.

Accruals and other payables

The decrease in accruals and other payables by approximately HK$43.2 million from approximately HK$1,375.6 million as at 31 March 2018 to approximately HK$1,332.4 million as at 30 September 2018, was mainly attributable to the decrease in accruals and other payables of approximately HK$201.5 million resulted from the disposal of Yunnan electric vehicles business.

Convertible bonds

The Group had two tranches of convertible bonds due in 2020 and 2021, respectively. The liability components of convertible bonds (including current and non-current portion) amounted to approximately HK$573.9 million as at 30 September 2018 as compared with approximately HK$646.5 million as at 31 March 2018, decreased by approximately HK$72.6 million, which was mainly attributable to the repayment of the convertible bonds due in 2018 by a listed subsidiary of the Company during the period under review.

Segment Information

Vehicle design and electric vehicle production business

During the period under review, the segment revenue increased slightly by approximately 6.0% to approximately HK$68.4 million, comparing with approximately HK$64.5 million of the last corresponding period. It is mainly attributable to the slight increase in sale volume of commercial electric vehicles. Nevertheless, the Group would still encounter a downside performance of electric vehicle segment compared with 2018 financial year due to keen competition within the PRC market and the impact of a tariff imposed by the United States of America (the "US") under the US-China trade war which slow down our sales in the US market as planned. Upon continuously receiving purchase orders from the US, the Group is confident to minimise the negative impact of these market conditions.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

The gross profit ratio from the electric vehicle production business after elimination of inter-segment transactions was approximately 9.2% of the period under review comparing with approximately 18.0% of the last corresponding period, which was mainly attributable to the direct impact of the reduction of the new energy subsidies in the PRC that the Group has to reduce the selling price to cope with keen competition in the PRC market. The segment loss before tax for the period under review was approximately HK$521.9 million, an increase of approximately HK$196.2 million as comparing with approximately HK$325.7 million of the last corresponding period, which was mainly attributable to the combined effect of (i) the impairment losses on trade receivables and contract assets of approximately HK$129.8 million and approximately HK$10.3 million, respectively for those customers with long outstanding balances and (ii) the increase in share of loss of a joint venture, Chanje, which incurred costs to expand the sale team to develop the market in the US.

Battery products business

The revenue from battery products business before the elimination of inter-segment transactions increased from approximately HK$53.7 million of the last corresponding period to approximately HK$84.4 million of the period under review, representing an increase of approximately 57.2%. It is mainly attributable to the increase in demand from overseas market. The Group not only continue to enhance battery density and the quality of battery products, but also provide energy storage and recharging solutions to the various customers to broaden the customer bases as well as continue to expand the overseas market.

The gross profit ratio from the battery products business from external customers increased from approximately 15.1% of the last corresponding period to approximately 16.9% of the period under review. Such increase was mainly attributable to the increase in revenue from overseas market with higher profit margin than the PRC market.

During the period under review, the battery products business narrowed its segment loss before tax to approximately HK$80.1 million from approximately HK$165.7 million of the last corresponding period, which was principally attributable to (i) the decrease in research and development costs and amortisation of intangible assets; and (ii) the scale down of those non-profitable sites and expansion of those high margin sites and markets.

Electric vehicle leasing business

The electric vehicle leasing business was not active during the period under review. The segment loss before tax for the period under review was approximately HK$0.7 million, a decrease of approximately HK$0.5 million as comparing with approximately HK$0.2 million of the last corresponding period. The Group will maintain the existing operating and marketing channels to cope with the Group's future development. The demand for electric vehicle financing lease services are expected to remain strong in the future under the growing development of the finance leasing industry in the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Battery materials production business

During the period under review, the sales of cathode materials for NCM lithium-ion batteries in Chongqing factory amounted to approximately HK$100.3 million, representing a decrease of approximately HK$68.7 million as compared with approximately HK$169.0 million of the last corresponding period, which was mainly attributable to the delay of the production schedule after adjusting production lines to carry out subcontracting sales to a customer. The segment loss before tax was approximately HK$71.9 million for the period under review, which included share of loss of an associate, ALEEES, representing an increase of approximately HK$43.2 million comparing with approximately HK$28.7 million of the last corresponding period.

Without taking into account of share of loss of ALEEES of approximately HK$51.8 million for the period under review, the battery material production business incurred a loss before tax of approximately HK$20.1 million during the period under review, representing a decrease of approximately HK$2.1 million as comparing with the loss before tax of approximately HK$22.2 million for the last corresponding period.

The Group holds approximately 21.85% of total issued shares of ALEEES, which principally engaged in the business of production, research and development and sales and marketing of cathode materials for lithium ferrous phosphate batteries. As most of customers of ALEEES were from the PRC, which was influenced by the new energy subsidy policies and keen competition in the market, ALEEES widened its loss during the period under review.

Direct investments business

The income from direct investments for the period under review was approximately HK$6.6 million, representing a decrease of approximately HK$17.3 million as compared with approximately HK$23.9 million of the last corresponding period before the elimination of inter-segment transactions. The segment loss before tax for the period under review of approximately HK$25.3 million, comparing with segment profit before tax of approximately HK$26.3 million of the last corresponding period, which was mainly attributable to the impairment on a loan to an independent third party.

Liquidity and Financial Resources

As at 30 September 2018, the cash and cash equivalents of the Group amounted to approximately HK$592.7 million (31 March 2018: approximately HK$752.4 million). The amounts were mainly denominated in Hong Kong dollars, Renminbi ("RMB") and United States dollars.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

As at 30 September 2018, the Group recorded net current liabilities of approximately HK$896.1 million as compared with net current assets of approximately HK$21.8 million as at 31 March 2018. The substantial change from net current assets to net current liabilities was primarily due to the substantial decrease in current assets from approximately HK$4,238.4 million as at 31 March 2018 to approximately HK$2,819.1 million as at 30 September 2018.

Total bank loans and other borrowings as at 30 September 2018 were approximately HK$2,975.4 million, representing a decrease of approximately HK$347.3 million as comparing with approximately HK$3,322.7 million as at 31 March 2018. The Group's bank loans and other borrowings are mostly event driven, with little seasonality. Details of the bank loans and other borrowings are set out in note 14 to the interim financial statements.

As at 30 September 2018, the Group's obligations under finance leases amounted to approximately HK$79.1 million (31 March 2018: approximately HK$127.8 million), out of which approximately HK$79.1 million (31 March 2018: approximately HK$115.2 million) and nil (31 March 2018: approximately HK$12.6 million) were repayable within one year and within one to two years, respectively. The obligations under finance leases were secured by certain machineries of the Group with an aggregate carrying amount of approximately HK$142.1 million (31 March 2018: approximately HK$162.0 million).

As at 30 September 2018, the Group had obligations under redeemed convertible bonds of approximately HK$760.8 million which was classified as non-current liabilities with details stated in note 18 to the interim financial statements. The Group had remaining two tranches of convertible bonds that will be due in 2020 and 2021.

As at 30 September 2018, the Group's gearing ratio, without taking into account the obligations under redeemed convertible bonds of approximately HK$760.8 million (31 March 2018: approximately HK$760.8 million) and the liability components of convertible bonds of approximately HK$573.9 million (31 March 2018: approximately HK$646.5 million), was approximately 265.9% (31 March 2018: approximately 160.6%) calculated on the basis of bank loans and other borrowings and obligations under finance leases of approximately HK$3,054.5 million (31 March 2018: approximately HK$3,450.5 million) in total to total equity of approximately HK$1,148.7 million (31 March 2018: approximately HK$2,148.4 million) as at 30 September 2018. On 28 July 2018, the Company entered into a subscription agreement with a subscriber to issue and allot 2,600,000,000 ordinary shares of the Company at a price of HK$0.09 per share to raise fund for supporting the development of electric vehicle business, repayment of debt and general working capital purposes, as detailed in note 24 to the interim financial statements. As explained in the note 24 to the interim financial statements, the Company entered into two subscription agreements in order to raise funds to strengthen its capital base and the Group's gearing ratio will be improved upon completion of these two subscription agreements.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

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 at fixed rates and relatively stable during the period under review. The Group has transactional currency exposures in RMB but substantial assets and liabilities of the Group were denominated in RMB and were mutually hedged. The Group has not entered into any foreign currency exchange forward contracts for hedging purposes during the period under review. The Board will closely monitor the foreign exchange exposure and consider appropriate hedging instruments when necessary.

Capital Structure

On 5 July 2018, a total of 1,000,000,000 new shares of the Company were allotted and issued at a price of HK$0.109 per share pursuant to a placing agreement dated 25 June 2018 entered into between the Company and Yue Xiu Securities Company Limited as placing agent under the general mandate to issue shares granted at the annual general meeting of the Company held on 29 August 2017.

The net proceeds of approximately HK$103.9 million from the issuance of 1,000,000,000 new shares of the Company pursuant to the placing agreement were intended to be used for repaying some of the Group's debts and general working capital of the Group. All of such net proceeds have been utilised, with approximately HK$94.3 million used to repay certain borrowings of the Group and approximately HK$9.6 million used for the general working capital of the Group.

As a result, the number of shares of the Company in issue increased from 22,413,077,108 as at 1 April 2018 to 23,413,077,108 as at 30 September 2018.

As at 30 September 2018, the Company had (i) outstanding share options entitling holders to subscribe for a total of 2,267,500,000 shares of the Company; (ii) outstanding convertible bonds due 2020 in the amount of HK$400,000,000 which could be converted into 860,215,052 shares of the Company based on the initial conversion price of HK$0.465; and (iii) outstanding convertible bonds due 2021 in the amount of HK$275,000,000 which could be converted into 550,000,000 shares of the Company based on the initial conversion price of HK$0.50.

Save as disclosed above, the Group had no other debt securities or other capital instruments as at 30 September 2018.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Material Acquisitions and Disposals

On 3 May 2018, a sale and purchase agreement was entered into between Preferred Market Limited (a wholly-owned subsidiary of the Company, as vendor), the Company (as guarantor for the vendor) and Hong Kong ShengHai DeYong Investment Limited (as purchaser) in relation to the disposal of the entire issued share capital of Giant Industry Holdings Limited ("Giant Industry"), which indirectly holds a 50% interest in Yunnan FDG Automobile Co., Limited* (雲南五龍汽車有限公司), for a consideration of RMB80,000,000 net of certain deductions under the sale and purchase agreement (the "Disposal"). Upon completion of the Disposal on 3 May 2018, the Company did not hold any shares in Giant Industry and accordingly, it has ceased to be an indirect wholly-owned subsidiary of the Company. Details of the Disposal are disclosed in the announcement of the Company dated 3 May 2018.

Save as disclosed above, the Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30 September 2018.

Pledge of Assets and Contingent Liabilities

There were pledge of assets as at 30 September 2018 and 31 March 2018 with details disclosed under the section heading "Liquidity and Financial Resources" and in note 14 to the interim financial statements. In addition, pledged bank deposits of approximately HK$99.8 million (31 March 2018: approximately HK$235.3 million) were pledged to secure mainly bank loans and other borrowings and bills payables.

The Group had no significant contingent liabilities as at 30 September 2018 (31 March 2018: nil).

Litigation

Details of the litigation updates of the Group are set out in note 23 to the interim financial statements.

Capital Commitments

Details of the capital commitments of the Group are set out in note 20 to the interim financial statements.

Employees and Remuneration Policies

As of 30 September 2018, the Group had 56 employees (30 September 2017: 76 employees) in Hong Kong and 2,277 employees (30 September 2017: 3,016 employees) in the PRC. Total staff costs (including directors' emoluments and equity-settled-share-based payments) during the period under review amounted to approximately HK$155.1 million (six months ended 30 September 2017: approximately HK$216.1 million). The remuneration policies are determined with reference to market conditions and individual performance of staff. The Group participates in Mandatory Provident Fund Scheme in Hong Kong and state-managed retirement benefit schemes in the PRC. The Group has share option schemes, share award schemes and employee benefit trusts for the benefit of its directors and eligible participants.

* *For identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FUTURE DEVELOPMENT

Affected by the decrease in subsidies, the NEV market has been sliding in short term. However, the vehicles electrification is still an irreversible trend for the future. The Chinese government remained firmly supportive for the NEVs development. In June 2018, the State Council of China issued the "Three-year Plan on Defending the Blue Sky" (《打贏藍天保衛戰三年行動計劃》(the "Plan")). The Plan pinpoints the acceleration of promoting new energy vehicles to replace old and excessive emission vehicles. The Plan's key focuses include accelerating the new energy vehicle adoption in cities for new and replacement vehicles in public transport, postal service and logistics delivery segments and installing commercial charging stations and fast-charging piles in places such as logistics parks, industrial parks and shopping malls to provide convenience to new energy logistics vehicles in urban areas.

We believe that the electric commercial vehicle segment is the fastest adoption segment as the EV's total cost of ownership further decreases and with greater environmental awareness by the public, the Group's dedicated electric commercial vehicles including logistics and transit vehicles are ready to seize great opportunities in the future.

Continually exploring the overseas market

Following the export of the first batch of electric logistics vehicles to the U.S., during the period under review, the Group received a reservation order from our blue-chip customer Ryder, proving that our dedicated products are trusted in the overseas market. Going forward, we will continue to explore the overseas market and to expand our leading position in the "last mile" delivery industry.

In November 2018, FedEx announced it is acquiring 1,000 units of the Group's V-8100 electric logistics vehicles. The vehicles will be operated in the U.S. for delivery service. Obtaining a large order from FedEx means that the Group has already been recognised by multiple blue-chip customers and it is expected that the Group can further gain market shares in the electric commercial vehicle market.

Introducing a strategic investor

The Group has introduced JIN ZHENG YUAN (HK) HOLDING CO., LIMITED ("Jin Zheng Yuan") as a strategic investor through subscription of new shares. Amongst multiple potential investors, we identified Jin Zheng Yuan to be the most suitable investor because of its stance on supporting us to focus on the B2B electric commercial vehicles market. In addition, Jin Zheng Yuan has extensive experience in investing in the automobile industry and its supply chain companies, which the Group could leverage on Jin Zheng Yuan's experience and networks in the automobile industry. In particular, Jin Zheng Yuan has businesses in internet of vehicles which the Group would consider to adopt and could potentially create synergy with the Group. Combining the vehicle networking, automobile design and engineering experience provided by Jin Zheng Yuan and its associated companies with the EVs produced by the Group, it would create value added services for the end users and increase the competitiveness of the Group's products in the market.

SUPPLEMENTARY INFORMATION

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

As at 30 September 2018, the interests and short positions of the directors and chief executive of the Company or their respective close 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:

Long positions in the shares and underlying shares of the Company

Name of directors	Capacity	Number of ordinary shares of the Company	Number of underlying shares (unlisted and physically settled equity derivatives) of the Company *(Note 5)*	Total number of ordinary shares and underlying shares of the Company	Approximate percentage of issued ordinary share capital of the Company *(Note 6)*
Mr. Cao Zhong	Beneficial owner	6,800,000	230,000,000	236,800,000	1.01%
	Interest of controlled corporation	1,352,134,998	–	1,352,134,998 *(Note 1)*	5.78%
	Interest of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	3,786,332,167	523,000,000	4,309,332,167 *(Notes 1 and 4)*	18.40%
Dr. Chen Yanping	Beneficial owner	–	162,000,000	162,000,000	0.69%
	Interest of controlled corporation	658,125,000	–	658,125,000 *(Note 2)*	2.81%
	Interest of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	4,487,142,165	591,000,000	5,078,142,165 *(Notes 2 and 4)*	21.69%

SUPPLEMENTARY INFORMATION *(Continued)*

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

Long positions in the shares and underlying shares of the Company *(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 *(Note 5)*	Total number of ordinary shares and underlying shares of the Company	Approximate percentage of issued ordinary share capital of the Company *(Note 6)*
Mr. Lo Wing Yat	Beneficial owner	21,179,000	58,200,000	79,379,000	0.34%
Mr. Jaime Che	Beneficial owner	1,000,000	166,000,000	167,000,000	0.71%
	Interest of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	5,144,267,165	587,000,000	5,731,267,165 *(Notes 3 and 4)*	24.48%
Mr. Chan Yuk Tong	Beneficial owner	–	34,900,000	34,900,000	0.15%
Mr. Fei Tai Hung	Beneficial owner	–	34,900,000	34,900,000	0.15%
Mr. Tse Kam Fow	Beneficial owner	–	34,900,000	34,900,000	0.15%
Mr. Xu Jingbin	Beneficial owner	–	22,000,000	22,000,000	0.09%

Notes:

1. Mr. Cao Zhong is interested or deemed to be interested in a total of 5,898,267,165 shares and underlying shares of the Company including: (i) 1,352,134,998 shares held by Long Hing International Limited which is wholly owned by Mr. Cao who is a director; (ii) 6,800,000 shares and 230,000,000 share options*(Note 5)* held by Mr. Cao; and (iii) 3,786,332,167 shares and 523,000,000 share options*(Note 5)* held by the other parties to the Undertaking*(Note 4)*.

2. Dr. Chen Yanping is interested or deemed to be interested in a total of 5,898,267,165 shares and 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; (ii) 162,000,000 share options*(Note 5)* held by Dr. Chen; and (iii) 4,487,142,165 shares and 591,000,000 share options*(Note 5)* held by the other parties to the Undertaking*(Note 4)*.

3. Mr. Jaime Che is interested or deemed to be interested in a total of 5,898,267,165 shares and underlying shares of the Company including: (i) 1,000,000 shares and 166,000,000 share options*(Note 5)* held by Mr. Che; and (ii) 5,144,267,165 shares and 587,000,000 share options*(Note 5)* held by the other parties to the Undertaking*(Note 4)*.

SUPPLEMENTARY INFORMATION *(Continued)*

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

Long positions in the shares and underlying shares of the Company *(Continued)*

Notes: (Continued)

4. On 26 February 2016, CITIC International Assets Management Limited, Star Mercury Investments Ltd., Mr. Cao Zhong, Mr. Miao Zhenguo, Dr. Chen Yanping, Mr. Jaime Che and CITIC Pacific Limited entered into a concert party undertaking to regulate their dealings in the shares of the Company (the "Undertaking"). As such, each party to the Undertaking was deemed to have interests in the shares and/or underlying shares of the Company held by the other parties to the Undertaking under Section 317(1)(a) of the SFO.

5. The interests in the 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 Schemes" below.

6. These percentages are calculated on the basis of 23,413,077,108 shares of the Company as at 30 September 2018.

Long positions in the shares and underlying shares of the associated corporations of the Company

Name of directors	Name of associated corporations	Capacity	Number of ordinary shares of the associated corporation	Number of underlying shares (unlisted and physically settled equity derivatives) of the associated corporation	Approximate percentage of issued ordinary share capital of the associated corporation
Mr. Cao Zhong	杭州長江汽車有限公司 (Hangzhou Changjiang Automobile Co., Ltd.*)	Interest of controlled corporation	Registered capital of RMB498,300,000 *(Note 1)*	–	49.83%
	杭州長江乘用車有限公司 (Hangzhou Changjiang Passenger Vehicles Co., Ltd.*)	Interest of controlled corporation	Registered capital of RMB88,110,000 *(Note 1)*	–	33.00%
Dr. Chen Yanping	簡式國際汽車設計(北京)有限公司 (Jasmin International Auto R&D (Beijing) Co., Ltd.*)	Beneficial owner	Registered capital of RMB7,200,000	–	9.00%

* *For identification purpose only*

SUPPLEMENTARY INFORMATION *(Continued)*

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

Long positions in the shares and underlying shares of the associated corporations of the Company *(Continued)*

Name of directors	Name of associated corporations	Capacity	Number of ordinary shares of the associated corporation	Number of underlying shares (unlisted and physically settled equity derivatives) of the associated corporation	Approximate percentage of issued ordinary share capital of the associated corporation
Mr. Jaime Che	Advanced Lithium Electrochemistry (Cayman) Co., Ltd. ("ALEEES")	Beneficial owner	–	2,000,000 *(Note 2)*	0.95%

Notes:

1. Mr. Cao Zhong is deemed to be interested in the registered capital of the associated corporations of the Company through 北京紫荊聚龍科技投資有限公司 (Beijing Bauhinia Julong Technology and Investment Co. Ltd.*) which is 49.83% held by a group of affiliated limited liability partnerships in which Mr. Cao has an aggregate effective interest of 69.98%.

2. Mr. Jaime Che is interested in 2,000,000 underlying shares of ALEEES (a company listed on the Taipei Exchange, Stock Code: 5227), representing interests in the options granted to him on 2 March 2018 to subscribe for 2,000,000 shares of ALEEES at an exercise price of TWD30.00 per share (subject to adjustments) during the period from 2 March 2020 to 1 March 2028.

   The options stated above are subject to a vesting period up to three years with half of the options becoming exercisable 24 months after the date of grant and the remainder becoming exercisable 36 months after the date of grant.

Save as disclosed above, as at 30 September 2018, none of the directors or chief executive of the Company or their respective close 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.

* *For identification purpose only*

SUPPLEMENTARY INFORMATION *(Continued)*

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

As at 30 September 2018, the persons, other than the directors or chief executive 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 *(Note 8)*	Total number of ordinary shares and underlying shares of the Company	Approximate percentage of issued ordinary share capital of the Company *(Note 9)*
CITIC International Assets Management Limited *(Notes 1 and 2)*	Beneficial owner	451,908,000	–	451,908,000	1.93%
	Interest of controlled corporation	1,022,988,124	–	1,022,988,124	4.37%
	Interest of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	3,670,371,041	753,000,000	4,423,371,041	18.89%
CITIC International Financial Holdings Limited *(Notes 1 and 2)*	Interest of controlled corporations	1,474,896,124	–	1,474,896,124	6.30%
	Interest of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	3,670,371,041	753,000,000	4,423,371,041	18.89%
China CITIC Bank Corporation Limited *(Notes 1 and 2)*	Interest of controlled corporations	1,474,896,124	–	1,474,896,124	6.30%
	Interest of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	3,670,371,041	753,000,000	4,423,371,041	18.89%

SUPPLEMENTARY INFORMATION *(Continued)*

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

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 *(Note 8)*	Total number of ordinary shares and underlying shares of the Company	Approximate percentage of issued ordinary share capital of the Company *(Note 9)*
Star Mercury Investments Ltd. *(Notes 1 and 3)*	Beneficial owner	1,000,000,000	–	1,000,000,000	4.27%
	Interest of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	4,145,267,165	753,000,000	4,898,267,165	20.92%
Smooth Way Holdings Inc. *(Notes 1 and 3)*	Interest of controlled corporation	1,000,000,000	–	1,000,000,000	4.27%
	Interest of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	4,145,267,165	753,000,000	4,898,267,165	20.92%
CITIC Pacific Limited *(Notes 1 and 3)*	Interest of controlled corporations	1,000,000,000	–	1,000,000,000	4.27%
	Interest of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	4,145,267,165	753,000,000	4,898,267,165	20.92%
CITIC Limited *(Notes 1 and 4)*	Interest of controlled corporations	2,474,896,124	–	2,474,896,124	10.57%
	Interest of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	2,670,371,041	753,000,000	3,423,371,041	14.62%

SUPPLEMENTARY INFORMATION *(Continued)*

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

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 *(Note 8)*	Total number of ordinary shares and underlying shares of the Company	Approximate percentage of issued ordinary share capital of the Company *(Note 9)*
CITIC Group Corporation *(Notes 1 and 4)*	Interest of controlled corporations	2,474,896,124	–	2,474,896,124	10.57%
	Interest of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	2,670,371,041	753,000,000	3,423,371,041	14.62%
Miao Zhenguo *(Notes 1 and 5)*	Beneficial owner	–	195,000,000	195,000,000	0.83%
	Interest of controlled corporations	652,311,043	–	652,311,043	2.79%
	Interest of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	4,492,956,122	558,000,000	5,050,956,122	21.57%
Long Hing International Limited *(Note 6)*	Beneficial owner	1,352,134,998	–	1,352,134,998	5.78%
JIN ZHENG YUAN (HK) HOLDING CO., LIMITED *(Note 7)*	Beneficial owner	9,600,000,000	–	9,600,000,000	41.00%
金正源聯合投資控股有限公司 *(Note 7)*	Interest of controlled corporation	9,600,000,000	–	9,600,000,000	41.00%

SUPPLEMENTARY INFORMATION *(Continued)*

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

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 *(Note 8)*	Total number of ordinary shares and underlying shares of the Company	Approximate percentage of issued ordinary share capital of the Company *(Note 9)*
無錫天地源投資有限公司 *(Note 7)*	Interest of controlled corporations	9,600,000,000	–	9,600,000,000	41.00%
無錫濱湖企業投資擔保有限公司 *(Note 7)*	Interest of controlled corporations	9,600,000,000	–	9,600,000,000	41.00%
無錫金源產業投資發展集團有限公司 *(Note 7)*	Interest of controlled corporations	9,600,000,000	–	9,600,000,000	41.00%
無錫市濱湖區供銷合作總社 *(Note 7)*	Interest of controlled corporations	9,600,000,000	–	9,600,000,000	41.00%
無錫市濱湖區經濟發展總公司管理委員會 *(Note 7)*	Interest of controlled corporations	9,600,000,000	–	9,600,000,000	41.00%
江蘇省無錫蠡園經濟開發區管理委員會 *(Note 7)*	Interest of controlled corporations	9,600,000,000	–	9,600,000,000	41.00%
頂屹（上海）投資管理有限公司 *(Note 7)*	Interest of controlled corporations	9,600,000,000	–	9,600,000,000	41.00%
Beijing Changhe Xingye Investment Co., Ltd. *(Note 7)*	Interest of controlled corporations	9,600,000,000	–	9,600,000,000	41.00%

SUPPLEMENTARY INFORMATION *(Continued)*

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

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 *(Note 8)*	Total number of ordinary shares and underlying shares of the Company	Approximate percentage of issued ordinary share capital of the Company *(Note 9)*
Li Zhongqiang *(Note 7)*	Interest of controlled corporations	9,600,000,000	–	9,600,000,000	41.00%
Wang Zheng *(Note 7)*	Interest of controlled corporations	9,600,000,000	–	9,600,000,000	41.00%

Notes:

1. On 26 February 2016, an undertaking was made between CITIC International Assets Management Limited, Star Mercury Investments Ltd., Mr. Cao Zhong, Mr. Miao Zhenguo, Dr. Chen Yanping, Mr. Jaime Che and CITIC Pacific Limited to regulate their dealings in the shares of the Company (the "Undertaking"). As such, each party to the Undertaking was deemed to have interests in the shares and/or underlying shares of the Company held by the other parties to the Undertaking under Section 317(1)(a) of the SFO. As at 30 September 2018, the parties to the Undertaking are deemed to be interested in a total of 5,898,267,165 shares and underlying shares of the Company.

2. For the purpose of the SFO, CITIC International Assets Management Limited is interested or deemed to be interested in (i) 1,474,896,124 shares of the Company including 451,908,000 shares held by it and 1,022,988,124 shares held by Right Precious Limited; and (ii) 4,423,371,041 shares and underlying shares of the Company held by the other parties to the Undertaking[(Note 1)].

   Right Precious Limited is a wholly-owned subsidiary of CITIC International Assets Management Limited of which CITIC International Financial Holdings Limited owns 46%. CITIC International Financial Holdings Limited is wholly-owned by China CITIC Bank Corporation Limited.

   Mr. Lo Wing Yat, a director of the Company, is a director and chief executive officer of CITIC International Assets Management Limited and a director and chief executive officer of CITIC International Financial Holdings Limited.

3. For the purpose of the SFO, Star Mercury Investments Ltd. is interested or deemed to be interested in (i) 1,000,000,000 shares of the Company held by it; and (ii) 4,898,267,165 shares and underlying shares of the Company held by the other parties to the Undertaking[(Note 1)].

   Star Mercury Investments Ltd. is a wholly-owned subsidiary of Smooth Way Holdings Inc. which, in turn, is a wholly-owned subsidiary of CITIC Pacific Limited.

SUPPLEMENTARY INFORMATION *(Continued)*

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

Notes: (Continued)

4. For the purpose of the SFO, CITIC Limited is deemed to be interested in (i) 2,474,896,124 shares of the Company including 1,474,896,124 shares deemed interest of China CITIC Bank Corporation Limited*(Note 2)*, which is over 60% owned by CITIC Limited through its wholly-owned subsidiaries, and 1,000,000,000 shares deemed interest of CITIC Pacific Limited*(Note 3)*, which is a wholly-owned subsidiary of CITIC Limited; and (ii) 3,423,371,041 shares and underlying shares of the Company held by the other parties to the Undertaking*(Note 1)*.

   CITIC Limited is owned by CITIC Group Corporation as to 58.13% through its wholly-owned subsidiaries, CITIC Polaris Limited and CITIC Glory Limited.

   Mr. Wong Kwok Yiu, a director of the Company as at 30 September 2018 and resigned on 25 November 2018, joined CITIC Limited in 1997 and is currently an assistant director of the business development department of CITIC Pacific Limited.

5. For the purpose of the SFO, Mr. Miao Zhenguo is interested or deemed to be interested in (i) 652,311,043 shares of Company including 488,061,043 shares held by Union Ever Holdings Limited and 164,250,000 shares held by Infinity Wealth International Limited, both companies are wholly owned by Mr. Miao and of which he is a director; (ii) 195,000,000 share options*(Note 8)* held by him; and (iii) 5,050,956,122 shares and underlying shares of the Company held by the other parties to the Undertaking*(Note 1)*.

6. Long Hing International Limited ("Long Hing") is wholly owned by Mr. Cao Zhong, a director of the Company. The 1,352,134,998 shares of the Company held by Long Hing are deemed to be owned by Mr. Cao who is also a director of Long Hing.

7. For the purpose of the SFO, JIN ZHENG YUAN (HK) HOLDING CO., LIMITED ("Jin Zheng Yuan") is deemed to be interested in 9,600,000,000 shares of the Company pursuant to the subscription agreements entered into between the Company and Jin Zheng Yuan dated 28 July 2018 in relation to the subscription of 2,600,000,000 new shares of the Company and dated 9 September 2018 in relation to the subscription of 7,000,000,000 new shares of the Company.

   Jin Zheng Yuan is a wholly-owned subsidiary of 金正源聯合投資控股有限公司, which is owned as to 40% by 無錫天地源投資有限公司 and as to 35% by 頂屹(上海)投資管理有限公司.

   無錫天地源投資有限公司 is a wholly-owned subsidiary of 無錫濱湖企業投資擔保有限公司, which is in turn owned as to 87% by 無錫金源產業投資發展集團有限公司. 無錫金源產業投資發展集團有限公司 is owned as to 38% by 無錫市濱湖區經濟發展總公司管理委員會 and as to 62% by 無錫市濱湖區供銷合作總社 which is a wholly-owned subsidiary of 江蘇省無錫蠡園經濟開發區管理委員會.

   頂屹(上海)投資管理有限公司 is owned as to 91.67% by Beijing Changhe Xingye Investment Co., Ltd., which is owned as to 50% by Li Zhongqiang and 50% by Wang Zheng.

8. The interests in the underlying shares of the Company represent interests in options granted under the share option scheme of the Company to the eligible participants of the scheme who are also parties to the Undertaking*(Note 1)*.

9. These percentages are calculated on the basis of 23,413,077,108 shares of the Company as at 30 September 2018.

Save as disclosed above, as at 30 September 2018, 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.

SUPPLEMENTARY INFORMATION *(Continued)*

SHARE OPTION SCHEMES

(1) Share Option Scheme of the Company

On 28 February 2014, the share option scheme adopted by the Company on 30 March 2004 (the "2004 Scheme") was terminated and a new share option scheme (the "2014 Scheme") was approved and adopted by the shareholders of the Company for the purpose of enabling the Group to grant options to eligible 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 2004 Scheme remain exercisable and the 2014 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 2018 were as follows:

		Number of options								
Category of participants	Date of grant	Outstanding as at 1.4.2018	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Re-classified during the period	Outstanding as at 30.9.2018	Exercise period	Exercise price per option *HK$*
Directors										
Mr. Cao Zhong	28.4.2014	10,000,000	–	–	–	–	–	10,000,000	28.4.2016 – 27.4.2024 *(Note 2)*	0.630
	31.7.2017	220,000,000	–	–	–	–	–	220,000,000	31.7.2017 – 30.7.2027 *(Note 5)*	0.400
Dr. Chen Yanping	28.4.2014	12,000,000	–	–	–	–	–	12,000,000	28.4.2016 – 27.4.2024 *(Note 2)*	0.630
	31.7.2017	150,000,000	–	–	–	–	–	150,000,000	31.7.2017 – 30.7.2027 *(Note 5)*	0.400
Mr. Lo Wing Yat	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
	31.7.2017	30,000,000	–	–	–	–	–	30,000,000	31.7.2017 – 30.7.2027 *(Note 5)*	0.400

SUPPLEMENTARY INFORMATION *(Continued)*

SHARE OPTION SCHEMES *(Continued)*

(1) Share Option Scheme of the Company *(Continued)*

Category of participants	Date of grant	Number of options: Outstanding as at 1.4.2018	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Re-classified during the period	Outstanding as at 30.9.2018	Exercise period	Exercise price per option HK$
Directors *(Continued)*										
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
	31.7.2017	150,000,000	–	–	–	–	–	150,000,000	31.7.2017 – 30.7.2027 *(Note 5)*	0.400
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
	31.7.2017	22,000,000	–	–	–	–	–	22,000,000	31.7.2017 – 30.7.2027 *(Note 5)*	0.400
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
	31.7.2017	22,000,000	–	–	–	–	–	22,000,000	31.7.2017 – 30.7.2027 *(Note 5)*	0.400

SUPPLEMENTARY INFORMATION *(Continued)*

SHARE OPTION SCHEMES *(Continued)*

(1) Share Option Scheme of the Company *(Continued)*

Category of participants	Date of grant	Number of options: Outstanding as at 1.4.2018	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Re-classified during the period	Outstanding as at 30.9.2018	Exercise period	Exercise price per option *HK$*
Directors *(Continued)*										
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
	31.7.2017	22,000,000	–	–	–	–	–	22,000,000	31.7.2017 – 30.7.2027 *(Note 5)*	0.400
Mr. Xu Jingbin	31.7.2017	22,000,000	–	–	–	–	–	22,000,000	31.7.2017 – 30.7.2027 *(Note 5)*	0.400
Mr. Miao Zhenguo *(resigned on 12 June 2018)*	4.9.2013	12,000,000	–	–	–	–	(12,000,000) *(Note 6)*	–	4.9.2015 – 3.9.2023 *(Note 2)*	0.450
	28.4.2014	3,000,000	–	–	–	–	(3,000,000) *(Note 6)*	–	28.4.2016 – 27.4.2024 *(Note 2)*	0.630
	31.7.2017	180,000,000	–	–	–	–	(180,000,000) *(Note 6)*	–	31.7.2017 – 30.7.2027 *(Note 5)*	0.400
Mr. Tong Zhiyuan *(resigned on 4 June 2018)*	31.7.2017	200,000,000	–	–	–	(200,000,000) *(Note 7)*	–	–	31.7.2017 – 30.7.2027 *(Note 5)*	0.400

SUPPLEMENTARY INFORMATION *(Continued)*

SHARE OPTION SCHEMES *(Continued)*

(1) Share Option Scheme of the Company *(Continued)*

Category of participants	Date of grant	Number of options: Outstanding as at 1.4.2018	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Re-classified during the period	Outstanding as at 30.9.2018	Exercise period	Exercise price per option *HK$*
Employees	4.9.2013	142,900,000	–	–	(2,900,000) *(Note 7)*	–	–	140,000,000	4.9.2015 – 3.9.2023 *(Note 2)*	0.450
	28.4.2014	91,800,000	–	–	(32,200,000) *(Note 7)*	–	–	59,600,000	28.4.2016 – 27.4.2024 *(Note 2)*	0.630
Others	4.9.2013	20,000,000	–	–	–	–	12,000,000 *(Note 6)*	32,000,000	4.9.2015 – 3.9.2023 *(Note 2)*	0.450
	28.4.2014	10,000,000	–	–	–	–	3,000,000 *(Note 6)*	13,000,000	28.4.2016 – 27.4.2024 *(Note 2)*	0.630
	31.7.2017	1,100,000,000	–	–	–	–	180,000,000 *(Note 6)*	1,280,000,000 *(Note 8)*	31.7.2017 – 30.7.2027 *(Note 5)*	0.400
		2,502,600,000	–	–	(35,100,000)	(200,000,000)	–	2,267,500,000		
Weighted average exercise price *(HK$)*		0.415	–	–	0.615	0.400	–	0.414		
Exercisable as at 30.9.2018								18,900,000		0.061
								216,000,000		0.450
								58,300,000		0.630

SUPPLEMENTARY INFORMATION *(Continued)*

SHARE OPTION SCHEMES *(Continued)*

(1) Share Option Scheme of the Company *(Continued)*

Notes:

1. Number of options refers to the number of underlying shares of the Company covered by the options granted under both the 2004 Scheme and 2014 Scheme.

2. 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.

3. 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.

4. 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.

5. Options granted are subject to vesting conditions of: (1) half of the options becoming exercisable if, as stated in the audited consolidated financial statements of the Company for any financial year within the validity period, (i) revenue and other income exceed HK$2 billion; or (ii) net profit before tax exceeds HK$200 million; and (2) the remainder becoming exercisable if, as stated in the audited consolidated financial statements of the Company for any financial year within the validity period, (i) revenue and other income exceed HK$5 billion; or (ii) net profit before tax exceeds HK$500 million.

6. Mr. Miao Zhenguo resigned as a director of the Company on 12 June 2018 but remained as a director of certain subsidiaries of the Company. His outstanding options entitling him to subscribe for 12,000,000 shares of the Company with an exercise price of HK$0.450 per share, 3,000,000 shares of the Company with an exercise price of HK$0.630 per share and 180,000,000 shares of the Company with an exercise price of HK$0.400 per share were therefore re-classified from the category of "Directors" to the category of "Others" during the six months ended 30 September 2018.

7. During the six months ended 30 September 2018, a total of 17,950,000 vested options and 17,150,000 unvested options lapsed following the cessation of optionholders to be employees of the Company or eligible participants of the 2004 Scheme and/or the 2014 Scheme and 200,000,000 unvested options were cancelled.

8. The number of options included the options granted to FDG EBT (Share Option) Limited entitling it to subscribe for 1,100,000,000 shares of the Company.

9. No options were granted or exercised during the six months ended 30 September 2018.

SUPPLEMENTARY INFORMATION *(Continued)*

SHARE OPTION SCHEMES *(Continued)*

(2) Share Option Scheme of FDG Kinetic Limited

On 29 August 2017, a share option scheme of FDG Kinetic Limited (the "FKL Share Option Scheme") was approved and adopted by the shareholders of each of FDG Kinetic Limited ("FKL") (Stock Code: 378, a non-wholly owned subsidiary of the Company) and the Company for the purpose of enabling FKL to grant options to the eligible participants of FKL (i) in recognition of their contribution to FKL and its subsidiaries (collectively the "FKL Group"); (ii) to attract and retain or otherwise maintain an on-going relationship with them for the benefit of the FKL Group; and (iii) to align their interests with the shareholders of FKL, thereby encouraging them to work towards enhancing the value of the shares of FKL. The FKL Share Option Scheme will remain in force for 10 years from the date of its adoption, unless otherwise cancelled or amended.

During the six months ended 30 September 2018, no share options of FKL were held by any of the directors, eligible employees and other participants of FKL under the FKL Share Option Scheme and no share options of FKL were granted, exercised, cancelled or lapsed under the FKL Share Option Scheme.

No expenses were recognised by the FKL Group for the six months ended 30 September 2018 (six months ended 30 September 2017: nil).

EMPLOYEES' SHARE AWARD SCHEMES

Each of the Company and FKL has adopted an employees' share award scheme. Employees, directors or advisors/consultants of the respective companies and their subsidiaries, or any employee of such advisor or consultant or any other person as determined by the board of directors of the respective companies will be entitled to participate. Details of the employees' share award scheme of the Company were disclosed in the announcements of the Company dated 29 June 2015 and 28 November 2016 and details of the employees' share award scheme of FKL were disclosed in the announcement of FKL dated 10 February 2017.

No shares were awarded under the employees' share award scheme of the Company or FKL during the six months ended 30 September 2018.

CORPORATE GOVERNANCE

The Company applied the principles of and complied with all the code provisions of the Corporate Governance Code (the "Code") contained in Appendix 14 to the Listing Rules throughout the six months ended 30 September 2018 and up to the date of this report, except for the following deviation.

Code provision A.2.1

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

SUPPLEMENTARY INFORMATION *(Continued)*

CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the directors of the Company since the date of the 2017/18 annual report of the Company are set out below:

- With effect from 31 August 2018, Dr. Chen Yanping has retired as the non-executive director of FKL. With effect from 1 September 2018, the annual emolument of Dr. Chen has been revised to HK$3,588,000.

- With effect from 22 November 2018, Mr. Lo Wing Yat has been re-designated from an executive director of the Company to a non-executive director of the Company and the director's fee of Mr. Lo has been revised to HK$960,000 per annum.

- The term of appointment of Mr. Chan Yuk Tong, an independent non-executive director of the Company, has been renewed for a fixed period of two years subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the bye-laws of the Company and 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 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 2018.

During the period of 60 days immediately preceding and including the publication date of the final results for the year ended 31 March 2018 (i.e. 28 June 2018), certain shares of the Company held by each of Mr. Cao Zhong ("Mr. Cao", the chairman and executive director and chief executive officer of the Company) and Mr. Miao Zhenguo ("Mr. Miao", a then executive director of the Company who resigned on 12 June 2018) which were deposited with securities firms (the "Brokers") as collaterals to secure their respective margin financing were sold by certain Brokers as a result of the decrease in share price of the Company and their respective financial difficulties, and the shareholding interest in the Company of Mr. Cao reduced from approximately 11.86% to approximately 6.06% as of the publication date of the final results for the year ended 31 March 2018, and the shareholding interest in the Company of Mr. Miao reduced from approximately 8.79% to approximately 8.29% as of the date of his resignation (further reduced to approximately 4.30% as of the publication date of the final results for the year ended 31 March 2018). The directors of the Company (except Mr. Cao and Mr. Miao for their respective disposals) satisfied that such disposals were exceptional circumstances under paragraph C.14 of the Model Code.

SUPPLEMENTARY INFORMATION *(Continued)*

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

During the six months ended 30 September 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

EVENTS AFTER THE REPORTING PERIOD

Events occurred after the reporting period are detailed in note 24 to the interim financial statements.

REVIEW OF INTERIM RESULTS

The Audit Committee of the Company has reviewed with the management the unaudited consolidated interim results of the Group for the six months ended 30 September 2018 and this report.

On behalf of the Board
FDG Electric Vehicles Limited
Cao Zhong
Chairman & Chief Executive Officer

Hong Kong, 29 November 2018

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

Website: http://www.fdgev.com