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

(Incorporated in Bermuda with limited liability)

(Stock Code: 729)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2014

		Six months ended	
		30.9.2014	30.9.2013
		(unaudited)	(unaudited)
	Note	***HK$'000***	*HK$'000*
Revenue	2	**141,982**	41,545
Cost of sales		**(121,552)**	(38,499)
Gross profit		**20,430**	3,046
Other income		**8,153**	11,795
Selling and distribution costs		**(12,196)**	(9,826)
General and administrative expenses		**(93,691)**	(54,494)
Research and development expenses		**(7,612)**	(3,876)
Finance costs	3	**(39,802)**	(10,429)
Amortisation of intangible assets		**(89,746)**	(46,168)

		Six months ended	
		30.9.2014	30.9.2013
		(unaudited)	(unaudited)
	Note	***HK$'000***	*HK$'000*
Loss before tax	4	**(214,464)**	(109,952)
Income tax	5	**22,511**	11,542
Loss for the period		**(191,953)**	(98,410)
Attributable to:			
Owners of the Company		**(153,195)**	(98,410)
Non-controlling interests		**(38,758)**	—
		(191,953)	(98,410)
		HK cents	*HK cents*
Loss per share attributable to owners of the Company	6		
— Basic and diluted		**(0.89)**	(0.74)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2014

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2014

	Note	**30.9.2014 (unaudited) *HK$'000***	31.3.2014 (audited) *HK$'000*
Non-current assets			
Goodwill		**443,520**	349,576
Intangible assets		**983,108**	982,563
Fixed assets		**1,020,567**	874,358
Deposits paid for non-current assets	9	**445,052**	203,249
Available-for-sale investment		**15,716**	—
Prepaid rentals		**9,254**	9,877
		2,917,217	2,419,623
Current assets			
Inventories		**132,353**	123,346
Trade and other receivables	10	**503,979**	252,928
Derivative financial instruments	12	**26,502**	—
Pledged bank deposits		**62,234**	11,284
Cash and bank balances		**714,528**	1,069,623
		1,439,596	1,457,181
Current liabilities			
Bank loans and other borrowings		**(190,547)**	(372,181)
Loan from a non-controlling shareholder		**(150,000)**	(150,000)
Trade and other payables	11	**(403,909)**	(212,819)
Tax payable		**(8,695)**	(8,695)
Obligations under redeemed convertible bonds		**(760,752)**	(760,752)
		(1,513,903)	(1,504,447)
Net current liabilities		**(74,307)**	(47,266)
Total assets less current liabilities		**2,842,910**	2,372,357
Non-current liabilities			
Other non-current liability		**(52,693)**	(52,656)
Convertible bonds	12	**(341,156)**	—
Deferred tax liabilities		**(250,171)**	(256,862)
		(644,020)	(309,518)
NET ASSETS		**2,198,890**	2,062,839
CAPITAL AND RESERVES			
Issued capital		**173,569**	169,769
Reserves		**1,687,691**	1,564,031
Total equity attributable to owners of the Company		**1,861,260**	1,733,800
Non-controlling interests		**337,630**	329,039
TOTAL EQUITY		**2,198,890**	2,062,839

NOTES :

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

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

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

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

The accounting policies and basis of preparation adopted in the preparation of these condensed consolidated interim financial statements are consistent with those used in the Group's audited financial statements for the year ended 31 March 2014, except in relation to the following new and revised HKFRSs, HKASs and Interpretations (hereinafter collectively referred to as the "new and revised HKFRSs"), which have become effective for accounting periods beginning on or after 1 April 2014, that are adopted for the first time in the current period's financial statements:

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

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

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

2. REVENUE AND SEGMENT INFORMATION

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

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

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

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

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

(iii) the electric vehicle leasing segment represents the provision of leasing service of electric vehicles; and

(iv) the treasury investment segment represents investments in bank deposits.

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

2. REVENUE AND SEGMENT INFORMATION *(Continued)*

(a) Segment information

	For the six months ended 30.9.2014 (unaudited)				
	Battery products	**Vehicle design & electric vehicle production**	**Electric vehicle leasing**	**Treasury investment**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Revenue from external customers	**135,537**	**2,494**	**606**	**3,345**	**141,982**
Inter-segment revenue	**884**	**—**	**—**	**—**	**884**
Reportable segment revenue	**136,421**	**2,494**	**606**	**3,345**	**142,866**
Reportable segment profit/(loss) before tax	**(80,683)**	**(82,115)**	**(1,935)**	**3,345**	**(161,388)**

	For the six months ended 30.9.2013 (unaudited)				
	Battery products	Vehicle design & electric vehicle production	Electric vehicle leasing	Treasury investment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	40,320	—	233	992	41,545
Inter-segment revenue	—	—	—	—	—
Reportable segment revenue	40,320	—	233	992	41,545
Reportable segment profit/(loss) before tax	(91,250)	—	(1,040)	992	(91,298)

	As at 30.9.2014 (unaudited)				
	Battery products	**Vehicle design & electric vehicle production**	**Electric vehicle leasing**	**Treasury investment**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Reportable segment assets	**1,719,568**	**2,167,788**	**14,644**	**318,842**	**4,220,842**
Reportable segment liabilities	**(1,472,386)**	**(324,650)**	**(1,340)**	**—**	**(1,798,376)**

	As at 31.3.2014 (audited)				
	Battery products	Vehicle design & electric vehicle production	Electric vehicle leasing	Treasury investment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Reportable segment assets	1,584,683	1,402,124	22,932	855,329	3,865,068
Reportable segment liabilities	(1,341,023)	(466,849)	(1,050)	—	(1,808,922)

2. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

	Six months ended	
	30.9.2014	30.9.2013
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	**142,866**	41,545
Elimination of inter-segment revenue	**(884)**	—
Consolidated revenue	**141,982**	41,545
Loss		
Reportable net segment loss before tax	**(161,388)**	(91,298)
Finance costs	**(23,633)**	(3,541)
Unallocated corporate expenses	**(29,443)**	(15,113)
Consolidated loss before tax	**(214,464)**	(109,952)

	30.9.2014	31.3.2014
	(unaudited)	(audited)
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	**4,220,842**	3,865,068
Unallocated corporate assets	**135,971**	11,736
Consolidated total assets	**4,356,813**	3,876,804
Liabilities		
Reportable segment liabilities	**(1,798,376)**	(1,808,922)
Unallocated corporate liabilities	**(359,547)**	(5,043)
Consolidated total liabilities	**(2,157,923)**	(1,813,965)

(c) Seasonality of operations

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

3. FINANCE COSTS

	Six months ended	
	30.9.2014	30.9.2013
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Interest expenses on convertible bonds *(Note 12)*	**23,633**	—
Interest on bank loans and other borrowings wholly repayable within five years	**16,169**	6,888
Other borrowing costs	**—**	3,541
	39,802	10,429

4. LOSS BEFORE TAX

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

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

5. INCOME TAX

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

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

6. LOSS PER SHARE

(a) Basic loss per share

The basic loss per share is calculated based on (i) the consolidated loss for the period attributable to owners of the Company of HK$153,195,000 (2013: HK$98,410,000); and (ii) the weighted average number of 17,282,138,000 (2013: 13,226,217,000) ordinary shares in issue during the period.

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

(b) Diluted loss per share

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

7. INTERIM DIVIDEND

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

8. ACQUISITION OF SUBSIDIARIES

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

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

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

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

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

8. ACQUISITION OF SUBSIDIARIES *(Continued)*

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

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

	HK$'000
Net consideration paid	**141,695**

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

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

8. ACQUISITION OF SUBSIDIARIES *(Continued)*

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

	(unaudited)
	HK$'000
Cash and bank balances acquired	**13,534**
Transaction costs of the Acquisition	**(550)**
	12,984

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

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

9. DEPOSITS PAID FOR NON-CURRENT ASSETS

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

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

10. TRADE AND OTHER RECEIVABLES

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

An ageing analysis of trade receivables is as follows:

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

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

11. TRADE AND OTHER PAYABLES

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

An ageing analysis of trade payables is as follows:

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

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

12. CONVERTIBLE BONDS

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

12. CONVERTIBLE BONDS *(Continued)*

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

The convertible bonds have been split as follows:

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

13. CAPITAL COMMITMENTS

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

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

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

14. EVENTS AFTER THE REPORTING PERIOD

(a) On 11 May 2014, the Company entered into an agreement with SEV. Pursuant to the agreement, the Company (i) has agreed to subscribe (a) the series AA notes (the "Note Subscription") in the principal amount of US$2 million issued by SEV; and (b) the Preferred Share Subscription subject to, among other things, the execution of an exclusive battery supply contract and a memorandum of understanding in relation to the supply of electric vehicle components; and (ii) will enter into definitive agreements to subscribe for common shares of a certain public listed company, of which SEV will become its wholly-owned subsidiary, for a total subscription amount of US$30 million subject to certain terms and conditions. Details of the above-mentioned transactions were set out in the announcement of the Company dated 11 May 2014. The Note Subscription was completed during the reporting period and the Preferred Share Subscription was completed on 3 October 2014.

(b) On 2 November 2014, Sinopoly Strategic Investment Limited, a wholly-owned subsidiary of the Company, proposed to make a voluntary conditional offer to acquire all the issued shares and all the share options of CIAM Group Limited ("CIAM"), a company incorporated in Bermuda with limited liability with the issued shares of which being listed on the Main Board of The Stock Exchange of Hong Kong Limited, in exchange for the new convertible bonds to be issued by the Company (the "Offer"). The Offer is subject to the conditions precedents to the making of the Offer;

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

MARKET OVERVIEW

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

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

BUSINESS REVIEW

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

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

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

Restructuring of Hangzhou EV project to integrate resources for collaborating development

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

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

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

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

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

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

Expanding domestic and global market resource through innovative business model

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

PROMISING PROSPECTS AND FUTURE OUTLOOK

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

FINANCIAL REVIEW

During the period under review, the Group's turnover increased by approximately 2.4 times to reach approximately HK$142.0 million as compared with approximately HK$41.5 million of the last corresponding period. The substantial increase was due to a better recognition of the Group's

Lithium-ion batteries and related products in the market. The battery products business constituted approximately 95.5% (six months ended 30 September 2013: approximately 97.1%) of the Group's total turnover.

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

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

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

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

(i) the general and administrative expenses of approximately HK$93.7 million, an increase of approximately HK$39.2 million comparing with last corresponding period of HK$54.5 million, was mainly attributable to the general and administrative expenses incurred for vehicle design and electric vehicle production business in the current period which did not incur in the last corresponding period as the business segment was commenced since March 2014;

(ii) the research and development expenses of approximately HK$7.6 million, an increase of approximately HK$3.7 million comparing with the last corresponding period of approximately HK$3.9 million, was mainly attributable to the research and development on pure electric vehicles and improvement of the specification of battery products;

(iii) the finance costs of approximately HK$39.8 million, an increase of approximately HK$29.4 million comparing with the last corresponding period of approximately HK$10.4 million, mainly due to the increase in interest expenses on the liability component of convertible bonds measured at effective interest rate, which did not incur in the last corresponding period; and

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

Segment Information

Battery products business

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

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

Electric vehicle leasing business

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

Vehicle design and electric vehicle production business

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

Liquidity and Financial Resources

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

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

The Group's total non-current liabilities (comprised of other non-current liability, which was the grant received from the PRC government authority for subsidising the Group's acquisition of land, convertible bonds and deferred tax liabilities) increased from approximately HK$309.5 million as at 31 March 2014 to approximately HK$644.0 million as at 30 September 2014, which mainly due to the issuance of convertible bonds of the Group in April 2014 with details are set out in Note 12 to this announcement.

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

Foreign Exchange Exposure

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

Capital Structure

On 14 April 2014, the Company issued 8% convertible bonds due 2017 in the principal amount of HK$400,000,000 (the "Convertible Bonds") to VMS Investment Group Limited ("VMS") pursuant to a convertible bonds agreement dated 20 March 2014 entered into between the Company and VMS. Based on the initial conversion price of HK$0.60, the Convertible Bonds will be convertible into 666,666,666 new shares of the Company under the general mandate to issue shares granted at the Company's annual general meeting held on 27 August 2013 (the "General Mandate") upon full conversion. The net proceeds of approximately HK$392 million are intended to be used to support the development of the electric vehicle business of the Company. As at 30 September 2014, approximately HK$97,000,000 were invested into electric vehicle production business segment through shareholder's loans as planned. The unused balances of approximately HK$295,000,000 were kept in Hong Kong. No conversion of the Convertible Bonds has been made during the period under review.

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

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

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

Material Acquisitions and Disposals

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

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

Pledge of Assets and Contingent Liabilities

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

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

Capital Commitments

Details of the capital commitments of the Group are set out in Note 13 to the financial statements on page 16 of this announcement.

Employees and Remuneration Policies

As of 30 September 2014, the Group had 45 employees (31 March 2014: 43 employees) in Hong Kong and 1,478 employees (31 March 2014: 848 employees) in the PRC. Total staff costs (including directors' emoluments and equity-settled-share-based payments) during the period amounted to approximately HK$68.3 million (six months ended 30 September 2013: approximately HK$30.8 million). The remuneration policies are determined with reference to market conditions and individual performance of staff. The Group participates in Mandatory Provident Fund Scheme in Hong Kong and state-managed retirement benefit schemes in the PRC. The Group has a share option scheme for the benefit of its directors and eligible participants.

CORPORATE GOVERNANCE

The Company applied the principles of and complied with all the code provisions of the Corporate Governance Code and Corporate Governance Report (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited throughout the six months ended 30 September 2014 except for the following deviation.

Code provision A.2.1

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

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code for securities transactions by directors (the "Securities Code"), which is largely based on the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. The Securities Code is on terms no less exacting than the required standard set out in the Model Code. All directors of the Company have confirmed, following specific enquiry by the Company, their compliance with the required standard set out in the Model Code and the Securities Code throughout the six months ended 30 September 2014.

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

The Company did not redeem any of its listed securities during the six months ended 30 September 2014.

Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities during the six months ended 30 September 2014.

REVIEW OF INTERIM RESULTS

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

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

Hong Kong, 28 November 2014

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

Website: http://www.fdgev.com

** For identification only*