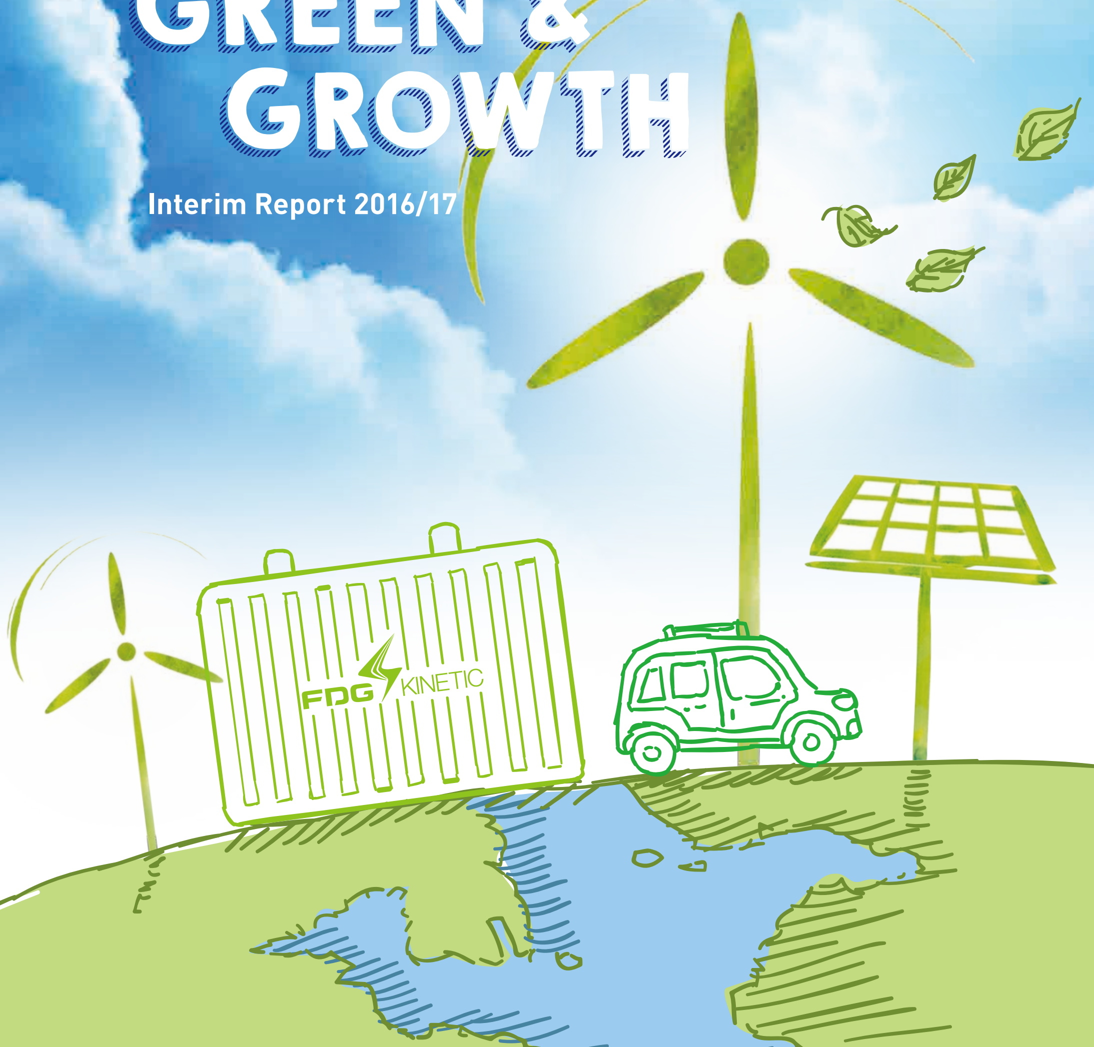
FDG KINETIC

FDG Kinetic Limited
五龍動力有限公司

Stock Code: 0378

GREEN & GROWTH

Interim Report 2016/17



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This interim report is printed on Elemental Chlorine Free (ECF) paper.

The board of directors (the "Board") of FDG Kinetic Limited (the "Company") presents the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 September 2016 together with the comparative figures for the six months ended 30 June 2015 as follows:

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2016

	Notes	**Six months ended 30 September 2016 HK$'000 (Unaudited)**	Six months ended 30 June 2015 HK$'000 (Unaudited) (Restated)
Revenue	3	**126,875**	19,018
Cost of sales		**(102,264)**	–
		24,611	19,018
Other income		**289**	–
Other gains and losses	5	**9,583**	(7,366)
Selling and distribution costs		**(874)**	–
General and administrative expenses		**(32,459)**	(13,574)
Research and development expenses		**(6,418)**	–
Finance costs	6	**(59,496)**	–
Impairment losses on interest in an associate	11(b)	**–**	(163,604)
Share of results of associates		**(23,104)**	(1,310)
Share of results of joint ventures		**(2,295)**	465
Loss before taxation		**(90,163)**	(166,371)
Income tax credit	7	**966**	–
Loss for the period	8	**(89,197)**	(166,371)
Other comprehensive (expense) / income for the period			
Items that may be reclassified subsequently to profit or loss:			
– Reclassification adjustment upon disposal of non-current assets held-for-sale		**–**	(1,404)
– Exchange differences on translation of foreign operations		**(31,980)**	3,063
– Share of investment revaluation reserve of an associate		**(8,968)**	–
Other comprehensive (expense) / income for the period		**(40,948)**	1,659
Total comprehensive expense for the period		**(130,145)**	(164,712)

	Note	Six months ended 30 September 2016 HK$'000 (Unaudited)	Six months ended 30 June 2015 HK$'000 (Unaudited)
Loss for the period attributable to owners of the Company		**(89,197)**	(166,371)
Total comprehensive expense for the period attributable to owners of the Company		**(130,145)**	(164,712)
		HK cents	HK cents (Restated)
Loss per share	9		
Basic and diluted		**(1.74)**	(3.55)

Condensed Consolidated Statement of Financial Position

At 30 September 2016

	Notes	At 30 September 2016 HK$'000 (Unaudited)	At 31 March 2016 HK$'000 (Audited)
Non-current assets			
Goodwill	10	**454,965**	470,085
Intangible assets		**88,610**	98,990
Property, plant and equipment		**193,173**	209,031
Interests in leasehold land held for own use under operating lease		**18,114**	18,918
Interest in associates	11	**1,108,953**	749,395
Interest in a joint venture		**98,401**	103,995
Loan and other receivables	12	**416**	434
Investment in a secured bond		**370,000**	370,000
Other non-current assets		**367**	367
		2,332,999	2,021,215
Current assets			
Inventories		**68,184**	80,899
Trade and bills receivables	13	**85,006**	35,802
Loan and other receivables	12	**212,266**	218,109
Financial assets at fair value through profit or loss		**46,194**	65,756
Amount due from an associate	11	**65,737**	65,724
Pledged bank deposits		**23,967**	22,660
Cash and cash equivalents		**152,601**	157,634
		653,955	646,584
Current liabilities			
Bank and other borrowings	17	**38,357**	44,551
Trade and bills payables	14	**55,486**	64,524
Accruals and other payables		**100,694**	95,265
Loan from the ultimate holding company	15	**350,000**	–
Obligations under finance leases	16	**28,419**	–
Tax payables		**4,254**	4,389
		577,210	208,729
Net current assets		**76,745**	437,855
Total assets less current liabilities		**2,409,744**	2,459,070

	Notes	At 30 September 2016 HK$'000 (Unaudited)	At 31 March 2016 HK$'000 (Audited)
Non-current liabilities			
Bank borrowings	17	**62,652**	64,734
Obligations under finance leases	16	**57,648**	–
Liability component of convertible bonds		**631,612**	604,883
Deferred tax liabilities		**14,781**	16,257
		766,693	685,874
Net assets		**1,643,051**	1,773,196
Capital and reserves			
Share capital	18	**1,027,129**	1,027,129
Reserves		**615,922**	746,067
Total equity		**1,643,051**	1,773,196

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2016

	Equity attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Exchange reserve HK$'000	Equity component of convertible bonds HK$'000	Share option reserve HK$'000	Investment revaluation reserve HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total equity HK$'000
At 1 April 2016 (Audited)	1,027,129	872,801	82,445	(10,469)	1,868,185	–	–	6,849	(2,073,744)	1,773,196
Loss for the period	–	–	–	–	–	–	–	–	(89,197)	(89,197)
Other comprehensive expense	–	–	–	(31,980)	–	–	(8,968)	–	–	(40,948)
Total comprehensive expense for the period	–	–	–	(31,980)	–	–	(8,968)	–	(89,197)	(130,145)
At 30 September 2016 (Unaudited)	**1,027,129**	**872,801**	**82,445**	**(42,449)**	**1,868,185**	**–**	**(8,968)**	**6,849**	**(2,162,941)**	**1,643,051**
At 1 January 2015 (Audited)	938,283	342,072	82,445	21,169	–	1,693	–	5,777	(103,840)	1,287,599
Loss for the period	–	–	–	–	–	–	–	–	(166,371)	(166,371)
Other comprehensive income	–	–	–	1,659	–	–	–	–	–	1,659
Total comprehensive income / (expense) for the period	–	–	–	1,659	–	–	–	–	(166,371)	(164,712)
Cancellation of share options	–	–	–	–	–	(1,693)	–	–	1,693	–
At 30 June 2015 (Unaudited)	938,283	342,072	82,445	22,828	–	–	–	5,777	(268,518)	1,122,887

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2016

	Notes	**Six months ended 30 September 2016 HK$'000 (Unaudited)**	Six months ended 30 June 2015 HK$'000 (Unaudited) (Restated)
Net cash used in operating activities		**(67,541)**	(333,615)
Investing activities			
Investment in an associate	11(a)	**(393,066)**	–
Investment in financial assets at fair value through profit or loss		**(543)**	–
Proceeds from disposal of financial assets at fair value through profit or loss		**29,347**	2,163
Proceeds from disposal of interest in an associate	11(b)	**–**	150,000
Proceeds from disposal of property, plant and equipment		**–**	600
Purchase of property, plant and equipment		**(802)**	(35)
Net cash (used in) / from investing activities		**(365,064)**	152,728
Financing activities			
Loan from the ultimate holding company	15	**350,000**	–
Proceeds from sale and leaseback transaction	16	**86,067**	–
Repayment of bank borrowings	17	**(5,808)**	–
Net cash from financing activities		**430,259**	–

	Six months ended 30 September 2016 HK$'000 (Unaudited)	Six months ended 30 June 2015 HK$'000 (Unaudited)
Net decrease in cash and cash equivalents	**(2,346)**	(180,887)
Cash and cash equivalents at the beginning of the period	**157,634**	366,684
Effect of foreign exchange rate changes	**(2,687)**	423
Cash and cash equivalents at the end of the period	**152,601**	186,220

Notes to the Condensed Consolidated Financial Statements

1. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The condensed consolidated financial statements should be read in conjunction with the Group's audited consolidated financial statements for the fifteen months ended 31 March 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The condensed consolidated financial statements are unaudited, but has been reviewed by Deloitte Touche Tohmatsu in accordance with the Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

Pursuant to a resolution of the Board of the Company dated 20 April 2015, the Company's financial year end date was changed from 31 December to 31 March in order to align with that of its ultimate holding company, FDG Electric Vehicles Limited ("FDG"), a company listed on the Main Board of the Stock Exchange (Stock Code: 729). Accordingly, the condensed consolidated financial statements for the current period cover the six months ended 30 September 2016. The corresponding comparative figures shown for the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and related notes cover the six months period from 1 January 2015 to 30 June 2015 and therefore may not be comparable with figures shown for the current period.

2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2016 are the same as those followed in the preparation of the annual financial statements of the Group for the fifteen months ended 31 March 2016:

Leasing

The Group as lessee

Assets held under finance leases are recognised as asset of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the condensed consolidated statement of financial position as obligations under finance leases.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing cost.

Sale and leaseback resulting in a finance lease

If a sale and leaseback transaction that results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortised over the lease term. If the fair value at the time of a sale and leaseback transaction is less than the carrying amount of the asset, no adjustment is necessary unless there has been impairment in value, in which case the carrying amount is reduced to recoverable amount.

Property, plant and equipment

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term or their useful lives.

2. Principal Accounting Policies (continued)

Amendments to HKFRSs

The Group has applied the following new amendments to HKFRSs issued by the HKICPA for the first time in the current period:

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle

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 consolidated financial statements for current or prior reporting periods.

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

3. Revenue

An analysis of the Group's revenue is as follows:

	Six months ended 30 September 2016 HK$'000 (Unaudited)	Six months ended 30 June 2015 HK$'000 (Unaudited) (Restated)
Sales of cathode materials for battery production	**103,782**	–
Interest and dividend income	**23,093**	19,018
	126,875	19,018

4. Segment Information

The segment information reported to the Board, being the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on type of goods delivered or services provided.

The Group's reportable and operating segments are as follows:

(i) Battery materials production segment, which includes research and development, manufacture and sales of cathode materials for nickel-cobalt-manganese lithium-ion batteries representing a new business segment acquired in October 2015; and

(ii) Direct investments segment, which includes loan financing, securities trading and asset investment.

The following is an analysis of the Group's revenue and results by reportable operating segments:

	Battery materials production		Direct investments		Total	
	Six months ended 30 September 2016 HK$'000 (Unaudited)	Six months ended 30 June 2015 HK$'000 (Unaudited)	**Six months ended 30 September 2016 HK$'000 (Unaudited)**	Six months ended 30 June 2015 HK$'000 (Unaudited) (Restated)	**Six months ended 30 September 2016 HK$'000 (Unaudited)**	Six months ended 30 June 2015 HK$'000 (Unaudited) (Restated)
Reportable segment revenue from external customers	**103,782**	–	**23,093**	19,018	**126,875**	19,018
Reportable segment results	**(22,660)**	–	**(55,580)**	(154,598)	**(78,240)**	(154,598)
Unallocated corporate (expense) / income					**(628)**	13
Central administrative costs and directors' remuneration					**(11,295)**	(11,786)
Loss before taxation					**(90,163)**	(166,371)

Segment results represent profit or loss attributable to the segment without allocation of central administrative costs and directors' remuneration. This is the measure reported to the Board for the purposes of resources allocation and performance assessment.

4. Segment Information (continued)

(a) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable operating segments:

	At 30 September 2016 HK$'000 (Unaudited)	At 31 March 2016 HK$'000 (Audited)
Segment assets		
Battery materials production	**996,264**	936,726
Direct investments	**1,873,902**	1,544,085
Total segment assets	**2,870,166**	2,480,811
Unallocated assets	**116,788**	186,988
Consolidated assets	**2,986,954**	2,667,799
Segment liabilities		
Battery materials production	**261,630**	196,637
Direct investments	**1,061,691**	692,640
Total segment liabilities	**1,323,321**	889,277
Unallocated liabilities	**20,582**	5,326
Consolidated liabilities	**1,343,903**	894,603

4. Segment Information (continued)

(a) Segment assets and liabilities (continued)

For the purposes of monitoring segment performance and allocating resources to segments:

(i) All assets are allocated to reportable segments other than those assets which are centrally managed by the Group's management, including certain property, plant and equipment, other non-current assets, inventories, other receivables and cash and cash equivalents; and

(ii) All liabilities are allocated to reportable segments other than those liabilities which are centrally managed by the Group's management including certain accruals and other payables.

(b) Seasonality of operations

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

5. Other Gains and Losses

	Six months ended 30 September 2016 HK$'000 (Unaudited)	Six months ended 30 June 2015 HK$'000 (Unaudited) (Restated)
Impairment losses on loan and other receivables	**–**	(8,379)
Gain on disposal of an associate (Note 11(b))	**–**	1,404
Gain on disposal of property, plant and equipment	**–**	16
Net foreign exchange gain / (loss)	**341**	(3)
Net gain / (loss) on held-for-trading investments	**9,242**	(403)
Net loss on financial assets at fair value through profit or loss	**–**	(1)
	9,583	(7,366)

6. Finance Costs

	Six months ended 30 September 2016 HK$'000 (Unaudited)	Six months ended 30 June 2015 HK$'000 (Unaudited)
Interest on convertible bonds	**56,729**	–
Interest on finance leases	**459**	–
Interest on bank and other borrowings	**2,308**	–
	59,496	–

7. Income Tax Credit

	Six months ended 30 September 2016 HK$'000 (Unaudited)	Six months ended 30 June 2015 HK$'000 (Unaudited)
Current tax	**–**	–
Deferred tax	**(966)**	–
Total income tax credit for the period	**(966)**	–

No provision for the Hong Kong profits tax has been made for the six months ended 30 September 2016 and 30 June 2015 as the Group does not have any assessable profits in Hong Kong.

Under the Law of the People's Republic of China (the "PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%, except for a subsidiary, which is subject to a preferential tax rate of 15% until 2020. No PRC income tax has been made for both periods as the Group does not have any assessable profit in the PRC.

8. Loss for the Period

Loss for the period is arrived at after charging / (crediting):

	Six months ended 30 September 2016 HK$'000 (Unaudited)	Six months ended 30 June 2015 HK$'000 (Unaudited)
Cost of inventories recognised as expenses	**102,535**	–
Amortisation of intangible assets	**7,284**	–
Amortisation of interests in leasehold land held for own use under operating lease	**197**	–
Depreciation of property, plant and equipment (Notes (i) and (ii))	**2,375**	61
Interest income	**(23,310)**	(19,000)

Notes:

(i) The amount for the six months ended 30 June 2015 represented the net amount after expenses reimbursement arrangement under the Inter-companies Services and Cost Allocation Agreements (the "Services Agreements") signed between the Company and CITIC International Assets Management Limited ("CIAM"), a substantial shareholder of the Company before the voluntary conditional offer as set out in Note 11(b), on 30 December 2013 and 28 November 2011. The Services Agreements were terminated on 31 March 2015.

(ii) The amount excludes expenses that capitalised in inventories.

9. Loss per Share

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	Six months ended 30 September 2016 HK$'000 (Unaudited)	Six months ended 30 June 2015 HK$'000 (Unaudited)
Loss:		
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	**89,197**	166,371
		(Restated)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**5,135,646,855**	4,691,416,085

For the six months ended 30 June 2015, the weighted average number of ordinary shares for the purpose of basic loss per share has been adjusted retrospectively for the share subdivision on 14 September 2015.

The computation of diluted loss per share for the six months ended 30 September 2016 does not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in an increase in loss per share.

The diluted loss per share for the six months ended 30 June 2015 was equal to the basic loss per share as the potential ordinary shares outstanding during this period had no dilutive effect on the basic loss per share.

10. Goodwill

	Allocated to battery materials production HK$'000
COST	
At 31 March 2016	470,085
Exchange realignments	(15,120)
At 30 September 2016	**454,965**
ACCUMULATED IMPAIRMENTS	
At 31 March 2016 and **30 September 2016**	–
CARRYING VALUES	
At 30 September 2016 (Unaudited)	**454,965**
At 31 March 2016 (Audited)	470,085

For the purposes of impairment testing, goodwill has been allocated to battery materials production segment of the Group, which is an individual cash-generating unit ("CGU").

For the six months ended 30 September 2016, the management of the Group determines that there is no impairment of its CGU containing goodwill. The basis of the recoverable amount of the above CGU and the major underlying assumptions are summarised below:

The recoverable amount of this CGU was determined based on fair value less costs of disposals. The fair value of this CGU was assessed by the management based on a business valuation performed by an independent professional qualified valuer. That calculation uses cash flow projections covering a 5-year period, and discount rate of 17.5%, which is within level 3 fair value hierarchy. The cash flows beyond the 5-year period are extrapolated using a steady 3% growth rate. This growth rate is based on the expected long-term inflation in the PRC. Other key assumptions relate to the estimation of cash inflows / outflows which include budgeted sales and estimated income generated from the CGU, such estimation is based on the management's expectations for the market development.

11. Interest in Associates and Amount Due from an Associate

	At 30 September 2016 HK$'000 (Unaudited)	At 31 March 2016 HK$'000 (Audited)
Cost of investment in associates	**1,143,066**	750,000
Share of post-acquisition losses and other comprehensive expense	**(34,113)**	(605)
	1,108,953	749,395
Amount due from an associate (Note)	**65,737**	65,724

Note: As at 30 September 2016, the balance represented two unsecured loans to an associate with principal amounts of HK$25,000,000 and HK$40,000,000, which bear interest at 6% per annum and with maturity within one year.

(a) For the six months ended 30 September 2016

Interest in Advanced Lithium Electrochemistry (Cayman) Co., Ltd. ("ALEEES")

On 14 April 2016, FDG Kinetic Investment Limited ("FKIL"), a direct wholly-owned subsidiary of the Company, the Company (as guarantor) and ALEEES, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Taipei Exchange (Stock Code: 5227) entered into the share subscription agreement pursuant to which ALEEES conditionally agreed to allot and issue and FKIL conditionally agreed to subscribe for 46,000,000 new ordinary shares of ALEEES at a subscription price of NT$35 per new share of ALEEES, in sum of NT$1,610,000,000 (equivalent to approximately HK$393,066,000), to be payable in cash upon completion, pursuant to the terms and conditions of the share subscription agreement (the "ALEEES Share Subscription"). The ALEEES Share Subscription was duly passed at the special general meeting of the Company on 16 June 2016 and completed on 24 August 2016. After completion of the ALEEES Share Subscription, FKIL holds approximately 21.85% of the total issued ALEEES shares and ALEEES has been accounted for as an associate of the Group.

11. Interest in Associates and Amount Due from an Associate

(continued)

(b) For the six months ended 30 June 2015

Disposal of Interest in an Associate and Amount due from an Associate

Pursuant to the conditional sale and purchase agreement dated 31 October 2014 and supplemented by the subsequent letter agreements dated 29 December 2014 and 27 January 2015 (collectively the "Agnita Disposal Agreements") entered into by FDG Kinetic Investment (BVI) Limited (formerly known as CIAM Investment (BVI) Limited ("CBVI")), a wholly-owned subsidiary of the Company, with Preferred Market Limited ("Preferred Market"), a wholly-owned subsidiary of FDG, CBVI conditionally agreed (i) to sell to Preferred Market and Preferred Market conditionally agreed to purchase from CBVI 41.5% of the issued share capital of Agnita Limited ("Agnita"), an associate of the Group, and all rights and benefits of the shareholder's loan in the principal amount of HK$150,000,000 extended to Agnita by CBVI; and (ii) the cancellation of the call option for 8.5% of issued share capital of Agnita, granted to CBVI by Preferred Market (collectively the "Agnita Transaction"), at a total consideration of HK$520,000,000, which was settled by HK$150,000,000 in cash and the balance of HK$370,000,000 by the issue of the FDG 3-year secured bond with 8% coupon per annum to the Company. One of the conditions precedent under the Agnita Disposal Agreements for the Agnita Transaction was the proposed voluntary conditional offer to acquire all the issued shares of the Company and to cancel the share options granted by the Company under the share option scheme of the Company (the "Offer") by FDG. The Offer had to become unconditional as to acceptances.

The Offer was closed on 23 February 2015, with valid acceptances in respect of approximately 89.5% of the issued share capital of the Company being received by FDG. Since then, the Company was of the view that the carrying amounts of the interest in and amount due from Agnita would be recovered principally through the Agnita Transaction and as a result, the interest in and amount due from Agnita were reclassified as non-current assets held-for-sale and an impairment loss of approximately HK$163,604,000 was recognised.

All remaining conditions precedent under the Agnita Disposal Agreements were satisfied and completion of the Agnita Transaction took place on 27 February 2015. A gain on disposal of approximately HK$1,404,000, representing the release of exchange differences arising from the translation of the financial statements of Agnita, was recognised to profit or loss for the six months ended 30 June 2015. Agnita ceased to be an associate of the Group.

12. Loan and Other Receivables

	At 30 September 2016 HK$'000 (Unaudited)	At 31 March 2016 HK$'000 (Audited)
Fixed-rate loan receivables (Note)	**248,796**	248,142
Less: allowance for doubtful debts	**(64,179)**	(66,044)
	184,617	182,098
Value-added tax receivables	**20,109**	25,545
Prepayments, deposits and other receivables	**7,956**	10,900
	212,682	218,543
Presented by:		
Non-current assets	**416**	434
Current assets	**212,266**	218,109
	212,682	218,543

Note: The loan receivables included a loan secured by a mining right of an iron ore mine in the PRC (the "Loan"). On 17 December 2015, the Group appointed CIAM as its exclusive agent in collecting and handling the Loan and its outstanding accrued interest for twenty four calendar months from 17 December 2015 (the "Contract Period"). CIAM should pay deposits by instalments of RMB56,000,000 in total (equivalent to approximately HK$65,044,000) by 31 May 2016 to the Group. CIAM undertook to collect RMB56,000,000 (the "Agreed Amount") for the Group and should the amount collected exceed the Agreed Amount, the excess will be paid to CIAM as agency fee. The Group also has the right to exercise a put option to sell the Loan to CIAM at the consideration of the Agreed Amount less any amount recovered from the Loan during the Contract Period and use deposits received from CIAM to offset. In the opinion of the directors of the Company, the fair value of the put option is insignificant as the collateral is worth more than the exercise price of the put option. During the period ended 30 September 2016, the Group received deposits of approximately HK$65,044,000 from CIAM and included in other payables.

12. Loan and Other Receivables (continued)

An analysis of the net fixed-rate loan receivables, based on the maturity date, is as follows:

	At 30 September 2016 HK$'000 (Unaudited)	At 31 March 2016 HK$'000 (Audited)
On demand and due within one year	**184,201**	181,664
Over five years	**416**	434
	184,617	182,098

All of the prepayments, deposits and other receivables classified as current assets are expected to be repaid or recognised in profit or loss within one year.

13. Trade and Bills Receivables

The trade and bills receivables, net of allowance for doubtful debts, of HK$85,006,000 (31 March 2016: HK$35,802,000) and an ageing analysis based on the invoice date (or date of revenue recognition, if earlier) at the end of the reporting period is as follows:

	At 30 September 2016 HK$'000 (Unaudited)	At 31 March 2016 HK$'000 (Audited)
Within one month	**44,282**	147
Between one and three months	**18,703**	23,726
Over three months	**22,021**	11,929
	85,006	35,802

13. Trade and Bills Receivables (continued)

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 the senior management. The carrying amounts of the receivables approximate their fair values.

14. Trade and Bills Payables

The trade and bills payables of HK$55,486,000 (31 March 2016: HK$64,524,000) and an ageing analysis based on the invoice date is as follows:

	At 30 September 2016 HK$'000 (Unaudited)	At 31 March 2016 HK$'000 (Audited)
Within one month	**14,600**	28,427
Between one and three months	**19,825**	5,816
Over three months	**21,061**	30,281
	55,486	64,524

The carrying amounts of trade and bills payables approximate their fair values. As at 30 September 2016, bills payables of HK$23,967,000 (31 March 2016: HK$22,660,000) were secured by pledged bank deposits of HK$23,967,000 (31 March 2016: HK$22,660,000).

15. Loan from the Ultimate Holding Company

The amount is unsecured, interest-free and repayable on demand.

16. Obligations Under Finance Leases

During the six months ended 30 September 2016, the Group has entered a sale and leaseback transaction with an independent third party by way of sale and leasing back of certain machineries. In accordance with the lease agreement, the term of the lease is three years, carries at a fixed interest rate of 6% per annum and guaranteed by an indirect wholly-owned subsidiary of an associate. The ownership of those assets will be transferred back to the Group upon the end of the lease term. Such transaction is considered as sale and leaseback arrangement resulting in a finance lease.

	At 30 September 2016 HK$'000 (Unaudited)	At 31 March 2016 HK$'000 (Audited)
Presented by:		
Current liabilities	**28,419**	–
Non-current liabilities	**57,648**	–
	86,067	–

16. Obligations Under Finance Leases (continued)

	Minimum lease payments		Present value of minimum lease payments	
	At 30 September 2016 HK'000 (Unaudited)	At 31 March 2016 HK'000 (Audited)	**At 30 September 2016 HK'000 (Unaudited)**	At 31 March 2016 HK'000 (Audited)
Amounts payable under finance leases:				
Within one year	**33,224**	–	**28,419**	–
More than one year, but not exceeding two years	**33,224**	–	**30,164**	–
More than two years, but not exceeding five years	**28,693**	–	**27,484**	–
	95,141	–	**86,067**	–
Less: Future finance charges	**(9,074)**	–	**–**	–
Present value of lease obligations	**86,067**	–	**86,067**	–
Less: Amount due for settlement within one year and shown under current liabilities			**(28,419)**	–
Amount due for settlement after one year and shown under non-current liabilities			**57,648**	–

17. Bank and Other Borrowings

During the six months ended 30 September 2016, the Group repaid bank borrowings in the amount of approximately HK$5,808,000 (six months ended 30 June 2015: Nil). The effective interest rates of bank and other borrowings are ranging from 2.23% to 4.75% (31 March 2016: 2.23% to 6.40%) per annum.

18. Capital and Dividends

(a) Dividends

No dividend had been paid or declared during the period in respect of previous financial year. The Board does not recommend the payment of a dividend for the six months ended 30 September 2016 (six months ended 30 June 2015: Nil).

(b) Share Capital

	Number of shares	**Amount** HK$'000
Ordinary shares of HK$0.20 each (31 March 2016: HK$0.20 each)		
Authorised:		
At 1 January 2015 (Audited)	2,500,000,000	2,500,000
Subdivision of share capital	10,000,000,000	–
At 31 March 2016 (Audited) and **30 September 2016 (Unaudited)**	**12,500,000,000**	**2,500,000**
Issued and fully paid:		
At 1 January 2015 (Audited)	938,283,217	938,283
Issue of shares through top-up placing	35,000,000	35,000
Subdivision of share capital	3,893,132,868	–
Issue of shares pursuant to acquisition of subsidiaries	269,230,770	53,846
At 31 March 2016 and (Audited) **30 September 2016 (Unaudited)**	**5,135,646,855**	**1,027,129**

19. 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 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs 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 inputs 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 are determined (in particular, the valuation technique(s) and inputs used).

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 September 2016 (Unaudited) HK$'000	31 March 2016 (Audited) HK$'000				
Held-for-trading investments:						
– Listed equity securities	**36,500**	28,250	Level 1	Quoted bid prices in active markets	N/A	N/A
– Unlisted funds	**9,694**	9,225	Level 2	Quoted prices in the over-the-counter markets	N/A	N/A
Financial assets designated at fair value through profit or loss:						
– Unlisted debt securities with embedded options	**–**	28,281	Level 3	Discounted cash flow	Estimated future cash flows to be derived from the assets discounted at a risk based discount rate	The higher / lower of estimated cash flows derived from the assets, the higher / lower of fair value
	46,194	65,756				

19. Fair Value Measurements of Financial Instruments (continued)

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

Unlisted debt securities with embedded options:

	Six months ended 30 September 2016 HK$'000	Six months ended 30 June 2015 HK$'000
At the beginning of reporting period (Audited)	**28,281**	28,296
Exchange realignments	**–**	(15)
Disposals	**(28,281)**	–
At the end of reporting period (Unaudited)	**–**	28,281

Unlisted equity securities:

	Six months ended 30 September 2016 HK$'000	Six months ended 30 June 2015 HK$'000
At the beginning of reporting period (Audited)	**–**	18,711
Exchange realignments	**–**	311
At the end of reporting period (Unaudited)	**–**	19,022

20. Capital Commitments

The Group had no significant capital commitments as at 30 September 2016 (31 March 2016: Nil).

21. Major Related Party Transactions

(a) Transactions with related companies

In addition to the transactions and balances disclosed elsewhere in this condensed consolidated financial statements and notes thereon, the Group entered into the following transactions with related companies during the six months ended 30 September 2016:

	Notes	**Six months ended 30 September 2016 HK$'000 (Unaudited)**	Six months ended 30 June 2015 HK$'000 (Unaudited)
Expenses reimbursed from CIAM	(i)	**–**	781
Expenses reimbursed to CIAM	(i)	**–**	(2,404)
Rental expenses paid to a fellow subsidiary	(ii)	**(480)**	(240)
Consultancy fee paid to a fellow subsidiary	(ii)	**(480)**	(80)
Expenses reimbursed to a fellow subsidiary	(ii)	**(588)**	(186)
Gain on disposal of an associate	(iii)	**–**	1,404
Interest expenses payable to a fellow subsidiary	(iv)	**(56,729)**	–
Interest income receivable from FDG	(v)	**14,800**	10,056
Interest income receivable from an associate	(vi)	**1,950**	–

Notes:

(i) The amounts represented expenses reimbursed from (to) CIAM.

(ii) The amounts represented rental expenses, consultancy fee and other expenses reimbursed to a fellow subsidiary, which is a wholly-owned subsidiary of FDG.

(iii) The amount represented gain on disposal of Agnita to Preferred Market (Note 11(b)).

(iv) The amount represented interest expenses accrued for the convertible bonds.

(v) The amount represented interest income derived from the investment in a secured bond.

(vi) The amount represented interest income derived from the amount due from an associate (Note 11).

21. Major Related Party Transactions (continued)

(b) Balances with related companies

	Notes	At 30 September 2016 HK$'000 (Unaudited)	At 31 March 2016 HK$'000 (Audited)
Amount due from an associate (Note 11)		**65,737**	65,724
Amount due from the ultimate holding company	(i)	**17,537**	2,737
Loan from the ultimate holding company (Note 15)		**350,000**	–
Amount due to a fellow subsidiary	(ii)	**9,576**	39,576
Investment in a secured bond		**370,000**	370,000
Liability component of convertible bonds		**631,612**	604,883

Notes:

(i) The amount represented interest income receivable from the secured bond issued by FDG which is included in loan and other receivables.

(ii) The amount represented interest payable from the convertible bonds issued to a subsidiary of FDG which is included in accruals and other payables.

21. Major Related Party Transactions (continued)

(c) Key management personnel compensation

The remuneration of directors and other members of key management during the period was as follows:

	Six months ended 30 September 2016 HK$'000 (Unaudited)	Six months ended 30 June 2015 HK$'000 (Unaudited)
Salaries and other short-term employee benefits	**5,000**	4,270

(d) Guarantee

As disclosed at Note 16, the finance lease agreement entered during the period is guaranteed by an indirect wholly-owned subsidiary of an associate.

22. Events After the Reporting Period

As disclosed in the announcement of the Company dated 10 November 2016, the Company, Guian New Area Management Committee* ("Guian Committee") and ALEEES entered into a cooperation framework agreement on 10 November 2016 (the "Framework Agreement"), pursuant to which the parties agreed to cooperate in the construction of a factory for the manufacturing of cathode materials with a preliminary target of an annual production of 30,000 tonnes of cathode materials. Pursuant to the Framework Agreement, the Group, Guian Committee and ALEEES agreed to collaborate in the project through the setting up of a jointly-owned company. The terms of cooperation contemplated under the Framework Agreement are subject to the terms of any definitive agreements which the parties may subsequently enter into.

23. Comparative Figures

Certain comparative figures set out in the condensed consolidated statement of profit or loss and other comprehensive income have been restated to conform with current period's presentation:

	Six months ended 30 June 2015		
	As originally stated HK$'000 (Unaudited)	Reclassifications HK$'000 (Unaudited)	As restated HK$'000 (Unaudited)
Revenue	18,614	404	19,018
Other income	13	(13)	–
Gain on disposal of an associate	1,404	(1,404)	–
Impairment losses on loan and other receivables	(8,379)	8,379	–
Other gains and losses	–	(7,366)	(7,366)

Certain comparative figures set out in the condensed consolidated statement of cash flows have been restated to conform with current period's presentation:

	Six months ended 30 June 2015		
	As originally stated HK$'000 (Unaudited)	Reclassifications HK$'000 (Unaudited)	As restated HK$'000 (Unaudited)
Net cash used in operating activities			
Increase in deposit in a securities account	–	(320,059)	(320,059)
Net cash used in investing activities			
Increase in deposit in a securities account	(320,059)	320,059	–

The above adjustments have no impact on the Group's financial position as at 1 January 2015 and 30 June 2015.

Report on Review of Condensed Consolidated Financial Statements

Deloitte.
德勤

To the Board of Directors of FDG Kinetic Limited
(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of FDG Kinetic Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 2 to 32, which comprise the condensed consolidated statement of financial position as of 30 September 2016 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Other Matter

The condensed consolidated financial statements of the Group for the six months ended 30 June 2015 were reviewed by another auditor who expressed on unmodified conclusion on those statements on 28 August 2015.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong

25 November 2016

Management Discussion and Analysis

FDG Kinetic Limited ("FKL" or the "Company") used to be a company investing primarily in energy conservation, environmental protection and clean energy with a "Green and Growth" investment philosophy. In recent years, the Company is committed to establishing and improving its lithium-ion batteries business through various acquisitions and partnerships. As such, the Company will expand to become an integrated company specializing in the technology development, production and sales of lithium-ion batteries in addition to "Green Energy" investment. The Company is an indirect non-wholly-owned subsidiary of FDG Electric Vehicles Limited ("FDG", stock code: 729).

Market Overview

During the period under review, the world experienced an economic downturn. Except the United States, other developed economies suffered sluggish recovery. Inconsistent pace of economic development in different countries has added uncertainties to the global economy: the market is haunted by the interest rate hike problem by the United States Federal Reserve; the risk of debt crisis remained for the Eurozone, coupled with the forthcoming withdrawal of the United Kingdom from the European Union; and the insignificant progress of Japan's economic stimulus packages further reduced the momentum for global recovery. Growth momentum is also compromised in emerging economies, with lackluster performance in countries such as Brazil and Russia. In respect of the Chinese economy, it grew steadily in general. Although there is an increase in domestic consumption attributable to economic growth, the economic development still suffers from downward pressure, given the decline of private investment. It is blissful that domestic economic restructuring has shown its effect and new industries are blooming with the gradual improvement of corporate profitability, which will offer strong support to future economic development.

New energy industry showed a positive growth momentum thanks to the macro-environment and policy support. According to the statistics by China Association of Automobile Manufacturers, the accumulated production and sales of new energy vehicles were 302,000 units and 289,000 units from January to September 2016 with prominent year-on-year growth rates of 93.0% and 100.6%, respectively. As a key component of electric vehicles, the demand for power lithium-ion batteries was significantly driven up which attracted capital and technology flow into the domestic market. According to relevant statistics, the production volume of power lithium-ion batteries in China showed a rapid upward trend, amounting to 12.64 GWh in the first half of 2016, and the national production volume of power lithium-ion batteries is expected to reach 29.39 GWh by the end of 2016. In addition, the rapid growth of power lithium-ion batteries has stimulated technological reform. As some domestic battery companies greatly expand their production lines of square power lithium-ion batteries, such batteries are estimated to replace the currently dominant lithium-ion batteries, which are mainly made of flexible package, and become the most popular batteries in the market by 2018.

Benefited from the speedy growth of the lithium-ion battery industry, the investment in domestic lithium-ion batteries industry chain in China exceeded RMB116 billion for the first half of 2016, which focused on corporate mergers and acquisitions as well as capacity expansion. The demand for equipment and related raw materials (such as cathode material, anode material, electrolyte, separator, etc.) increased along with the increase in investment and development of the lithium-ion batteries industry, in which cathode material is a key component of power lithium-ion batteries. Currently, cathode materials used widely by the market in power lithium-ion batteries are principally Lithium Ferrous Phosphate ("LFP"), ternary cathode materials and Lithium Manganese Oxide ("LMO"). LMO and ternary cathode materials dominate the markets of Japan and Korea, whereas LFP dominates China and Taiwan. Taking a closer look at the PRC's power lithium-ion batteries market, LFP batteries account for approximately 80% of the overall market. Although the market share of ternary cathode materials power lithium batteries is ever-increasing, LFP batteries remained the mainstream batteries of new energy vehicles. With the increasing demand for domestic power lithium-ion batteries, the maturing LFP battery market presented a continuously positive growth. In respect of ternary cathode materials, the patent of the current technology is still owned by Japanese and Korean companies. Due to high production costs and high technological requirement, the high quality ternary cathode materials remained undersupplied. Meanwhile, with high energy density and excellent reliability, ternary cathode materials is a decent material for electric passenger vehicles and hence will enjoy enormous potential in the future.

Business Review

Formed strategic cooperation with ALEEES and also to establish a LFP cathode material production plant

Upholding the "Green and Growth" investment philosophy, FKL has been planning its presence in upstream and downstream production chain of power lithium-ion battery by proactive investment. In August 2016, the Company completed the equity restructuring with Advanced Lithium Electrochemistry (Cayman) Co., Ltd ("ALEEES", listed on the Taipei Exchange, stock code: 5227). ALEEES is now accounted for as an associated company of FKL. ALEEES' expenses, primarily research and expenses related, are expected to decrease substantially after the acquisition which will bring positive impacts to ALEEES' financial results. FKL will also enjoy the positive financial impacts as the single largest shareholder after the equity restructuring.

To further improve the upstream industries and increase market share, the Company proactively expanded its production capacity. The PRC government is forbidding public electric buses from using Nickel-Cobalt-Manganese ("NCM") lithium-ion battery until it has passed the safety certification. The demand for LFP batteries can be predicted to increase significantly. In order to seize the market opportunity, the Company facilitates its construction project of the plant for cathode materials in an active and orderly manner. It has entered into a cooperation framework agreement with Guian New Area Management Committee and ALEEES to cooperate in the construction of a factory for the manufacturing of LFP cathode materials with preliminary plan of construction in three stages, an annual production of 30,000 tonnes of cathode materials in total, and has employed ALEEES as the advisor to provide technology licensing and consultancy services to FKL in the construction of factories and production of cathode materials so as to further develop the lithium-ion battery cathode material business. The move can ensure that FKL and FDG, its parent company, obtain a quality and steady supply of LFP lithium-ion battery cathode material. Premium raw material will also enable the Company to maximize its cost efficiency and synergize with the electric vehicle business of FDG.

Furthermore, the Company develops and manufactures cathode material for NCM lithium-ion batteries which can be used in electric vehicles, energy storage systems and telecommunication devices through "FDG Kinetic (Chongqing) Lithium Ion Battery Materials Co., Ltd". On this basis, the strategic cooperation between the Company and ALEEES will further develop the cathode material business for LFP batteries which will in turn perfect the Company's industry chain of battery business.

Interim Financial Review

During the six months period under review, the Group recorded a revenue of approximately HK$126.9 million, representing an increase of approximately 567.1% as compared with the revenue of approximately HK$19.0 million of the six months ended 30 June 2015. Such increase was mainly due to the entering into the new investments and the battery materials production business segment by the Group during the second half of last year.

The Group's loss attributable to equity shareholders of the Company for the six months ended 30 September 2016 amounted to approximately HK$89.2 million, representing an decrease of approximately HK$77.2 million as comparing with the loss of approximately HK$166.4 million for the six months ended 30 June 2015. The decrease was mainly attributable to the combination effects of the followings:

(i) an impairment loss of approximately HK$163.6 million on interest in an associate were recognised during the six months ended 30 June 2015, such loss did not incur in the current period;

(ii) the general and administrative expenses amounted to approximately HK$32.5 million, representing an increase of approximately HK$18.9 million as comparing with approximately HK$13.6 million for the six months ended 30 June 2015. Such increase was mainly attributable to the increase in the directors' remuneration and the general and administrative expenses incurred for the newly acquired cathode material production business;

(iii) the research and development expenses amounted to approximately HK$6.4 million (six months ended 30 June 2015: Nil). Such increase was attributable from the newly acquired cathode material production business in October 2015; and

(iv) the finance costs amounted to approximately HK$59.5 million (six months ended 30 June 2015: Nil) which were arising from the interest expenses on the convertible bonds and bank and other borrowings.

Segment Information

Battery Materials Production Business

During the period under review, this battery materials production business segment contributed the Group's revenue of approximately HK$103.8 million from the sales of cathode materials for NCM lithium-ion batteries and brought a loss before tax of approximately HK$22.7 million to the Group. The NCM lithium-ion batteries can be widely used in the telecommunication devices, electric vehicle and energy storage system. The demand for cathode materials are expected to remain strong in the future to cope with the favorable government policies in the development of new energy vehicle industry.

Direct Investments Business

During the period under review, interest and dividend income of approximately HK$23.1 million (six months ended 30 June 2015: approximately HK$19.0 million) mainly comprised of approximately HK$14.8 million (six months ended 30 June 2015: approximately HK$10.0 million) of the interest accrued for the secured bond issued by FDG to the Company for its acquisition of Agnita on 27 February 2015.

The Group's investments measured at fair value recorded a net gain of approximately HK$9.2 million for the six months ended 30 September 2016 (six months ended 30 June 2015: net loss of approximately HK$0.4 million).

The Group shared the loss of an joint venture, 華能壽光風力發電有限公司 ("Huaneng Shouguang") of approximately HK$2.3 million for the six months ended 30 September 2016 (six months ended 30 June 2015: gain of approximately HK$0.5 million). Huaneng Shouguang is a wind power electricity developer and operator in the PRC. It generated electricity of 28 million kWh and revenue of approximately RMB14.2 million during the period under review.

During the period under review, the Group shared the loss of associates of approximately HK$23.1 million, which represented two associates, Synergy Dragon Limited ("SDL") and ALEEES. SDL is an investment holding company, its wholly-owned subsidiary, Sinopoly Battery Limited, which is an integrated high-tech enterprise which specialises in production, sales and research and development of high capacity lithium-ion battery and its related products. ALEEES is a newly acquired associate by the Group in August 2016, which principally engaged in the business of production, research and development and sales and marketing of cathode materials for lithium ferrous phosphate batteries.

Liquidity and Financial Resources

As at 30 September 2016, the Group's net assets attributable to equity shareholders of the Company amounted to approximately HK$1,643.1 million (31 March 2016: approximately HK$1,773.2 million). Net assets attributable to equity shareholders of the Company per share were approximately HK$0.32 (31 March 2016: approximately HK$0.35). The Group's total assets of approximately HK$2,987.0 million (31 March 2016: approximately HK$2,667.8 million) mainly consisted of goodwill of approximately HK$455.0 million (31 March 2016: approximately HK$470.1 million), intangible assets of approximately HK$88.6 million (31 March 2016: approximately HK$99.0 million), property, plant and equipment and interests in leasehold land held for own use under operating lease of approximately HK$211.3 million (31 March 2016: approximately HK$227.9 million), interest in associates of approximately HK$1,109.0 million (31 March 2016: approximately HK$749.4 million), interest in a joint venture of approximately HK$98.4 million (31 March 2016: approximately HK$104.0 million), the FDG 3-year secured bond of HK$370.0 million (31 March 2016: HK$370.0 million), loan and other receivables of approximately HK$212.7 million (31 March 2016: approximately HK$218.5 million) and cash and cash equivalents of approximately HK$152.6 million (31 March 2016: approximately HK$157.6 million).

As at 30 September 2016, the bank and other borrowings included (i) bank borrowings of approximately HK$68.4 million (31 March 2016: approximately HK$76.7 million), denominated in Renminbi ("RMB"), were secured, interest bearing at floating rates and repayable within five years. Such bank borrowings were granted under a general banking facilities by a bank in the PRC. The general banking facilities were secured by, inter alia, certain land and buildings of the Group with carrying amounts of approximately HK$123.0 million (31 March 2016: approximately HK$130.1 million) in favour of the lender by way of the fixed charges and floating charges over all the plant and machinery and inventories of FDG Kinetic (Chongqing) Lithium Ion Battery Materials Co. Ltd; and (ii) the other borrowings of approximately HK$32.6 million (31 March 2016: approximately HK$32.6 million), denominated in United States dollars, were unsecured, guaranteed by the Company, interest bearing at a fixed rate and repayable within one year. The Group's bank and other borrowings are mostly event driven, with little seasonality.

As at 30 September 2016, the Group's obligations under finance leases amounted to approximately HK$86.1 million (31 March 2016: Nil), out of which approximately HK$28.4 million is repayable within one year. The obligations under finance leases were secured by certain machineries of the Group with carrying amounts of approximately HK$85.1 million and guaranteed by an indirect wholly-owned subsidiary of an associate. Loan from the ultimate holding company as at 30 September 2016 amounted to HK$350 million is unsecured, interest-free and repayable on demand (31 March 2016: Nil).

As at 30 September 2016, the Group's non-current liabilities comprised mainly the liability component of the convertible bonds of approximately HK$631.6 million (31 March 2016: approximately HK$604.9 million), long term portion of bank borrowings of approximately HK$62.7 million (31 March 2016: approximately HK$64.7 million) and long term portion of obligations under finance leases of approximately HK$57.6 million (31 March 2016: Nil).

As at 30 September 2016, the Group's gearing ratio, without taking into account of the liability component of convertible bonds of approximately HK$631.6 million (31 March 2016: approximately HK$604.9 million), was approximately 11.4% (31 March 2016: approximately 6.2%) calculated on the basis of bank and other borrowings of approximately HK$101.0 million (31 March 2016: approximately HK$109.3 million) and obligations under finance lease of approximately HK$86.1 million (31 March 2016: Nil) to total equity attributable to owners of the Company of approximately HK$1,643.1 million (31 March 2016: approximately HK$1,773.2 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 six months period under review. The Group has transactional currency exposures in RMB. The Group has not entered into any foreign currency exchange forward contracts for hedging purposes during the period. The Board will closely monitor the foreign exchange exposure and consider appropriate hedging instruments when necessary.

Material Acquisition and Disposal

During the period under review and up to the date of this report, the following transaction was carried out which was considered as material acquisition of the Company:

On 14 April 2016, the Company and FDG jointly announced, inter alia, that a share subscription agreement (the "Share Subscription Agreement") was entered into between the Company (as guarantor), ALEEES (as issuer) and FDG Kinetic Investment Limited ("FKIL", a direct wholly-owned subsidiary of the Company, as subscriber) pursuant to which ALEEES conditionally agreed to allot and issue and FKIL conditionally agreed to subscribe for 46,000,000 new ordinary shares of ALEEES at the subscription price of NT$35 per new share of ALEEES in a sum of NT$1,610,000,000. Completion of the subscription took place on 24 August 2016 and thereafter the Company holds approximately 21.85% of the total issued shares of ALEEES and becomes the single largest shareholder of ALEEES. ALEEES has been accounted for as an associated company of the Company. The Company has a right to nominate two directors of ALEEES.

The Company and ALEEES also entered into a cooperation agreement (the "Cooperation Agreement") in connection with the Share Subscription Agreement, pursuant to which ALEEES had agreed to be engaged as a consultant to the Company in order to provide technology licensing and consultancy services to one or more PRC subsidiary(ies) of the Company in the construction of factories and production of M-series cathode materials for lithium-ion battery.

The Share Subscription Agreement constituted a major and connected transaction of the Company and was approved by the independent shareholders of the Company at the special general meeting held on 16 June 2016.

ALEEES is principally engaged in the business of production, research and development and sales and marketing of cathode materials for lithium ferrous phosphate batteries. It is a primary supplier of cathode materials for Sinopoly Battery Limited, a lithium-ion battery manufacturer which is 25% owned by the Company and 75% owned by FDG. The Cooperation Agreement secures long-term access to the quality cathode materials and provides Sinopoly Battery Limited steady supply of raw materials for the manufacturing of lithium-ion batteries. The acquisition of approximately 21.85% stake in ALEEES diversifies the Company's portfolio while remaining committed in the battery related businesses.

Details of the Share Subscription Agreement were set out in the joint announcement of the Company and FDG dated 14 April 2016 and the circular of the Company dated 30 May 2016.

Save as disclosed above, the Group had no material acquisition or disposal of subsidiaries, associates and joint ventures during the six months ended 30 September 2016 and up to the date of this report.

Contingent Liabilities and Pledge of Assets

There were pledged of assets as at 30 September 2016 (31 March 2016: Nil) with details disclosed under the section headed "Liquidity and Financial Resources". In addition, certain bank deposits of approximately HK$24.0 million (31 March 2016: approximately HK$22.7 million) were pledged for bills payable.

The Group had no significant contingent liabilities as at 30 September 2016 (31 March 2016: Nil).

Capital Commitments

The Group had no significant capital commitments as at 30 September 2016 (31 March 2016: Nil).

Human Resources

As of 30 September 2016, the Group had 18 employees in Hong Kong (30 June 2015: 9 employees) and 85 employees in the PRC (30 June 2015: Nil). Total staff costs (including directors' remunerations) during the six months ended 30 September 2016 amounted to approximately HK$13.2 million (six months ended 30 June 2015: approximately HK$8.0 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.

There were no material changes in human resources structure and compensation approach during the six months ended 30 September 2016. No share option was granted, exercised, cancelled or lapsed under the share option scheme during the six months ended 30 September 2016.

Future Development

Expanding its market share

It is expected that the requirement of power lithium-ion batteries in terms of functionality will be higher in the future. As such, the Company will continuously invest in research and development ("R&D") so as to optimize its products and progressively adjust its production layout in order to expand the market share and influence of FKL in the power lithium-ion battery industry. To cater to the speedy growth of the FDG and further seize the market share, Sinopoly Battery Limited has commenced the expansion of its production base located in Tianjin in a bid to increase the current production capacity of 130 million AH to 600 million AH.

Consistently apply the Green concept by implementing recycling and reusing lithium-ion battery

The scrap amount of lithium-ion batteries increased with more production of lithium-ion batteries. As a new energy enterprise, the Company takes responsibility for the sustainable development of the environment and actively participates in energy conservation and emission reduction to practice the concept of "Green Growth". Therefore, the Company considers recycling and reusing lithium-ion batteries as one of the important tasks.

According to the forecast of authoritative organizations, the scrap amount of power lithium-ion batteries will reach 32.2 GWh or approximately 500,000 tonnes in 2020. In the year 2023, the scrapped amount will reach 101 GWh or approximately 1.16 million tonnes. As such, the Company will apply a green management system to the entire lifecycle of power lithium-ion battery. A comprehensive and systematic management system will be set up to ensure that batteries could be fully used during production, utilisation, scrapping, decomposition, re-utilisation and so forth. When lithium-ion batteries cannot be further used in vehicle, they will then be re-used in other areas such as power storage, base stations for power supply, street lights, or low-speed electric vehicles. This could reduce the amount of various rare metals required in batteries and enhance their efficiency.

Striving to be a market leader by improving the production chain and R&D technology

In the "New Energy Vehicle and Energy Saving Vehicle Industry Development Program" (新能源汽車及節能汽車產業發展計畫) launched by the Ministry of Industry and Information Technology in recent years, electric vehicle and chargeable hybrid vehicle are recognized as the core of the new energy vehicle business. The program specified an investment and subsidy of RMB10 billion to achieve a vehicle population of 5,000,000 new energy vehicles by 2020. It is estimated that the scale of power lithium-ion battery industry will exceed RMB160 billion in the next ten years and capital contribution will facilitate the technology upgrade of power lithium-ion batteries. Although the current lithium-ion battery market in China features a high degree of concentration, the lithium-ion battery industry will enter a speedy growth stage as a result of the introduction of new capital and relevant technologies due to the increasing demand. The competition will be severe and the lithium-ion battery industry will go through a period of consolidation.

In future, only manufacturers who possess advanced R&D and manufacturing technology and produce good quality power lithium-ion batteries will be able to stand out in the fierce competition of the power battery industry. FKL has continuously strengthened its business by acquiring FDG Kinetic (Chongqing) Lithium Ion Battery Materials Co., Ltd (formerly known as "SK (Chongqing) Lithium Ion Battery Materials Co., Ltd") and introducing the advanced R&D technology and patent of ALEEES so as to seize the opportunities in the key cathode material market for lithium batteries. FKL will focus on improving its R&D in the future. With the support of the FDG, FKL will introduce domestic and foreign quality technologies and resources, continue with its layout of the industrial chain and drive the R&D and production of power lithium-ion batteries. As the core driver of the FDG's electric vehicle business, the Company will proactively develop its power lithium-ion business and set its goal to become a leader in the R&D and production of power lithium-ion batteries, which both caters to the development of the FDG and maximizes value for the shareholders.

* *For identification only*

Supplementary Information

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 September 2016, the interests or short positions of the directors and the chief executive of the Company and 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 ("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") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long position in the shares of the Company

None of the directors nor chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company.

Long positions in the shares and underlying shares of FDG Electric Vehicles Limited ("FDG"), an associated corporation of the Company

Name of director/ chief executive	Capacity	Number of shares held	Number of underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital *(Note 8)*
Cao Zhong	Beneficial owner	6,800,000	10,000,000	16,800,000 *(Notes 1 and 7)*	0.08%
	Interest of controlled corporations	2,651,059,998	–	2,651,059,998 *(Note 1)*	11.84%
	Interest of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	5,104,572,167	43,000,000	5,147,572,167 *(Notes 1 and 5)*	22.99%

Name of director/ chief executive	Capacity	Number of shares held	Number of underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital *(Note 8)*
Miao Zhenguo	Beneficial owner	–	15,000,000	15,000,000 *(Notes 2 and 7)*	0.07%
	Interest of controlled corporations	1,970,551,043	–	1,970,551,043 *(Note 2)*	8.80%
	Interest of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	5,791,881,122	38,000,000	5,829,881,122 *(Notes 2 and 5)*	26.03%
Jaime Che	Beneficial owner	1,000,000	16,000,000	17,000,000 *(Notes 3 and 7)*	0.08%
	Interest of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	7,761,432,165	37,000,000	7,798,432,165 *(Notes 3 and 5)*	34.82%
Chen Yanping	Beneficial owner	–	12,000,000	12,000,000 *(Notes 4 and 7)*	0.05%
	Interest of controlled corporations	658,125,000	–	658,125,000 *(Note 4)*	2.94%
	Interest of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	7,104,307,165	41,000,000	7,145,307,165 *(Notes 4 and 5)*	31.91%
Chen Guohua	Beneficial owner	–	10,000,000 *(Note 7)*	10,000,000	0.04%
Hung Chi Yuen Andrew	Beneficial owner	–	280,000 *(Note 6)*	280,000	0.00%
Sit Fung Shuen Victor	Beneficial owner	–	280,000 *(Note 6)*	280,000	0.00%
Toh Hock Ghim	Beneficial owner	–	280,000 *(Note 6)*	280,000	0.00%

Notes:

1. Mr. Cao Zhong is interested or deemed to be interested in a total of 7,815,432,165 shares of FDG including: (i) 2,311,059,998 shares held by Long Hing International Limited which is wholly owned by Mr. Cao who is a director; (ii) 340,000,000 shares held by Champion Rise International Limited which is wholly owned by Mr. Cao who is a director; (iii) 6,800,000 shares and 10,000,000 share options[(note 7)] held by Mr. Cao; and (iv) 5,104,572,167 shares and 43,000,000 share options[(note 7)] held by the other parties to the Undertaking[(note 5)].

2. Mr. Miao Zhenguo is interested or deemed to be interested in a total of 7,815,432,165 shares of FDG including: (i) 1,806,301,043 shares held by Union Ever Holdings Limited which is wholly owned by Mr. Miao who is a director; (ii) 164,250,000 shares held by Infinity Wealth International Limited which is wholly owned by Mr. Miao who is a director; (iii) 15,000,000 share options[(note 7)] held by Mr. Miao; and (iv) 5,791,881,122 shares and 38,000,000 share options[(note 7)] held by the other parties to the Undertaking[(note 5)].

3. Mr. Jaime Che is interested or deemed to be interested in a total of 7,815,432,165 shares of FDG including: (i) 1,000,000 shares and 16,000,000 share options[(note 7)] held by Mr. Che; and (ii) 7,761,432,165 shares and 37,000,000 share options[(note 7)] held by the other parties to the Undertaking[(note 5)].

4. Dr. Chen Yanping is interested or deemed to be interested in a total of 7,815,432,165 shares of FDG 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) 12,000,000 share options[(note 7)] held by Dr. Chen; and (iii) 7,104,307,165 shares and 41,000,000 share options[(note 7)] held by the other parties to the Undertaking[(note 5)].

5. 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 FDG (the "Undertaking"). As such, each party to the Undertaking was deemed to have interests in the shares and/or underlying shares held by the other parties to the Undertaking under Section 317(1)(a) of the SFO.

6. The interests in underlying shares of FDG represent interests in FDG shares which will be allotted and issued to the relevant director upon conversion of the zero coupon convertible bonds issued by FDG due 2018 that he holds at the initial conversion price of HK$0.50 per share of FDG.

7. The interests in underlying shares of FDG represent interests in options granted to the directors named above by FDG to subscribe for shares of FDG.

8. These percentages are calculated on the basis of 22,394,363,108 shares of FDG as at 30 September 2016.

Save as disclosed above, as at 30 September 2016, none of the directors or chief executive of the Company or their respective close associates had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Option Scheme

The Company operates a share option scheme (the "Scheme"), which was approved and adopted by the shareholders at the special general meeting of the Company on 12 October 2007 for the primary purpose of providing incentives or rewards to Directors, eligible employees and other participants for their contribution to the Company and its subsidiaries (collectively the "Group"). The 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 2016, no share options were held by any of the Directors, eligible employees and other participants under the Scheme, and no share options were granted, exercised, cancelled or lapsed under the Scheme.

No expenses were recognised by the Group for the six months ended 30 September 2016 (six months ended 30 June 2015: Nil).

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares of the Company

As at 30 September 2016, 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 shareholder	Capacity	Number of shares held in long position (L)/ short position (S)	Number of underlying shares held in long position (L)/ short position (S) under equity derivatives	Total	Approximate percentage of issued share capital *(Note 5)*
Sinopoly Strategic Investment Limited	Beneficial owner	3,450,532,490 (L) 2,640,000,000 (S)	–	3,450,532,490 (L) 2,640,000,000 (S)	67.19% (L) 51.41% (S)
Union Grace Holdings Limited	Beneficial owner	–	2,205,882,352 (L) 2,205,882,352 (S) *(Note 1)*	2,205,882,352 (L) 2,205,882,352 (S)	42.95% (L) 42.95% (S)
FDG	Interest held by controlled corporations *(Note 2)*	3,450,532,490 (L) 2,640,000,000 (S)	2,205,882,352 (L) 2,205,882,352 (S)	5,656,414,842 (L) 4,845,882,352 (S)	110.14% (L) 94.35% (S)

Name of substantial shareholder	Capacity	Number of shares held in long position (L)/ short position (S)	Number of underlying shares held in long position (L)/ short position (S) under equity derivatives	Total	Approximate percentage of issued share capital *(Note 5)*
SK Holdings Co., Ltd.	Interest held by controlled corporations *(Note 3)*	269,230,770 (L)	–	269,230,770 (L)	5.24% (L)
Sun Hung Kai Structured Finance Limited	Person having a security interest in shares	2,640,000,000 (L)	2,205,882,352 (L)	4,845,882,352 (L)	94.35% (L)
Sun Hung Kai & Co. Limited	Interest held by controlled corporations *(Note 4)*	2,640,000,000 (L)	2,205,882,352 (L)	4,845,882,352 (L)	94.35% (L)
Allied Properties (H.K.) Limited	Interest held by controlled corporations *(Note 4)*	2,640,000,000 (L)	2,205,882,352 (L)	4,845,882,352 (L)	94.35% (L)
Allied Group Limited	Interest held by controlled corporations *(Note 4)*	2,640,000,000 (L)	2,205,882,352 (L)	4,845,882,352 (L)	94.35% (L)
Lee Seng Hui	Interest held by controlled corporations *(Note 4)*	2,640,000,000 (L)	2,205,882,352 (L)	4,845,882,352 (L)	94.35% (L)
Lee Su Hwei	Interest held by controlled corporations *(Note 4)*	2,640,000,000 (L)	2,205,882,352 (L)	4,845,882,352 (L)	94.35% (L)
Lee Seng Huang	Interest held by controlled corporations *(Note 4)*	2,640,000,000 (L)	2,205,882,352 (L)	4,845,882,352 (L)	94.35% (L)

Notes:

1. The interests in the underlying shares of the Company represent interests in the Company's shares which will be allotted and issued to Union Grace Holdings Limited upon conversion of the convertible bonds issued by the Company at the prevailing conversion price of HK$0.34 per share.

2. FDG is deemed or taken to be interested in (i) 3,450,532,490 shares held by Sinopoly Strategic Investment Limited which is a direct wholly owned subsidiary of FDG; and (ii) 2,205,882,352 underlying shares held by Union Grace Holdings Limited which is an indirect wholly owned subsidiary of FDG.

3. SK Holdings Co., Ltd. is deemed or taken to be interested in (i) 24,474,955 shares held by SKC Co., Ltd. which is held as to 41.74% by SK Holdings Co., Ltd.; and (ii) 244,755,815 shares held by SK China Company Limited which is a subsidiary of SK Holdings Co., Ltd.

4. Sun Hung Kai Structured Finance Limited is a wholly-owned subsidiary of Shipshape Investments Limited, a wholly-owned subsidiary of Sun Hung Kai & Co. Limited, which in turn is a non wholly-owned subsidiary of Allied Properties (H.K.) Limited. Allied Properties (H.K.) Limited is a non wholly-owned subsidiary of Allied Group Limited in which Mr. Lee Seng Hui, Ms. Lee Su Hwei and Mr. Lee Seng Huang are the trustees of Lee and Lee Trust, being a discretionary trust, having 73.91% interest in Allied Group Limited (inclusive of Mr. Lee Seng Hui's personal interests) as at 30 September 2016. Accordingly, all these parties are deemed to have the same long position as Sun Hung Kai Structured Finance Limited.

5. These percentages are calculated on the basis of 5,135,646,855 shares of the Company as at 30 September 2016.

Save as disclosed above, the Company had not been notified and is not aware of any other persons who had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 30 September 2016.

Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 30 September 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Corporate Governance

The Company has complied with all the applicable code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2016 and up to the date of this report, except for the deviations as described below:

Pursuant to code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term, subject to re-election. The non-executive directors of the Company are not appointed for a specific term but they are subject to retirement by rotation at least once every three years and are eligible for re-election at the annual general meetings in accordance with the Bye-laws of the Company. The board of Directors (the "Board") believes that retirement by rotation every three years achieves the intended aims of the Code. Therefore, there is no formal letter of appointment governing the terms of appointment of the directors who are all subject to the same terms under the Bye-laws of the Company.

Pursuant to code provision F.1.1 of the Code, the company secretary should be an employee of the company. The Company Secretary of the Company is an employee of FDG Electric Vehicles Limited ("FDG"), the controlling shareholder of the Company, and serves as the company secretary of FDG and its subsidiaries. She participates in daily operation of the Company with full support and assistance from the professionally qualified staff members of the Company in discharging her duties as company secretary.

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 ("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 2016.

Changes in Information of Directors

Pursuant to Rule 13.51(B) of the Listing Rules, the changes in information of the directors of the Company since the date of the Company's 2015/16 annual report are set out below:

- The Risk Committee of the Company was established on 26 August 2016 with specific terms of reference. The members of the Risk Committee include Mr. Miao Zhenguo, Mr. Jaime Che, Mr. Hung Chi Yuen Andrew, Mr. Sit Fung Shuen Victor and Mr. Toh Hock Ghim. Mr. Hung Chi Yuen Andrew was elected as chairman of the Risk Committee.

- The Credit Risk Committee of the Company was established on 26 August 2016 with specific terms of reference. The members of the Credit Risk Committee include Mr. Cao Zhong, Mr. Jaime Che and Mr. Hung Chi Yuen Andrew. Mr. Cao Zhong was elected as chairman of the Credit Risk Committee.

- Mr. Toh Hock Ghim has been appointed as an independent director of AGV Group Limited with effect from 1 April 2016, a company whose shares are listed on the Singapore Exchange Securities Trading Limited on 26 August 2016 (Stock Code: 1A4).

- Mr. Jaime Che has been appointed as a director of Advanced Lithium Electrochemistry (Cayman) Co., Ltd with effect from 23 November 2016, a company whose shares are listed on the Taipei Exchange (Stock Code: 5227).

Review of Interim Financial Report

The interim financial report is unaudited but has been reviewed by Deloitte Touche Tohmatsu in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants, and the Company's Audit Committee which comprises three Independent Non-executive Directors of the Company.

By order of the Board
FDG Kinetic Limited
Cao Zhong
Chairman

Hong Kong, 25 November 2016

As of the date of this report, the Board comprises Mr. Cao Zhong (Chairman), Mr. Sun Ziqiang (Vice Chairman), Mr. Miao Zhenguo (Chief Executive Officer) and Mr. Jaime Che as executive directors; Dr. Chen Yanping and Professor Chen Guohua as non-executive directors; Mr. Hung Chi Yuen Andrew, Mr. Sit Fung Shuen Victor and Mr. Toh Hock Ghim as independent non-executive directors.

Website: http://www.fdgkinetic.com