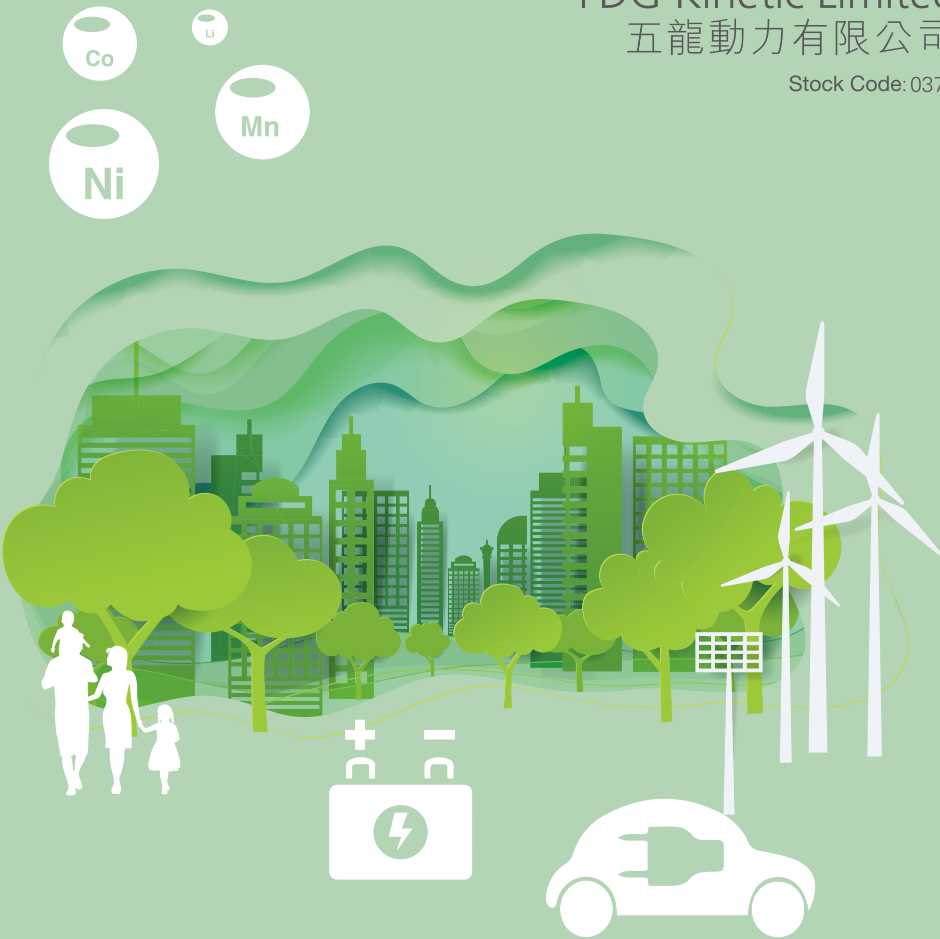
FDG Kinetic Limited
五龍動力有限公司
Stock Code: 0378



Interim Report 2017/18

GREEN & GROWTH

CONTENTS

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 2017 together with the comparative figures for the six months ended 30 September 2016 as follows:

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2017

	Notes	**Six months ended 30 September 2017 HK$'000 (Unaudited)**	Six months ended 30 September 2016 HK$'000 (Unaudited)
Revenue	3	**192,908**	126,875
Cost of sales		**(164,747)**	(102,264)
		28,161	24,611
Other income		**328**	289
Other gains and losses	5	**(17,270)**	9,583
Selling and distribution costs		**(2,519)**	(874)
General and administrative expenses		**(27,326)**	(32,459)
Research and development expenses		**(6,441)**	(6,418)
Finance costs	6	**(68,495)**	(59,496)
Share of results of associates		**(50,410)**	(23,104)
Share of results of a joint venture		**3,364**	(2,295)
Loss before taxation		**(140,608)**	(90,163)
Income tax credit	7	**949**	966
Loss for the period	8	**(139,659)**	(89,197)
Other comprehensive income / (expenses) for the period			
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of foreign operations		**31,978**	(27,245)
– Share of investment revaluation reserve of an associate		**5,675**	(8,968)
– Share of other comprehensive income / (expenses) of associates and a joint venture		**33,987**	(4,735)
Other comprehensive income / (expenses) for the period		**71,640**	(40,948)
Total comprehensive expenses for the period		**(68,019)**	(130,145)

	Note	**Six months ended 30 September 2017 HK$'000 (Unaudited)**	Six months ended 30 September 2016 HK$'000 (Unaudited)
Loss for the period attributable to owners of the Company		**(139,659)**	(89,197)
Other comprehensive income / (expenses) for the period attributable to owners of the Company		**71,640**	(40,948)
Total comprehensive expenses for the period attributable to owners of the Company		**(68,019)**	(130,145)
		HK cents	HK cents
Loss per share	9		
Basic and diluted		**(2.72)**	(1.74)

Condensed Consolidated Statement of Financial Position

At 30 September 2017

	Notes	**At 30 September 2017 HK$'000 (Unaudited)**	At 31 March 2017 HK$'000 (Audited)
Non-current assets			
Goodwill	10	**460,997**	441,216
Intangible assets		**75,201**	78,953
Property, plant and equipment		**180,341**	180,736
Interests in leasehold land held for own use under operating lease		**17,960**	17,378
Interest in associates	11	**963,900**	1,009,098
Interest in a joint venture		**106,075**	98,261
Loan and other receivables	12	**380**	398
Deposits paid for non-current assets		**19,026**	–
Other non-current assets		**367**	367
		1,824,247	1,826,407
Current assets			
Inventories		**50,857**	74,841
Trade and bills receivables	13	**163,337**	128,953
Loan and other receivables	12	**208,781**	201,773
Financial assets at fair value through profit or loss	19	**37,813**	46,406
Investment in a secured bond		**370,000**	370,000
Amount due from an associate	11	**67,697**	65,719
Pledged bank deposits		**4,175**	24,296
Cash and cash equivalents		**19,330**	65,893
		921,990	977,881

	Notes	At 30 September 2017 HK$'000 (Unaudited)	At 31 March 2017 HK$'000 (Audited)
Current liabilities			
Bank and other borrowings	17	**77,863**	47,193
Trade and bills payables	14	**72,285**	68,411
Accruals and other payables		**99,647**	126,759
Loan from the ultimate holding company	16	**321,267**	320,400
Obligations under finance leases		**30,563**	28,394
Liability component of convertible bonds	15	**691,096**	–
Tax payables		**4,308**	4,132
		1,297,029	595,289
Net current (liabilities) / assets		**(375,039)**	382,592
Total assets less current liabilities		**1,449,208**	2,208,999
Non-current liabilities			
Bank and other borrowings	17	**27,867**	46,115
Obligations under finance leases		**27,849**	41,497
Liability component of convertible bonds	15	**–**	659,510
Deferred tax liabilities		**13,043**	13,409
		68,759	760,531
Net assets		**1,380,449**	1,448,468
Capital and reserves			
Share capital	18	**1,027,129**	1,027,129
Reserves		**353,320**	421,339
Total equity		**1,380,449**	1,448,468

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2017

	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$'000	Investment revaluation reserve HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total equity HK$'000
At 1 April 2017 (Audited)	1,027,129	872,801	82,445	(112,797)	1,868,185	(16,209)	6,849	(2,279,935)	1,448,468
Loss for the period	–	–	–	–	–	–	–	(139,659)	(139,659)
Other comprehensive income	–	–	–	65,965	–	5,675	–	–	71,640
Total comprehensive income / (expenses) for the period	–	–	–	65,965	–	5,675	–	(139,659)	(68,019)
At 30 September 2017 (Unaudited)	**1,027,129**	**872,801**	**82,445**	**(46,832)**	**1,868,185**	**(10,534)**	**6,849**	**(2,419,594)**	**1,380,449**
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 expenses	–	–	–	(31,980)	–	(8,968)	–	–	(40,948)
Total comprehensive expenses 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

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2017

	Six months ended 30 September 2017 HK$'000 (Unaudited)	Six months ended 30 September 2016 HK$'000 (Unaudited)
Net cash used in operating activities	**(44,378)**	(38,737)
Investing activities		
Investment in an associate	**–**	(393,066)
Purchase of property, plant and equipment	**(409)**	(802)
Net cash used in investing activities	**(409)**	(393,868)
Financing activities		
Loan from the ultimate holding company	**867**	350,000
Proceeds from sale and leaseback transaction	**–**	86,067
New other borrowings raised	**22,843**	–
Repayment of bank borrowings	**(12,416)**	(5,808)
Repayment of other borrowings	**(910)**	–
Repayment of finance lease obligations	**(14,340)**	–
Net cash (used in) / from financing activities	**(3,956)**	430,259
Net decrease in cash and cash equivalents	**(48,743)**	(2,346)
Cash and cash equivalents at the beginning of the period	**65,893**	157,634
Effect of foreign exchange rate changes	**2,180**	(2,687)
Cash and cash equivalents at the end of the period	**19,330**	152,601

Notes to the Condensed Consolidated Financial Statements

1. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") 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 year ended 31 March 2017, 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.

In preparing the condensed consolidated financial statements, the directors of the Company (the "Directors") have given careful consideration to the future liquidity of the Group. While recognising that the Group had net current liabilities of approximately HK$375,039,000 as at 30 September 2017 and incurred a loss of approximately HK$139,659,000 for the six months period ended, the Directors are of the opinion that the Group will be able to meet its financial obligations as they fall due for the foreseeable future as subsequent to the reporting period end date. Union Grace Holdings Limited ("Union Grace"), a subsidiary of FDG Electric Vehicles Limited ("FDG"), the Company's ultimate holding company, had converted HK$540,000,000 principal amount of the HK$750,000,000 convertible bonds issued by the Company into 1,588,235,294 ordinary shares of the Company on 27 October 2017. After the conversion, the Group is in a net current assets position. Accordingly, this condensed consolidated financial statements have been prepared on a going concern basis.

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.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2017 are the same as those followed in the preparation of the annual consolidated financial statements of the Group for the year ended 31 March 2017.

Amendments to HKFRSs

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

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS	Amendments to HKFRS 12 included in Annual Improvements to HKFRS 2014–2016 Cycle

The adoption of the above new and amendments to 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 2017 HK$'000 (Unaudited)	Six months ended 30 September 2016 HK$'000 (Unaudited)
Sales of cathode materials for battery production	**169,032**	103,782
Interest and dividend income	**23,876**	23,093
Total	**192,908**	126,875

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 (1) nickel-cobalt-manganese lithium-ion batteries; and (2) lithium ferrous phosphate batteries representing the Group's interest in an associate, Advanced Lithium Electrochemistry (Cayman) Co., Ltd. ("ALEEES"), which the Group subscribed its approximately 21.85% equity interest in August 2016. Taken into account of the business operation of ALEEES, the Board has determined, with effective from 17 December 2016, the interest in ALEEES to be reclassified from the composition of its direct investments segment to that of battery materials production segment; and

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

4. Segment Information (continued)

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 2017 HK$'000 (Unaudited)	Six months ended 30 September 2016 HK$'000 (Unaudited)	**Six months ended 30 September 2017 HK$'000 (Unaudited)**	Six months ended 30 September 2016 HK$'000 (Unaudited)	**Six months ended 30 September 2017 HK$'000 (Unaudited)**	Six months ended 30 September 2016 HK$'000 (Unaudited)
Reportable segment revenue from external customers	**169,032**	103,782	**23,876**	23,093	**192,908**	126,875
Reportable segment results	**(28,683)**	(22,660)	**(93,008)**	(55,580)	**(121,691)**	(78,240)
Unallocated corporate expenses					**(5,197)**	(628)
Central administrative costs and directors' remuneration					**(13,720)**	(11,295)
Loss before taxation					**(140,608)**	(90,163)

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 2017 HK$'000 (Unaudited)	At 31 March 2017 HK$'000 (Audited)
Segment assets		
Battery materials production	**1,320,639**	1,305,797
Direct investments	**1,362,708**	1,387,910
Total segment assets	**2,683,347**	2,693,707
Unallocated assets	**62,890**	110,581
Consolidated assets	**2,746,237**	2,804,288
Segment liabilities		
Battery materials production	**252,126**	246,524
Direct investments	**1,092,689**	1,087,760
Total segment liabilities	**1,344,815**	1,334,284
Unallocated liabilities	**20,973**	21,536
Consolidated liabilities	**1,365,788**	1,355,820

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, certain inventories, certain 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 2017 HK$'000 (Unaudited)	Six months ended 30 September 2016 HK$'000 (Unaudited)
Impairment loss on interest in an associate (Note)	**(30,000)**	–
Write-down of inventories	**(5,197)**	–
Loss on disposal of property, plant and equipment	**(18)**	–
Net foreign exchange gain	**289**	341
Reversal of impairment losses on trade receivables	**357**	–
Reversal of write-down of inventories	**1,185**	–
Net gain on held-for-trading investments	**16,114**	9,242
	(17,270)	9,583

Note: The recoverable amount was measured at fair value less cost of disposal of Synergy Dragon Limited ("SDL"). The fair value was measured by discounted cash flow approach at the reporting date using a discount rate of 25.28%.

6. Finance Costs

	Six months ended 30 September 2017 HK$'000 (Unaudited)	Six months ended 30 September 2016 HK$'000 (Unaudited)
Interest on convertible bonds	**61,668**	56,729
Interest on finance leases	**2,107**	459
Interest on bank and other borrowings	**4,720**	2,308
	68,495	59,496

7. Income Tax Credit

	Six months ended 30 September 2017 HK$'000 (Unaudited)	Six months ended 30 September 2016 HK$'000 (Unaudited)
Current tax	**–**	–
Deferred tax	**(949)**	(966)
Total income tax credit for the period	**(949)**	(966)

No provision for the Hong Kong Profits Tax has been made for the six months ended 30 September 2017 and 2016 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 2017 HK$'000 (Unaudited)	Six months ended 30 September 2016 HK$'000 (Unaudited)
Cost of inventories recognised as expenses	**164,942**	102,535
Amortisation of intangible assets	**7,156**	7,284
Amortisation of interests in leasehold land held for own use under operating lease	**194**	197
Depreciation of property, plant and equipment (Note)	**2,303**	2,375
Interest income	**(24,141)**	(23,310)

Note: The amount excluded 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 2017 HK$'000 (Unaudited)	Six months ended 30 September 2016 HK$'000 (Unaudited)
Loss:		
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	**139,659**	89,197
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**5,135,646,855**	5,135,646,855

The computation of diluted loss per share for the six months ended 30 September 2017 and 2016 does not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in a decrease in loss per share.

10. Goodwill

	Allocated to battery materials production HK$'000
COST	
At 31 March 2017 (Audited)	441,216
Exchange realignment	19,781
At 30 September 2017 (Unaudited)	**460,997**
ACCUMULATED IMPAIRMENT	
At 31 March 2017 (Audited) and **30 September 2017 (Unaudited)**	–
CARRYING VALUES	
At 30 September 2017 (Unaudited)	**460,997**
At 31 March 2017 (Audited)	441,216

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

During the six months ended 30 September 2017, 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 is determined based on fair value less costs of disposals. The fair value less costs of disposal of this CGU is assessed by the management based on a business valuation performed by an independent valuer appointed by the Group. That calculation uses cash flow projections covering a 5-years period, and discount rate of 22.8% (31 March 2017: 21.6%), which is within level 3 fair value hierarchy. The cash flow projections include future capital expenditure on the CGU to increase the production capacity which are expected to result in a substantial increase in the net cash inflows derived from this CGU. The cash flows beyond the 5-years period are extrapolated using a terminal growth rate of 3% (31 March 2017: 3%). This growth rate is determined 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 gross margin generated from the CGU, such estimation is determined based on the past performance of the CGU and management's expectations on the market development.

11. Interest in Associates and Amount due from an Associate

	At 30 September 2017 HK$'000 (Unaudited)	At 31 March 2017 HK$'000 (Audited)
Cost of investment in associates		
Listed in Taiwan	**393,066**	393,066
Unlisted	**750,000**	750,000
Share of post-acquisition losses and other comprehensive expenses	**(149,166)**	(133,968)
Less: Impairment loss	**(30,000)**	–
	963,900	1,009,098
Amount due from an associate (Note)	**67,697**	65,719

Note: As at 30 September 2017 and 31 March 2017, the balance represented two unsecured loans to an associate with total principal sum of HK$65,000,000, which bear interest at 6% per annum and with maturity within one year. During this period, the loans were due and have been extended for one year.

12. Loan and Other Receivables

	At 30 September 2017 HK$'000 (Unaudited)	At 31 March 2017 HK$'000 (Audited)
Fixed-rate loan receivables	**250,352**	230,202
Less: allowance for doubtful debts	**(64,923)**	(62,484)
Net fixed-rate loan receivables (Note)	**185,429**	167,718
Value-added tax receivables	**14,726**	17,519
Prepayments, deposits and other receivables	**9,006**	16,934
	209,161	202,171
Presented by:		
Non-current assets	**380**	398
Current assets	**208,781**	201,773
	209,161	202,171

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 CITIC International Assets Management Limited ("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$65,906,000) 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, the fair value of the put option is insignificant as the collateral is worth more than the exercise price of the put option. As at 30 September 2017, the Group received deposits of RMB56,000,000 (equivalent to approximately HK$65,906,000) (31 March 2017: RMB56,000,000 (equivalent to approximately HK$63,078,000)) from CIAM and included in the Group's 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 2017 HK$'000 (Unaudited)	At 31 March 2017 HK$'000 (Audited)
On demand and due within one year	**185,049**	167,320
Over five years	**380**	398
	185,429	167,718

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

	At 30 September 2017 HK$'000 (Unaudited)	At 31 March 2017 HK$'000 (Audited)
Trade receivables	**166,700**	131,927
Bills receivables	**–**	592
	166,700	132,519
Less: allowance for doubtful debts	**(3,363)**	(3,566)
	163,337	128,953

13. Trade and Bills Receivables (continued)

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

	At 30 September 2017 HK$'000 (Unaudited)	At 31 March 2017 HK$'000 (Audited)
Within one month	**51,716**	31,431
Between one and three months	**80,644**	44,519
Over three months	**30,977**	53,003
	163,337	128,953

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

	At 30 September 2017 HK$'000 (Unaudited)	At 31 March 2017 HK$'000 (Audited)
Trade payables	**68,110**	44,115
Bills payables	**4,175**	24,296
	72,285	68,411

14. Trade and Bills Payables (continued)

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

	At 30 September 2017 HK$'000 (Unaudited)	At 31 March 2017 HK$'000 (Audited)
Within one month	**21,680**	12,323
Between one and three months	**4,777**	31,792
Over three months	**45,828**	24,296
	72,285	68,411

The carrying amounts of trade and bills payables approximate their fair values. All bills payable were secured by pledged bank deposits.

15. Convertible Bonds

On 4 August 2015, the Company issued the Convertible Bonds with 8% coupon per annum and principal amount of HK$750,000,000 (the "HK$750M Convertible Bonds") to Union Grace, pursuant to the acquisition of interest in SDL. The HK$750M Convertible Bonds with a maturity date on the third anniversary on the date of their issue (i.e. 4 August 2018) and entitle the holder to convert them, in whole or in part, into ordinary shares of the Company at an initial conversion price of HK$1.70 per share (subject to adjustments) at any time on or after the issue date of the HK$750M Convertible Bonds up to the maturity date. On 14 September 2015, the initial conversion price was adjusted from HK$1.70 per share to HK$0.34 per share as a result of the subdivision of each of the issued and unissued share of par value HK$1.00 each in the share capital of the Company into five subdivided shares of par value HK$0.20 each.

During the six months period ended 30 September 2017, the liability component of convertible bonds was transferred from non-current liabilities to current liabilities.

16. Loan from the Ultimate Holding Company

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

17. Bank and Other Borrowings

	At 30 September 2017 HK$'000 (Unaudited)	At 31 March 2017 HK$'000 (Audited)
Secured bank borrowings	**50,832**	60,758
Secured other borrowings	**12,813**	–
Unsecured other borrowings	**42,085**	32,550
	105,730	93,308
Less: Amount due within one year shown under current liabilities	**(77,863)**	(47,193)
Amount due after one year	**27,867**	46,115

During the six months ended 30 September 2017, the Group repaid bank borrowings in the amount of approximately HK$12,416,000 (six months ended 30 September 2016: approximately HK$5,808,000).

The effective interest rates of bank and other borrowings are ranging from 4.50% to 24.00% (31 March 2017: 4.50% to 4.75%) per annum.

18. Capital and Dividends

(a) Dividends

No dividend had been paid or declared during the period. The Board does not recommend the payment of a dividend for the six months ended 30 September 2017 (six months ended 30 September 2016: Nil).

(b) Share Capital

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.20 each		
Authorised:		
At 31 March 2017 (Audited) and **30 September 2017 (Unaudited)**	**12,500,000,000**	**2,500,000**
Issued and fully paid:		
At 31 March 2017 (Audited) and **30 September 2017 (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.

19. Fair Value Measurements of Financial Instruments (continued)

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)
	30 September 2017 (Unaudited) HK$'000	31 March 2017 (Audited) HK$'000		
Held-for trading investments:				
– Listed equity securities	**28,968**	38,000	Level 1	Quoted bid prices in active markets
– Unlisted funds	**8,845**	8,406	Level 2	Quoted prices in the over-the-counter markets

20. Capital Commitments

At the end of the reporting period, the Group had the following capital commitments:

	At 30 September 2017 HK$'000 (Unaudited)	At 31 March 2017 HK$'000 (Audited)
Contracted but not provided for in the condensed consolidated financial statements:		
– Capital expenditures in respect of acquisition of property, plant and equipment	**51,436**	–
– Capital contribution to an associate	**150,055**	–
	201,491	–

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 2017:

	Notes	**Six months ended 30 September 2017 HK$'000 (Unaudited)**	Six months ended 30 September 2016 HK$'000 (Unaudited)
Rental expenses paid to a fellow subsidiary	(i)	**(480)**	(480)
Consultancy fee paid to a fellow subsidiary	(i)	**(480)**	(480)
Expenses reimbursed to a fellow subsidiary	(i)	**(459)**	(588)
Interest expenses payable to a fellow subsidiary	(ii)	**(61,669)**	(56,729)
Interest income receivable from FDG	(iii)	**14,841**	14,800
Interest income receivable from an associate	(iv)	**1,977**	1,950

Notes:

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

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

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

(iv) The amount represented interest income derived from the amount due from an associate.

21. Major Related Party Transactions (continued)

(b) Balances with related companies

	Notes	At 30 September 2017 HK$'000 (Unaudited)	At 31 March 2017 HK$'000 (Audited)
Amount due from an associate (Note 11)		**67,697**	65,719
Amount due from the ultimate holding company	(i)	**17,517**	2,676
Loan from the ultimate holding company (Note 16)		**321,267**	320,400
Amount due to a fellow subsidiary	(ii)	**9,534**	39,452
Investment in a secured bond		**370,000**	370,000
Liability component of convertible bonds		**691,096**	659,510

Notes:

(i) The amount represents 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 (Note 15) which is included in the Group's accruals and other payables.

(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 2017 HK$'000 (Unaudited)	Six months ended 30 September 2016 HK$'000 (Unaudited)
Salaries and other short-term employee benefits	**6,236**	5,000

21. Major Related Party Transactions (continued)

(d) Guarantee

(i) For the six months ended 30 September 2017, the secured other borrowings (Note 17) from an independent third party is guaranteed by an indirect wholly-owned subsidiary of an associate.

(ii) The Group entered into a lease agreement with an independent third party for the year ended 31 March 2017, which the obligations under finance lease amounted to approximately HK$58,412,000 as at 30 September 2017 (31 March 2017: approximately HK$69,891,000), is guaranteed by an indirect wholly-owned subsidiary of an associate.

22. Events After the Reporting Period

On 27 October 2017, a total of 1,588,235,294 new shares of the Company were allotted and issued to Union Grace under a specific mandate to issue shares granted at the Company's special general meeting on 27 July 2015 upon its conversion of the HK$750M Convertible Bonds with a principal amount of HK$540,000,000 at the conversion price of HK$0.34 per share (the "Conversion"). The Conversion raised FDG's effective shareholding interest in the Company from approximately 67.12% to approximately 74.89%. Details of the Conversion are disclosed in the joint announcement of the Company and FDG dated 26 October 2017.

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 28, which comprise the condensed consolidated statement of financial position as of 30 September 2017 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.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong

30 November 2017

Management Discussion and Analysis

FDG Kinetic Limited ("FKL" or the "Company", stock code: 378) adheres to a philosophy of "Green and Growth", gradually establishing and improving its lithium-ion batteries industry chain. The Company and its subsidiaries (the "Group") are principally engaged in research and development, manufacturing and trading of cathode materials for lithium-ion batteries and direct investments, including securities trading, loan financing and asset investment. FKL also holds equity interests in Advanced Lithium Electrochemistry (Cayman) Co., Ltd ("ALEEES", listed on the Taipei Exchange, stock code: 5227) and Sinopoly Battery Limited ("Sinopoly"). FKL strategically positions in the cathode materials and lithium-ion battery segment. FKL is an indirect non-wholly owned subsidiary of FDG Electric Vehicles Limited ("FDG", stock code: 729).

Market Overview

Adhering to the Latest Energy Storage Policies

China's annual lithium-ion battery manufacturing capacity continuously tops the global rank. The National Development and Reform Commission, Ministry of Science and Technology and The Ministry of Industry and Information Technology ("MIIT") jointly released the Guidance on Promoting Energy Storage Technology and Industry (the "Guidance") for the new energy storage industry in October 2017. The Guidance outlined a 10-year plan to gradually develop the energy storage industry and encourage diversified revenue generating mechanisms. The plan has been split over 2 phases throughout the 13th and 14th Five-Year Plan in China. With incessant support from the Government, we believe that the industry would transform from pilot projects to full commercialization and would further consolidate towards large-scale deployment. Under the Guidance, industry-wide standards will be developed. This will lead to a more organized, regulated and healthier energy storage industry. We believe that battery manufacturers will be further differentiated, of which leading integrated players such as FKL and FDG with advantages in capital, technologies and control in the supply chain will benefit most; ultimately improving competitiveness of the whole industry internationally.

Global Demand for Batteries Changes as Downstream Transforms

The previous announcement about electric vehicles subsidies by Chinese Government states that a minimum energy density requirement of 90Wh/kg is required on the battery pack of pure electric passenger vehicles in order for that vehicle to be qualified for subsidies. This announcement has a profound impact on urging the industry to improve both the technology and quality of batteries produced. The majority China's battery producers manufacture batteries based on the lithium ferrous phosphate ("LFP") chemistry. An essential advantage of the LFP chemistry is its thermal and chemical stability, which contributes to battery safety. In the past year, LFP batteries production doubled in China, making China a global leader in lithium-ion battery production. According to data compiled by Bloomberg, China has more lithium-ion battery manufacturing capacity than the rest of the world combined, up to 158.8GWh/year including the capacity under construction and announced. Market research shows that the total production of power batteries in China reached 27.9 GWh in 2016. In the cathode materials segment, LFP accounted for over 60% of the total power battery production and is expected to dominate the Chinese market.

Following on stricter prerequisites on obtaining subsidies, some of the market participants have been looking for alternatives for higher energy density batteries including batteries based on other chemistries such as Nickel Cobalt Manganese Oxide ("NCM") or Nickel Cobalt Aluminium Oxide ("NCA") batteries. Batteries made based on these chemistries are reliant on the ever-increasingly more expensive cobalt. Over half of the world's supply of cobalt are mined from the Democratic Republic of Congo. Thus, there is a high sourcing risk if the Group relies solely on cobalt, albeit cobalt prices increased threefold since the beginning of 2016. Understanding that such demand exists in the market, FDG will adjust its production plan of LFP and NCM batteries accordingly as the market condition changes.

Electric Vehicles Driving the Battery Trend back at Home in China

As the world's largest and fastest growing new energy vehicles market, China experienced a booming demand for electric vehicles in 2017. According to the statistics from MIIT, 398,000 units of new energy vehicles were sold from January to September 2017, representing a growth of 38% year-on-year. Among those new energy vehicles sold, 325,000 units were pure electric vehicles, up 50% year-on-year; 73,000 units were plug-in hybrids, down 0.6% year-on-year. This shows a clear direction that electric vehicles solely powered by batteries are the way to go forward. At the same time, the policy direction of the Chinese Government continues to favour the electric vehicle sector. On 13 September 2017, Mr. Xin Guobin, vice minister of MIIT, announced in an industry forum that the Government is considering phasing-out fossil fuel powered vehicles in China. Industry experts believe that this is only the start to electrify the traditional automotive sector, implying that a new era of electric vehicles is emerging. In the long run, the gradual trend for electric vehicles to replace internal combustion engine vehicles will become an inevitable situation, as such batteries will form a quintessential part of this revolution.

Business Review

Cathode Materials Business

A research suggested that the demand for cathode materials is expected to be more than 100,000 tonnes globally. Driven by the increasing demand for electric vehicles in China and the recent policy shift to higher energy density batteries, ternary lithium batteries are expected to account for a higher market share in the battery market. FKL's two existing production lines in Chongqing have been focusing on manufacturing of Nickel-Cobalt-Manganese ("NCM") 523 products ever since its commencement in 2014. During the period under review, total sales of cathode materials reached 970 tonnes. FKL's Chongqing factory has already produced approximately 5% of the current national supply of NCM523 cathode materials for electric vehicles according to the statistics compiled by a well-known research institute. Two additional new production lines in Chongqing are in the pipeline to manufacture NCM523 and NCM622, a product with superior performance. The expansion project will help FKL capture the strong demand from the cathode materials market and is expected to bring substantial benefits to the Company.

ALEEES' cathode materials production base in Taiwan specialises in producing LFP cathode materials while FKL's Chongqing production base specialises in producing NCM cathode materials. As such, Taiwan ALEEES and the Chongqing production base complement the range of cathode materials FKL offers. FKL now offers LFP cathode materials products for our downstream electric vehicle manufacturing business as well as selling both NCM and LFP cathode materials to third parties. FKL continues to dedicate to research and development of new products such as Nickel Cobalt Aluminum Oxide ("NCA") materials and NCM811, which has a higher energy density than NCM622.

Backed by sturdy electric vehicle demand, FDG expanded upstream to manufacture cathode materials through its subsidiary FKL. FKL partnered with Guizhou Guian Asset Investment Co., Ltd.* (貴州貴安產業投資有限公司) and ALEEES to build a plant to manufacture cathode materials with designed annual production of 30,000 tonnes. This project further improves FKL's business layout upstream and enhances the vertically-integrated supply chain of FDG. This project broke ground on 22 October 2017 and is expected to be completed by 2019. FDG continues to solidify its position as a leading vertically-integrated electric vehicles manufacturer and continues to expand upstream in cathode materials, batteries and electric vehicles segments.

* For identification purpose only.

Batteries Business

There are not many forward-thinking pure electric vehicle manufacturers in the market that are as advanced and as revolutionary as FKL's parent company, FDG, in plotting our plan upstream in the value chain. Batteries are critical for electric vehicles to run and are also a potential source of value-add in the chain of electric vehicles, battery cells and battery materials. Lithium, a rare metal, is in plentiful supply. Lithium is generally used in making batteries, such as the Lithium-Ferrous-Phosphate ("LFP") batteries used in our electric vehicles. Although recent prices have gone up, the U.S. Geological Survey estimated it will take 400 years to extract all of the earth's lithium. LFP batteries are safer to use and do not contain expensive cobalt. With rapid expansion in the electric vehicle boom, it is likely that this would exert a significant influence in the demand in lithium-ion batteries.

Ever since lithium-ion batteries were developed in 1991, energy density has been advancing with better quality cathodes, anodes, separators and electrolytes. Based on the current growing trend of increasing adoption of electric vehicles, this force of demand is extended to lithium-ion batteries. When Phase II of our Tianjin production base is completed, our annual battery capacity would further be increased up to a total of 2.3GWh. Recently FDG has announced a plan for a new battery factory in Jianyang, Sichuan. When the production of FDG's planned battery factories is fully ramped, FDG would have a total production capacity of 6.3GWh.

The expansion project enables FDG's subsidiary Sinopoly, to produce safe and highly efficient batteries with economies of scale so that cost per unit could be lowered. Our expansion also ensures a stable and a quality supply of lithium-ion batteries to FDG's electric vehicle segment.

Sinopoly continued to focus on innovation relying on independent research and development. In particular, the newly developed battery separator technology has improved safety and performance for our ternary battery products at a world-leading standard. During the period under review, Sinopoly has been awarded with 9 new patents on battery technologies. In respect to the upgrade of LFP batteries, Sinopoly has developed new products with higher performances and the energy density has been improved to over 150Wh/Kg, a leading performance indicator that improves market competitiveness.

As a vertically-integrated pure electric vehicle manufacturer, batteries inevitably form an indispensable part in the supply chain of FDG's electric vehicles. FKL believes that our core battery technology directly powers this electric revolution in the automotive industry.

Interim Financial Review

During the six months period under review, the Group recorded a revenue of approximately HK$192.9 million, representing an increase of approximately 52.0% as compared with the revenue of approximately HK$126.9 million of the six months ended 30 September 2016. Such increase was mainly due to increasing sales of cathode material of the battery materials production business segment.

The Group's loss attributable to equity shareholders of the Company for the six months ended 30 September 2017 amounted to approximately HK$139.7 million, representing an increase of approximately HK$50.5 million as comparing with the loss of approximately HK$89.2 million for the six months ended 30 September 2016. The increase was mainly attributable to the combination effects of the followings:

(i) other gains and losses amounted to net loss of approximately HK$17.3 million for the period under review (six months ended 30 September 2016: net gain of approximately HK$9.6 million), mainly attributable from of the impairment loss on interest in an associate Synergy Dragon Limited ("SDL"), amounted to HK$30.0 million;

(ii) the general and administrative expenses amounted to approximately HK$27.3 million, representing a decrease of approximately HK$5.2 million as comparing with approximately HK$32.5 million for the six months ended 30 September 2016. Such decrease was mainly attributable to the legal and professional fee incurred for last corresponding period for the transaction of share subscription of ALEEES, which did not incur in the current period;

(iii) the finance costs amounted to approximately HK$68.5 million were comprised of the interest expenses on the convertible bonds, finance lease and bank and other borrowings, which representing an increase of approximately HK$9.0 million as comparing with approximately HK$59.5 million for the six months ended 30 September 2016. Such increase was mainly due to other new borrowings obtained during the period under review; and

(iv) the share of loss of associates amounted to approximately HK$50.4 million (six months ended 30 September 2016: share of loss of approximately HK$23.1 million) which was attributable from two associates, SDL and ALEEES, amounted to approximately HK$43.9 million (six months ended 30 September 2016: approximately HK$14.9 million) and approximately HK$6.5 million (six months ended 30 September 2016: approximately HK$8.2 million), respectively.

Segment Information

Battery Materials Production Business

During the six months period under review, this battery materials production business segment contributed the Group's revenue of approximately HK$169.0 million from the sales of cathode materials for NCM lithium-ion batteries, representing an increase of approximately 62.8% as compared with the revenue of approximately HK$103.8 million for the six months ended 30 September 2016. Such increase was mainly attributable to the recognition of our cathode materials quality and the increase in demand from customers.

This battery materials production business segment brought a loss before tax of approximately HK$28.7 million to the Group during the period under review, which included share the loss of an associate, ALEEES, of approximately HK$6.5 million. ALEEES is a newly acquired associate by the Group in August 2016, the Group holds approximately 21.85% of total issued ALEEES shares. ALEEES is principally engaged in the business of production, research and development and sales and marketing of cathode materials for lithium ferrous phosphate batteries.

Without taking into account of share of loss of ALEEES of approximately HK$6.5 million for the six months ended 30 September 2017, the battery material production business of Chongqing factory incurred a loss before tax of approximately HK$22.2 million during the period under review, representing a decrease of approximately HK$0.5 million as comparing with the loss before tax of approximately HK$22.7 million for the six months ended 30 September 2016. The Chongqing factory narrowed its losses during the period by increasing sales of cathode materials.

In order to further strive for efficiency, the Group will expand the production capacity of Chongqing factory by the use of other new borrowings facility obtained in June 2017, in a bid to satisfy the growing needs of customers and increase the scale of economies. The NCM lithium-ion batteries can be widely used in the telecommunication devices, electric vehicles and energy storage systems. 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$23.9 million (six months ended 30 September 2016: approximately HK$23.1 million) mainly comprised of approximately HK$14.8 million (six months ended 30 September 2016: approximately HK$14.8 million) of the interest accrued for the secured bond issued by FDG to the Company.

The Group's investments measured at fair value recorded a net gain of approximately HK$16.1 million for the six months ended 30 September 2017 (six months ended 30 September 2016: net gain of approximately HK$9.2 million).

During the period under review, the interest expenses on the convertible bonds amounted to approximately HK$61.7 million (six months ended 30 September 2016: approximately HK$56.7 million).

The Group shared the gain of an joint venture, 華能壽光風力發電有限公司 ("Huaneng Shouguang") of approximately HK$3.4 million for the six months ended 30 September 2017 (six months ended 30 September 2016: share of loss of approximately HK$2.3 million). Huaneng Shouguang is a wind power electricity developer and operator in the PRC. It generated electricity of 41.4 million kWh and revenue of approximately Renminbi ("RMB") 21.1 million during the period under review.

During the period under review, the Group shared the loss of an associate of approximately HK$43.9 million (six months ended 30 September 2016: share of loss of approximately HK$14.9 million) and impairment loss of HK$30.0 million, which represented 25% interest in an associate, SDL. Share of loss increased mainly due to the combination effect of the decrease in revenue and the increase in research and development of battery-related products and its improvements of SDL. SDL is an investment holding company. Its wholly-owned subsidiary, Sinopoly Battery Limited 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.

Liquidity and Financial Resources

As at 30 September 2017, the Group's net assets attributable to equity shareholders of the Company amounted to approximately HK$1,380.4 million (31 March 2017: approximately HK$1,448.5 million). Net assets attributable to equity shareholders of the Company per share were approximately HK$0.27 (31 March 2017: approximately HK$0.28). The Group's total assets of approximately HK$2,746.2 million (31 March 2017: approximately HK$2,804.3 million) mainly consisted of goodwill of approximately HK$461.0 million (31 March 2017: approximately HK$441.2 million), intangible assets of approximately HK$75.2 million (31 March 2017: approximately HK$79.0 million), property, plant and equipment and interests in leasehold land held for own use under operating lease of approximately HK$198.3 million (31 March 2017: approximately HK$198.1 million), interest in associates of approximately HK$963.9 million (31 March 2017: approximately HK$1,009.1 million), interest in a joint venture of approximately HK$106.1 million (31 March 2017: approximately HK$98.3 million), the FDG 3-year secured bond of HK$370.0 million (31 March 2017: HK$370.0 million), loan and other receivables of approximately HK$209.2 million (31 March 2017: approximately HK$202.2 million) and cash and cash equivalents of approximately HK$19.3 million (31 March 2017: approximately HK$65.9 million).

As at 30 September 2017, the non-current assets of approximately HK$1,824.2 million, comparing with the amount of approximately HK$1,826.4 million as at 31 March 2017, representing a decrease of approximately HK$2.2 million. Such decrease is mainly due to impairment loss incurred by interest in an associate, SDL, amounting to HK$30.0 million and net off with the increase of deposits paid for non-current assets amounting to approximately HK$19.0 million during the period under review.

As at 30 September 2017, the current assets amounted to approximately HK$922.0 million, representing a decrease of approximately 5.7% as compare with the current assets of approximately HK$977.9 million as at 31 March 2017. Such decrease was mainly attributable to (i) the pledged bank deposits and cash and cash equivalents of approximately HK$23.5 million as at 30 September 2017, decreased by approximately HK$66.7 million as compared with the pledged bank deposits and cash and cash equivalents of approximately HK$90.2 million as at 31 March 2017; (ii) the trade receivables of approximately HK$163.3 million as at 30 September 2017, increased by approximately HK$34.9 million as compared with the trade receivable of approximately HK$128.4 million as at 31 March 2017; and (iii) the inventories of approximately HK$50.9 million as at 30 September 2017, decreased by approximately HK$23.9 million as compared with the inventories of approximately HK$74.8 million as at 31 March 2017, resulting from the increase in sales of battery material products. A credit period generally ranging from 30 days to 90 days is generally allowed to the customers, the Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk.

As at 30 September 2017, the bank and other borrowings included (i) bank borrowings of approximately HK$50.8 million (31 March 2017: approximately HK$60.8 million), denominated in 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$118.6 million (31 March 2017: approximately HK$116.4 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.; (ii) the other borrowings of approximately HK$32.6 million (31 March 2017: approximately HK$32.6 million) is denominated in United States dollars, were unsecured, guaranteed by the Company, interest bearing at a fixed rate and repayable within one year; (iii) the other borrowings of approximately HK$12.8 million is denominated in RMB, was secured, bear fixed interest rate and guaranteed by an indirect wholly-owned subsidiary of an associate; and (iv) unsecured other borrowing of approximately HK$9.5 million is denominated in RMB, unsecured, bear fixed interest rate and repayable within one year. The Group's bank and other borrowings are mostly event driven, with little seasonality.

As at 30 September 2017, the Group's obligations under finance leases amounted to approximately HK$58.4 million (31 March 2017: approximately HK$69.9 million), out of which approximately HK$30.6 million (31 March 2017: approximately HK$28.4 million), approximately HK$27.8 million (31 March 2017: approximately HK$30.1 million) and nil (31 March 2017: approximately HK$11.4 million) were repayable within one year, within one to two years and within three to five years, respectively. The obligations under finance leases were secured by certain machineries of the Group with carrying amounts of approximately HK$76.2 million (31 March 2017: approximately HK$78.3 million) and guaranteed by an indirect wholly-owned subsidiary of an associate. Loan from the ultimate holding company as at 30 September 2017 amounted to HK$321.3 million is unsecure, interest-free and repayable on demand (31 March 2017: approximately HK$320.4 million).

As at 30 September 2017, the current liabilities of approximately HK$1,297.0 million representing an increase of approximately HK$701.7 million comparing with the amount of approximately HK$595.3 million as at 31 March 2017. Such increase was mainly due to the reclassification of the liability component of the convertible bonds of approximately HK$691.1 million from non-current liabilities to current liabilities during the period under review.

As at 30 September 2017, the Group's non-current liabilities comprised mainly the long term portion of bank and other borrowings of approximately HK$27.9 million (31 March 2017: approximately HK$46.1 million) and long term portion of obligations under finance leases of approximately HK$27.8 million (31 March 2017: approximately HK$41.5 million).

As at 30 September 2017, the Group's gearing ratio, without taking into account of the liability component of convertible bonds of approximately HK$691.1 million (31 March 2017: approximately HK$659.5 million), was approximately 11.9% (31 March 2017: approximately 11.3%) calculated on the basis of bank and other borrowings of approximately HK$105.7 million (31 March 2017: approximately HK$93.3 million) and obligations under finance lease of approximately HK$58.4 million (31 March 2017: approximately HK$69.9 million) to total equity of the Company of approximately HK$1,380.4 million (31 March 2017: approximately HK$1,448.5 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 of directors of the Company (the "Board") will closely monitor the foreign exchange exposure and consider appropriate hedging instruments when necessary.

Material Acquisition and Disposal

During the six months ended 30 September 2017, the Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures.

Contingent Liabilities and Pledge of Assets

There were pledge of assets as at 30 September 2017 and 31 March 2017 with details disclosed under the section headed "Liquidity and Financial Resources". In addition, certain bank deposits of approximately HK$4.2 million (31 March 2017: approximately HK$24.3 million) were pledged for bills payable.

The Group had no significant contingent liabilities as at 30 September 2017 (31 March 2017: Nil).

Capital Commitments

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

Human Resources

As of 30 September 2017, the Group had 19 employees in Hong Kong (30 September 2016: 18 employees) and 85 employees in the PRC (30 September 2016: 85 employees). Total staff costs (including directors' remunerations) during the six months ended 30 September 2017 amounted to approximately HK$14.8 million (six months ended 30 September 2016: approximately HK$13.2 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.

On 10 February 2017, the Board has adopted an employees' share award scheme and also resolved to establish a new and comprehensive employee benefit trust with details set out in the Company's announcement dated 10 February 2017.

There were no material changes in human resources structure and compensation approach during the six months ended 30 September 2017. No share option was granted, exercised, cancelled or lapsed under the share option scheme during the six months period under review.

Future Development

Complement FDG to Become a Vertically-Integrated Cathode Materials, Batteries and Electric Vehicles Manufacturer

As part of our parent company's strategic layout, FKL optimizes the supply chain upstream with FDG. FKL continues to support FDG by providing a stable and high quality supply of cathode materials to make battery packs for manufacturing electric vehicles. This vertical-integration enables FDG to reduce a major supplier risk, and to enable FKL to plan production of cathode materials based on downstream demand of batteries. It also enables FDG and FKL to plan the production of batteries based on demand for electric vehicles. Such accurate production planning allows us to reap the benefits of economies of scale in the value chain as well as control the quality of our final product – our electric vehicles. The rise of emerging electric vehicle manufacturers like FDG are not burdened by legacy costs such as excess capacity in manufacturing internal combustion engine vehicles.

Actively Improving Product Quality while Reducing Cost

FKL aims to enhance the quality of LFP batteries used in the production of our electric vehicles and the NCM cathode materials we manufacture. As lower energy densities with the LFP chemistry might affect quality in the future, the Group continues to work with leading institutes to enhance our own blend of LFP and NCM cathode materials. For instance, in order to address the inconvenience of low specific capacity and charging voltage limits in LFP batteries, we could overcome this by replacing new cathode materials that allow high coulombic efficiency, good power capability, low irreversible capacity so that cost could be lowered with little or no loss of capacity density and cell voltage. The Group continues to look out for growth in other battery and related material types that shoots energy density up while balancing cost and safety concerns. With proprietary research from Sinopoly Battery Research Institute (Shanghai) and Taiwan ALEEES' Research and Development Department, FKL strives to maintain the lead in battery and related material research and development, create more intellectual properties and enhance our existing technological capabilities.

Continued Implementation towards Environmental-friendliness

With continued growth in the use of electronic products and increased adoption of electric vehicles, more batteries would be produced and used; yet, these products have a limited lifetime and would have to be recycled in the future. At present, it is estimated that only 3% of portable batteries are collected and recycled. Electric vehicle batteries are prohibited from disposal in the landfill or incineration, given that these batteries are effectively classified as hazardous waste. If improperly disposed, risks of short circuits, fire, leakage of corrosive liquids or reaction with battery materials might occur.

Batteries contain a range of metals that can be reused as secondary raw materials in industrial or manufacturing applications. The Company continues to be environmentally friendly towards the production, sales and post-use of the batteries, adhering to our principle of "Green and Growth". This is done not only because of the fact that the raw materials used in battery making are getting ever-increasingly expensive and recycled for their secondary value; but rather, FKL is a socially-conscious firm. FKL will grasp the opportunity to develop this business and will continue to be a socially-responsible enterprise.

Unrivalled Growth in Demand of Batteries

Goldman Sachs estimated that the lithium-ion battery market will be worth USD40 billion by 2025 and would be primarily dominated by China. At the same time, backed by the sturdy electric vehicle demand and the Government's stringent capacity requirements, a massive capacity expansion has been driven by Chinese battery companies. According to the "Action Plan for Promoting the Development of the Automobile Power Battery Industry" issued by Chinese government, by 2020, the total production capacity of the battery industry in China is expected to grow over 100 GWh. Leading domestic enterprises will compete in production and sales at a scale greater than 40 GWh and able to compete internationally. Chinese government has rolled out a series of favourable policies, which helped China's battery companies to dominate the industry. As such, FKL aims seize this opportunity to become a leading enterprise in the battery segment, bringing high quality batteries and cathode materials to the international market.

Supplementary Information

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

As at 30 September 2017, the interests and short positions of the directors and chief executive of the Company or their respective close associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Interests and short positions in the shares, underlying shares and debentures 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, underlying shares and debentures 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)*
Mr. Cao Zhong	Beneficial owner	6,800,000	230,000,000	236,800,000 *(Notes 1 and 7)*	1.05%
	Interest of controlled corporations	2,651,059,998	–	2,651,059,998 *(Note 1)*	11.83%
	Interest of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	5,104,572,167	523,000,000	5,627,572,167 *(Notes 1 and 5)*	25.11%

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)*
Mr. Miao Zhenguo	Beneficial owner	–	195,000,000	195,000,000 *(Notes 2 and 7)*	0.87%
	Interest of controlled corporations	1,970,551,043	–	1,970,551,043 *(Note 2)*	8.79%
	Interest of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	5,791,881,122	558,000,000	6,349,881,122 *(Notes 2 and 5)*	28.33%
Mr. Jaime Che	Beneficial owner	1,000,000	166,000,000	167,000,000 *(Notes 3 and 7)*	0.74%
	Interest of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	7,761,432,165	587,000,000	8,348,432,165 *(Notes 3 and 5)*	37.25%
Dr. Chen Yanping	Beneficial owner	–	162,000,000	162,000,000 *(Notes 4 and 7)*	0.72%
	Interest of controlled corporation	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	591,000,000	7,695,307,165 *(Notes 4 and 5)*	34.33%
Professor Chen Guohua	Beneficial owner	–	10,000,000 *(Note 7)*	10,000,000	0.04%
Mr. Hung Chi Yuen Andrew	Beneficial owner	–	280,000 *(Note 6)*	280,000	0.00%
Professor Sit Fung Shuen Victor	Beneficial owner	–	280,000 *(Note 6)*	280,000	0.00%
Mr. 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 8,515,432,165 shares and underlying 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 230,000,000 share options[(Note 7)] held by Mr. Cao; and (iv) 5,104,572,167 shares and 523,000,000 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 8,515,432,165 shares and underlying 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) 195,000,000 share options[(Note 7)] held by Mr. Miao; and (iv) 5,791,881,122 shares and 558,000,000 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 8,515,432,165 shares and underlying shares of FDG including: (i) 1,000,000 shares and 166,000,000 share options[(Note 7)] held by Mr. Che; and (ii) 7,761,432,165 shares and 587,000,000 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 8,515,432,165 shares and underlying 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) 162,000,000 share options[(Note 7)] held by Dr. Chen; and (iii) 7,104,307,165 shares and 591,000,000 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 of FDG held by the other parties to the Undertaking under Section 317(1)(a) of the SFO.

6. The interests in the 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 under a share option scheme of FDG.

8. These percentages are calculated on the basis of 22,413,077,108 shares of FDG as at 30 September 2017.

Save as disclosed above, as at 30 September 2017, none of the directors or chief executive of the Company or their respective close associates had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been recorded in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 September 2017, 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 6)*
Sinopoly Strategic Investment Limited	Beneficial owner	3,450,532,490 (L) 3,133,000,260 (S)	–	3,450,532,490 (L) 3,133,000,260 (S)	67.19% (L) 61.00% (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) 3,133,000,260 (S)	2,205,882,352 (L) 2,205,882,352 (S)	5,656,414,842 (L) 5,338,882,612 (S)	110.14% (L) 103.96% (S)
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)

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 6)*
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)
Oriental Stage Limited	Person having a security interest in shares	493,000,260 (L)	–	493,000,260 (L)	9.60% (L)
Wong Ling Ling	Interest held by controlled corporations *(Note 5)*	493,000,260 (L)	–	493,000,260 (L)	9.60% (L)

Notes:

1. The interests in the underlying shares of the Company represent interests in the shares of the Company which would 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 was 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.

   Mr. Miao Zhenguo and Mr. Jaime Che, executive directors of the Company, are also directors of Sinopoly Strategic Investment Limited and Union Grace Holdings Limited.

3. SK Holdings Co., Ltd. was deemed or taken to be interested in (i) 24,474,955 shares held by SKC Co., Ltd. which is held as to 41.00% 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..

   Mr. Sun Ziqiang, executive director of the Company, is the vice chairman for China's business in 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. The Lee and Lee Trust controlled approximately 74.95% of the total number of shares in issue of Allied Group Limited (inclusive of Mr. Lee Seng Hui's personal interests) as at 30 September 2017. Accordingly, all these parties were deemed to have the same long position as Sun Hung Kai Structured Finance Limited.

5. Oriental Stage Limited is a company wholly owned by Ms. Wong Ling Ling. Thus, Ms. Wong Ling Ling was deemed to have the same long position as Oriental Stage Limited.

6. These percentages are calculated on the basis of 5,135,646,855 shares of the Company as at 30 September 2017.

Save as disclosed above, as at 30 September 2017, the Company had not been notified of any interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register kept by the Company under Section 336 of the SFO.

Share Option Scheme

Pursuant to the ordinary resolution passed at each of the annual general meetings of the Company and FDG both held on 29 August 2017, the Company has adopted the new share option scheme (the "2017 Scheme") and the share option scheme adopted on 12 October 2007 (the "2007 Scheme") was terminated on the same date. The purpose of the 2017 Scheme is to enable the Company to grant options to the eligible participants of the Company (i) in recognition of their contribution to the Company and its subsidiaries (collectively the "Group"); (ii) to attract and retain or otherwise maintain an on-going relationship with them for the benefit of the Group; and (iii) to align their interests with the shareholders, thereby encouraging them to work towards enhancing the value of the shares of the Company. The 2017 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 2017, no share options were held by any of the directors, eligible employees and other participants of the Company under the 2007 Scheme and the 2017 Scheme, and no share options were granted, exercised, cancelled or lapsed under the 2007 Scheme and the 2017 Scheme.

No expenses were recognised by the Group for the six months ended 30 September 2017 (six months ended 30 September 2016: nil).

Details of the 2007 Scheme and the 2017 Scheme were set out in the 2016/17 annual report and the circular dated 24 July 2017 of the Company respectively.

Employees' Share Award Scheme

The Company has adopted an employees' share award scheme in which any employee, director or advisor/consultant of any member of the Group, or any employee of such advisor or consultant or any other person as determined by the Board will be entitled to participate. Details of the employees' share award scheme are disclosed in the announcement of the Company dated 10 February 2017.

No shares were awarded under the employees' share award scheme of the Company during the six months ended 30 September 2017.

Corporate Governance

The Company applied the principles of and complied with all the code provisions of the Corporate Governance Code (the "Code") contained in Appendix 14 to the Listing Rules throughout the six months ended 30 September 2017 and up to the date of this report, except for the following deviations.

Code provision A.4.1

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 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.

Code provision F.1.2

Pursuant to code provision F.1.2 of the Code, a board meeting should be held to discuss the appointment of the company secretary and the matter should be dealt with by a physical board meeting rather than a written resolution. The appointments of company secretaries of the Company were dealt with by written resolutions in April 2017 and October 2017. As all directors were individually consulted on the matters without any dissenting opinion prior to the execution of the relevant written resolutions, it was considered that there was no need to approve the matters by physical board meetings.

Changes in Directors' Information

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the directors of the Company since the date of the 2016/17 annual report of the Company are set out below:

- Mr. Sun Ziqiang resigned as the director and chief executive officer of SK China Company Limited and was appointed as the vice chairman for China's business in SK Holdings Co., Ltd. with effect from 1 April 2017.

- Mr. Toh Hock Ghim resigned as the independent director of Lifebrandz Ltd. with effect from 27 April 2017 (a company whose shares are listed on the Singapore Exchange Securities Trading Limited).

- Professor Sit Fung Shuen Victor resigned as the independent non-executive director of Asia Energy Logistics Group Limited with effect from 3 July 2017 (a company whose shares are listed on the Stock Exchange (Stock Code: 351)).

- Mr. Jaime Che became a senior vice president of FDG with effect from 16 November 2017.

Directors' Securities Transactions

The Company has adopted a code for securities transactions by directors (the "Securities Code"), which is largely based on the Model Code set out in Appendix 10 to the Listing Rules. The Securities Code is on terms no less exacting than the required standard set out in the Model Code. All directors of the Company have confirmed, following specific enquiry by the Company, their compliance with the required standard set out in the Model Code and the Securities Code throughout the six months ended 30 September 2017.

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

During the six months ended 30 September 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

Events After the Reporting Period

Events occurred after the reporting period are detailed in Note 22 to the interim financial statements.

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 audit committee of the Company which comprises three independent non-executive directors of the Company.

By order of the Board
FDG Kinetic Limited
Cao Zhong
Chairman

Hong Kong, 30 November 2017

As at 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, Professor Sit Fung Shuen Victor and Mr. Toh Hock Ghim as independent non-executive directors.

Website: http://www.fdgkinetic.com