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

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

2019/20
INTERIM REPORT

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The board of directors (the "Board") of FDG Electric Vehicles Limited (the "Company") presents the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 September 2019 together with the comparative figures for the corresponding period in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2019

	Note	Six months ended **30.9.2019** **(unaudited)** **HK$'000**	 30.9.2018 (unaudited) HK$'000 (Restated)
Continuing Operations			
Revenue	3	**487,115**	172,479
Cost of sales		**(454,320)**	(159,932)
Gross profit		**32,795**	12,547
Other income		**28,025**	20,667
Other gains and losses, net	4	**(429)**	(85,579)
Selling and distribution costs		**(28,306)**	(38,380)
General and administrative expenses		**(148,501)**	(164,105)
Research and development expenses		**(21,719)**	(30,040)
Finance costs	5	**(199,827)**	(186,396)
Other operating expenses	6	**(73,855)**	(66,576)
Reversal of impairment losses/(impairment losses) on financial assets at amortised cost and contract assets	4	**28,045**	(154,524)
Amortisation of intangible assets		**(39,104)**	(48,859)
Share of results of associates		**(28,202)**	(51,759)
Share of results of joint ventures		**3,286**	(82,498)
Loss before tax from continuing operations	6	**(447,792)**	(875,502)
Income tax	7	**2,956**	13,347
Loss for the period from continuing operations		**(444,836)**	(862,155)
Discontinued Operation			
Loss for the period from discontinued operation	11	**(29,146)**	(80,013)
Loss for the period		**(473,982)**	(942,168)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(Continued)*

For the six months ended 30 September 2019

	Note	Six months ended 30.9.2019 (unaudited) HK$'000	30.9.2018 (unaudited) HK$'000 (Restated)
Loss for the period attributable to:			
Owners of the Company			
– from continuing operations		**(248,867)**	(548,937)
– from discontinued operation		**(28,752)**	(74,194)
		(277,619)	(623,131)
Non-controlling interests			
– from continuing operations		**(195,969)**	(313,218)
– from discontinued operation		**(394)**	(5,819)
		(196,363)	(319,037)
		(473,982)	(942,168)
		HK cents	HK cents (Restated)
Loss per share attributable to owners of the Company			
Basic and diluted	8		
– from continuing operations		**(17.71)**	(48.97)
– from discontinued operation		**(2.05)**	(6.62)
		(19.76)	(55.59)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2019

	Six months ended	
	30.9.2019	30.9.2018
	(unaudited)	(unaudited)
	HK$'000	HK$'000
		(Restated)
Loss for the period	**(473,982)**	(942,168)
Other comprehensive loss for the period, net of nil tax:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	**(38,295)**	(307,965)
Derecognition of exchange reserve upon deconsolidation of a subsidiary	**(312)**	–
Derecognition of exchange reserve upon disposal of subsidiaries	**–**	(6,606)
Share of other comprehensive loss of associates	**(13,772)**	(13,841)
Share of other comprehensive loss of joint ventures	**(5,284)**	(10,263)
	(57,663)	(338,675)
Total comprehensive loss for the period	**(531,645)**	(1,280,843)
Attributable to:		
Owners of the Company	**(356,646)**	(885,614)
Non-controlling interests	**(174,999)**	(395,229)
Total comprehensive loss for the period	**(531,645)**	(1,280,843)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

	Note	**30.9.2019 (unaudited) HK$'000**	31.3.2019 (audited) HK$'000
Non-current assets			
Goodwill		**550,359**	559,021
Intangible assets	12	**515,345**	636,789
Property, plant and equipment	13	**2,357,325**	2,699,040
Interests in leasehold land held for own use under operating leases	13	**–**	223,276
Right-of-use assets	13	**244,002**	–
Interests in associates		**539,213**	324,900
Interests in joint ventures		**104,243**	106,241
Deposits paid for non-current assets		**124,230**	264,914
Loan receivables	15	**–**	321
Other non-current assets		**1,207**	4,773
		4,435,924	4,819,275
Current assets			
Inventories		**193,213**	288,381
Trade and bills receivables	14	**670,146**	310,816
Contract assets	14	**178,995**	240,835
Loan and other receivables	15	**443,831**	683,321
Financial assets at fair value through profit or loss		**5,482**	6,438
Derivative financial instruments	19	**–**	68
Pledged bank deposits		**–**	95,633
Cash and cash equivalents		**88,629**	163,892
		1,580,296	1,789,384
Assets associated with disposal group classified as held for sale	11	**682,841**	756,827
		2,263,137	2,546,211

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

As at 30 September 2019

	Note	**30.9.2019 (unaudited) HK$'000**	31.3.2019 (audited) HK$'000
Current liabilities			
Bank loans and other borrowings	16	**(1,901,481)**	(1,582,334)
Trade and bills payables	17	**(924,717)**	(651,410)
Accruals and other payables	18	**(1,420,880)**	(1,361,855)
Tax payables		**(38,369)**	(38,591)
Lease liabilities		**(95,088)**	(79,143)
Derivative financial instruments	19	**(3,046)**	–
		(4,383,581)	(3,713,333)
Liabilities associated with disposal group classified as held for sale	11	**(651,671)**	(695,996)
		(5,035,252)	(4,409,329)
Net current liabilities		**(2,772,115)**	(1,863,118)
Total assets less current liabilities		**1,663,809**	2,956,157
Non-current liabilities			
Receipts in advance		**(507,825)**	(534,027)
Deferred income		**(400,949)**	(430,831)
Bank loans and other borrowings	16	**(747,334)**	(1,146,136)
Liability components of convertible bonds	19	**(630,101)**	(601,006)
Lease liabilities		**(11,225)**	–
Deferred tax liabilities		**(30,585)**	(18,888)
Obligations under redeemed convertible bonds	20	**(760,752)**	(760,752)
		(3,088,771)	(3,491,640)
NET LIABILITIES		**(1,424,962)**	(535,483)
CAPITAL AND RESERVES			
Issued capital	21	**333,894**	264,898
Reserves		**(1,028,494)**	(776,819)
Total equity attributable to owners of the Company		**(694,600)**	(511,921)
Non-controlling interests		**(730,362)**	(23,562)
TOTAL DEFICIENCY IN EQUITY		**(1,424,962)**	(535,483)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019

	Unaudited											
	Attributable to owners of the Company											
	Issued capital HK$'000	Share premium HK$'000	Exchange reserve HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Equity component of convertible bonds HK$'000	Share option reserve HK$'000	Share award reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total deficiency in equity HK$'000
As at 1 April 2019 (audited)	264,898	2,382,994	(143,480)	1,444,007	1,868	186,710	78,746	–	(4,727,664)	(511,921)	(23,562)	(535,483)
Loss for the period	–	–	–	–	–	–	–	–	(277,619)	(277,619)	(196,363)	(473,982)
Other comprehensive income/(loss) for the period												
– Exchange differences on translation of financial statements of foreign operations	–	–	(62,700)	–	–	–	–	–	–	(62,700)	24,405	(38,295)
– Derecognition of exchange reserve upon deconsolidation of a subsidiary *(Note 10)*	–	–	(312)	–	–	–	–	–	–	(312)	–	(312)
– Share of other comprehensive loss of associates	–	–	(12,075)	–	–	–	–	–	–	(12,075)	(1,697)	(13,772)
– Share of other comprehensive loss of joint ventures	–	–	(3,940)	–	–	–	–	–	–	(3,940)	(1,344)	(5,284)
Total other comprehensive income/(loss) for the period	–	–	(79,027)	–	–	–	–	–	–	(79,027)	21,364	(57,663)
Total comprehensive loss for the period	–	–	(79,027)	–	–	–	–	–	(277,619)	(356,646)	(174,999)	(531,645)
Issue of new shares	68,996	112,051	–	–	–	–	–	–	–	181,047	–	181,047
Deemed contribution from shareholder loans	–	–	–	5,294	–	–	–	–	–	5,294	–	5,294
Derecognition upon deconsolidation of a subsidiary *(Note 10)*	–	–	–	–	–	–	–	–	–	–	(531,801)	(531,801)
Share award incentive schemes	–	–	–	–	–	–	–	(13,650)	–	(13,650)	–	(13,650)
Equity-settled share award schemes	–	–	–	–	–	–	–	1,131	–	1,131	–	1,131
Share options lapsed	–	–	–	–	–	–	(2,195)	–	2,195	–	–	–
Equity-settled share-based payments	–	–	–	–	–	–	145	–	–	145	–	145
As at 30 September 2019	333,894	2,495,045	(222,507)	1,449,301	1,868	186,710	76,696	(12,519)	(5,003,088)	(694,600)	(730,362)	(1,424,962)

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

For the six months ended 30 September 2019

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2019

	Six months ended	
	30.9.2019	30.9.2018
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Operating activities including discontinued operation		
Net cash generated from operating activities	**90,293**	81,939
Investing activities including discontinued operation		
Proceeds from disposal of subsidiaries	**–**	61,231
Proceeds from disposal of property, plant and equipment	**268**	–
Proceeds from financial assets at fair value through profit or loss	**233**	–
Payments for other non-current assets	**(8,814)**	–
Payments for acquisition of property, plant and equipment	**(11,965)**	(230,213)
Payments for acquisition of intangible assets	**(29,607)**	(99,258)
Payment for investment in a joint venture	**–**	(24,025)
Receipts of government grants and other subsidies fundings for capital expenditures	**–**	3,991
Placement of pledged bank deposits	**–**	(50,077)
Withdrawal of pledged bank deposits	**48,591**	170,184
Net cash outflow arising from deconsolidation of a subsidiary *(Note 10)*	**(128,494)**	–
Other cash flows generated from investing activities	**–**	12,404
Net cash used in investing activities	**(129,788)**	(155,763)
Financing activities including discontinued operation		
Net proceeds from share issued pursuant to share placing and subscription	**32,657**	104,087
Receipts in advance from subscription of new shares	**–**	230,411
Proceeds from bank loans and other borrowings	**277,727**	620,990
Repayment of bank loans and other borrowings	**(277,683)**	(691,724)
Repayment of lease liabilities	**(8,633)**	–
Repayment of convertible bonds	**–**	(100,000)
Interest paid	**(52,441)**	(159,137)
Other cash flows used in financing activities	**–**	(40,915)
Net cash used in financing activities	**(28,373)**	(36,288)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

For the six months ended 30 September 2019

	Six months ended	
	30.9.2019	30.9.2018
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Net decrease in cash and cash equivalents	**(67,868)**	(110,112)
Effect of foreign exchange rate changes	**(14,073)**	(49,494)
Cash and cash equivalents at the beginning of the period:		
Continuing operations	**163,892**	731,431
Discontinued operation	**31,024**	20,920
Cash and cash equivalents at the end of the period	**112,975**	592,745
Represented by:		
Cash and cash equivalents under continuing operations	**88,629**	574,684
Cash and cash equivalents under discontinued operation	**24,346**	18,061
	112,975	592,745

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

The condensed consolidated interim financial statements should be read in conjunction with the Group's audited consolidated financial statements for the year ended 31 March 2019, which have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, HKASs and Interpretations issued by the HKICPA and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

As at 30 September 2019, the Group had net current liabilities of HK$2,772,115,000 and net liabilities of HK$1,424,962,000. In addition, the Group was unable to make certain principal and/or interest repayments relating to certain bank loans and other borrowings and lease liabilities under continuing operations with carrying amounts as at 30 September 2019 of approximately HK$1,496,166,000 and HK$73,708,000, respectively, and certain bank loans and other borrowings under discontinued operation with carrying amount as at 30 September 2019 of approximately HK$25,387,000, for which the lenders were entitled to request for the immediate repayment of full amounts owed. Certain suppliers, other creditors, banks and a lease creditor had also commenced legal actions against the Group for the repayment of the outstanding trade payables, other payables, bank loans and lease liabilities under continuing operations, amounting to approximately HK$121,031,000, HK$286,492,000, HK$1,321,707,000 and HK$32,427,000, respectively, and of the outstanding trade payables under discontinued operation amounting to approximately HK$48,300,000, details of which are set out in Note 25(b). Notwithstanding the aforesaid conditions, the condensed consolidated interim financial statements have been prepared on a going concern basis because the Board and the audit committee of the Company (the "Audit Committee") have reviewed the Group's financial situations and both are of the view that the Group can meet its financial obligations as and when they fall due in the next twelve months, after taking into consideration of the measures and arrangements (the "Measures and Arrangements") as detailed below:

(i) A non-wholly-owned subsidiary of the Group owed approximately HK$1,463 million in aggregate as at 30 September 2019, including approximately HK$1,322 million payable to certain creditor bankers that commenced legal actions for immediate repayment up to the date of this report. The subsidiary had been actively negotiating with these creditor bankers to compromise in standstill and restructuring arrangements in order to extend and/or to renew all these banks loans upon maturity by new terms of not less than 12 months after the original maturity. During the six months ended 30 September 2019, one of creditor banks has granted additional facilities of approximately HK$210 million to the Group and a loan with principal amount of approximately HK$111 million was extended to July 2020, and the remaining creditor banks are under renewal negotiations with the Group;

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

1. BASIS OF PREPARATION *(Continued)*

(ii) In September 2019, a lender provided Chanje Energy, Inc. ("Chanje", a subsidiary of the Group) for a non-binding senior secured revolving loan facility of up to US$75 million for three years subject to satisfaction results of the due diligence to be completed by this lender and the fulfilment of certain conditions precedent including but not limited for Chanje to raise new cash equity of at least US$20 million, the loan is expected to be granted in the next two to three months from the date of this report to facilitate the production of the electric vehicles primarily to meet the sales orders mentioned in (v) below;

(iii) Although the sale and purchase agreement in relation to disposal of its battery products business was lapsed on 30 September 2019, the Group is currently exploring other opportunities to dispose of battery products business. In the meanwhile, the Group continues to operate battery products business before the crystallisation of the disposal, but is also exploring restructuring options to streamline the battery operation and expand business opportunities to minimise losses;

(iv) The Group is also currently in serious negotiations with certain banks and financial institutions (on top of those mentioned in (i) above), suppliers and other creditors to extend the payment due dates and credit terms with them. Some of the Group's creditors have agreed to grant a longer credit period to the Group;

(v) The Group has over 1,000 units sales orders of electric vehicles from blue chip customers including Ryder Vehicle Purchasing, LLC and Federal Express Corporation, etc., in the United States of America (the "US"), the first 100 units of which will be delivered on or before 30 April 2020. The Group is also in negotiation for construction of charging stations for electric vehicles in the US. The Group expects to significantly improve its financial performance with cash inflows to be received from the customers in near future;

(vi) For the outstanding capital injections in an associate, ALEEES (GuiZhou) Co., Ltd (立凱電能科技（貴州）有限公司) ("ALEEES GuiZhou"), of approximately HK$141.3 million as at 30 September 2019, the Group has initiated a feasibility study to dispose of its entire equity interest in ALEEES GuiZhou in November 2018 to one of its fellow existing shareholders, in order to discharge the Group's obligations for the unpaid investment cost (the "Discharge"). The Board and the Audit Committee considered the Discharge could be completed as all the shareholders of ALEEES GuiZhou had preliminarily agreed to the Discharge, and the draft agreement is currently under review by the ALEEES GuiZhou's existing shareholders and the Group expects to withdraw from this investment and the relevant payment obligation on or before 31 March 2020, which can save no less than approximately HK$141.3 million in cash outflows;

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

1. BASIS OF PREPARATION *(Continued)*

(vii) The Group has been searching for potential buyers to dispose of all/partial equity interests in an associate (which is a listed overseas company) with carrying amounts of approximately HK$156.4 million as at 30 September 2019;

(viii) On 13 November 2019, the placing of new shares of the Company was completed for which the Company allotted and issued 280,000,000 new ordinary shares of the Company under general mandate for HK$0.22 per new share and raised net funds of approximately HK$59.4 million, details of which are disclosed in Note 27(a);

(ix) As disclosed in Notes 20, 25(a) and 27(b), the obligations under the redeemed convertible bonds of approximately HK$760,752,000 shall be discharged and such liabilities of the Group will be extinguished subsequent to the end of the reporting period; and

(x) The Group is under discussions with a number of investors for various fund raising and group restructuring plans.

The Board and the Audit Committee have reviewed the progress and reasonably satisfied that the Measures and Arrangements could be reasonably probable to happen. Accordingly, the Board and the Audit Committee are of the view that it is appropriate to prepare the condensed consolidated interim financial statements for the six months ended 30 September 2019 on a going concern basis.

The Board has considered the Company's efforts in raising funds and considered the above Measures and Arrangements to be reasonably probable to happen.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

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

(a) Principal accounting policies

The accounting policies adopted in the preparation of these condensed consolidated interim financial statements are consistent with those used in the Group's audited consolidated financial statements for the year ended 31 March 2019, except in relation to the following new standard, amendments to HKFRSs and an interpretation, which have become effective for accounting periods beginning on or after 1 April 2019, that are adopted for the first time in the current period's financial statements:

HKFRS 16	Leases
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

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

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17, Leases, and the related interpretations, HK(IFRIC)-Int 4, Determining whether an arrangement contains a Lease, HK(SIC)-Int 15, Operating Leases – Incentives, and HK(SIC)-Int 27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease. It introduces a single accounting model for Lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 and remain substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 April 2019. The Group has elected to use the modified retrospective approach and there was no cumulative effect on the opening balance of equity at 1 April 2019 upon the initial application of HKFRS 16. Comparative information has not been restated and continues to be reported under HKAS 17.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

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

(a) Principal accounting policies *(Continued)*

HKFRS 16 Leases *(Continued)*

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(A) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 April 2019. For contracts entered into before 1 April 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16.

(ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are relating to property, plant and equipment.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

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

(a) Principal accounting policies *(Continued)*

HKFRS 16 Leases *(Continued)*

(A) Changes in the accounting policies (Continued)

(ii) Lessee accounting *(Continued)*

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(iii) Lessor accounting

The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

(B) Transitional impact

At the date of transition to HKFRS 16 (i.e. 1 April 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 April 2019. The weighted average of the incremental borrowing rate used for determination of the present value of the remaining lease payments is approximately 10.15%.

To ease the transition to HKFRS 16, at the date of initial application of HKFRS 16, the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 March 2020.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

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

(a) Principal accounting policies *(Continued)*

HKFRS 16 Leases *(Continued)*

(B) Transitional impact (Continued)

The following table reconciles the operating lease commitments as at 31 March 2019 to the opening balance for lease liabilities recognised as at 1 April 2019:

	HK$'000
Operating lease commitments disclosed at 31 March 2019	52,134
Less: short-term leases and other leases with remaining lease term ending on or before 31 March 2020	(4,784)
	47,350
Less: total future interest expenses	(3,827)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019	43,523
Add: finance lease liabilities recognised as at 31 March 2019	79,143
Total lease liabilities recognised at 1 April 2019	122,666

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 March 2019.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

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

(a) Principal accounting policies *(Continued)*

HKFRS 16 Leases *(Continued)*

(B) Transitional impact (Continued)

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's condensed consolidated statement of financial position:

	Carrying amounts previously reported at 31 March 2019 HK$'000	Adjustments HK$'000	Carrying amounts under HKFRS 16 at 1 April 2019 HK$'000
Non-current assets			
Interests in leasehold land held for own use under operating leases	328,637	(328,637)	–
Right-of-use assets	–	374,730	374,730
Current assets			
Loan and other receivables	683,321	(2,570)	680,751
Current liabilities			
Lease liabilities	(79,143)	(23,087)	(102,230)
Non-current liabilities			
Lease liabilities	–	(20,436)	(20,436)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

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

(a) Principal accounting policies *(Continued)*

HKFRS 16 Leases *(Continued)*

(B) Transitional impact (Continued)

The carrying amounts of the Group's right-of-use assets and lease liabilities and the movement during the period are as follows:

	Right-of-use assets – Land use right HK$'000	Right-of-use assets – Properties HK$'000	Right-of-use assets Total HK$'000	Lease liabilities HK$'000
As at 1 April 2019	328,637	46,093	374,730	(122,666)
Amortisation and depreciation	(3,954)	(10,106)	(14,060)	–
Interest expenses	–	–	–	(9,384)
Payments	–	–	–	20,030
Deconsolidation of a subsidiary	–	(791)	(791)	791
Exchange adjustments	(15,982)	(1,068)	(17,050)	4,916
As at 30 September 2019	**308,701**	**34,128**	**342,829**	**(106,313)**
As at 1 April 2019				
– from continuing operations	223,276	46,093	269,369	(122,666)
– from discontinued operation	105,361	–	105,361	–
	328,637	46,093	374,730	(122,666)
As at 30 September 2019				
– from continuing operations	**209,874**	**34,128**	**244,002**	**(106,313)**
– from discontinued operation	**98,827**	**–**	**98,827**	**–**
	308,701	**34,128**	**342,829**	**(106,313)**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

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

(a) Principal accounting policies *(Continued)*

HKFRS 16 Leases *(Continued)*

(C) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to HKFRS 16 are as follows:

	At 30 September 2019		At 1 April 2019	
	Present value of the minimum lease payments HK$'000	**Total minimum lease payments HK$'000**	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000
Within 1 year	**95,088**	**101,279**	102,230	104,562
After 1 year but within 5 years	**11,225**	**13,970**	20,436	24,263
	106,313	**115,249**	122,666	128,825
Less: total future interest expenses		**(8,936)**		(6,159)
Present value of lease liabilities		**106,313**		122,666

(b) New and revised HKFRSs issued but not yet effective

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

HKFRS 17	Insurance Contracts
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and Its Associates or Joint Venture
Amendments to HKAS 1 and HKAS 8	Definition of Material

The Group is in the process of making an assessment of what the impact of the new standard and amendments to HKFRSs is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have significant impact on the financial performance and position of the Group.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the aggregate of gross proceeds from sales of electric vehicles, provision of processing services related to electric vehicles, gross proceeds from sales of cathode materials for lithium-ion batteries and provision of processing services related to cathode materials and income from direct investments which includes loan financing, securities trading and asset investment. As disclosed in Note 11, the gross proceeds from sales of lithium-ion batteries and its related products under the battery products business has been reclassified as discontinued operation. The amount of each category of revenue from continuing operations and discontinued operation recognised during the period are as follows:

	Six months ended	
	30.9.2019	30.9.2018
	(unaudited)	(unaudited)
	HK$'000	HK$'000
		(Restated)
Type of goods or services		
Continuing operations		
Sales of electric vehicles	**455,948**	68,424
Provision of processing services related to electric vehicles	**1,747**	–
Sales of cathode materials for lithium-ion batteries	**28,626**	100,255
Provision of processing services related to cathode materials for lithium-ion batteries	**736**	–
	487,057	168,679
Income from direct investments	**58**	3,800
	487,115	172,479
Discontinued operation		
Sales of lithium-ion batteries and its related products *(Note 11)*	**57,506**	83,310
Total	**544,621**	255,789
Timing of revenue recognition from the contract with customers		
A point in time	**544,563**	251,989

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

Continuing operations

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

(ii) the battery materials production segment, which includes the research and development, manufacture and sales of cathode materials for nickel-cobalt-manganese lithium-ion batteries and lithium ferrous phosphate batteries, and the provision of processing services; and

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

The Group also operates the electric vehicle leasing segment in the provision of leasing service of electric vehicles including operating leases and finance leases terms, which was scaled down and reported insignificant revenue, operating results, assets and liabilities and is not regarded as a reportable segment for the six months ended 30 September 2019.

Discontinued operation

The battery products segment includes the research and development, manufacture and sales of lithium-ion batteries and its related products.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

(a) Segment information

	For the six months ended 30.9.2019 (unaudited)					
	Continuing operations				Discontinued operation	
	Vehicle design and electric vehicle production HK$'000	Battery materials production HK$'000	Direct investments HK$'000	Total continuing operations HK$'000	Battery products HK$'000	Total HK$'000
Revenue from external customers	**457,695**	**29,362**	**58**	**487,115**	**57,506**	**544,621**
Inter-segment revenue	**–**	**–**	**2,797**	**2,797**	**–**	**2,797**
Reportable segment revenue	**457,695**	**29,362**	**2,855**	**489,912**	**57,506**	**547,418**
Reportable segment profit/(loss) before tax	**(243,294)**	**(53,980)**	**9,777**	**(287,497)**	**(29,146)**	**(316,643)**

	For the six months ended 30.9.2018 (unaudited) (Restated)						
	Continuing operations					Discontinued operation	
	Vehicle design and electric vehicle production HK$'000	Electric vehicle leasing HK$'000	Battery materials production HK$'000	Direct investments HK$'000	Total continuing operations HK$'000	Battery products HK$'000	Total HK$'000
Revenue from external customers	68,424	–	100,255	3,800	172,479	83,310	255,789
Inter-segment revenue	–	–	–	2,779	2,779	1,108	3,887
Reportable segment revenue	68,424	–	100,255	6,579	175,258	84,418	259,676
Reportable segment loss before tax	(521,877)	(689)	(71,880)	(25,300)	(619,746)	(80,141)	(699,887)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

(a) Segment information *(Continued)*

	As at 30.9.2019 (unaudited)					
	Continuing operations				Discontinued operation	
	Vehicle design and electric vehicle production HK$'000	Battery materials production HK$'000	Direct investments HK$'000	Total continuing operations HK$'000	Battery products HK$'000	Total HK$'000
Reportable segment assets	**5,087,472**	**653,100**	**171,806**	**5,912,378**	**682,841**	**6,595,219**
Reportable segment liabilities	**(4,311,535)**	**(346,890)**	**(196,910)**	**(4,855,335)**	**(651,671)**	**(5,507,006)**

	As at 31.3.2019 (audited)					
	Continuing operations				Discontinued operation	
	Vehicle design and electric vehicle production HK$'000	Battery materials production HK$'000	Direct investments HK$'000	Total continuing operations HK$'000	Battery products HK$'000	Total HK$'000
Reportable segment assets	5,588,255	723,042	247,481	6,558,778	756,827	7,315,605
Reportable segment liabilities	(3,823,946)	(355,019)	(175,341)	(4,354,306)	(695,996)	(5,050,302)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

	Six months ended	
	30.9.2019	30.9.2018
	(unaudited)	(unaudited)
	HK$'000	HK$'000
		(Restated)
Revenue		
Reportable segment revenue	**547,418**	259,676
Elimination of inter-segment revenue	**(2,797)**	(3,887)
Reclassification to discontinued operation, net of inter-segment revenue	**(57,506)**	(83,310)
Consolidated revenue from continuing operations	**487,115**	172,479
Loss		
Reportable segment loss before tax	**(316,643)**	(699,887)
Elimination of inter-segment loss	**–**	110
Reportable segment loss derived from the Group's external customers	**(316,643)**	(699,777)
Reclassification to discontinued operation, net of inter-segment loss	**29,146**	80,013
Other income and other gains and losses, net	**3,006**	(66,072)
Depreciation	**(109)**	(405)
Finance costs	**(122,341)**	(130,918)
Unallocated corporate expenses	**(40,851)**	(58,343)
Consolidated loss before tax from continuing operations	**(447,792)**	(875,502)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

	30.9.2019 (unaudited) HK$'000	31.3.2019 (audited) HK$'000
Assets		
Reportable segment assets	**6,595,219**	7,315,605
Unallocated corporate assets:		
Derivative financial instruments	**–**	68
Cash and cash equivalents	**69,674**	12,556
Other unallocated corporate assets	**34,168**	37,257
Consolidated total assets	**6,699,061**	7,365,486
Liabilities		
Reportable segment liabilities	**(5,507,006)**	(5,050,302)
Unallocated corporate liabilities:		
Bank loans and other borrowings	**(951,171)**	(1,190,367)
Liability components of convertible bonds	**(630,101)**	(601,006)
Obligation under redeemed convertible bonds	**(760,752)**	(760,752)
Other unallocated corporate liabilities	**(274,993)**	(298,542)
Consolidated total liabilities	**(8,124,023)**	(7,900,969)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

4. OTHER GAINS AND LOSSES, NET/REVERSAL OF IMPAIRMENT LOSSES/ (IMPAIRMENT LOSSES) ON FINANCIAL ASSETS AT AMORTISED COST AND CONTRACT ASSETS

Other gains and losses, net

	Six months ended					
	30.9.2019 (unaudited)			30.9.2018 (unaudited) (Restated)		
	Continuing operations HK$'000	Discontinued operation HK$'000	Total HK$'000	Continuing operations HK$'000	Discontinued operation HK$'000	Total HK$'000
Exchange (losses)/gains, net	(5,978)	2,644	(3,334)	5,580	6,236	11,816
Net loss on held-for-trading investment	(723)	–	(723)	(6,563)	–	(6,563)
Net loss on financial assets designated as at fair value through profit or loss	–	–	–	(57,054)	–	(57,054)
Write-down of inventories	–	(1,185)	(1,185)	(1,420)	(31,653)	(33,073)
Reversal of write-down of inventories	–	217	217	–	–	–
Impairment loss on property, plant and equipment	–	(3,477)	(3,477)	(2,590)	–	(2,590)
Impairment loss on intangible assets	–	–	–	(889)	–	(889)
Impairment loss on interests in an associate	–	–	–	(11,194)	–	(11,194)
Gain/(loss) on disposal of property, plant and equipment, net	13	(945)	(932)	(1,706)	71	(1,635)
Loss on disposal of subsidiaries, net	–	–	–	(9,743)	–	(9,743)
Gain on deconsolidation of a subsidiary *(Note 10)*	6,368	–	6,368	–	–	–
Fair value loss on derivative financial instruments *(Note 24)*	(109)	–	(109)	–	–	–
	(429)	(2,746)	(3,175)	(85,579)	(25,346)	(110,925)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

4. OTHER GAINS AND LOSSES, NET/REVERSAL OF IMPAIRMENT LOSSES/(IMPAIRMENT LOSSES) ON FINANCIAL ASSETS AT AMORTISED COST AND CONTRACT ASSETS *(Continued)*

Reversal of impairment losses/(impairment losses) on financial assets at amortised cost and contract assets

	Six months ended					
	30.9.2019 (unaudited)			30.9.2018 (unaudited) (Restated)		
	Continuing operations HK$'000	Discontinued operation HK$'000	Total HK$'000	Continuing operations HK$'000	Discontinued operation HK$'000	Total HK$'000
Impairment loss on trade receivables	–	–	–	(129,750)	–	(129,750)
Impairment loss on contract assets	–	–	–	(10,250)	–	(10,250)
Impairment loss on loan and other receivables	–	–	–	(20,459)	(1,549)	(22,008)
Reversal of impairment loss on trade receivables	1,119	2,005	3,124	5,935	–	5,935
Reversal of impairment loss on loan and other receivables	26,926	–	26,926	–	–	–
	28,045	2,005	30,050	(154,524)	(1,549)	(156,073)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

5. FINANCE COSTS

	Six months ended					
	30.9.2019 (unaudited)			30.9.2018 (unaudited) (Restated)		
	Continuing operations HK$'000	Discontinued operation HK$'000	Total HK$'000	Continuing operations HK$'000	Discontinued operation HK$'000	Total HK$'000
Interest expenses on convertible bonds						
– Issued by the Company	46,349	–	46,349	41,550	–	41,550
– Issued by a listed subsidiary of the Group	–	–	–	5,121	–	5,121
Interest on lease liabilities *(Note)*	9,384	–	9,384	3,012	–	3,012
Interest on bank loans and other borrowings wholly repayable within five years	146,825	13,212	160,037	114,241	9,836	124,077
Other borrowing costs	–	–	–	7,258	–	7,258
Total interest expenses on financial liabilities not at fair value through profit or loss	202,558	13,212	215,770	171,182	9,836	181,018
Less: Interest expenses capitalised into construction in progress	(2,799)	–	(2,799)	(3,147)	–	(3,147)
	199,759	13,212	212,971	168,035	9,836	177,871
Fair value loss on derivative financial instruments *(Note 24)*	68	–	68	18,361	–	18,361
	199,827	13,212	213,039	186,396	9,836	196,232

Note:

The Group has initially applied HKFRS 16 as at 1 April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

6. LOSS BEFORE TAX

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

	Six months ended					
	30.9.2019 (unaudited)			30.9.2018 (unaudited) (Restated)		
	Continuing operations HK$'000	**Discontinued operation HK$'000**	**Total HK$'000**	Continuing operations HK$'000	Discontinued operation HK$'000	Total HK$'000
Interest income	**(1,059)**	**(51)**	**(1,110)**	(12,587)	(48)	(12,635)
Cost of inventories recognised as expenses						
– included in cost of sales	**454,266**	**33,948**	**488,214**	159,932	67,984	227,916
– included in selling and distribution costs	**4**	**505**	**509**	2	770	772
– included in research and development expenses	**105**	**106**	**211**	–	560	560
– included in other gains and losses, net	**–**	**1,185**	**1,185**	1,420	31,653	33,073
Amortisation of intangible assets	**39,104**	**–**	**39,104**	48,859	2,597	51,456
Depreciation of property, plant and equipment	**78,226**	**19,210**	**97,436**	77,388	18,932	96,320
Amortisation of interests in leasehold land held for own use under operating leases	**–**	**–**	**–**	2,631	2,027	4,658
Amortisation of right-of-use assets	**12,663**	**1,397**	**14,060**	–	–	–
Warranty provision	**9,142**	**(491)**	**8,651**	1,357	–	1,357
Other operating expenses *(Note)*	**73,855**	**–**	**73,855**	66,576	–	66,576

Note:

The other operating expenses represent certain indirect operating expenses arising from the under-utilisation of production capacity of the electric vehicle production plant in Hangzhou.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

7. INCOME TAX

	Six months ended					
	30.9.2019 (unaudited)			30.9.2018 (unaudited) (Restated)		
	Continuing operations HK$'000	**Discontinued operation HK$'000**	**Total HK$'000**	Continuing operations HK$'000	Discontinued operation HK$'000	Total HK$'000
Current tax charge for the period:						
– The PRC Enterprise Income Tax (the "PRC EIT")	**18**	**–**	**18**	–	–	–
– Overseas	**1,092**	**–**	**1,092**	384	–	384
	1,110	**–**	**1,110**	384	–	384
Deferred tax credit	**(4,066)**	**–**	**(4,066)**	(13,731)	–	(13,731)
Total tax credit for the period	**(2,956)**	**–**	**(2,956)**	(13,347)	–	(13,347)

No provision for the Hong Kong profits tax has been made as the Group incurred losses for taxation purposes in Hong Kong for the six months ended 30 September 2019 and 2018. The provision for the PRC EIT is calculated on the estimated assessable profits of the Group's subsidiaries in the PRC at 25% (except for certain subsidiaries which are subject to preferential tax rate of 15%) for the six months ended 30 September 2019. Taxes on overseas profits have been calculated at the rates of taxation prevailing in the jurisdictions in which the entity operates. The deferred tax of HK$4,066,000 (six months ended 30 September 2018: HK$13,731,000) that has been credited to the condensed consolidated statement of profit or loss arose from origination and reversal of temporary differences mainly in respect of fair value adjustments arising from acquisition of subsidiaries.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

8. LOSS PER SHARE

(a) Basic loss per share

The basic loss per share is calculated based on (i) the consolidated loss for the period attributable to owners of the Company of HK$248,867,000 and HK$28,752,000 (six months ended 30 September 2018: HK$548,937,000 and HK$74,194,000) from continuing operations and discontinued operation, respectively; and (ii) the weighted average number of 1,405,198,000 (six months ended 30 September 2018 (Restated): 1,120,894,000) ordinary shares in issue during the period.

	Six months ended	
	30.9.2019 Weighted average number of ordinary shares *(Note)* (unaudited) '000	30.9.2018 Weighted average number of ordinary shares *(Note)* (unaudited) '000 (Restated)
Issued ordinary shares at the beginning of the reporting period	**1,324,487**	1,120,654
Effect of issue of shares pursuant to placing and top-up subscription	**39,390**	–
Effect of issue of shares pursuant to share subscriptions	**34,217**	240
Effect of issue of shares upon grant of share awards	**7,104**	–
Weighted average number of ordinary shares at the end of the reporting period	**1,405,198**	1,120,894

Note: The weighted average number of ordinary shares during the period for the purpose of calculating basic loss per share were calculated to reflect the share consolidation on the basis that every twenty issued and unissued shares being converted into one consolidated share (Note 21(b)). Comparative figures have also been adjusted on the assumption that the share consolidation had been effective in the prior period.

(b) Diluted loss per share

The calculation of diluted loss per share does not assume the exercise of the Company's outstanding share options or conversion of outstanding convertible bonds of the Group which had an anti-dilutive effect and would result in a reduction in loss per share for the six months ended 30 September 2019 and 2018. Therefore, the diluted loss per share is the same as the basic loss per share for the both periods.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

9. INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the period (six months ended 30 September 2018: nil).

10. DECONSOLIDATION OF A SUBSIDIARY

Change in board composition of Guizhou Changjiang Automobile Co., Ltd.* (貴州長江汽車有限公司) ("Guizhou Changjiang"), resulting in loss of control

During the six months ended 30 September 2019, the board of Guizhou Changjiang, a then non-wholly-owned subsidiary of the Group, approved that the number of board seats to be changed from seven to five, in which two directors could be nominated by the Group. According to the requirement of HKFRS 10, Consolidated Financial Statements, as the Group ceased to have the power to cast the majority of votes at meetings of the board of directors of Guizhou Changjiang, the Group was deemed to cease to have control over Guizhou Changjiang even though the Group, through its subsidiaries, is still holding more than 50% equity interest in Guizhou Changjiang.

The assets, liabilities and non-controlling interests of Guizhou Changjiang and its subsidiaries (collectively referred to as the "Guizhou Changjiang Group") were deconsolidated from the Group's condensed consolidated statement of financial position and the interests in Guizhou Changjiang have been accounted for as an associate using equity method since then.

An independent professional valuer was engaged to assess the fair value of the Group's 51% retained interests in the Guizhou Changjiang Group at the date on which the control was lost. Such fair value of retained interest as determined based on discounted cash flows analysis under the income approach, is regarded as the cost on initial recognition of the investment in the Guizhou Changjiang Group by the Group as an associate.

* *For identification purpose only*

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

10. DECONSOLIDATION OF A SUBSIDIARY *(Continued)*

(i) Analysis of assets and liabilities over which the Group lost control:

	Carrying amount (unaudited) HK$'000
Assets and liabilities of the Guizhou Changjiang Group at the date of deconsolidation:	
Intangible assets	78,777
Property, plant and equipment	155,569
Right-of-use assets	791
Deposits paid for non-current assets	129,042
Other non-current assets	3,326
Inventories	4,179
Trade and bills receivables	151,998
Contract assets	35,733
Other receivables	103,525
Net amounts due from fellow subsidiaries	426,954
Pledged bank deposits	42,108
Cash and cash equivalents	128,494
Deferred tax assets	16,153
Trade and bills payables	(107,676)
Accruals and other payables	(73,530)
Lease liabilities	(791)
	1,094,652
Less: registered capital of Guizhou Changjiang not yet paid up by the Group	(312,620)
Net assets disposed of	782,032

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

10. DECONSOLIDATION OF A SUBSIDIARY *(Continued)*

(ii) Details of the deconsolidation were as follows:

	Amount (unaudited) HK$'000
Fair value of retained interests attributable to the Company	256,287
Net assets disposed of	(782,032)
Non-controlling interests	531,801
Cumulative exchange difference in respect of the net assets of the Guizhou Changjiang Group reclassified from equity to profit or loss	312
Gain on deconsolidation of a subsidiary	6,368
Net cash outflow arising from deconsolidation of a subsidiary:	
Cash and cash equivalents derecognised on deconsolidation	128,494

11. DISCONTINUED OPERATION AND ASSETS/LIABILITIES CLASSIFIED AS HELD FOR SALE

On 22 March 2019, Union Grace Holdings Limited ("Union Grace", an indirect wholly-owned subsidiary of the Group) and Blossom Ray Limited (the "SDL & SBIL Purchaser", a company incorporated in the British Virgin Islands and wholly-owned by a director of certain subsidiaries of the Group) entered into a sale and purchase agreement. Pursuant to the agreement, Union Grace agreed to sell and the SDL & SBIL Purchaser agreed to purchase 75% equity interest in Synergy Dragon Limited ("SDL"), which holds the entire battery products business in the PRC, and 100% equity interest in Sinopoly Battery International Limited ("SBIL"), at a consideration of HK$2 in total (the "SDL & SBIL Disposal"). SDL and SBIL are collectively referred as the "Disposal Group".

The agreement has lapsed as the conditions precedent of the agreement have not been satisfied or waived by the expiry date on 30 September 2019. The Board is currently exploring other opportunities to dispose the Disposal Group. Accordingly, the assets and liabilities attributable to the operations in the Disposal Group are continued to be classified as held for sale. In the meantime, the Group continues to operate the Disposal Group before the crystallisation of their disposal, but is also exploring restructuring options to streamline the battery operation and expand business opportunities to minimise losses.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

11. DISCONTINUED OPERATION AND ASSETS/LIABILITIES CLASSIFIED AS HELD FOR SALE *(Continued)*

The financial performance of the Disposal Group under the battery business segment are presented separately as a discontinued operation in the condensed consolidated statement of profit or loss for the six months ended 30 September 2019 and 2018 (as restated). The assets and liabilities attributable to the operations in the Disposal Group, have been classified as a disposal group held for sale and are presented separately in the condensed consolidated statement of financial position as at 30 September 2019 and 31 March 2019.

(a) The loss for the six months ended 30 September 2019 and 2018 from discontinued operation is analysed as follows:

	Note	**30.9.2019 (unaudited) HK$'000**	30.9.2018 (unaudited) HK$'000
Revenue	3	**57,506**	83,310
Cost of sales		**(34,646)**	(69,214)
Gross profit		**22,860**	14,096
Other income		**7,933**	7,613
Other gains and losses, net	4	**(2,746)**	(25,346)
Selling and distribution costs		**(4,276)**	(8,367)
General and administrative expenses		**(40,445)**	(37,440)
Research and development expenses		**(1,265)**	(16,425)
Finance costs	5	**(13,212)**	(9,836)
Reversal of impairment losses/(impairment losses) on financial assets at amortised cost	4	**2,005**	(1,549)
Amortisation of intangible assets		**–**	(2,597)
Share of results of associates		**–**	(162)
Loss before tax from discontinued operation	6	**(29,146)**	(80,013)
Income tax	7	**–**	–
Loss for the period from discontinued operation		**(29,146)**	(80,013)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

11. DISCONTINUED OPERATION AND ASSETS/LIABILITIES CLASSIFIED AS HELD FOR SALE *(Continued)*

(b) The major classes of assets and liabilities of the disposal group classified as held for sale as at 30 September 2019 and 31 March 2019 are as follows:

	30.9.2019 (unaudited) HK$'000	31.3.2019 (audited) HK$'000
Assets		
Property, plant and equipment	**406,969**	452,192
Interests in leasehold land held for own use under operating leases	**–**	105,361
Right-of-use assets	**98,827**	–
Deposits paid for non-current assets	**5,372**	5,650
Other non-current assets	**2,587**	3,303
Inventories	**35,633**	42,028
Trade and bills receivables	**46,998**	55,919
Loan and other receivables	**32,177**	29,873
Pledged bank deposits	**55,430**	58,290
Cash and cash equivalents	**24,346**	31,024
Total assets of the Disposal Group	**708,339**	783,640
Less: Elimination of intra-group bill receivables *(Note (iii))*	**(25,498)**	(26,813)
Assets associated with the disposal group classified as held for sale	**682,841**	756,827
Liabilities		
Bank loans and other borrowings *(Note (i))*	**(293,841)**	(313,482)
Trade and bills payables	**(69,353)**	(89,600)
Accruals and other payables *(Note (ii))*	**(164,583)**	(162,627)
Net amounts due to the Group *(Note (iii))*	**(232,300)**	(224,304)
Receipts in advance	**(46,292)**	(48,681)
Deferred income	**(77,602)**	(81,606)
Total liabilities of the Disposal Group	**(883,971)**	(920,300)
Less: Elimination of intra-group balances *(Note (iii))*	**232,300**	224,304
Liabilities associated with the disposal group classified as held for sale	**(651,671)**	(695,996)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

11. DISCONTINUED OPERATION AND ASSETS/LIABILITIES CLASSIFIED AS HELD FOR SALE *(Continued)*

(b) The major classes of assets and liabilities of the disposal group classified as held for sale as at 30 September 2019 and 31 March 2019 are as follows: *(Continued)*

Notes:

(i) As at 30 September 2019, the bank loans and other borrowings of the Disposal Group were secured by certain land and buildings, machinery and equipment of the Disposal Group with a total carrying amount of HK$113,976,000 (31 March 2019: HK$131,125,000), trade and bills receivables of HK$6,603,000 (31 March 2019: HK$7,692,000), pledged bank deposits of HK$55,430,000 (31 March 2019: HK$58,290,000), and intra-group trade and bills receivables, and guaranteed by the Company and its subsidiary. As at 30 September 2019, the Group was unable to make certain principal and/or interest repayments relating to certain bank loans and other borrowings under discontinued operation with carrying amounts of HK$25,387,000 (31 March 2019: HK$26,697,000), for which the lenders were entitled to request for the immediate repayment of full amount owed.

(ii) On 25 September 2019, the Group received a summons from an intermediate people's court in Tianjin, the PRC, in relation to a petition submitted by a construction contractor against a subsidiary within the Disposal Group with total claim amount of approximately HK$361 million on the unsettled contract costs, together with the overdue interests, deposit and compensations, that the management vigorously contest. The management of the Group is currently assessing the facts and documents, of which approximately HK$64 million and HK$150 million have been recognised and included in accruals and other payables and capital commitments, respectively. No additional provision for the contract costs or relevant costs should be made as at 30 September 2019 as there are disputes on the claim amount and the litigation is still at very early stage.

(iii) The amounts are fully eliminated in the condensed consolidated statement of financial position of the Group.

(c) The net cash flows incurred by the Disposal Group for the six months ended 30 September 2019 and 2018 are as follows:

	Six months ended	
	30.9.2019	30.9.2018
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Net cash generated from/(used in) operating activities	**10,835**	(109,839)
Net cash used in investing activities	**(4,695)**	(27,623)
Net cash generated from/(used in) financing activities	**(12,818)**	134,603
Net cash outflow	**(6,678)**	(2,859)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

12. INTANGIBLE ASSETS

	Patents and patent using rights HK$'000	Industrial proprietary rights HK$'000	Technical know-hows HK$'000	Software HK$'000	Total HK$'000
Cost					
At 1 April 2018 (audited)	3,676,697	56,761	869,896	18,058	4,621,412
Additions from internal development	–	–	105,987	–	105,987
Additions from acquisition of a subsidiary	–	–	68,316	–	68,316
Disposal of subsidiaries	–	(27,406)	(24,495)	–	(51,901)
Reclassified as held of sale	(1,890)	–	–	–	(1,890)
Exchange adjustments	(195)	(2,142)	(56,194)	(1,189)	(59,720)
At 31 March 2019 and 1 April 2019 (audited)	3,674,612	27,213	963,510	16,869	4,682,204
Additions from internal development	–	–	27,680	1,927	29,607
Deconsolidation of a subsidiary	–	–	(81,881)	–	(81,881)
Exchange adjustments	–	(1,335)	(43,217)	(872)	(45,424)
At 30 September 2019 (unaudited)	**3,674,612**	**25,878**	**866,092**	**17,924**	**4,584,506**
Accumulated amortisation and impairment losses					
At 1 April 2018 (audited)	3,648,901	32,290	318,444	883	4,000,518
Charge for the year	5,214	1,090	101,344	3,308	110,956
Disposal of subsidiaries	–	(27,406)	(24,495)	–	(51,901)
Impairment loss for the year	7,251	–	889	–	8,140
Reclassified as held for sale	(1,890)	–	–	–	(1,890)
Exchange adjustments	(58)	(533)	(19,751)	(66)	(20,408)
At 31 March 2019 and 1 April 2019 (audited)	3,659,418	5,441	376,431	4,125	4,045,415
Charge for the period	2,069	531	34,705	1,799	39,104
Deconsolidation of a subsidiary	–	–	(3,104)	–	(3,104)
Exchange adjustments	–	(279)	(11,731)	(244)	(12,254)
At 30 September 2019 (unaudited)	**3,661,487**	**5,693**	**396,301**	**5,680**	**4,069,161**
Carrying amount					
At 30 September 2019 (unaudited)	**13,125**	**20,185**	**469,791**	**12,244**	**515,345**
At 31 March 2019 (audited)	15,194	21,772	587,079	12,744	636,789

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

13. PROPERTY, PLANT AND EQUIPMENT, INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES AND RIGHT-OF-USE ASSETS

The Group's additions to property, plant and equipment, interests in leasehold land held for own use under operating leases and right-of-use assets during the six months ended 30 September 2019 in aggregate amounting to HK$63,748,000 (six months ended 30 September 2018: HK$154,030,000), include an amount of HK$10,808,000 (six months ended 30 September 2018: HK$106,149,000) being transferred from deposits paid for non-current assets and right-of-use assets of HK$46,093,000 (six months ended 30 September 2018: nil) being recognised upon adoption of HKFRS 16.

As at 30 September 2019, certain land and buildings, plant and machinery, construction in progress of the Group with a total carrying amount of HK$1,914,365,000 (31 March 2019: HK$2,054,278,000) were pledged as securities for the Group's bank loans and other borrowings (Notes 16(a) and 16(b)).

As at 30 September 2019, the carrying amount of plant and machinery held under lease liabilities was HK$206,170,000 (31 March 2019: HK$224,437,000).

14. TRADE AND BILLS RECEIVABLES/CONTRACT ASSETS

	30.9.2019 (unaudited) HK$'000	31.3.2019 (audited) HK$'000
Trade receivables		
Trade receivables	**1,073,590**	735,680
Less: Allowance for impairment loss *(Notes (b) and (e))*	**(403,444)**	(424,864)
Trade and bill receivables, net *(Note (a))*	**670,146**	310,816
Contract assets		
National subsidies receivable as settlement on behalf of electric vehicle customers *(Note (a))*	**590,326**	676,912
Less: Allowance for impairment loss *(Notes (c) and (e))*	**(411,331)**	(436,077)
Contract assets, net	**178,995**	240,835

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

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

Notes:

(a) It represented certain portion of the trade receivables for the Group's sales of electric vehicles settled by the PRC government, on behalf of customers, through subsidising part of their purchase cost by the way of national subsidies in accordance with the Circular on Financial Support Policies for the Promotion and Application of New Energy Vehicles 2016-2020 (Cai Jian [2015] 134) and other relevant and applicable government's notices and policies promulgated by the PRC government, and the sales contracts entered into between the Group and these customers. The Group's entitlement to these receivables was conditional upon the customers reaching the specified usage mileage of their electric vehicles purchased.

(b) Impairment assessment of trade and bills receivables

The Group determines the provision for impairment of trade and bills receivables on a forward-looking basis and expected lifetime losses are recognised from the initial recognition of the assets.

The provision for impairment loss on trade and bills receivables from the sales of electric vehicles in the PRC is determined based on the historical mileage record of the electric vehicles sold, for which the settlement would be substantially covered by the grants receivable by the customers. For other trade and bills receivables, a provision matrix is determined based on the Group's historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates.

In making the judgement, management considers available reasonable and supportive forward-looking information such as actual or expected significant changes in operating results and financial positions of the customers, past payment history of the customers, and actual or adverse changes in business, financial or economic conditions that are expected to cause a significant change in the customers' ability to meet their obligations.

At the end of each reporting period, the historical observed default rates are updated and changes in the forward-looking estimates are analysed by the Group's management.

(c) Impairment assessment of contract assets

Contract assets represent part of the trade receivables to be settled by the PRC government, on behalf of the customers of the Group, for their purchase of electric vehicles, by the way of national subsidies. The Group assessed the credit loss rate of contract assets in the same way as the trade and bills receivables derived from the sales of electric vehicles in the PRC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

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

Notes: (Continued)

(d) Ageing analysis

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

	30.9.2019 (unaudited) HK$'000	31.3.2019 (audited) HK$'000
Within 1 month	**55,248**	7,263
Over 1 month but within 3 months	**55,041**	1,796
Over 3 months but within 6 months	**354,587**	90,166
Over 6 months but within 9 months	**683**	3,460
Over 9 months but within 1 year	**39,639**	13,756
Over 1 year	**164,948**	194,375
	670,146	310,816

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

(e) Expected credit loss on trade and bills receivables and contract assets

In order to determine the expected credit losses for the portfolio of contract assets and trade and bills receivables at the end of each reporting period, the Group categorises its contract assets and trade and bills receivables into those derived from sales of electric vehicles in the PRC and those otherwise. For those derived from sales of electric vehicles in the PRC, the provision matrix is based on the historical mileage archived by the electric vehicles sold, while for other trade and bills receivables, the provision matrix is based on the historical observed default rates, both of which are adjusted for forward-looking estimates and market conditions. At the end of each reporting period, the historical mileage, the historical observed default rates and the forward looking estimates are updated.

Expected loss rates for other operations are based on actual loss experience over the past two years. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. As at 30 September 2019, certain electric vehicles sold were pledged to the Group as collaterals by certain customers against certain portion of the Group's trade receivables amounting to HK$11,175,000 (31 March 2019: HK$11,751,000).

(f) The Group performed recoverability assessments on trade receivables and contract assets as at 30 September 2019 and 31 March 2019. During the six months ended 30 September 2019, an amount of nil (six months ended 30 September 2018: HK$140,000,000) was recognised as allowance for impairment loss which was mainly for the trade receivables and contract assets attributable to the vehicle design and electric vehicle production segment. Based on the current government policies, the sold electric vehicles need to have an usage of above 20,000 kilometres before the relevant subsidies would be settled by the PRC government. As at 30 September 2019, accumulated usage of some of the sold electric vehicles were less than the prescribed mileage usage rate. Based on these information, the Board formed the view that longer than expected time may be required for the Group to receive those government subsidies and due to such uncertainty in recovering in full the contract assets, allowance for impairment loss on the contract assets was assessed. Since the result of the impairment assessment approximates that as at 31 March 2019, the management considers that no additional impairment is necessary.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

15. LOAN AND OTHER RECEIVABLES

	30.9.2019 (unaudited) HK$'000	31.3.2019 (audited) HK$'000
Loan receivables	**54,287**	157,394
Other receivables	**382,405**	454,112
Less: Allowance for impairment loss	**(235,733)**	(290,039)
	200,959	321,467
Deposits and prepayments	**38,072**	157,319
Value-added-tax receivables	**204,800**	204,856
	443,831	683,642
Presented by:		
Non-current assets	**–**	321
Current assets	**443,831**	683,321
	443,831	683,642

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

16. BANK LOANS AND OTHER BORROWINGS

At 30 September 2019, the bank loans and other borrowings were repayable as follows:

	30.9.2019 (unaudited) HK$'000	31.3.2019 (audited) HK$'000
Within 1 year	**1,901,481**	1,582,334
After 1 year but within 2 years	**687,834**	912,976
After 2 years but within 5 years	**59,500**	233,160
	2,648,815	2,728,470
Presented by:		
Current liabilities	**1,901,481**	1,582,334
Non-current liabilities	**747,334**	1,146,136
	2,648,815	2,728,470

At 30 September 2019, the bank loans and other borrowings were secured as follows:

	30.9.2019 (unaudited) HK$'000	31.3.2019 (audited) HK$'000
Bank loans		
– secured *(Note (a))*	**1,499,516**	1,576,192
– unsecured	**–**	–
Total bank loans *(Note (c))*	**1,499,516**	1,576,192
Other borrowings		
– secured *(Note (b))*	**871,326**	883,678
– unsecured	**277,973**	268,600
Total other borrowings *(Note (c))*	**1,149,299**	1,152,278
	2,648,815	2,728,470

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

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

Notes:

(a) As at 30 September 2019, the bank loans were secured by certain land and buildings, machinery and equipment and construction in progress of the Group with a total carrying amount of HK$1,859,357,000 (31 March 2019: HK$1,993,291,000), share charges over certain shares of the subsidiaries of the Group and trade and bills receivable of HK$32,203,000 (31 March 2019: HK$33,864,000) of the Group, and guaranteed by two (31 March 2019: two) executive directors of the Company.

(b) As at 30 September 2019, the secured other borrowings included (i) a loan of HK$592,076,000 (31 March 2019: HK$589,058,000) which was secured by debentures in favour of the lender by way of the first fixed and floating charges over the tangible moveable property and investments of two wholly-owned subsidiaries of the Group and share charges over all issued shares of its two wholly-owned subsidiaries and 74.56% of the issued shares of FDG Kinetic Limited ("FKL"), a non-wholly-owned listed subsidiary of the Group; (ii) a loan of HK$133,215,000 (31 March 2019: HK$175,000,000) which was secured by intra-group other receivable of the Company (31 March 2019: a promissory note issued by FKL held by the Company), a fixed and floating charge over all the undertaking, property and assets of a wholly-owned subsidiary of the Group and a share charge over 75% (31 March 2019: 75%) of issued shares of its wholly-owned subsidiary; (iii) loans of HK$40,622,000 (31 March 2019: HK$42,718,000) which were secured by intra-group trade and bill receivables of the Group; (iv) loans of HK$45,414,000 (31 March 2019: HK$76,902,000) which were secured by certain machineries of the Group with carrying amount of HK$55,008,000 (31 March 2019: HK$60,987,000); and (v) a loan of HK$60,000,000 (31 March 2019: nil) which was secured by a fixed and floating charge over all the undertaking, property and assets of FKL.

(c) As at 30 September 2019, bank loans of HK$1,499,516,000 (31 March 2019: HK$1,576,192,000) were denominated in Renminbi ("RMB") (31 March 2019: RMB or Euro) and bearing interest at prevailing market interest rates; and other borrowings of HK$1,149,299,000 (31 March 2019: HK$1,152,278,000) were denominated in RMB or Hong Kong dollars (31 March 2019: RMB or Hong Kong dollars) and bearing fixed interest rates.

(d) As at 30 September 2019, the Group was unable to make certain principal and/or interest repayments relating to certain bank loans and other borrowings with carrying amounts as at 30 September 2019 of approximately HK$1,496,166,000 (31 March 2019: HK$1,103,625,000), for which the lenders were entitled to request for the immediate repayment of full amounts owed, including bank loans for which the respective lenders have commenced litigations against the Group to repay the outstanding balances due of approximately HK$490,257,000 (31 March 2019: HK$294,947,000). Subsequent to the end of the reporting period, on 25 November 2019, the Group received the formal legal letter regarding an outstanding bank borrowing of approximately HK$831,450,000 as at 30 September 2019. Further details are set out in Note 25(b).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

17. TRADE AND BILLS PAYABLES

	30.9.2019 (unaudited) HK$'000	31.3.2019 (audited) HK$'000
Trade payables	**924,320**	533,100
Bills payable	**397**	118,310
	924,717	651,410

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

	30.9.2019 (unaudited) HK$'000	31.3.2019 (audited) HK$'000
Within 1 month	**26,424**	101,290
Over 1 month but within 3 months	**152,724**	43,904
Over 3 months but within 1 year	**394,328**	230,394
Over 1 year	**351,241**	275,822
	924,717	651,410

The carrying amounts of trade and bills payables approximate their fair values. As at 30 September 2019, bills payable of nil (31 March 2019: HK$94,250,000) were secured by bank deposits of nil (31 March 2019: HK$94,250,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

18. ACCRUALS AND OTHER PAYABLES

	30.9.2019 (unaudited) HK$'000	31.3.2019 (audited) HK$'000
Bills and other payables for acquisition of non-current assets	**188,432**	201,208
Other payables and accrued expenses	**769,621**	646,245
Amounts due to directors *(Note (a))*	**25,795**	15,344
Amounts due to an associate *(Note (b))*	**141,347**	148,640
	1,125,195	1,011,437
Contract liabilities	**131,674**	187,937
Warranty provision	**64,011**	62,481
Deposit from a subscriber	**100,000**	100,000
	1,420,880	1,361,855

Notes:

(a) The amounts due to directors were unsecured, interest-free and repayable on demand as at 30 September 2019 and 31 March 2019. These transactions constituted related party transactions and connected transactions of the Company which however, are fully exempted from shareholders' approval, annual review and all disclosure requirements under the Listing Rules.

(b) As at 30 September 2019, an amount of HK$141,347,000 (31 March 2019: HK$148,640,000) represented the unpaid investment cost in ALEEES GuiZhou, which is interest-free and repayable on demand (31 March 2019: with maturity with one year). Pursuant to a board resolution of ALEEES GuiZhou passed on 19 November 2018, the Group agreed to dispose of the entire interest in ALEEES GuiZhou to one of its existing shareholders. Up to the date of approval of the condensed consolidated interim financial statements, the disposal transaction has not yet completed as the terms of the disposal are still under negotiation among the parties.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

19. DERIVATIVE FINANCIAL INSTRUMENTS AND CONVERTIBLE BONDS

	30.9.2019		31.3.2019	
	Liability components (unaudited) HK$'000	**Derivative financial instruments (unaudited) HK$'000**	Liability components (audited) HK$'000	Derivative financial instruments (audited) HK$'000
Convertible bonds due in 2020 *(Note (a))*	**395,580**	**–**	376,128	(15)
Convertible bonds due in 2021 *(Note (b))*	**234,521**	**–**	224,878	(53)
Warrants issued by a subsidiary of the Company *(Note (c))*	**–**	**3,046**	–	–
	630,101	**3,046**	601,006	(68)
Presented by:				
Current assets	**–**	**–**	–	(68)
Current liabilities	**–**	**3,046**	–	–
Non-current liabilities	**630,101**	**–**	601,006	–
	630,101	**3,046**	601,006	(68)

Notes:

(a) Convertible bonds due in 2020

On 5 December 2017, the Company issued convertible bonds with an aggregate principal amount of HK$400,000,000 (the "2020 Due CB") pursuant to the agreement dated 28 November 2017 entered into between the Company and a subscriber, which was an independent third party to the Company. Details of which were disclosed in the 2018/19 annual report of the Company.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

19. DERIVATIVE FINANCIAL INSTRUMENTS AND CONVERTIBLE BONDS *(Continued)*

Notes: (Continued)

(a) Convertible bonds due in 2020 *(Continued)*

The 2020 Due CB have been split as follows:

	Liability component HK$'000	Equity component HK$'000	Derivative financial instruments HK$'000	Total HK$'000
As at 1 April 2018 (audited)	341,602	67,562	(8,303)	400,861
Add: Interest expenses	67,757	–	–	67,757
Less: Interest payable	(33,231)	–	–	(33,231)
Add: Fair value loss on derivative financial instruments	–	–	8,288	8,288
As at 31 March 2019 and 1 April 2019 (audited)	376,128	67,562	(15)	443,675
Add: Interest expenses	36,706	–	–	36,706
Less: Interest payable	(17,254)	–	–	(17,254)
Add: Fair value loss on derivative financial instruments	–	–	15	15
As at 30 September 2019 (unaudited)	**395,580**	**67,562**	**–**	**463,142**

None of the 2020 Due CB was converted during the six months ended 30 September 2019 and the year ended 31 March 2019.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

19. DERIVATIVE FINANCIAL INSTRUMENTS AND CONVERTIBLE BONDS *(Continued)*

Notes: (Continued)

(b) Convertible bonds due in 2021

On 25 August 2016, the Company issued convertible bonds with an aggregate principal amount of HK$275,000,000 (the "2021 Due CB") pursuant to the subscription agreement dated 14 April 2016 entered into between the Company and Advanced Lithium Electrochemistry (Cayman) Co., Ltd ("ALEEES", an associate of the Group). Details of which were disclosed in the 2018/19 annual report of the Company.

The 2021 Due CB have been split as follows:

	Liability component HK$'000	Equity component HK$'000	Derivative financial instruments HK$'000	Total HK$'000
As at 1 April 2018 (audited)	206,813	119,148	(10,880)	315,081
Add: Interest expenses	18,065	–	–	18,065
Add: Fair value loss on derivative financial instruments	–	–	10,827	10,827
As at 31 March 2019 and 1 April 2019 (audited)	224,878	119,148	(53)	343,973
Add: Interest expenses	9,643	–	–	9,643
Add: Fair value loss on derivative financial instruments	–	–	53	53
As at 30 September 2019 (unaudited)	**234,521**	**119,148**	**–**	**353,669**

None of the 2021 Due CB was converted during the six months ended 30 September 2019 and the year ended 31 March 2019.

(c) During the period ended 30 September 2019, two warrants of a subsidiary of the Group were issued to two independent third parties. The warrants entitle the holders thereof to purchase in aggregate 500 shares of the subsidiary at an exercise price of US$0.01 per share, payable in cash and subject to adjustment, exercisable during the period commencing on 6 June 2019 and ending on 6 June 2024. Further details are set out in Note 24.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

20. OBLIGATIONS UNDER REDEEMED CONVERTIBLE BONDS

On 8 March 2011, the Company issued a redemption notice to Mei Li New Energy Limited ("Mei Li") which was beneficially wholly-owned by Mr. Winston Chung (formerly known as Chung Hing Ka) ("Mr. Chung") for the redemption of convertible bonds at face value of approximately HK$760,752,000 (the "Redemption Amount"). In the legal proceedings instituted against Mr. Chung and/or companies which are controlled and/or owned by him (together the "Chung Parties") (the "High Court Proceedings"), the damages claimed by the Group (the "Claim Amount"), as supported by an independent forensic accountant report commissioned by the Group, are estimated to be substantially larger than the Redemption Amount. The Group has sought to set off a portion of the Claim Amount against the Redemption Amount (the "Set-Off").

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

On 27 February 2013, Mr. Chung was adjudged bankruptcy and the bankruptcy has been extended for a period of 4 years from 26 February 2017 by an order of the HK Court on 26 February 2017. Mei Li was taken over by the trustee of the bankrupt under the Bankruptcy (the "Trustees"). In addition, various interlocutory applications of the parties have taken place during the period.

On 21 November 2019, Mei Li and the Trustees acting on behalf of Mr. Chung, being two of the defendants of the High Court Proceedings (collectively the "Defendants"), and the Trustees have entered into a settlement deed with the Company and two of its subsidiaries (collectively the "Plaintiffs") (the "Settlement Deed"). Pursuant to the Settlement Deed, the parties have filed the consent summons seeking leave to be granted by the HK Court to discontinue the High Court Proceedings between the Plaintiffs and the Defendants, and accordingly, the parties have released each other from any and all claims, damages and liabilities in relation to the High Court Proceedings. As a result, the Company's obligations under the redeemed convertible bonds of approximately HK$760,752,000 would be discharged subsequent to the end of the reporting period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

21. SHARE CAPITAL

	30.9.2019		31.3.2019	
	(unaudited)	(unaudited)	(audited)	(audited)
	No. of shares		No. of shares	
	'000	HK$'000	'000	HK$'000
Authorised:				
At beginning of the reporting period	100,000,000	1,000,000	50,000,000	500,000
Increase in authorised share capital *(Note (a))*	–	–	50,000,000	500,000
Share consolidation *(Note (b))*	(95,000,000)	–	–	–
At end of the reporting period	5,000,000	1,000,000	100,000,000	1,000,000
Issued and fully paid:				
At beginning of the reporting period	26,489,743	264,898	22,413,076	224,131
Issue of new shares before share consolidation:				
– pursuant to placing and top-up subscription agreement *(Note (c))*	833,330	8,333	–	–
– pursuant to subscription agreement *(Note (d))*	680,000	6,800	2,600,000	26,000
– pursuant to placing agreement *(Note (e))*	–	–	1,000,000	10,000
– pursuant to settlement agreement *(Note (f))*	–	–	476,667	4,767
	28,003,073	280,031	26,489,743	264,898
Share consolidation *(Note (b))*	(26,602,919)	–	–	–
	1,400,154	280,031	26,489,743	264,898
Issue of new shares after share consolidation:				
– pursuant to share award scheme *(Note (g))*	65,000	13,000	–	–
– pursuant to subscription agreement *(Note (h))*	204,316	40,863	–	–
At end of the reporting period	1,669,470	333,894	26,489,743	264,898

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

21. SHARE CAPITAL *(Continued)*

Notes:

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

(b) Pursuant to an ordinary resolution passed at annual general meeting of the Company on 3 September 2019, every twenty existing issued and unissued ordinary shares of a par value of HK$0.01 each in the share capital of the Company were consolidated into one consolidated ordinary share of a par value of HK$0.20 each with effective on 5 September 2019.

(c) During the period ended 30 September 2019, the Company issued a total of 833,330,000 ordinary shares of HK$0.01 each at the subscription price of HK$0.048 per share for cash under the general mandate pursuant to the placing and top-up subscription agreement dated 29 March 2019.

(d) During the period ended 30 September 2019, the Company issued a total of 680,000,000 ordinary shares of HK$0.01 each at a price of HK$0.035895 per share under the general mandate pursuant to the settlement agreement dated 10 July 2019, the proceeds of which have been utilised for settlement of promissory note issued by FDG Strategic Investment Limited, a wholly-owned subsidiary of the Company.

During the year ended 31 March 2019, the Company issued a total of 2,600,000,000 ordinary shares of HK$0.01 each at the subscription price of HK$0.09 per share for cash under the general mandate pursuant to the subscription agreement dated 28 July 2018.

(e) During the year ended 31 March 2019, the Company issued a total of 1,000,000,000 ordinary shares of HK$0.01 each at the placing price of HK$0.109 per share for cash under the general mandate pursuant to the placing agreement dated 25 June 2018.

(f) During the year ended 31 March 2019, the Company issued a total of 476,666,666 ordinary shares of HK$0.01 each at the price of HK$0.09 per share under the general mandate pursuant to the settlement agreement dated 18 October 2018.

(g) During the period ended 30 September 2019, the Company issued a total of 65,000,000 ordinary shares of HK$0.20 each under the general mandate to the trustee of the share award scheme for grant of share awards to selected participants under the share award scheme of the Company. The grant of share awards was approved by the Board on 17 April 2019. There were no proceeds in respect of such issue.

(h) During the period ended 30 September 2019, the Company issued a total of 204,316,184 ordinary shares of HK$0.20 each at the subscription price of HK$0.54 per share under the specific mandate to issue shares granted at the annual general meeting of the Company held on 3 September 2019, pursuant to the subscription agreement dated 30 June 2019. The proceeds have been utilised for setting off against interest on certain debt owed by the Company to a lender of the Company.

All the new ordinary shares allotted and issued during the above reporting periods rank pari passu in all respects with the then existing issued ordinary shares of the Company.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

22. CAPITAL COMMITMENTS

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

	30.9.2019 (unaudited) HK$'000	31.3.2019 (audited) HK$'000
Contracted, but not provided for capital commitments in respect of:		
– capital expenditures of the Group's factories in the PRC *(Note)*	**462,827**	1,665,006
– investments in associates	**156,091**	157,150
	618,918	1,822,156

Note:

As at 31 March 2019, the amount of HK$1,181,450,000 related to capital expenditures of electric vehicle production plants in Guizhou will be financed with the assistance of the Guizhou local government. No such capital commitment was recorded as at 30 September 2019 due to the deconsolidation of a subsidiary.

23. RELATED PARTY TRANSACTIONS

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

(a) Sales/purchase of goods and other transactions

	Six months ended	
	30.9.2019 (unaudited) HK$'000	30.9.2018 (unaudited) HK$'000
Sales of electric vehicles to a joint venture	**–**	2,290
Interest income charged to a joint venture	**–**	1,665
Purchase of raw materials from an associate	**(4)**	(4,813)
Research and development expenses charged by an associate	**(1,439)**	(1,592)

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

23. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Key management personnel remuneration

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

	Six months ended	
	30.9.2019 (unaudited) HK$'000	30.9.2018 (unaudited) HK$'000
Short-term employee benefits	**9,830**	13,047
Retirement benefit schemes contributions	**80**	96
Equity-settled share-based payments	**72**	4,277
	9,982	17,420

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

	30.9.2019 (unaudited) HK$'000	31.3.2019 (audited) HK$'000
Other receivables from associates	**4,922**	–
Trade and other payables to associates	**(151,464)**	(39,505)

The receivables from the associates arise mainly from the expenses paid on behalf of the associates. The receivables are unsecured and non-interest-bearing. The payables to the associates arise mainly from the purchase of raw materials, research and development expenses charged and deposit received for purchasing electric vehicles. The payables were unsecured, non-interest-bearing and repayable within one year.

24. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

- Level 1 valuations: Fair value measured using only Level 1 inputs, that is, unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

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

- Level 2 valuations: Fair value measured using Level 2 inputs, that is, observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

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

Financial assets/ (liabilities)	Fair value as at 30.9.2019 (unaudited) HK$'000	Fair value as at 31.3.2019 (audited) HK$'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Held-for-trading investments						
– Listed equity securities	**–**	231	Level 1	Quoted bid prices in active markets	N/A	N/A
– Unlisted funds	**5,482**	6,207	Level 2	Quoted prices in the over-the-counter markets	N/A	N/A
Derivative financial instruments under current assets						
– Early redemption and mandatory conversion options embedded in convertible bonds *(Note 19)*	**–**	68	Level 3	Binomial pricing model	Expected volatility	The higher/lower of expected volatility, the higher/lower of fair value
Derivative financial instruments under current liabilities						
– Warrants issued by a subsidiary of the Company *(Note 19)*	**(3,046)**	–	Level 3	Binomial pricing model	Expected volatility	The higher/lower of expected volatility, the higher/lower of fair value

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

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

During the six months ended 30 September 2019 and the year ended 31 March 2019, there were no transfer between Level 1 and Level 2, or transfer into or out of Level 3. The Group's policy is to recognise the transfer between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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

	Six months ended	
	30.9.2019	30.9.2018
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Early redemption and mandatory conversion options embedded in convertible bonds		
At beginning of the reporting period	**68**	19,183
Changes in fair value recognised in the condensed consolidated statement of profit or loss during the reporting period *(Note 5)*	**(68)**	(18,361)
At end of the reporting period	**–**	822

The fair value of early redemption and mandatory conversion options embedded in the convertible bonds is determined using binomial pricing model and the significant unobservable input used in the fair value measurement is expected volatility. The fair value measurement is positively correlated to the expected volatility. As at 30 September 2019, it is estimated that with all other variables held constant, an increase/decrease in the expected volatility by 10% would decrease the Group's loss by nil (six months ended 30 September 2018: HK$1,567,000)/increase the Group's loss by nil (six months ended 30 September 2018: HK$703,000), respectively.

	Six months ended	
	30.9.2019	30.9.2018
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Warrants issued by a subsidiary of the Company		
Arising from issuance of warrants by a subsidiary	**(2,937)**	–
Changes in fair value recognised in the condensed consolidated statement of profit or loss during the reporting period *(Note 4)*	**(109)**	–
At end of the reporting period	**(3,046)**	–

The fair value of warrants is determined using binomial pricing model and the significant unobservable input used in the fair value measurement is expected volatility. The fair value measurement is positively correlated to the expected volatility. As at 30 September 2019, it is estimated that with all other variables held constant, an increase/decrease in the expected volatility by 10% would increase the Group's loss by nil/decrease the Group's loss by nil, respectively.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

25. LITIGATION UPDATE

(a) LITIGATIONS INVOLVING MR. WINSTON CHUNG

The Company and two of its subsidiaries are involving in litigations with the Chung Parties in the High Court Proceedings. In the same action, the Chung Parties issued a counterclaim based on certain documents.

After the Group instituted the High Court Proceedings against the Chung Parties, the Chung Parties attempted to claim against a subsidiary of the Company by filing a lawsuit in the Shenzhen Intermediate Court of the PRC (the "SZ Court") for breaches of various agreements in relation to the production of battery products (the "SZ Case"). On 2 June 2015, the SZ Court dismissed the SZ Case and ordered the Chung Parties to pay the SZ Court's costs.

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

Regarding the Bankruptcy proceedings, the Trustees has taken over four companies owned and/or controlled by Mr. Chung, including Mei Li, one of the defendants of the High Court Proceedings in mid-2018.

On 21 November 2019, Mei Li and the Trustees acting on behalf of Mr. Chung, being two of the defendants of the High Court Proceedings (collectively the "Defendants"), and the Trustees have entered into a settlement deed with the Company and two of its subsidiaries (collectively the "Plaintiffs") (the "Settlement Deed"). Pursuant to the Settlement Deed, the parties have filed the consent summons seeking leave to be granted by the HK Court to discontinue the High Court Proceedings between the Plaintiffs and the Defendants, and accordingly, the parties have released each other from any and all claims, damages and liabilities in relation to the High Court Proceedings. As a result, the Company's obligations under the redeemed convertible bonds of approximately HK$760,752,000 would be discharged subsequent to the end of the reporting period.

The Company is seeking legal advice on steps to be taken to claim against other defendants other than Mr. Chung and Mei Li in the High Court Proceedings or to discontinue the High Court Proceedings.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

25. LITIGATION UPDATE *(Continued)*

(b) LITIGATIONS COMMENCED BY CREDITORS AND BANKS

As at 30 September 2019, there were outstanding litigations commenced by certain suppliers, other creditors, a bank and a lease creditor against certain subsidiaries of the Group requesting such subsidiaries to repay the outstanding trade payables, other payables, bank loans and lease liabilities under continuing operations, amounting to approximately HK$121,031,000, HK$286,492,000, HK$490,257,000 and HK$32,427,000, respectively. The outstanding litigations on outstanding trade payables under discontinued operation amounted to approximately HK$48,300,000. The Group had been actively negotiating with the creditors and the bank to settle these litigations and to compromise in standstill and restructuring arrangements in order to extend and/or to renew all outstanding loans by new terms of not less than 12 months after the original maturity.

Subsequent to the end of the reporting period, the Group received the formal legal letter on 25 November 2019, a creditor bank for which the Group owed a total principal amount of HK$831,450,000 as at 30 September 2019, has taken legal actions against the Company and certain subsidiaries of the Group on 15 October 2019, in relation to the repayment of the outstanding principal of all loans due from the Group, as well as the relevant outstanding interest, default interest and compensations, all of which have been accrued in the condensed consolidated interim financial statements of the Group up to 30 September 2019.

According to the judgment, an intermediate court in the PRC has frozen the following assets of the subsidiaries of the Group (i) a bank account with a balance of approximately HK$3,594,000; (ii) property, plant and equipment and right-of-use assets with book value as at 30 September 2019 of approximately HK$1,417,063,000 and HK$153,424,000, respectively, the Group has no restriction to use of these assets for production; and (iii) the paid-up capital of certain subsidiaries and shareholding of an associate of the Group in the PRC, for a period up to three years. The management is currently reviewing the legal documents and considering various alternatives to resolve the litigation with the creditor bank by means of mediation.

26. MAJOR NON-CASH TRANSACTIONS

(1) On 17 July 2019, the Company issued total of 680,000,000 ordinary shares of HK$0.01 each at a price of HK$0.035895 per share under the general mandate pursuant to a settlement agreement dated 10 July 2019. There were no cash proceeds in respect of such issue as the new shares were issued to settle a promissory note issued by a subsidiary of the Group during the six months ended 30 September 2019.

(2) On 11 September 2019, the Company issued a total of 65,000,000 ordinary shares under general mandate to the trustee of the share award scheme which was approved by the Board on 17 April 2019 (the "Share Award Scheme") for grant of share awards to selected participants under the Share Award Scheme of the Company. There were no proceeds in respect of such issue. The amount was recognised to the share award reserve during the six months ended 30 September 2019.

(3) On 13 September 2019, the Company issued a total of 204,316,000 ordinary shares at the subscription price of HK$0.54 per share under the specific mandate to issue shares granted at the annual general meeting of the Company held on 3 September 2019, pursuant to the subscription agreements dated 30 June 2019. The proceeds of approximately HK$110,330,000 were utilised for setting-off against certain interest payables during the six months ended 30 September 2019.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

27. EVENTS AFTER THE REPORTING PERIOD

In addition to the events disclosed elsewhere in these condensed consolidated interim financial statements, there are other events occurred after the reporting period:

(a) On 31 October 2019, the Company entered into a placing agreement with a placing agent for the placing, on a best efforts basis, of up to 280,000,000 new ordinary shares of the Company at the minimum placing price of HK$0.22 per share (the "Placing"). Further details are set out in the Company's announcement dated 31 October 2019. The Placing was completed on 13 November 2019. The net proceeds from the Placing was approximately HK$59.4 million.

(b) On 21 November 2019, Mei Li and the Trustees acting on behalf of Mr. Chung, being two of the defendants of the High Court Proceedings (collectively the "Defendants"), and the Trustees have entered into a settlement deed with the Company and two of its subsidiaries (collectively the "Plaintiffs") (the "Settlement Deed"). Pursuant to the Settlement Deed, the parties have filed the consent summons seeking leave to be granted by the HK Court to discontinue the High Court Proceedings between the Plaintiffs and the Defendants, and accordingly, the parties have released each other from any and all claims, damages and liabilities in relation to the High Court Proceedings. As a result, the Company's obligations under the redeemed convertible bonds of approximately HK$760,752,000 would be discharged subsequent to the end of the reporting period.

28. COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform to the disclosure requirement in respect of the discontinued operation set out in Note 11. In addition, the comparative consolidated income statement has been restated as if the operation had been discontinued at the beginning of the comparative period.

MANAGEMENT DISCUSSION AND ANALYSIS

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

MARKET OVERVIEW

During the period under review, affected by adverse factors such as the escalation of geopolitical risks, additional tariffs imposed by the US on goods from China amid intensifying Sino-US trade disputes and the lingering Brexit, the domestic and global financial markets have witnessed increased volatility and the economic growth has slowed down. According to the economic data from the National Bureau of Statistics of China, China's gross domestic product reached RMB45 trillion in January to June 2019, representing an increase of 6.3% as compared to the last corresponding period, which is the lowest economic growth rate since quarterly record first available in 1992. In addition, according to the "Global Economic Outlook" published by Fitch Ratings, a credit rating agency, in September this year, in view of the downward pressure exerted on the global economy amid the deterioration of the global economic environment, Fitch Ratings made downward adjustments to the global economic growth in 2019 and 2020 to 2.6% and 2.5%, respectively, and expected that quantitative relaxed monetary policies will continue to be adopted by central banks worldwide to cope with the corresponding economic risks and stimulate economic growth.

Electric Vehicle Business

With the promotion of environmental policies by governments worldwide and the proactive integration of environmental management into corporate operating decisions as well as investment of resources for gradual replacement of conventional ICE vehicles with new energy vehicles ("NEVs") by fleet operators, the NEV market has been developed steadily around the world. According to the sales data of EV Volumes, a Swedish data tracking agency, benefited from subsidy policies for NEVs and the tightening of waste gas emission standards by various governments, the global sales of EVs exceeded 1,130,000 units in January to June 2019, representing an increase of 46% as compared to the last corresponding period.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

On 26 March this year, the Ministry of Finance, the Ministry of Industry and Information Technology ("MIIT"), the Ministry of Science and Technology and the National Development and Reform Commission of China promulgated "The Notice on Further Improving the Financial Subsidy for the Promotion and Application of New Energy Vehicles" (《關於進一步完善新能源汽車推廣應用財政補貼政策的通知》), which officially took effect on the same day. The Notice aims to increase the technology threshold for receiving subsidies and reduce subsidies for NEVs in stages. Following the official end of the transition period of the relevant policies on 25 June this year, the Chinese government eliminated the subsidies for certain NEVs and switched to increase the subsidies and support for the construction and operation of charging infrastructure for NEVs with an aim to accelerate the technological upgrade of NEV industry and promote the development towards high quality standards.

However, the elimination of subsidies for certain NEVs under the new subsidy policies for NEVs has affected consumers' desire to purchase NEVs, hence exerting pressure on NEV manufacturers. According to Bloomberg with reference to a report from an investment institute, while China still dominates the global EV market in terms of sales volume, the domestic sales volume of EVs fell for the first time in July this year as compared to the last corresponding period as the Chinese government made downward adjustment to NEV subsidies and tightened the subsidy standard. According to the statistics from the MIIT, the production volume and sales volume of NEVs in China reached 84,000 units and 80,000 units in July this year, respectively, representing a decrease of 6.9% and 4.7% as compared to the corresponding period in 2018, respectively. Among which, according to the statistics from the China Association of Automobile Manufacturers, despite the downward pressure faced by the global economy and the weak confidence of domestic consumers, the sales volume of pure EVs in China in July this year maintained growth amid the adverse circumstances, reaching 61,000 units, representing an increase of 1.6% as compared to the last corresponding period, indicating that the demand for pure EVs remained stable in the market.

With the revision of subsidy policies regarding NEVs by the Chinese government, which has resulted in the sluggish performance of the domestic NEV market and the transformation of the traditional vehicle manufacturers to enter into the NEV industry, the competition in the domestic NEV market has intensified. In addition, as the Group has been committed to the development of its core electric commercial vehicle business, the business expansion of the Group to developed countries, where enterprises attach more importance to sustainable development and take total cost of ownership of products into consideration, can thus better cater to the needs of the Group's business development. According to the sales data of EVs from S&P Global Ratings, the sales volume of EVs in the US in the first half of 2019 reached 148,700 units, representing an increase of 12% as compared to the corresponding period in 2018, and it is expected that the sales volume of EVs in the US in 2019 will exceed that of the last year, among which, benefited from environmental and subsidy policies from the state government, the state of California, the US, maintained the leading position in the US NEV market with the highest EV sales volume of all states. According to the information of IHS Markit, an international market research institute, the sales volume of NEVs in California, the US, exceeded 121,000 units in January to June 2019, representing an increase of 17% as compared to the last corresponding period. Among which, the sales volume of pure EVs reached 51,750 units, accounting for approximately 49% of the sales volume of pure EVs in the US and representing an increase of 64% as compared to the last corresponding period.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

The developed countries actively promote environmental protection and sustainable development through legislation, as well as encourage the use of EVs with a view to reducing carbon emission. In March this year, The Legislature of New York, the US, has approved the introduction of a congestion pricing on busy roads in Manhattan since 1 January 2021 to address congestion problems in commercial districts and reduce air pollution caused by traffic, while relevant authorities in New York, the US, is also considering to waive the congestion charge for EVs. In addition, London, England has set up Low Emission Zone ("LEZ") and imposed fines on diesel vehicles that fail to meet the emission standards since 2008, aiming to reduce emissions of waste gas including carbon dioxide, nitrogen oxides and suspended particles from diesel vehicles. Furthermore, in order to further improve the air quality in central London, Transport for London set up Ultra Low Emission Zone ("ULZE") in central London in April this year. Accordingly, a fine of 12.5 pounds per day will be imposed on small diesel vehicles at or below Euro 5 standard and small petrol vehicles at or below the Euro 3 standard entering the zone, and a fine of 100 pounds per day will be imposed on heavy vehicles (i.e. buses, coaches, etc.) at or below the Euro V standard entering the zone. However, EVs entering the LEZ and ULEZ are exempted from fines, according to Transport for London.

In addition, the developed countries have made great efforts in encouraging fleet operators and drivers to purchase and switch to EVs through the subsidy policies for EVs and taxation relief. In September this year, California State Legislature continued to discuss and made amendments to Assembly Bill 40, aiming to encourage the public to use zero-emission vehicles by providing rebates for the purchase of new zero-emission vehicles, and the Bill also set the target to increase the number of zero-emission vehicles in California to 5,000,000 units by 2030 and to 10,000,000 units by 2035. Furthermore, the US and various countries in Europe also introduced exemptions from registration tax, circulation tax and road tax for EVs to encourage the use of EVs by fleet operators and drivers.

Battery Business (Discontinued Operation)

Driven by the growth of production volume of NEVs in China, the demand for power batteries in China remained strong in the first half of 2019. According to the data from Gaogong Industry Research Institute ("GGII"), the output for power batteries in China in the first and second quarter of 2019 amounted to 15.5 GWh and 19.7 GWh, respectively, up by 80% and 38% from the last corresponding period, respectively. However, according to the information published by GGII, the power battery market size in China in the second quarter of 2019 reached RMB21.5 billion, up by only 10% from the last corresponding period, and it is also shown that the growth of the power battery market size in China is slower than of the output for power batteries in China, which was mainly attributable to the effect of price reduction of power batteries and their raw materials. In addition, both domestic and overseas battery enterprises continued to increase efforts in production capacity building, leading to more intensified competition in the battery industry and further pressure on the price of Li-ion batteries.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Cathode Material Business

According to the information published by GGII, the market output for cathode materials in China in the first half of 2019 amounted to 172,400 tonnes, up by 54% from the last corresponding period, which was mainly driven by the growing domestic demand for power batteries, which has in turn promoted the growth of demand for cathode materials. In particular, from January to June 2019, the output for ternary cathode materials in China amounted to 92,300 tonnes, representing approximately 54% of the total output of cathode materials. However, due to the impact of price reduction of raw materials including cobalt and lithium and price cut pressure from battery enterprises, the price of ternary cathode materials in China in the first two quarters of 2019 further slid. Moreover, with the downward adjustment of NEV subsidies by the Chinese government, the growth of domestic production volume of NEVs in China may slow down or even shrink in the second half of 2019, thereby reducing the demand for batteries and cathode materials and hence exerting further pressure on the battery and cathode material market.

BUSINESS REVIEW

FDG has been focusing on developing its core electric commercial vehicle business and actively exploring the overseas market in order to further increase the market share of FDG in the electric commercial vehicle sector. In addition, the downward adjustment of NEV subsidies and the tightening of subsidy standards by the Chinese government have resulted in sluggish performance of the domestic NEV market and year-on-year decreases in production volume and sales volume of NEVs were recorded in July this year. As such, FDG, as planned, has been expanding its business to the markets in developed countries, and actively researching and developing energy service market for the purpose of minimising the effect of the revision of subsidy policies regarding NEV by the Chinese government towards the Group and satisfying the demand of fleet operators for energy services.

In addition to encouraging fleet operators and drivers to switch to EVs by providing rebates for the purchase of NEVs and through taxation relief policy, the developed countries, such as the US and England, also promoted sustainable development through legislation such as introducing congestion pricing and setting up LEZ and ULEZ, so as to address the problem of air pollution. Besides, the enterprises have actively shouldered their environmental responsibilities and taken the total cost of ownership of products into account. Foreign fleet operators such as Ryder Vehicle Purchasing, LLC ("Ryder") and Federal Express Corporation ("FedEx") have successively purchased EVs to reduce the emission of waste gas such as carbon dioxide and nitrogen oxide and to enhance operating efficiency. Furthermore, various governments have adopted proactive measures to promote the popularity of EVs, including improving the charging infrastructure for EVs and increasing the number of charging facilities for EVs. According to the data from Bloomberg New Energy Finance, in June 2019, the US had approximately 60,000 charging connectivity devices for EVs. Among which, California had 19,000 charging connectivity devices for EVs, the highest number among all states. The Group believes that with the NEV subsidy and taxation relief policies of various governments and by setting up congestion zones and gradually improving the charging infrastructure for EVs, the EV markets in developed countries will continue to develop steadily and bring more opportunities and capitals to the EV market and energy service market.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Electric Vehicle Business

During the period under review, under the influence of factors such as escalation of geopolitical risks, intensifying Sino-US trade disputes and the lingering Brexit, investment sentiment tended to be more prudent. However, the Group is exploring a business consolidation plan to streamline the Group's structure, which will in turn facilitate the development of the Group's most promising electric commercial vehicle business.

The revenue from the Group's EV business amounted to approximately HK$458 million, representing an increase of 569% as compared to the last corresponding period, which was mainly attributable to the improvement of the sale performance through a successful completion of a large sale order from a public vehicles project with a state-owned transportation company and the provision of processing services for EVs for another automotive manufacturer in order to enhance the utilisation of the production capacity.

The Group obtained large orders from international fleet operators such as Ryder and FedEx through Chanje Energy, Inc. ("Chanje"), a subsidiary of the Group. The Group believes that in view of the reduction in production costs benefited from the orders of existing and potential customers as well as mass production, it is anticipated that the EV business will bring positive cash flows to the Group in the future.

The Group's electric commercial vehicles are competitive products in the industry. The model of Chanje V8100 is a group-up designed zero-emission medium duty electric commercial vehicle purposely built for the "last mile logistics". It is powered by a 100kWh battery and provides 150 miles on a single charge. It has a lower operational cost and total cost of ownership when comparing to the ICE alternatives. FDG believes that under the recent trend of imposing congestion zones in the US and given the significant cost saving, Chanje V8100 will be well suited for various fleet operators and Chanje will be playing a crucial role in electrification of various commercial fleets.

Continuous development and exploration of electric commercial vehicle business in developed countries

In addition to the support of EV subsidy, taxation relief and related environmental policies by various governments, global retail e-commerce has also boosted the demand for "last mile logistics". According to the information published by Statista, a German market research institution, the sales of global retail e-commerce in 2018 reached US$2.982 trillion, up by 23% from the corresponding period in 2017. Statista also anticipated that the sales of global retail e-commerce in 2019 would amount to US$3.535 trillion. The Group believes that shipping demand driven by the retail e-commerce in developed countries will stimulate the demand for electric commercial vehicles as fleet operators in developed countries attach more importance to their corporate environmental responsibilities and the total cost of ownership of EVs.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Ryder has placed an order for Chanje V8100 EVs with a total contract sum of not less than US$100,000,000

FDG has proactively expanded the US market and established a partnership with Ryder and customers such as FedEx through Chanje, FDG's subsidiary. Last year, Chanje has entered into orders with two companies. In particular, Chanje received a purchase order for EVs from Ryder in the US, which will be leased to FedEx, with a total contract sum of not less than US$100,000,000.

Chanje and FedEx arranged new delivery schedule for existing EV purchase order

Last November, FedEx announced an introduction of 1,000 units of Chanje V8100 pure electric logistics vehicles, among which, 100 units were purchased from Chanje and 900 units will be leased from Ryder. With FedEx's vision to foster the construction of charging infrastructure, Chanje and FedEx have arranged a new delivery schedule for the purchase order placed last year in respect of 100 units of Chanje V8100 EVs and the delivery will now be completed on or before 30 April 2020.

Battery Business (Discontinued Operation)

With increased efforts in production capacity building of both domestic and overseas battery enterprises, the battery market is facing overcapacity and intensified competition, leading to the further price reduction of Li-ion battery. In addition, affected by a decrease in prices of power batteries, the growth in battery market size has slowed down, resulting in a decline in profit margin. During the period under review, the performance of the Group's battery business which has been classified as discontinued operation, was sluggish and recorded a loss in general. Amid the fierce competition in the industry, the Group, without compromise of the quality and safety standards of the batteries, implemented stringent cost control plans in a bid to lower its production cost. During the period under review, the Group's material purchase cost has decreased by approximately 22% as compared with the last corresponding period due to a decrease in purchasing cost of materials such as lithium ferrous phosphate, electrolytes and separators.

Furthermore, given the Group's limited financial resources and the high competition in the battery industry with a low profit margin, the Group has commenced the process of restructuring the operation of the battery business. Although the sale and purchase agreement entered in the previous financial year to dispose of the battery business has lapsed, the Group intends to continue to explore various restructuring plans to streamline the battery business, including but not limited to divesting the Group's battery business and/or streamlining the operation of the battery business.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Cathode Material Business

During the period under review, the Group's production capacity of the six production lines for processing ternary products in Chongqing production base amounted to more than 3,000 tonnes. However, during the period under review, revenue from cathode material business amounted to approximately HK$29.4 million, representing a decrease of approximately 71% as compared with that of the last corresponding period. The decrease was mainly due to a decrease in orders from our largest customer during the period resulted from the general slowdown of the new energy market and the temporary change of the business operation by provision of processing services to a customer.

For the purpose of easing the pressure on the Group's working capital, the Group has been actively promoting the Group's cathode material products and related services to potential customers, striving to expand its customer base. Besides, the Group will continue to rigorously manage various costs of cathode material business in order to strengthen the Group's financial position.

During the period under review, Advanced Lithium Electrochemistry (Cayman) Co., Ltd. ("ALEEES"), the Group's associate which operates in Taiwan and specialises in Lithium-Ferrous-Phosphate (LFP) cathode materials and ternary oxides products, actively developed and expanded into overseas markets such as Japan and Korea, and strived to develop the high-tier energy storage market with a view to satisfying market demands.

FINANCIAL REVIEW

Continuing operations

Revenue

During the period under review, the Group's revenue significantly increased by approximately 182.4% to approximately HK$487.1 million as compared with the revenue of approximately HK$172.5 million of the last corresponding period.

The substantial increase was mainly due to the net effect of (i) the significant increase in the sales of electric vehicles and provision of processing services related to electric vehicles represented by a revenue of approximately HK$457.7 million in the current period, an increase of approximately 5.7 times as compared to a revenue of approximately HK$68.4 million of the last corresponding period mainly resulting from improvement of the sale performance through a successfully completion of a large sale order from a public vehicles project with a state-owned transportation company and the provision of processing services for electric vehicles for another automotive manufacturer in order to enhance the utilisation of the production capacity; and (ii) the substantial decrease in sales of cathode materials and provision of processing services for cathode materials from the battery materials production business, represented by a revenue of approximately HK$29.4 million, a decrease of approximately 70.7% as compared with a revenue of approximately HK$100.3 million of the last corresponding period, which was mainly due to the decrease in orders from our largest customer resulted from the slow-down of the new energy markets in the first half year of 2019.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Gross profit and margin

The Group's gross profit increased to approximately HK$32.8 million of the period under review from approximately HK$12.5 million of the last corresponding period, representing an increase of approximately HK$20.3 million. The overall gross profit ratio was at approximately 6.7% of the current period as compared with approximately 7.3% of the last corresponding period, representing a slight decrease of approximately 0.6%. Such decrease was mainly attributable to the completion of sale orders of the public vehicles project with a lower profit margin.

Other gains and losses, net

During the period under review, the net other losses amounted to approximately HK$0.4 million, representing a decrease of approximately HK$85.2 million as compared with approximately HK$85.6 million of the last corresponding period, which was mainly attributable to the net loss on financial assets designated as at fair value through profit or loss upon maturity of the convertible bonds issued by the Group of approximately HK$57.1 million of the last corresponding period which did not incur in the current period.

Selling and distribution costs

During the period under review, selling and distribution costs amounted to approximately HK$28.3 million representing a decrease of approximately HK$10.1 million comparing with the last corresponding period of approximately HK$38.4 million mainly as less selling activities of the electric vehicle production segment has taken place during the current period. The Group has been focused in negotiating and planning for the delivery of electric vehicles according to the overseas sales orders on hand during the current period.

General and administrative expenses

During the period under review, general and administrative expenses amounted to approximately HK$148.5 million. Excluding the general and administrative expenses of Chanje Energy, Inc. ("Chanje") of approximately HK$28.4 million consolidated to the Group during the current period (six months ended 30 September 2018: nil), there is a decrease of approximately HK$44.0 million comparing with the last corresponding period of approximately HK$164.1 million, which was mainly attributable to (i) the decrease in staff costs including directors' emoluments; and (ii) the decrease in other administrative expenses by the implementation of the stringent cost controls.

Research and development expenses

During the period under review, research and development expenses amounted to approximately HK$21.7 million, representing a decrease of approximately HK$8.3 million comparing with the last corresponding period of approximately HK$30.0 million, which was mainly attributable to a decrease in the research and development of the electric vehicle production segment as the Group's working capital has been temporarily prioritised in maintaining the production capability of the Group's production base in Hangzhou in order to prepare for the fulfilling of the overseas sales orders on hand.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Finance costs

During the period under review, finance costs amounted to approximately HK$199.8 million, representing an increase of approximately HK$13.4 million comparing with the last corresponding period of approximately HK$186.4 million, which was mainly attributable to the increase in additional borrowing costs charged by banks on certain overdue bank loans and other borrowings.

Other operating expenses

Other operating expenses mainly represented certain indirect operating expenses arising from the under-utilisation of production capacity of the electric vehicle production plant in Hangzhou. During the period under review, other operating expenses amounted to approximately HK$73.9 million, representing an increase of approximately HK$7.3 million comparing with approximately HK$66.6 million of the last corresponding period.

Reversal of impairment losses/(impairment losses) on financial assets at amortised cost and contract assets

The Group's reversal of impairment losses on financial assets amounted to approximately HK$28.0 million of the current period comparing with net impairment loss on financial assets approximately HK$154.5 million of the last corresponding period. It was mainly attributable to (i) the impairment losses on trade receivables and contract assets of totally approximately HK$140.0 million during the last corresponding period which did not incur in the current period; and (ii) the reversal of impairment losses on loan and other receivables of approximately HK$26.9 million (six months ended 30 September 2018: nil) on successful recovery of receivables previously impaired in previous periods.

Amortisation of intangible assets

During the period under review, amortisation of intangible assets amounted to approximately HK$39.1 million, representing a decrease of approximately HK$9.8 million comparing with the last corresponding period of approximately HK$48.9 million as certain intangible assets in electric vehicle production segment have been fully amortised in the previous year.

Share of results of associates

During the period under review, share of net losses of associates amounted to approximately HK$28.2 million, representing a decrease of approximately HK$23.6 million comparing with the last corresponding period of approximately HK$51.8 million, was mainly attributable to the decrease in share of loss of an associate, ALEEES, which the Group holds its approximately 19.04% (six months ended 30 September 2018: approximately 21.85%) equity interest, which is principally engaged in the production and sales of cathode materials for lithium ferrous phosphate batteries. Influenced by the new energy subsidy policies and keen competition in the market, ALEEES still suffered losses during the period under review.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Share of results of joint ventures

During the period under review, share of net gains of joint ventures amounted to approximately HK$3.3 million comparing with the last corresponding period of share of net losses of joint ventures of approximately HK$82.5 million, was mainly attributable to the share of substantial loss of a joint venture, Chanje of approximately HK$87.6 million in the last corresponding period but Chanje has become an indirect subsidiary of the Group in December 2018, the loss for the current period of the Chanje of approximately HK$43.2 million have been consolidated into corresponding line of profit or loss of the Group. There is a decrease in the loss of Chanje comparing with that of the last corresponding period, mainly because of the decrease in amortisation of intangible assets resulted from downward revaluation of intangible assets upon Chanje's change from a joint venture to a subsidiary and the reduction in general and administration expenses due to stringent cost control.

Loss for the period for discontinued operation

Same as last financial year, the Group continue to classify the battery business segment that operated in manufacture and sales of lithium-ion batteries and its related products with production sites in Jilin and Tianjin, as discontinued operation. The Group continues to explore restructuring and disposal plans to streamline the battery operation although the sale and purchase agreement to dispose the battery segment of the Group has lapsed. During the period under review, the loss from discontinued operation amounted to approximately HK$29.1 million, a substantial decrease of approximately HK$50.9 million comparing with the loss of approximately HK$80.0 million of last corresponding period. Details of the discontinued operation are stated under the section heading "Segment Information" below.

Loss for the period

Based on the above reasons, the Group has decreased its loss for the period to approximately HK$474.0 million from approximately HK$942.2 million of the last corresponding period.

During the period under review, the Group recorded a loss attributable to owners of the Company of approximately HK$277.6 million, a decrease of approximately HK$345.5 million, comparing with approximately HK$623.1 million of the last corresponding period, with the combination effects as mentioned above.

Goodwill

Goodwill that arising on the acquisition of business are allocated to the Group's cash generating units identified according to the Group's operating segments. As at 30 September 2019, goodwill amounted to approximately HK$550.4 million, decreased by approximately HK$8.6 million comparing with those as at 31 March 2019, which was arising from the exchange rate fluctuations.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

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

As at 30 September 2019, property, plant and equipment, interests in leasehold land held for own use under operating leases and right-of-use assets totally amounted to approximately HK$2,601.3 million, decreased by approximately HK$321.0 million comparing with those figures as at 31 March 2019, which was mainly due to the decrease in property, plant and equipment arising from the deconsolidation of a subsidiary, Guizhou Changjiang Automobile Co., Ltd. ("Guizhou Changjiang") and its subsidiaries (together, the "Guizhou Changjiang Group") and exchange rate fluctuations.

Inventories

As at 30 September 2019, inventories totally amounted to approximately HK$193.2 million, decreased by approximately HK$95.2 million comparing with approximately HK$288.4 million as at 31 March 2019, which was mainly attributable to the decrease in inventories for electric vehicle production segment resulted from the effective inventory control to match with the production time schedule.

Trade and bills receivables/Contract assets

Trade and bills receivables amounted to approximately HK$670.1 million as at 30 September 2019, representing an increase of approximately HK$359.3 million comparing with approximately HK$310.8 million as at 31 March 2019, which was mainly attributable to the net effect of (i) the decrease in trade receivables of electric vehicle production segment resulted from the deconsolidation of the Guizhou Changjiang Group; and (ii) the increase in trade receivables in line with the increase in revenue.

The Group generally provides a credit period of one month to six months to its customers. Credit limits are set for those customers. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. Overdue balances are regularly reviewed by the senior management of the Group. For those past due customers, the Group has performed a series of additional procedures to assess the recoverability of these overdue amounts.

For contract assets, the amount represented the national subsidies receivables from the PRC government that were subject to the relevant subsidy policies and not unconditional. As at 30 September 2019, contract assets amounted to approximately HK$179.0 million, representing a decrease of approximately HK$61.8 million comparing with the amounts classified as contract assets of approximately HK$240.8 million as at 31 March 2019, which was mainly attributable to the decrease in subsidy receivables resulted from the deconsolidation of the Guizhou Changjiang Group.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

As at 30 September 2019, cumulative amount of approximately HK$403.4 million and approximately HK$411.3 million was provided as allowance for impairment loss on trade receivables and contract assets, representing a decrease of approximately HK$21.4 million and approximately HK$24.8 million, respectively comparing with those as at 31 March 2019, which are mainly attributable to exchange rate fluctuations. During the period under review, no impairment is provided for trade receivables and contract assets after reviewing the financial status and repayment records of those individual customers as well as the mileage records of the electric vehicles sold to them.

Loan and other receivables

The decrease in loan and other receivables (including current and non-current portions) of approximately HK$239.8 million from approximately HK$683.6 million as at 31 March 2019 to approximately HK$443.8 million as at 30 September 2019, was mainly attributable to (i) the settlement of loan amount from a borrower; and (ii) the deconsolidation of the Guizhou Changjiang Group.

Trade and bills payables

Trade and bills payables amounted to approximately HK$924.7 million as at 30 September 2019 (31 March 2019: approximately HK$651.4 million), representing an increase of approximately HK$273.3 million, which was mainly attributable to the net effect of (i) the deconsolidation of the Guizhou Changjiang Group; and (ii) the increase in trade payables to fulfil the sale orders of public vehicles project.

Accruals and other payables

The increase in accruals and other payables of approximately HK$59.0 million from approximately HK$1,361.9 million as at 31 March 2019 to approximately HK$1,420.9 million as at 30 September 2019, was mainly attributable to the decrease in accruals and other payables resulted from the deconsolidation of the Guizhou Changjiang Group.

Convertible bonds

As at 30 September 2019, the Group had two tranches of convertible bonds due in 2020 and 2021 with total amount of approximately HK$630.1 million (31 March 2019: HK$601.0 million).

Segment Information

Vehicle design and electric vehicle production business

During the period under review, the segment revenue during the period increased substantially by approximately 5.7 times to approximately HK$457.7 million, comparing with approximately HK$68.4 million of the last corresponding period. It is mainly attributable to a successful completion of a large sale order of public vehicle project from a state-owned transportation company.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

The gross profit ratio from the electric vehicle production business after elimination of inter-segment transactions was approximately 7.1% of the period under review comparing with approximately 9.2% of the last corresponding period, which was mainly attributable to the completion of such sale order of public vehicles project at lower profit margin.

The segment loss before tax for the period under review was approximately HK$243.3 million, a decrease of approximately HK$278.6 million as comparing with approximately HK$521.9 million of the last corresponding period, which was mainly attributable to the combined effect of (i) the decrease in selling and distribution and general and administrative expenses by means of reallocating and consolidating internal resource to enhance the cost effectiveness of operation; and (ii) impairment losses on trade receivables and contract assets of totally approximately HK$140.0 million during the last corresponding period which did not incur in the current period.

Battery materials production business

During the period under review, the sales of cathode materials for lithium-ion batteries and provision of processing services in Chongqing factory amounted to approximately HK$29.4 million, representing a decrease of approximately HK$70.9 million as compared with approximately HK$100.3 million of the last corresponding period, which was mainly attributable to the decrease in sales order from our largest customer resulted from the general slow-down of the new energy market and the temporary change of the business operation by provision of processing services to a customer. The segment loss before tax was approximately HK$54.0 million for the period under review, representing a decrease of approximately HK$17.9 million comparing with approximately HK$71.9 million of the last corresponding period. It was mainly attributable to the decrease in share of the loss of an associate, ALEEES.

Direct investments business

The income from direct investments for the period under review was approximately HK$2.9 million, representing a decrease of approximately HK$3.7 million as compared with approximately HK$6.6 million of the last corresponding period before the elimination of inter-segment transactions. The segment profit before tax for the period under review of approximately HK$9.8 million comparing with the segment loss before tax for the last corresponding period of approximately HK$25.3 million. Such turnaround was mainly attributable to the reversal of impairment loss on loan receivables of approximately HK$17.8 million when such loan was fully settled.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Battery products business (discontinued operation)

The revenue from battery products business before the elimination of inter-segment transactions decreased from approximately HK$84.4 million of the last corresponding period to approximately HK$57.5 million of the period under review, representing a decrease of approximately 31.9%. It is mainly attributable to the slight decrease in demand from overseas market and the decrease in sales from the PRC market during current period as the Group was in the process of clearance of most of our last generation batteries during the last corresponding period.

The gross profit ratio from the battery products business from external customers increased from approximately 16.9% of the last corresponding period to approximately 39.8% of the period under review. Such decrease was mainly attributable to the reduction of the purchase price of raw material cost for productions margin and a lower gross margin for clearance of last generation batteries during the last corresponding period.

During the period under review, the battery products business narrowed its segment loss before tax to approximately HK$29.1 million from approximately HK$80.1 million of the last corresponding period, which was principally attributable to (i) the decrease in research and development expenses; and (ii) the decrease in the write-down of inventories of approximately HK$30.5 million.

Liquidity and Financial Resources

As at 30 September 2019, the cash and cash equivalents of the Group amounted to approximately HK$88.6 million (31 March 2019: approximately HK$163.9 million). The amounts were mainly denominated in Hong Kong dollars, Renminbi ("RMB") and United States dollars.

As at 30 September 2019, the Group recorded net current liabilities of approximately HK$2,772.1 million as compared with approximately HK$1,863.1 million as at 31 March 2019. It was primarily due to the substantial increase in current liabilities from approximately HK$4,409.3 million as at 31 March 2019 to approximately HK$5,035.3 million as at 30 September 2019. It was mainly due to the net effect of (i) the decrease in trade, bills and other payables of approximately HK$182.0 million resulted from the deconsolidation of the Guizhou Changjiang Group; (ii) the increase in trade payables, amounting to approximately HK$441.3 million, to fulfil the sale orders of public vehicles project, (iii) the increase in current portion of bank loans, as the Group was unable to make certain principal and/or interest repayments, the banks were entitled to request for their immediate repayment, therefore, certain portion of non-current bank loans, amounting to approximately HK$597.8 million, were reclassified as current bank loans; and (iv) the exchange rate fluctuations.

Total bank loans and other borrowings as at 30 September 2019 were approximately HK$2,648.8 million, representing a decrease of approximately HK$79.7 million as comparing with approximately HK$2,728.5 million as at 31 March 2019. Details of the bank loans and other borrowings are set out in note 16 to the condensed consolidated interim financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

As at 30 September 2019, the Group's lease liabilities amounted to approximately HK$106.3 million (31 March 2019: approximately HK$79.1 million). As the Group was unable to make certain principal and/or interest repayments relating to its lease liabilities amounted to approximately HK$73.7 million (31 March 2019: approximately HK$79.1 million), the creditors were entitled to request for their immediate repayment. A lease creditor had also commenced litigations against the Group for the repayment of the outstanding balances due of approximately HK$32.4 million. Certain lease liabilities were secured by certain machineries of the Group with an aggregate carrying amount of approximately HK$206.2 million (31 March 2019: approximately HK$224.4 million).

As at 30 September 2019, the Group is in total deficiency in equity of approximately HK$1,425.0 million (31 March 2019: approximately HK$535.5 million), the gearing ratio is not applicable. This was mainly attributable to the net effect of (i) the derecognition of non-controlling interests of approximately HK$531.8 million upon deconsolidation of the Guizhou Changjiang Group; (ii) the loss for the period of approximately HK$474.0 million; and (iii) the exchange rate fluctuations.

Subsequent to the reporting period, on 13 November 2019, a placing of new shares of the Company were completed for which the Company allotted and issued 280,000,000 ordinary shares of the Company under general mandate for HK$0.22 per new share and raised net funds of approximately HK$59.4 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 at fixed rates and relatively stable during the period under review. The Group has transactional currency exposures in RMB but substantial assets and liabilities of the Group were denominated in RMB and were mutually hedged. The Group has not entered into any foreign currency exchange forward contracts for hedging purposes during the period under review. The Board will closely monitor the foreign exchange exposure and consider appropriate hedging instruments when necessary.

Capital Structure

On 11 April 2019, a total of 833,330,000 new shares of the Company were allotted and issued at a price of HK$0.048 per share pursuant to a placing and subscription agreement dated 29 March 2019 entered into between the Company, Right Precious Limited as vendor and Morton Securities Limited as placing agent under the general mandate to issue shares granted at the annual general meeting of the Company held on 31 August 2018. Pursuant to which, the placing agent agreed to procure the placee to purchase 833,330,000 shares held by Right Precious Limited at the price of HK$0.048 per share and Right Precious Limited agreed to subscribe for 833,330,000 new shares at the price of HK$0.048 per share. As a result, the number of shares of the Company in issue increased from 26,489,743,774 as at 1 April 2019 to 27,323,073,774 as at 11 April 2019. The net proceeds of approximately HK$38.5 million were intended to be used for the repayment of debts and general working capital purpose. All of such net proceeds have been utilised, with approximately HK$33.1 million used for the repayment of debts and approximately HK$5.4 million used for the general working capital of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

On 17 July 2019, a total of 680,000,000 new shares of the Company were allotted and issued at a price of HK$0.035895 per share pursuant to a settlement agreement involving allotment and issue of new shares dated 10 July 2019 entered into between the Company, FDG Strategic Investment Limited (a wholly-owned subsidiary of the Company) and Florin Group, LLC as subscriber under the general mandate to issue shares granted at the annual general meeting of the Company held on 31 August 2018. As a result, the number of shares of the Company in issue increased to 28,003,073,774 as at 17 July 2019. There were no cash proceeds in respect of such issue and the new shares were issued to settle a promissory note issued by FDG Strategic Investment Limited.

On 5 September 2019, every twenty (20) issued and unissued shares of a par value of HK$0.01 each in the share capital of the Company were consolidated into one (1) consolidated share of a par value of HK$0.20 each (the "Share Consolidation"). The Share Consolidation was approved by the shareholders of the Company at the annual general meeting held on 3 September 2019 and became effective on 5 September 2019. As a result, the number of shares of the Company in issue was adjusted from 28,003,073,774 to 1,400,153,688 on 5 September 2019.

On 11 September 2019, a total of 65,000,000 new shares of the Company were allotted and issued to the trustee of the employees' share award scheme for grant of awards to selected participants pursuant to the employees' share award scheme of the Company. The grant of awards was approved by the Board on 17 April 2019 and the new shares were allotted and issued under the general mandate granted at the annual general meeting of the Company held on 31 August 2018. As a result, the number of shares of the Company in issue increased to 1,465,153,688 as at 11 September 2019. There were no cash proceeds in respect of such issue.

On 13 September 2019, a total of 204,316,184 new shares of the Company were allotted and issued at a price of HK$0.54 per share pursuant to a subscription agreement dated 30 June 2019 entered into between the Company and Sino Power Resources Inc. under the specific mandate to issue shares granted at the annual general meeting of the Company held on 3 September 2019. As a result, the number of shares of the Company in issue increased to 1,669,469,872 as at 13 September 2019. The net proceeds of approximately $110.3 million were intended to be used for and have been utilised for setting off against interest on certain debt owed by the Company to Sino Power Resources Inc.

As at 30 September 2019, the Company had (i) outstanding share options entitling holders to subscribe for a total of 109,990,000 shares of the Company; (ii) outstanding convertible bonds due 2020 in the amount of HK$400,000,000 which could be converted into 43,010,752 shares of the Company based on the conversion price of HK$9.30 (adjusted upon Share Consolidation); and (iii) outstanding convertible bonds due 2021 in the amount of HK$275,000,000 which could be converted into 27,500,000 shares of the Company based on the conversion price of HK$10.00 (adjusted upon Share Consolidation).

Save as disclosed above, the Group had no other debt securities or other capital instruments as at 30 September 2019.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Material Acquisition and Disposal

During the six months ended 30 September 2019, the Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures.

Pledge of Assets and Contingent Liabilities

There were pledge of assets as at 30 September 2019 and 31 March 2019 with details disclosed under the section heading "Liquidity and Financial Resources" and in notes 11(b) and 16 to the condensed consolidated interim financial statements. Including both continuing operations and discontinued operation, the pledged bank deposits of HK$55.4 million (31 March 2019: approximately HK$153.9 million) were pledged to secure mainly bank loans and other borrowings and bills payables.

The Group had no significant contingent liabilities as at 30 September 2019 (31 March 2019: nil).

Litigation

Details of the litigation updates of the Group are set out in notes 1, 11(b), 16(d) and 25 to the condensed consolidated interim financial statements.

Capital Commitments

Details of the capital commitments of the Group are set out in note 22 to the condensed consolidated interim financial statements.

Employees and Remuneration Policies

As of 30 September 2019, the Group had 54 employees (30 September 2018: 56 employees) in Hong Kong, 881 employees (30 September 2018: 2,277 employees) in the PRC and 29 employees (30 September 2018: nil) in the US. Total staff costs (including directors' emoluments and equity-settled-share-based payments) during the period under review amounted to approximately HK$116.7 million (six months ended 30 September 2018: approximately HK$155.1 million). The remuneration policies are determined with reference to market conditions and individual performance of staff. The Group participates in Mandatory Provident Fund Scheme in Hong Kong and state-managed retirement benefit schemes in the PRC. The Group has share option schemes, share award schemes and employee benefit trusts for the benefit of its directors and eligible participants.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FUTURE DEVELOPMENT

During the period under review, affected by factors such as the revision of subsidy policies regarding NEV by the Chinese government, the escalation of geopolitical risks and the intensifying Sino-US trade disputes, the NEV, battery and cathode material markets in China were under downward pressure. In particular, in July this year, the NEV market in China recorded its first negative growth in terms of both production volume and sales volume. Looking forward, the competition in the NEV, battery and cathode material markets in China will intensify and thus speed up the structural transformation of the industry. However, FDG has been actively expanding its EV business to the markets in developed countries in a bid to minimise the effect of the revision of subsidy policies regarding NEV by the Chinese government towards the Group.

Actively expand the EV business to markets in developed countries

With the official implementation of "The Notice of Further Improving the Financial Subsidy Policies for the Promotion and Application of New Energy Vehicles" (《關於進一步完善新能源汽車推廣應用財政補貼政策的通知》), the Chinese government has eliminated the subsidy for certain NEVs. The Group has been expanding its EV business to markets in developed countries as planned, as these developed countries have taken active measures to reduce waste gas emission and encourage the use of EVs by fleet operators and drivers through legislations such as the establishment of LEZ and ULEZ and the introduction of congestion pricing. Moreover, enterprises in developed countries tend to take more active actions in shouldering their corporate environmental responsibilities and will establish environmental goals to promote sustainable development. Looking forward, FDG will continue to focus on the development of electric commercial vehicle markets in developed countries and explore cooperation opportunities with more international brands so as to further increase the Group's market share in the electric commercial vehicle sector.

Continuous development and exploration of EV market in the US

Under the recent trend of imposing congestion zones in the US and given the low total cost of ownership of EV, various fleet operators in the US, such as Ryder and FedEx, are incentivised to switch to EV. Furthermore, the increasing shipping demand driven by the increasing use of e-commerce in the US will further stimulate the demand for electric commercial vehicles in the US. Looking forward, FDG will continue to pursue more opportunities for business development through cooperation with international brands, thereby further increasing its market share in the pure electric commercial vehicle segment in the US. In view of related environmental policies by the US government, economic incentives and the demand for electric commercial vehicles driven by the increasing shipping demand, the Group anticipates that EV business in the US will bring greater revenue to the Group and better returns to the shareholders in the future.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Actively explore and develop the energy services market

Looking ahead, FDG will devote more resources to explore and develop the energy services market with a view to satisfying the demand of fleet operators for energy services. In light of the rapid growth of the EV market, the Group expects that the demand for energy services will increase accordingly. The Group will actively develop innovative energy services that are safe and cost efficient, thereby providing fleet operators with turnkey energy solutions covering the construction of charging infrastructure as well as the management and maintenance of related facilities.

Continue to improve the quality of cathode material products

The research centre of the Group will continue to improve the quality of its cathode material products and production processes. Furthermore, the Group will continue to promote the Group's cathode material products and related services to potential customers, striving to expand its customer base and increase the Group's market share in the cathode material sector and hence bringing greater revenue to the Group.

Explore a business consolidation plan to streamline the corporate structure

The structural transformation of domestic battery industry and successively increased efforts in production capacity building of both domestic and overseas battery enterprises have all resulted in overcapacity and intensified competition in battery industry, leading the slowdown of growth in battery market size, along with declining profit margin. Given the Group's limited financial resources, the Group will continue to explore a business consolidation plan to streamline the corporate structure, divest the Group's battery business which has been classified as discontinued operation and expand different business opportunities, and thereby FDG can consolidate its resources to develop core business of electric commercial vehicles, improve product quality and increase production capacity with a view to creating revenue, thus bringing greater returns to the shareholders.

SUPPLEMENTARY INFORMATION

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

As at 30 September 2019, the interests and short positions of the directors and chief executive of the Company or their respective close associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long positions in the shares and underlying shares of the Company

Name of directors	Capacity	Number of ordinary shares of the Company	Number of underlying shares (unlisted and physically settled equity derivatives) of the Company *(Note 3)*	Total number of ordinary shares and underlying shares of the Company	Approximate percentage of issued ordinary share capital of the Company *(Note 4)*
Mr. Cao Zhong	Beneficial owner	340,000	11,500,000	11,840,000	0.71%
	Interest of controlled corporation	64,449,499	–	64,449,499 *(Note 1)*	3.86%
Mr. Jaime Che	Beneficial owner	50,000	8,300,000	8,350,000	0.50%
Dr. Chen Yanping	Beneficial owner	–	8,100,000	8,100,000	0.49%
	Interest of controlled corporation	32,906,250	–	32,906,250 *(Note 2)*	1.97%
Mr. Lo Wing Yat	Beneficial owner	1,058,950	2,100,000	3,158,950	0.19%
Mr. Chan Yuk Tong	Beneficial owner	–	1,700,000	1,700,000	0.10%
Mr. Fei Tai Hung	Beneficial owner	–	1,700,000	1,700,000	0.10%
Mr. Tse Kam Fow	Beneficial owner	–	1,700,000	1,700,000	0.10%

SUPPLEMENTARY INFORMATION *(Continued)*

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

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

Notes:

1. Mr. Cao Zhong is interested or deemed to be interested in a total of 76,289,499 shares and underlying shares of the Company including (i) 64,449,499 shares held by Long Hing International Limited which is wholly owned by Mr. Cao who is a director; and (ii) 340,000 shares and 11,500,000 share options*(Note 3)* held by Mr. Cao.

2. Dr. Chen Yanping is interested or deemed to be interested in a total of 41,006,250 shares and underlying shares of the Company including (i) 32,906,250 shares held by Captain Century Limited which is owned as to 60% by Dr. Chen and 40% by his spouse, Ms. Zhang Lu; and (ii) 8,100,000 share options*(Note 3)* held by Dr. Chen.

3. The interests in the underlying shares of the Company represent interests in options granted to the directors named above to subscribe for shares of the Company, further details of which are set out in the section headed "Share Option Schemes" below.

4. These percentages are calculated on the basis of 1,669,469,872 issued shares of the Company as at 30 September 2019.

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

Name of directors	Name of associated corporations	Capacity	Number of ordinary shares of the associated corporation	Number of underlying shares (unlisted and physically settled equity derivatives) of the associated corporation	Approximate percentage of issued ordinary share capital of the associated corporation
Mr. Jaime Che	Advanced Lithium Electrochemistry (Cayman) Co., Ltd. ("ALEEES")	Beneficial owner	–	2,000,000 *(Note 1)*	0.83% *(Note 2)*
Dr. Chen Yanping	簡式國際汽車設計(北京)有限公司 (Jasmin International Auto R&D (Beijing) Co., Ltd.*)	Beneficial owner	Registered capital of RMB7,200,000	–	9.00%

SUPPLEMENTARY INFORMATION *(Continued)*

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

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

Notes:

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

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

2. The percentage is calculated on the basis of 241,573,654 issued shares of ALEEES as at 30 September 2019.

* *For identification purpose only*

Save as disclosed above, as at 30 September 2019, 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.

SUPPLEMENTARY INFORMATION *(Continued)*

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

As at 30 September 2019, the persons, other than the directors or chief executive of the Company, who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of substantial shareholders	Capacity	Number of ordinary shares of the Company	Number of underlying shares (unlisted and physically settled equity derivatives) of the Company *(Note 5)*	Total number of ordinary shares and underlying shares of the Company	Approximate percentage of issued ordinary share capital of the Company *(Note 6)*
Sino Power Resources Inc.	Beneficial owner	204,316,184	43,010,752	247,326,936	14.81%
China Orient Asset Management (International) Holding Limited *(Note 1)*	Interest of controlled corporation	204,316,184	43,010,752	247,326,936	14.81%
Wise Leader Assets Ltd. *(Note 1)*	Interest of controlled corporations	204,316,184	43,010,752	247,326,936	14.81%
Dong Yin Development (Holdings) Limited *(Note 1)*	Interest of controlled corporations	204,316,184	43,010,752	247,326,936	14.81%
China Orient Asset Management Co., Ltd. *(Note 1)*	Interest of controlled corporations	204,316,184	43,010,752	247,326,936	14.81%
CITIC Limited *(Note 2)*	Interest of controlled corporations	123,744,806	–	123,744,806	7.41%
CITIC Group Corporation *(Note 2)*	Interest of controlled corporations	123,744,806	–	123,744,806	7.41%

SUPPLEMENTARY INFORMATION *(Continued)*

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

Name of substantial shareholders	Capacity	Number of ordinary shares of the Company	Number of underlying shares (unlisted and physically settled equity derivatives) of the Company *(Note 5)*	Total number of ordinary shares and underlying shares of the Company	Approximate percentage of issued ordinary share capital of the Company *(Note 6)*
Lang Sheng (Hong Kong) Investment Co., Limited	Beneficial owner	109,807,692	–	109,807,692	6.58%
寶應朗晟汽車有限公司 *(Note 3)*	Interest of controlled corporation	109,807,692	–	109,807,692	6.58%
拉薩朗晟企業管理有限公司 *(Note 3)*	Interest of controlled corporations	109,807,692	–	109,807,692	6.58%
金正源聯合投資控股有限公司 *(Note 4)*	Interest of controlled corporations	111,506,692	–	111,506,692	6.68%
無錫天地源投資有限公司 *(Note 4)*	Interest of controlled corporations	111,506,692	–	111,506,692	6.68%
無錫濱湖企業投資擔保有限公司 *(Note 4)*	Interest of controlled corporations	111,506,692	–	111,506,692	6.68%
無錫金源產業投資發展集團有限公司 *(Note 4)*	Interest of controlled corporations	111,506,692	–	111,506,692	6.68%
無錫市濱湖區供銷合作總社 *(Note 4)*	Interest of controlled corporations	111,506,692	–	111,506,692	6.68%
無錫市濱湖區經濟發展總公司管理委員會 *(Note 4)*	Interest of controlled corporations	111,506,692	–	111,506,692	6.68%

SUPPLEMENTARY INFORMATION *(Continued)*

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

Name of substantial shareholders	Capacity	Number of ordinary shares of the Company	Number of underlying shares (unlisted and physically settled equity derivatives) of the Company *(Note 5)*	Total number of ordinary shares and underlying shares of the Company	Approximate percentage of issued ordinary share capital of the Company *(Note 6)*
江蘇省無錫蠡園經濟開發區管理委員會 *(Note 4)*	Interest of controlled corporations	111,506,692	–	111,506,692	6.68%
頂屹(上海)投資管理有限公司 *(Note 4)*	Interest of controlled corporations	111,506,692	–	111,506,692	6.68%
Beijing Changhe Xingye Investment Co., Ltd. *(Note 4)*	Interest of controlled corporations	111,506,692	–	111,506,692	6.68%
Li Zhongqiang *(Note 4)*	Interest of controlled corporations	111,506,692	–	111,506,692	6.68%
Wang Zheng *(Note 4)*	Beneficial owner	20,192,308	–	20,192,308	1.21%
	Interest of controlled corporations	111,506,692	–	111,506,692	6.68%

Notes:

1. For the purpose of the SFO, China Orient Asset Management (International) Holding Limited ("COAMI") is deemed to be interested in a total of 247,326,936 shares and underlying shares*(Note 5)* of the Company including 204,316,184 shares and 43,010,752 underlying shares held by Sino Power Resources Inc.

   Sino Power Resources Inc. is a wholly-owned subsidiary of COAMI. COAMI is held as to 50% by Wise Leader Assets Ltd. and as to 50% by Dong Yin Development (Holdings) Limited. Wise Leader Assets Ltd. is a wholly-owned subsidiary of Dong Yin Development (Holdings) Limited, which in turn is a wholly-owned subsidiary of China Orient Asset Management Co., Ltd.

SUPPLEMENTARY INFORMATION *(Continued)*

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

Notes: (Continued)

2. For the purpose of the SFO, CITIC Limited is deemed to be interested in 123,744,806 shares of the Company including (i) 51,149,406 shares held by Right Precious Limited; (ii) 22,595,400 shares held by CITIC International Assets Management Limited; and (iii) 50,000,000 shares held by Star Mercury Investments Ltd.

   Right Precious Limited is a wholly-owned subsidiary of CITIC International Assets Management Limited of which CITIC International Financial Holdings Limited owns 46%. CITIC International Financial Holdings Limited is an indirect non-wholly owned subsidiary of CITIC Limited.

   Star Mercury Investments Ltd. is an indirect wholly-owned subsidiary of CITIC Limited.

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

3. For the purpose of the SFO, 寶應朗晟汽車有限公司 is deemed to be interested in 109,807,692 shares of the Company which are held by its wholly-owned subsidiary, Lang Sheng (Hong Kong) Investment Co., Limited.

   寶應朗晟汽車有限公司 is a wholly-owned subsidiary of 拉薩朗晟企業管理有限公司.

4. For the purpose of the SFO, 金正源聯合投資控股有限公司 is deemed to be interested in 111,506,692 shares of the Company including 1,699,000 shares held by Guoguang Global Asset Management (Hong Kong) Company Limited, and 109,807,692 shares held by Lang Sheng (Hong Kong) Investment Co., Limited, both of which are indirect wholly-owned subsidiaries of 金正源聯合投資控股有限公司.

   金正源聯合投資控股有限公司 is owned as to 40% by 無錫天地源投資有限公司 and as to 35% by 頂屹(上海)投資管理有限公司.

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

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

5. The interests in the underlying shares of the Company represent interests in the shares of the Company which will be allotted and issued to Sino Power Resources Inc. upon conversion of the convertible bonds issued by the Company at the conversion price of HK$9.30 per share.

6. These percentages are calculated on the basis of 1,669,469,872 issued shares of the Company as at 30 September 2019.

Save as disclosed above, as at 30 September 2019, the Company had not been notified of any interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register kept by the Company under Section 336 of the SFO.

SUPPLEMENTARY INFORMATION *(Continued)*

SHARE OPTION SCHEMES

(1) Share Option Scheme of the Company

On 28 February 2014, the share option scheme adopted by the Company on 30 March 2004 (the "2004 Scheme") was terminated and a new share option scheme (the "2014 Scheme") was approved and adopted by the shareholders of the Company for the purpose of enabling the Group to grant options to eligible participants (i) in recognition of their contribution to the Group; (ii) to attract and retain or otherwise maintain an on-going relationship with them for the benefit of the Group; and (iii) to align their interests with the shareholders of the Company, thereby encouraging them to work towards enhancing the value of the shares of the Company. The options granted under the 2004 Scheme remain exercisable and the 2014 Scheme will be effective for ten years until 27 February 2024.

Details of the options and movements in such holdings during the six months ended 30 September 2019 were as follows:

			Number of options							
Category of participants	Date of grant	Exercise price per option before Share Consolidation HK$	Outstanding as at 1.4.2019	Lapsed during the period before Share Consolidation	Outstanding share options immediately before Share Consolidation	Adjusted outstanding share options after Share Consolidation *(Note 6)*	Lapsed during the period after Share Consolidation	Outstanding as at 30.9.2019	Exercise period	Adjusted exercise price per option after Share Consolidation *(Note 6)* HK$
Directors										
Mr. Cao Zhong	28.4.2014	0.630	10,000,000	–	10,000,000	500,000	–	500,000	28.4.2016 – 27.4.2024 *(Note 2)*	12.60
	31.7.2017	0.400	220,000,000	–	220,000,000	11,000,000	–	11,000,000	31.7.2017 – 30.7.2027 *(Note 5)*	8.00
Mr. Jaime Che	4.9.2013	0.450	12,000,000	–	12,000,000	600,000	–	600,000	4.9.2015 – 3.9.2023 *(Note 2)*	9.00
	28.4.2014	0.630	4,000,000	–	4,000,000	200,000	–	200,000	28.4.2016 – 27.4.2024 *(Note 2)*	12.60
	31.7.2017	0.400	150,000,000	–	150,000,000	7,500,000	–	7,500,000	31.7.2017 – 30.7.2027 *(Note 5)*	8.00
Dr. Chen Yanping	28.4.2014	0.630	12,000,000	–	12,000,000	600,000	–	600,000	28.4.2016 – 27.4.2024 *(Note 2)*	12.60
	31.7.2017	0.400	150,000,000	–	150,000,000	7,500,000	–	7,500,000	31.7.2017 – 30.7.2027 *(Note 5)*	8.00

SUPPLEMENTARY INFORMATION *(Continued)*

SHARE OPTION SCHEMES *(Continued)*

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

Category of participants	Date of grant	Exercise price per option before Share Consolidation HK$	Number of options: Outstanding as at 1.4.2019	Lapsed during the period before Share Consolidation	Outstanding share options immediately before Share Consolidation	Adjusted outstanding share options after Share Consolidation *(Note 6)*	Lapsed during the period after Share Consolidation	Outstanding as at 30.9.2019	Exercise period	Adjusted exercise price per option after Share Consolidation *(Note 6)* HK$
Directors *(Continued)*										
Mr. Lo Wing Yat	8.5.2009	0.061	16,200,000	(16,200,000) *(Note 7)*	–	–	–	–	8.5.2010 – 7.5.2019 *(Note 3)*	–
	4.9.2013	0.450	8,000,000	–	8,000,000	400,000	–	400,000	4.9.2015 – 3.9.2023 *(Note 2)*	9.00
	28.4.2014	0.630	4,000,000	–	4,000,000	200,000	–	200,000	28.4.2016 – 27.4.2024 *(Note 2)*	12.60
	31.7.2017	0.400	30,000,000	–	30,000,000	1,500,000	–	1,500,000	31.7.2017 – 30.7.2027 *(Note 5)*	8.00
Mr. Chan Yuk Tong	8.5.2009	0.061	900,000	(900,000) *(Note 7)*	–	–	–	–	8.11.2010 – 7.5.2019 *(Note 4)*	–
	4.9.2013	0.450	8,000,000	–	8,000,000	400,000	–	400,000	4.9.2015 – 3.9.2023 *(Note 2)*	9.00
	28.4.2014	0.630	4,000,000	–	4,000,000	200,000	–	200,000	28.4.2016 – 27.4.2024 *(Note 2)*	12.60
	31.7.2017	0.400	22,000,000	–	22,000,000	1,100,000	–	1,100,000	31.7.2017 – 30.7.2027 *(Note 5)*	8.00
Mr. Fei Tai Hung	8.5.2009	0.061	900,000	(900,000) *(Note 7)*	–	–	–	–	8.11.2010 – 7.5.2019 *(Note 4)*	–
	4.9.2013	0.450	8,000,000	–	8,000,000	400,000	–	400,000	4.9.2015 – 3.9.2023 *(Note 2)*	9.00
	28.4.2014	0.630	4,000,000	–	4,000,000	200,000	–	200,000	28.4.2016 – 27.4.2024 *(Note 2)*	12.60
	31.7.2017	0.400	22,000,000	–	22,000,000	1,100,000	–	1,100,000	31.7.2017 – 30.7.2027 *(Note 5)*	8.00

SUPPLEMENTARY INFORMATION *(Continued)*

SHARE OPTION SCHEMES *(Continued)*

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

			Number of options							
Category of participants	Date of grant	Exercise price per option before Share Consolidation HK$	Outstanding as at 1.4.2019	Lapsed during the period before Share Consolidation	Outstanding share options immediately before Share Consolidation	Adjusted outstanding share options after Share Consolidation *(Note 6)*	Lapsed during the period after Share Consolidation	Outstanding as at 30.9.2019	Exercise period	Adjusted exercise price per option after Share Consolidation *(Note 6)* HK$
Directors *(Continued)*										
Mr. Tse Kam Fow	8.5.2009	0.061	900,000	(900,000) *(Note 7)*	–	–	–	–	8.11.2010 – 7.5.2019 *(Note 4)*	–
	4.9.2013	0.450	8,000,000	–	8,000,000	400,000	–	400,000	4.9.2015 – 3.9.2023 *(Note 2)*	9.00
	28.4.2014	0.630	4,000,000	–	4,000,000	200,000	–	200,000	28.4.2016 – 27.4.2024 *(Note 2)*	12.60
	31.7.2017	0.400	22,000,000	–	22,000,000	1,100,000	–	1,100,000	31.7.2017 – 30.7.2027 *(Note 5)*	8.00
Employees	4.9.2013	0.450	135,700,000	(15,800,000) *(Note 7)*	119,900,000	5,995,000	(90,000) *(Note 7)*	5,905,000	4.9.2015 – 3.9.2023 *(Note 2)*	9.00
	28.4.2014	0.630	51,600,000	(900,000) *(Note 7)*	50,700,000	2,535,000	–	2,535,000	28.4.2016 – 27.4.2024 *(Note 2)*	12.60
Others	4.9.2013	0.450	36,000,000	–	36,000,000	1,800,000	–	1,800,000	4.9.2015 – 3.9.2023 *(Note 2)*	9.00
	28.4.2014	0.630	13,000,000	–	13,000,000	650,000	–	650,000	28.4.2016 – 27.4.2024 *(Note 2)*	12.60
	31.7.2017	0.400	1,280,000,000	–	1,280,000,000	64,000,000	–	64,000,000 *(Note 8)*	31.7.2017 – 30.7.2027 *(Note 5)*	8.00
			2,237,200,000	(35,600,000)	2,201,600,000	110,080,000	(90,000)	109,990,000		
Weighted average exercise price *(HK$)*			0.413	0.248	0.416	8.312	9.000	8.311		
Exercisable as at 30.9.2019								9,905,000		9.00
								5,285,000		12.60

SUPPLEMENTARY INFORMATION *(Continued)*

SHARE OPTION SCHEMES *(Continued)*

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

Notes:

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

2. Options granted are subject to a vesting period up to five years with half of the options becoming exercisable 24 months after the relevant date of grant and the remainder becoming exercisable 60 months after the relevant date of grant.

3. Options granted are subject to a vesting period up to two years with 50%, 25% and 25% of the options becoming exercisable 12 months, 18 months and 24 months after the date of grant respectively.

4. Options granted are subject to a vesting period up to two years with half of the options becoming exercisable 18 months after the date of grant and the remainder becoming exercisable 24 months after the date of grant.

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

6. Upon the share consolidation on the basis that every twenty (20) issued and unissued shares of a par value of HK$0.01 each in the share capital of the Company were consolidated into one (1) consolidated share of a par value of HK$0.20 each (the "Share Consolidation") becoming effective on 5 September 2019, the exercise price and the number of outstanding options were adjusted accordingly.

7. During the six months ended 30 September 2019, a total of 35,450,000 vested options and 150,000 unvested options lapsed before Share Consolidation and a total of 90,000 vested options lapsed after Share Consolidation following the cessation of optionholders to be employees of the Company or eligible participants of the 2004 Scheme and/or the 2014 Scheme.

8. The number of options included 55,000,000 options granted to FDG EBT (Share Option) Limited.

9. No options were granted or exercised during the six months ended 30 September 2019.

SUPPLEMENTARY INFORMATION *(Continued)*

SHARE OPTION SCHEMES *(Continued)*

(2) Share Option Scheme of FDG Kinetic Limited

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

During the six months ended 30 September 2019, no share options of FKL were held by any of the directors, eligible employees and other participants of FKL under the FKL Share Option Scheme and no share options of FKL were granted, exercised, cancelled or lapsed under the FKL Share Option Scheme.

No expenses were recognised by the FKL Group for the six months ended 30 September 2019 (six months ended 30 September 2018: nil).

EMPLOYEES' SHARE AWARD SCHEMES

The Company has adopted an employees' share award scheme on 29 June 2015 with the scheme rules amended on 28 November 2016. FKL has also adopted an employees' share award scheme on 10 February 2017. The objectives of the employees' share award schemes of the Company and FKL are (i) to recognise the contributions by the eligible participants and to motivate them for the continual operation and further development of the respective companies and their subsidiaries; (ii) to align the interests of the eligible participants with the shareholders of the respective companies for the benefit of the respective groups of companies; and (iii) to attract and retain suitable personnel for the interest of the respective groups of companies and the respective companies' shareholders as a whole.

The board of directors of the Company (the "Board") or FKL may designate any eligible participant for participation in the respective employees' share award schemes, including employee, director, officer, agent, supplier, customer, business partner, advisor, consultant (or its representative or employee) or employee of any member of the respective groups, nominee and/or trustee of any employee benefit trust established by the respective companies, or any other person as determined by the board of directors of the respective companies who it considers will contribute or have contributed to the respective groups of companies and determine the number of shares to be awarded. The number of shares of the Company or FKL granted under the respective employees' share award schemes is limited to 8% of the issued share capital of the respective companies at all relevant times. Further details of the employees' share award scheme of the Company are disclosed in the announcements of the Company dated 29 June 2015 and 28 November 2016 and further details of the employees' share award scheme of FKL are disclosed in the announcement of FKL dated 10 February 2017.

SUPPLEMENTARY INFORMATION *(Continued)*

EMPLOYEES' SHARE AWARD SCHEMES *(Continued)*

During the six months ended 30 September 2019, a total of 65,000,000 shares (adjusted upon Share Consolidation) were allotted and issued to the trustee of the employees' share award scheme of the Company and the trustee and the Company were in the process of granting the share awards to the selected participants. Further details of the selected participants and the vesting conditions are set out in the Company's announcements dated 17 April 2019 and 29 August 2019 respectively.

No shares were awarded under the employees' share award scheme of FKL during the six months ended 30 September 2019.

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 2019 and up to the date of this report, except for the following deviations.

Code provision A.2.1

Both the roles of chairman and chief executive were vested with Mr. Cao Zhong ("Mr. Cao") from 28 May 2014 to 18 July 2019. This constitutes a deviation from code provision A.2.1 of the Code which requires the roles of the chairman and chief executive to be separated and performed by different individuals. The Board considered that it would be more effective in implementing the Company's business strategies under such arrangement as the Group expanded into the electric vehicle sector and that a balance of power and authority was maintained at all times as the Board comprised experienced and high calibre individuals including sufficient number of independent non-executive directors as required under the Listing Rules.

To enhance the corporate governance of the Company, on 19 July 2019, Mr. Cao resigned as the Chief Executive Officer of the Company but remained as an executive director and the Chairman of the Company, and Mr. Jaime Che, an executive director of the Company, was appointed as the Chief Executive Officer of the Company. Therefore, the Company has complied with code provision A.2.1 of the Code since 19 July 2019.

Code provision E.1.2

Pursuant to code provision E.1.2 of the Code, the chairman of the board should attend the annual general meeting. Mr. Cao, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 3 September 2019 (the "2019 AGM") due to other business engagement. Mr. Chan Yuk Tong, an independent non-executive director of the Company, took the chair of the 2019 AGM.

SUPPLEMENTARY INFORMATION *(Continued)*

CHANGES IN DIRECTORS' INFORMATION

There are no changes in the information of the directors of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the publication of the 2018/19 annual report of the Company.

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 2019.

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

During the six months ended 30 September 2019, 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 27 to the condensed consolidated interim financial statements.

REVIEW OF INTERIM RESULTS

The Audit Committee of the Company has reviewed with the management the unaudited consolidated interim results of the Group for the six months ended 30 September 2019 and this report.

On behalf of the Board
FDG Electric Vehicles Limited
Cao Zhong
Chairman

Hong Kong, 29 November 2019

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

Website: http://www.fdgev.com