



**FDG Kinetic Limited**  
**五龍動力有限公司**

(Incorporated in Bermuda with limited liability)  
Stock Code : 378

**GREEN**  
& **GROWTH**



**2020/21** INTERIM REPORT

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The board of directors (the “Board”) of FDG Kinetic Limited (the “Company”) presents the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively referred as the “Group”) for the six months ended 30 September 2020 together with the comparative figures for the six months ended 30 September 2019 as follows:

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2020

	Notes	Six months ended 30 September 2020 HK\$'000 (Unaudited)	Six months ended 30 September 2019 HK\$'000 (Unaudited)
<b>Revenue</b>	3		
Goods and services		<b>14,521</b>	29,362
Interest income		<b>77</b>	2,855
<b>Total revenue</b>		<b>14,598</b>	32,217
Cost of sales		<b>(14,181)</b>	(29,212)
		<b>417</b>	3,005
Other income		<b>400</b>	48
Other losses	5	<b>(5,495)</b>	(3,923)
Selling and distribution costs		<b>(785)</b>	(1,140)
General and administrative expenses		<b>(16,873)</b>	(23,909)
Research and development expenses		<b>(3,115)</b>	(4,275)
Finance costs	6	<b>(27,386)</b>	(21,097)
Other operating expenses	9	<b>(5,770)</b>	–
(Impairment losses)/Reversal of impairment losses on financial assets at amortised cost, net	7	<b>(6,008)</b>	2,372
Share of results of associates		–	(20,531)
Share of results of a joint venture		<b>3,798</b>	3,286
<b>Loss before taxation</b>		<b>(60,817)</b>	(66,164)
Income tax credit	8	<b>910</b>	932
<b>Loss for the period</b>	9	<b>(59,907)</b>	(65,232)



	Note	Six months ended 30 September 2020 HK\$'000 (Unaudited)	Six months ended 30 September 2019 HK\$'000 (Unaudited)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
– Exchange differences arising from translation of foreign operations		1,373	(3,018)
– Share of other comprehensive income of associates		–	(6,668)
– Share of other comprehensive income of a joint venture		4,012	(5,284)
Other comprehensive income for the period		5,385	(14,970)
<b>Total comprehensive income for the period</b>		<b>(54,522)</b>	(80,202)
<b>Loss for the period attributable to owners of the Company</b>		<b>(59,907)</b>	(65,232)
<b>Other comprehensive income for the period attributable to owners of the Company</b>		<b>5,385</b>	(14,970)
<b>Total comprehensive income for the period attributable to owners of the Company</b>		<b>(54,522)</b>	(80,202)
<b>Loss per share</b>	10	<b>HK cents</b>	HK cents
Basic and diluted		<b>(0.89)</b>	(0.97)



# Condensed Consolidated Statement of Financial Position

At 30 September 2020

	Notes	At 30 September 2020 HK\$'000 (Unaudited)	At 31 March 2020 HK\$'000 (Audited)
<b>Non-current assets</b>			
Intangible assets		24,427	28,940
Property, plant and equipment		157,679	161,587
Right-of-use asset		16,222	15,785
Interests in an associate	11	–	–
Interest in a joint venture		106,227	98,417
Other non-current assets		367	367
		<b>304,922</b>	305,096
<b>Current assets</b>			
Inventories		5,215	9,421
Trade, bills and other receivables	13	48,588	49,798
Loan receivables	12	54,643	52,555
Financial assets at fair value through profit or loss		92,230	94,944
Amount due from an associate	11	–	5,213
Cash and cash equivalents		31,725	34,461
		<b>232,401</b>	246,392



	Notes	At 30 September 2020 HK\$'000 (Unaudited)	At 31 March 2020 HK\$'000 (Audited)
<b>Current liabilities</b>			
Bank and other borrowings	15	236,647	232,901
Trade payables	14	18,835	17,865
Accruals and other payables		185,420	151,814
Contract liabilities		1,605	419
Loan from the ultimate holding company		49,100	49,100
Lease liability		38,528	37,200
Tax payables		4,172	4,020
		<b>534,307</b>	493,319
<b>Net current liabilities</b>		<b>(301,906)</b>	(246,927)
<b>Total assets less current liabilities</b>		<b>3,016</b>	58,169
<b>Non-current liabilities</b>			
Deferred tax liabilities		7,004	7,635
<b>NET (LIABILITIES)/ASSETS</b>		<b>(3,988)</b>	50,534
<b>CAPITAL AND RESERVES</b>			
Share capital	16(b)	1,350,659	1,350,659
Reserves		(1,354,647)	(1,300,125)
<b>TOTAL (DEFICIT)/EQUITY</b>		<b>(3,988)</b>	50,534



# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2020

	Attributable to owners of the Company						
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Exchange reserve HK\$'000	Other reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2020 (Audited)	1,350,659	2,429,465	82,445	(24,479)	6,849	(3,794,405)	50,534
Loss for the period	-	-	-	-	-	(59,907)	(59,907)
Other comprehensive Income	-	-	-	5,385	-	-	5,385
Total comprehensive income for the period	-	-	-	5,385	-	(59,907)	(54,522)
<b>At 30 September 2020 (Unaudited)</b>	<b>1,350,659</b>	<b>2,429,465</b>	<b>82,445</b>	<b>(19,094)</b>	<b>6,849</b>	<b>(3,854,312)</b>	<b>(3,988)</b>
At 1 April 2019 (Audited)	1,350,659	2,429,465	82,445	(18,848)	6,849	(3,436,987)	413,583
Loss for the period	-	-	-	-	-	(65,232)	(65,232)
Other comprehensive income	-	-	-	(14,970)	-	-	(14,970)
Total comprehensive income for the period	-	-	-	(14,970)	-	(65,232)	(80,202)
At 30 September 2019 (Unaudited)	1,350,659	2,429,465	82,445	(33,818)	6,849	(3,502,219)	333,381



# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2020

	<b>Six months ended 30 September 2020 HK\$'000 (Unaudited)</b>	Six months ended 30 September 2019 HK\$'000 (Unaudited)
<b>Net cash generated (used in)/from operating activities</b>	<b>(3,870)</b>	7,080
<b>Investing activities</b>		
Proceeds from repayment of loan receivables	–	82,360
Purchase of property, plant and equipment	<b>(21)</b>	(15)
<b>Net cash (used in)/from investing activities</b>	<b>(21)</b>	82,345
<b>Financing activities</b>		
Repayment of bank and other borrowings	<b>(528)</b>	(39,790)
Interest paid	–	(14,547)
New other borrowings raised	–	60,000
Repayment of lease liability	<b>(146)</b>	(1,589)
Loan from the ultimate holding company	–	41,000
Repayment to the ultimate holding company	–	(127,300)
<b>Net cash used in financing activities</b>	<b>(674)</b>	(82,226)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(4,565)</b>	7,199
<b>Cash and cash equivalents at the beginning of the period</b>	<b>34,461</b>	6,587
<b>Effect of foreign exchange rate changes</b>	<b>1,829</b>	(1,658)
<b>Cash and cash equivalents at the end of the period</b>	<b>31,725</b>	12,128





# Notes to the Condensed Consolidated Interim Financial Statements

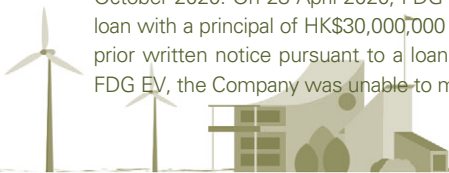
## 1. Basis of Preparation

The condensed consolidated interim financial information 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”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The condensed consolidated interim financial information should be read in conjunction with the Group’s audited consolidated financial statements for the year ended 31 March 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

During the six months ended 30 September 2020, the Group incurred a net loss attributable to owners of the Company of approximately HK\$59,907,000 and, at 30 September 2020, the Group had net current liabilities of approximately HK\$301,906,000 and net liabilities of approximately HK\$3,988,000, of which, the Group’s aggregate bank and other borrowings and lease liability amounted to approximately HK\$236,647,000 and HK\$38,528,000, respectively, while its cash and cash equivalents amounted to approximately HK\$31,725,000. As at 30 September 2020, repayments in respect of the Group’s aggregate bank and other borrowings and lease liability were overdue and they have become immediately repayable under the relevant financing contracts.

Since 29 April 2020, the Company has been put into receivership by SHK Finance Limited (“SHK Finance”) to which the Group owned debts of approximately HK\$60,000,000 plus relevant overdue interests, which amounts are secured by way of fixed and floating charges over the assets and whole undertakings of the Company under a debenture dated 5 September 2019 executed by the Company in favour of the creditor. On 14 May 2020, Join View Development Limited (“Join View”), to which the Company owed outstanding debt of approximately HK\$65,000,000 plus relevant overdue interests, submitted a petition to the High Court of the Hong Kong Special Administrative Region (the “HK Court”) for an order for the compulsory winding up of the Company. FDG Electric Vehicles Limited (Joint Provisional Liquidators Appointed) (“FDG EV”), the ultimate holding company, joined as a party opposed the petition, and the petition was heard before the HK Court on 5 August 2020 and 10 August 2020, and a second call-over hearing of the petition has been adjourned to 19 October 2020. On 28 April 2020, FDG EV demanded the Company to repay the outstanding loan with a principal of HK\$30,000,000 (the “Demanded Loan”) by giving one business day’s prior written notice pursuant to a loan agreement entered into between the Company and FDG EV, the Company was unable to make repayment up to the date of this report.



## 1. Basis of Preparation (continued)

In addition, as at 30 September 2020, there were outstanding litigations brought by trade and other creditors, and a lease creditor against a subsidiary requesting the subsidiary to repay the outstanding trade and other payables, other borrowings and lease liability, amounting to approximately HK\$6,849,000, HK\$75,068,000 and HK\$38,528,000, respectively, for which the court hearings are still in progress. The Group is currently reviewing the legal documents and considering various alternatives and negotiations to resolve these litigations with the plaintiffs. Further details of these litigations are disclosed in Note 20 to this report.

In view of such circumstances, the directors of the Company (the “Directors”) have given careful consideration to the future liquidity and financial position of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain plans and measures have been taken or formulated to mitigate the liquidity pressure and to improve the Group’s financial position which include, but are not limited to, the followings:

- (i) The Group and the Receivers (as defined below) of the Company are actively looking for potential buyers to acquire all or part of the Group’s non-core assets and business, such as the Group’s financial assets at fair value through profit or loss (“FVTPL”) and investment in the joint venture with an aggregate book value of HK\$198,457,000 as of 30 September 2020;
- (ii) The Group is negotiating with SHK Finance for the renewal or extension of the secured other borrowings of HK\$60,000,000 and overdue interests. SHK Finance informed the Company on 29 April 2020 that receivers and managers (the “Receivers”) have been appointed. The Group expect such negotiations will bear results upon the completion of the Reorganisation Plan (as defined below);
- (iii) The Group is negotiating with Join View for the renewal or extension of the unsecured other borrowings of HK\$65,000,000 and overdue interests. Join View filed a petition with the HK Court on 14 May 2020 for an order that the Company be wound up by the HK Court. The Group expects such negotiations will bear result upon the completion of the Reorganisation Plan (as defined below);
- (iv) The Group is proactively looking for investors to refinance the loans from SHK Finance and Join View; and



## 1. Basis of Preparation (continued)

- (v) The Board proposed to conduct a fund raising by way of a rights issue involving a capital reorganisation proposal comprising of consolidation of existing issued and unissued Shares and reduction in the share capital of the Company (the “Reorganisation Plan”). The Reorganisation Plan is subject to approvals by the shareholders of the Company in general meeting. The Company has made submissions to the Stock Exchange in respect of the Reorganisation Plan. Further announcement containing, among other things, details of the Reorganisation Plan will be made by the Company pending the outcome of the Company’s consultation on Rule 7.27B of the Listing Rules with the Stock Exchange.

The Board has reviewed the Group’s cash flow projections prepared by the management of the Group. The cash flow projections cover a period of not less than twelve months from the date of this report. The Board is of the opinion that, taking into accounts the successful implementation of the above-mentioned plans and measures, the Group will have sufficient working capital to finance its obligations and to meet its financial obligations as they fall due for not less than twelve months from the date of this report. Accordingly, the Directors are satisfied that it is appropriate to prepare the condensed consolidated interim financial statements on a going concern basis.

Notwithstanding the above, since the execution of the plans and measures are at a preliminary stage, significant uncertainties exist as to whether management of the Group will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group’s ability to generate adequate financing and operating cash flows through the following plans and measures which are not yet completed at the date of this report:

- (i) Successful disposal of all or part of the Group’s non-core assets and business, such as financial assets at FVTPL and investment in the joint venture;
- (ii) Successful negotiation and the signing of a formal extension agreement with SHK Finance for the renewal of or extension for repayments of outstanding secured other borrowings of HK\$60,000,000 and overdue interests or alternatively, successful refinancing of the overdue amount;



## 1. Basis of Preparation (continued)

- (iii) Successful negotiation and the signing of a formal extension agreement with Join View for the renewal of or extension for repayments of outstanding unsecured other borrowings of HK\$65,000,000 and overdue interests or alternatively, successful refinancing of the overdue amount;
- (iv) Successful refinancing of the loans from SHK Finance and Join View; and
- (v) Successful implementation of Reorganisation Plans which, amongst others, would involve capital reorganisation and debts restructuring, and new funding from potential investors.

Should the Group fail to achieve the intended effects resulting from the above mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to reclassify the Group's non-current assets and non-current liabilities as current assets and current liabilities respectively, to write down the carrying amounts of the Group's assets to their net realisable amounts and to provide for any further liabilities which might arise. The effects of these adjustments have not been reflected in the condensed consolidated interim financial statements.

## 2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs")

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 2020, except in relation to the following amendments to HKFRSs issued by the HKICPA that are adopted for the first time in the current accounting period:

Amendments to HKFRS 3  
Amendments to HKFRS 16

Definition of a Business  
COVID-19-Related Rent Concessions



## 2. Application of New and Amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) (continued)

Impacts of the adoption of the amended HKFRSs are discussed below:

### **Amendments to HKFRS 3, Definition of a Business**

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional “concentration test” that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The amendments did not have a material impact on the Group’s condensed consolidated interim financial statements.

### **Amendments to HKFRS 16, COVID-19-Related Rent Concessions**

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic (“COVID-19-related rent concessions”) are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the interim reporting period. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 April 2020.



### 3. Revenue

#### (I) Disaggregation of revenue

	Notes	Six months ended 30 September 2020 HK\$'000 (Unaudited)	Six months ended 30 September 2019 HK\$'000 (Unaudited)
<b>Revenue from contracts with customers</b>			
– Sales of cathode materials for battery production	(a)	5,695	28,626
– Provision of processing services	(a)	8,826	736
		<b>14,521</b>	29,362
<b>Interest income</b>	(b)	<b>77</b>	2,855
		<b>14,598</b>	32,217
<b>Geographical markets and revenue from contracts with customers</b>			
The People's Republic of China (the "PRC")		14,521	29,362
Hong Kong		–	–
		<b>14,521</b>	29,362

Notes:

- (a) Sales of cathode materials for battery production and revenue from the provision of processing services are classified as revenue under battery materials production segment in the segment information. Both types of revenue are recognised at a point in time.
- (b) Interest income is classified as revenue under direct investments in the segment information.



### 3. Revenue (continued)

#### (II) Performance Obligations For Contracts With Customers

***Sales of cathode materials for battery production (revenue recognised at a point in time)***

Revenue is recognised when control of the goods has transferred, being when the goods have been delivered to the customers' specified location. The normal credit term is 30 to 90 days (six months ended 30 September 2019: 30 to 90 days) upon delivery.

Revenue is recognised for sales which are considered highly probable that a significant reversal in the cumulative revenue recognised will not occur. A contract liability is recognised for sales in which revenue has yet been recognised.

***Provision of processing services (revenue recognised at a point in time)***

Revenue from the provision of processing services is recognised when the customers obtains the control of services and the Group has the present right to payment and the collection of the consideration is probable.

#### (III) Transaction Price Allocated To The Remaining Performance Obligation For Contracts With Customers

All the revenue from contracts with customers are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.



## 4. Segment Information

The segment information reported to the Directors, being the chief operating decision makers (the “CODM”) for the purposes of resource allocation and assessment of segment performance, focuses on type of goods delivered or services provided.

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

- (i) Battery materials production segment, which includes research and development, manufacture and sales of cathode materials for nickel-cobalt-manganese lithium-ion batteries and provision of processing services and the Group’s investment in Advanced Lithium Electrochemistry (Cayman) Co., Ltd. (“ALEEES”); and
- (ii) Direct investments segment, which includes loan financing, securities trading and asset investment.

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

	Battery Materials Production		Direct Investments		Total	
	Six months ended 30 September 2020 HK\$'000 (Unaudited)	Six months ended 30 September 2019 HK\$'000 (Unaudited)	Six months ended 30 September 2020 HK\$'000 (Unaudited)	Six months ended 30 September 2019 HK\$'000 (Unaudited)	Six months ended 30 September 2020 HK\$'000 (Unaudited)	Six months ended 30 September 2019 HK\$'000 (Unaudited)
Reportable segment revenue from external customers	14,521	29,362	77	2,855	14,598	32,217
Reportable segment results	(38,754)	(53,980)	(14,169)	(3,976)	(52,923)	(57,956)
Central administrative costs and directors’ remuneration					(7,894)	(8,208)
Loss before taxation					(60,817)	(66,164)

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





## 4. Segment Information (continued)

### (a) Segment assets and liabilities

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

	<b>At 30 September 2020 HK\$'000 (Unaudited)</b>	At 31 March 2020 HK\$'000 (Audited)
<b>Segment assets</b>		
Battery materials production	<b>331,104</b>	345,582
Direct investments	<b>174,294</b>	170,166
Total segment assets	<b>505,398</b>	515,748
Unallocated assets	<b>31,925</b>	35,740
Consolidated assets	<b>537,323</b>	551,488
<b>Segment liabilities</b>		
Battery materials production	<b>244,391</b>	221,266
Direct investments	<b>247,854</b>	245,245
Total segment liabilities	<b>492,245</b>	466,511
Unallocated liabilities	<b>49,066</b>	34,443
Consolidated liabilities	<b>541,311</b>	500,954

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

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



## 4. Segment Information (continued)

### (b) Seasonality of operations

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

## 5. Other Losses

	<b>Six months ended 30 September 2020 HK\$'000 (Unaudited)</b>	Six months ended 30 September 2019 HK\$'000 (Unaudited)
Net foreign exchange loss	<b>1,268</b>	3,200
Net loss on financial assets at fair value through profit or loss	<b>2,715</b>	723
Write-down of inventories	<b>1,512</b>	–
	<b>5,495</b>	3,923

## 6. Finance Costs

	<b>Six months ended 30 September 2020 HK\$'000 (Unaudited)</b>	Six months ended 30 September 2019 HK\$'000 (Unaudited)
Interest on lease liability	<b>7,265</b>	3,686
Interest on bank and other borrowings	<b>20,121</b>	17,411
	<b>27,386</b>	21,097



## 7. (Impairment Losses)/Reversal of Impairment Losses on Financial Assets at Amortised Cost, Net

	<b>Six months ended 30 September 2020 HK\$'000 (Unaudited)</b>	Six months ended 30 September 2019 HK\$'000 (Unaudited)
Impairment loss on amount due from an associate	<b>(5,260)</b>	(16,550)
Impairment loss on trade receivables	<b>(1,302)</b>	–
Reversal of impairment losses on trade receivables	<b>554</b>	1,119
Reversal of impairment loss on loan and interest receivables, net	–	17,803
	<b>(6,008)</b>	2,372

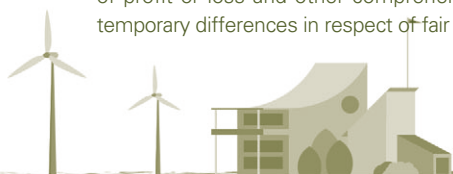
## 8. Income Tax Credit

	<b>Six months ended 30 September 2020 HK\$'000 (Unaudited)</b>	Six months ended 30 September 2019 HK\$'000 (Unaudited)
Deferred tax and total income tax credit for the period	<b>(910)</b>	(932)

No provision for the Hong Kong Profits Tax has been made for the six months ended 30 September 2020 and 2019 as the Group did not have any assessable profits in Hong Kong.

No PRC income tax has been provided for both periods as the Group did not have any assessable profits in the PRC.

The deferred tax of approximately HK\$910,000 (six months ended 30 September 2019: approximately HK\$932,000) that has been credited to the condensed consolidated statement of profit or loss and other comprehensive income arose from origination and reversal of temporary differences in respect of fair value adjustment on business combination.



## 9. Loss for the Period

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

	<b>Six months ended 30 September 2020 HK\$'000 (Unaudited)</b>	Six months ended 30 September 2019 HK\$'000 (Unaudited)
Cost of inventories recognised as expenses	<b>14,181</b>	29,212
Amortisation of intangible assets	<b>5,512</b>	7,031
Amortisation of right-of-use asset	<b>186</b>	190
Depreciation of property, plant and equipment	<b>10,074</b>	12,906
Less: Amounts capitalised in inventories	<b>(3,903)</b>	(10,890)
	<b>6,171</b>	2,016
Other operating expenses (Note)	<b>5,770</b>	–
Bank interest income	<b>(8)</b>	(16)

Note:

The other operating expenses mainly represent depreciation of property, plant and equipment of approximately HK\$5,770,000 (2019: Nil) arising from the under-utilisation of production capacity of the battery materials production in Chongqing.



## 10. Loss per Share

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

	<b>Six months ended 30 September 2020 HK\$'000 (Unaudited)</b>	Six months ended 30 September 2019 HK\$'000 (Unaudited)
<b>Loss:</b>		
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	<b>59,907</b>	65,232
	<b>Six months ended 30 September 2020 (Unaudited)</b>	Six months ended 30 September 2019 (Unaudited)
<b>Number of shares:</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<b>6,753,293,913</b>	6,753,293,913

The diluted loss per share for the six months ended 30 September 2020 and 2019 was equal to the basic loss per share as there were no potential dilutive shares outstanding.



## 11. Interests in Associates and Balance with Associates

	At 30 September 2020 HK\$'000 (Unaudited)	At 31 March 2020 HK\$'000 (Audited)
(a) Interest in associates		
Cost of investment in associates		
Listed in Taiwan	–	–
Unlisted	<b>750,000</b>	750,000
Share of post-acquisition losses and other comprehensive expenses	<b>(276,047)</b>	(276,047)
Less: Impairment loss	<b>(473,953)</b>	(473,953)
	–	–
(b) Amount due from an associate (Note)		
Advances	<b>99,886</b>	99,838
Less: allowance for expected credit losses	<b>(99,886)</b>	(94,625)
	–	5,213

Note:

As at 30 September 2020, the balance represented three unsecured loans to an associate with total principal sum of approximately HK\$99,886,000 (31 March 2020: approximately HK\$99,838,000), which are interest bearing at 6% per annum and with maturity within one year. As at 30 September 2020, all unsecured loans were due.



## 12. Loan Receivables

	<b>At 30 September 2020 HK\$'000 (Unaudited)</b>	At 31 March 2020 HK\$'000 (Audited)
Fixed-rate loan receivables	<b>54,643</b>	52,555
Less: allowance for ECL	–	–
Net fixed-rate loan receivables	<b>54,643</b>	52,555

Included in the Group's loan receivables balances are debtors with aggregate carrying amount of approximately HK\$54,643,000 (31 March 2020: approximately HK\$52,555,000) which are past due over one year before the extension of the Contract Year (as defined in Note below) for which the Group has not provided for impairment loss. A deposit of approximately HK\$63,728,000 (31 March 2020: approximately HK\$61,292,000) has been received by the Group as the settlement received in advance for such loan receivables. Details are set out in the Note below.



## 12. Loan Receivables (continued)

Note:

As at 30 September 2020, the loan receivables mainly represented the loan secured by a mining right of an iron ore mine in the PRC (the "Mining Loan"). On 17 December 2015, the Group appointed CITIC International Assets Management Limited ("CIAM") as its exclusive agent in collecting and handling the Mining Loan and its outstanding accrued interest for twenty four calendar months from 17 December 2015 (the "Contract Year"). CIAM should pay deposits by instalments of RMB56,000,000 in total (equivalent to approximately HK\$63,078,000) to the Group by 31 May 2016. CIAM undertook to collect RMB56,000,000 (the "Agreed Amount") for the Group and should the amount collected exceed the Agreed Amount, the excess will be paid to CIAM as agency fee. The Group also has the right to exercise a put option to sell the Mining Loan to CIAM at the consideration of the Agreed Amount less any amount recovered from the Mining Loan during the Contract Year and the Group is able to use deposits received from CIAM to offset the Mining Loan. On 15 December 2017, the Contract Year has been extended for another six calendar months to 17 June 2018. On 15 June 2018, the Contract Year has been extended for another three calendar months to 17 September 2018. On 14 December 2018, the Contract Year has been extended for another one calendar month to 17 January 2019 and no further extension of the Contract Year since then. In the opinion of the Directors, the fair value of the put option is insignificant as the collateral is worth more than the exercise price of the put option. As at 30 September 2020, the Group had received deposits of approximately HK\$63,728,000 (31 March 2020: approximately HK\$61,292,000) from CIAM and included in the Group's accruals and other payables. As at 12 April 2019, the Group entered into a sale and purchase agreement with CIAM for the disposal of the subsidiary which hold such Mining Loan to CIAM. As at the date of approval of the consolidated financial statements, the transaction was not yet been completed.

Before granting any new loans, the Directors will assess the potential borrower's credit quality and define credit limits of the borrower. The Directors will continuously assess the recoverability of loan receivables.

The Group has a concentration of credit risk in the above loans as one borrower (31 March 2020: one) accounted for 100% (31 March 2020: 100%) of total fixed-rate loan receivables as at 30 September 2020. In order to minimise the credit risk, management of the Group has monitored the repayment ability of the borrowers continuously.

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

	<b>At</b>	At
	<b>30 September</b>	31 March
	<b>2020</b>	2020
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
On demand and due within one year	<b>54,643</b>	52,555





### 13. Trade, Bills and Other Receivables

	At 30 September 2020 HK\$'000 (Unaudited)	At 31 March 2020 HK\$'000 (Audited)
Trade receivables	18,680	19,214
Bills receivables	114	109
	<b>18,794</b>	19,323
Less: allowance for expected credit loss ("ECL")	<b>(14,605)</b>	(13,308)
	<b>4,189</b>	6,015
Value-added tax receivables	<b>27,725</b>	27,459
Interest receivables	<b>9,085</b>	8,737
Other receivables	<b>1,683</b>	346
Deposits and prepayments	<b>5,906</b>	7,241
	<b>48,588</b>	49,798



### 13. Trade, Bills and Other Receivables (continued)

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

	<b>At 30 September 2020 HK\$'000 (Unaudited)</b>	At 31 March 2020 HK\$'000 (Audited)
Within one month	<b>2,566</b>	–
Between one and three months	<b>2</b>	–
Over three months	<b>1,621</b>	6,015
	<b>4,189</b>	6,015

Trading terms with customers are either on a cash basis or on credit. For those customers who trade on credit, a credit period of 30 to 90 days is allowed. Credit limits are set for customers. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. Overdue balances are regularly reviewed by the management of the Group. The carrying amounts of the receivables approximate their fair values.



## 14. Trade Payable

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

	<b>At 30 September 2020 HK\$'000 (Unaudited)</b>	At 31 March 2020 HK\$'000 (Audited)
Within one month	<b>2,441</b>	–
Between one and three months	<b>270</b>	–
Over three months	<b>16,124</b>	17,865
	<b>18,835</b>	17,865

The carrying amounts of trade payables approximate their fair values.

## 15. Bank and Other Borrowings

	<b>At 30 September 2020 HK\$'000 (Unaudited)</b>	At 31 March 2020 HK\$'000 (Audited)
Amounts due within one year:		
Secured bank borrowings (Note (i))	<b>36,579</b>	35,702
Secured other borrowings (Note (ii))	<b>106,618</b>	104,836
Unsecured other borrowings (Note (iii))	<b>93,450</b>	92,363
	<b>236,647</b>	232,901



## 15. Bank and Other Borrowings (continued)

Notes:

- (i) At 30 September 2020, the bank borrowing of the Group of approximately RMB32,143,000 (equivalent to approximately HK\$36,579,000) (31 March 2020: approximately RMB32,620,000 (equivalent to approximately HK\$35,702,000)) was secured by a pledge over land and buildings with total carrying amount of approximately HK\$80,748,000 (31 March 2020: approximately HK\$79,942,000). During the period, the Group was unable to make certain interest repayments on this bank borrowing, for which the lender has requested for the immediate repayment of full outstanding amounts. The enforcement order that issued by Chongqing Number One Intermediate People's Court dated 16 October 2020 was received by the subsidiary of the Group, to enforce the immediate repayment of such full outstanding amounts of bank borrowing and relevant interest. The management of the Group is in the process of negotiating for an extension of the loan.
- (ii) At 30 September 2020, the secured other borrowing of HK\$60,000,000 under a debenture from an independent third party which is bearing interest at 15% per annum, secured by first fixed and floating charge over the undertaking, property and assets of the Company and repayable in September 2020. During the period, the Group was unable to make certain interest repayments on this secured other borrowing, for which the lender has requested for the immediate repayment of full outstanding amounts. The management of the Group is in the process of negotiating for an extension of the repayment date of this other borrowing with the creditor. The lender has exercised its power under the debenture and appointed Receivers and took over all of the undertaking, property and assets of the Company.

As at 30 September 2020, the amount of approximately HK\$46,618,000 (31 March 2020: approximately HK\$44,836,000) was guaranteed by an indirect wholly-owned subsidiary of an associate and was secured by a pledge over the Group's plant and machinery with a total carrying amount of approximately HK\$40,738,000 (31 March 2020: approximately HK\$41,234,000). During the period, the Group failed to repay the principal and interest payments of these other borrowings. The creditor has commenced litigation against the subsidiary of the Company. The management of the Group is in the process of negotiating for an extension of the repayment date of these other borrowings with the creditor.

- (iii) As at 30 September 2020, the other borrowing of HK\$65,000,000 (31 March 2020: HK\$65,000,000) was guaranteed by FDG EV. During the year, the Group was unable to make certain interest repayments on this unsecured other borrowing, for which the lender has requested for the immediate repayment of full outstanding amounts. The management of the Group is in the process of negotiating for an extension of the repayment date of this other borrowing with the creditor. Details of the litigations against the Group for the repayment of the outstanding balance due of HK\$65,000,000 are set out in Note 20(a).

The remaining balance of approximately HK\$28,450,000 (31 March 2020: approximately HK\$27,363,000) was guaranteed by an indirect wholly-owned subsidiary of an associate. During the period, the Group failed to repay the principal and interest payments of these other borrowings. The creditor has commenced litigation against the subsidiary of the Company. The management of the Group is in the process of negotiating for an extension of the repayment date of these other borrowings with the creditor.

The effective interest rates of bank and other borrowings are ranging from 4.75% to 21% (31 March 2020: 6.04% to 21%) per annum.



## 16. Capital and Dividends

### (a) Dividends

No dividend had been paid or declared during the period. The Board does not recommend the payment of a dividend for the six months ended 30 September 2020 (six months ended 30 September 2019: Nil).

### (b) Share Capital

	Number of ordinary shares	Amount HK\$'000
<b>Authorised:</b>		
Ordinary shares of HK\$0.20 each At 31 March 2020 (Audited) and <b>30 September 2020 (Unaudited)</b>	<b>12,500,000,000</b>	<b>2,500,000</b>
<b>Issued and fully paid:</b>		
Ordinary shares of HK\$0.20 each At 31 March 2020 (Audited) and <b>30 September 2020 (Unaudited)</b>	<b>6,753,293,913</b>	<b>1,350,659</b>



## 17. Fair Value Measurements of Financial Instruments

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)		
<b>Financial assets at fair value through profit or loss</b>				
– Listed equity securities in Taiwan	<b>87,891</b>	89,700	Level 1	Quoted bid prices in active markets
– Quoted funds	<b>4,339</b>	5,244	Level 2	Quoted prices in the over-the-counter markets



## 18. Major Related Party Transactions

### (a) Transactions with related companies

In addition to the transactions and balances disclosed elsewhere in this condensed consolidated interim financial statements and notes thereon, the Group entered into the following transactions with related companies during the six months ended 30 September 2020:

	Notes	Six months ended 30 September 2020 HK\$'000 (Unaudited)	Six months ended 30 September 2019 HK\$'000 (Unaudited)
Rental expenses paid to a fellow subsidiary	(i)	(320)	(480)
Consultancy fee paid to a fellow subsidiary	(i)	(320)	(480)
Expenses reimbursed to a fellow subsidiary	(i)	(347)	(468)
Interest income receivable from an associate	(ii)	48	2,797

Notes:

- (i) The amounts represented rental expenses, consultancy fee and other expenses reimbursed to a fellow subsidiary, which is a wholly-owned subsidiary of FDG EV.
- (ii) The amount represented interest income derived from the amount due from an associate (Note 11).



## 18. Major Related Party Transactions (continued)

### (b) Balances with related companies

	<b>At 30 September 2020 HK\$'000 (Unaudited)</b>	At 31 March 2020 HK\$'000 (Audited)
Amount due from an associate (Note 11)	–	5,213
Amount due to a fellow subsidiary	<b>(1,649)</b>	(982)
Amount due to the ultimate holding company	<b>(800)</b>	(522)
Loan from the ultimate holding company	<b>(49,100)</b>	(49,100)

### (c) Key management personnel remuneration

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

	<b>Six months ended 30 September 2020 HK\$'000 (Unaudited)</b>	Six months ended 30 September 2019 HK\$'000 (Unaudited)
Salaries and other short-term employee benefits	<b>1,560</b>	3,800

### (d) Guarantee

As disclosed in Note 15, the Group's other borrowings of HK\$65,000,000 (31 March 2020: HK\$65,000,000) and approximately HK\$75,068,000 (31 March 2020: approximately HK\$72,199,000) as at 30 September 2020 are guaranteed by FDG EV and an indirect wholly-owned subsidiary of an associate, respectively.

The Group's lease liability as at 30 September 2020 and 31 March 2020 are guaranteed by an indirect wholly-owned subsidiary of an associate.





## 19. Capital commitments

As at 30 September 2020, the Group has capital commitments amounted to approximately HK\$145,095,000 for the Group's obligation for unpaid investment cost of its investment in ALEEEES (GuiZhou) Co., Ltd. In order to alleviate the current liquidity situation of the Group, the Group is exploring solutions with the associate's shareholders.

## 20. Litigations

### (a) Winding up petition against the Company

On 14 May 2020, Join View, a creditor of the Company, filed a petition (the "Petition") with the High Court of the Hong Kong Special Administrative Region (the "HK Court") for an order that the Company be wound up by the HK Court. The Petition was filed against the Company for failure to pay Join View an outstanding debt and the accrued interest pursuant to a loan agreement entered into among Join View as lender, the Company as borrower and FDG EV as guarantor. As at 30 September 2020, the outstanding principal of the Loan is HK\$65,000,000 and the accrued interest is approximately HK\$11,237,000. FDG EV joined as a party opposing the Petition, and the Petition was heard before the HK Court on 5 August 2020 and 10 August 2020, and a second call-over hearing of the Petition has been adjourned to 19 October 2020. On 19 October 2020 hearing, the Receivers and Managers appointed by SHK Finance joined as a party to oppose the Petition and asking for an adjournment of hearing. The Petitioner also intends not to seek for an immediate winding-up of the Company and ask for an adjournment of the hearing of the Petition to consider any restructuring proposals to be proposed by the Company and/or other parties. The hearing is further adjourned to 25 January 2021.

### (b) Demand on the loan from the ultimate holding company

On 28 April 2020, the ultimate holding company, FDG EV, demanded the Company to repay the outstanding loan with principal of HK\$30,000,000 (the "Demanded Loan") by giving one business day's prior written notice pursuant to a loan agreement entered into between the Company and FDG EV, as the Company's bank balance of approximately HK\$28,933,000 has been frozen upon request by the Receivers, the Company was unable to make repayment up to the date of this report.

FDG EV demanded the Company to repay the Demanded Loan again on 23 October 2020 and the Company reiterated that the Company is not in a position to make any disposition of its property under Receivership and a winding up petition.



## 20. Litigations (continued)

### (c) Litigations commenced by creditors

As at 30 September 2020, there were outstanding litigations brought by trade and other creditors, and a lease creditor against a subsidiary of the Company requesting the subsidiary to repay the outstanding trade and other payables, other borrowings and lease liability, amounting to approximately HK\$6,849,000, HK\$75,068,000 and HK\$38,528,000, respectively. The court hearings are still in progress. The Group is currently reviewing the legal documents and considering various alternatives and negotiation to resolve the litigations.



## Management Discussion and Analysis

FDG Kinetic Limited (Receivers and Managers Appointed) (“FKL” or the “Company”, stock code: 378) adheres to a philosophy of “Green and Growth”, gradually establishing and improving its lithium-ion battery industry chain. The Company and its subsidiaries (collectively the “Group”) are principally engaged in research and development, manufacturing and trading and provision of processing of cathode materials for lithium ion batteries and direct investment. Furthermore, FKL also currently holds 25% and 15.47% equity interests in Synergy Dragon Limited and Advanced Lithium Electrochemistry (Cayman) Co., Ltd. (“ALEEES”, listed on the Taipei Exchange, stock code: 5227) respectively and they are engaged in the business of research and development, manufacturing and sales of lithium ion batteries and new energy battery materials respectively.

### Market Overview

During the period under review, affected by adverse factors such as uncertainties brought by prolonged international trade tensions, and the outbreak of the COVID-19 pandemic worldwide, both the PRC and global financial markets faced the increased downward pressure, hence a rising risk of global economic recession. According to the economic data from the National Bureau of Statistics of China (the “NBS”), China’s gross domestic product reached RMB45 trillion from January to June 2020, representing a decrease of 1.6% comparing with last corresponding period. The national economy in PRC continued in steady recovery in the second half year of 2020 and the PRC government has effectively promoted the restoration of production and life orders. The economic growth of the quarter three shifted from negative to positive. With reference to the preliminary estimates by the NBS of China, the gross domestic product of China for the first three quarters of the year 2020, recorded a year-on-year increase of 0.7% comparing with last corresponding period.



## Battery Business

According to the “New Energy Vehicle Industry Development Plan (2021-2035)” (draft for comments) issued by the Ministry of Industry and Information Technology of China in December 2019, the planned sales of emerging energy vehicles will account for about 25% over the total vehicle sales by 2025. For the first half of 2020, it accounted for 3.8% of the total vehicle sales. Furthermore, most of countries like Norway, Germany, Sweden, the United Kingdom and France are going to ban the sales of fuel vehicles successively from the years 2030 to 2040. Driven by the speedy growth of the global new energy vehicle industry, the power battery markets will have huge development potential in the future.

Power battery can also be used in the energy storage system, which can effectively improve power generation efficiency and reduce electricity costs. The energy storage system is gradually matured and widely-use in various applications. There would be significant growth development of the lithium ion battery market globally.

## Cathode Materials Business

Affected by the COVID-19 pandemic in the first half of the year, the production and sales of new energy vehicles and power batteries industries decreased, and the cathode material shipments also had a chain reaction. With reference to the GGII’s research, the China’s cathode material shipments were 173,000 tons, a year-on-year decrease of 6.9%, for the first half year 2020. However, with reference to the survey data of GGII, the cathode material shipments increased significantly in quarter three of 2020. The total outputs arrived 330,000 tons in the first three quarters of 2020, a year-on-year increase of 12%. The overall price of cathode materials in the first three quarters of 2020 has shown a downward trend, which is caused by keen competition in the market, the decrease in price of upstream raw materials, and the cost of cathode material production and processing.

## Business Review

The Group has been focusing on developing its cathode materials business and actively exploring the PRC and overseas markets in order to seek new business opportunities and looks forward to bringing positive cash flows to the Group. However, the Group faced lots of challenges during the period under review, such as the tight financial position of the Group, the global outbreak of the COVID-19 and the keen competition in the cathode material market.

During the period under review, revenue from cathode materials business amounted to HK\$14.5 million, representing a significantly decrease of approximately 50.7% as compared with that of the last corresponding period, as most of the production capacity of the Group is used for the provision of processing services by the Group during the year under review.



## Interim Financial Review

During the period under review, the Group recorded total revenue of approximately HK\$14.6 million, representing a decrease of approximately 54.7% as compared with the revenue of approximately HK\$32.2 million for the six months ended 30 September 2019. Such decrease was mainly due to decrease in sales of cathode materials of the battery materials production business segment. As sales of cathode materials for nickel-cobalt manganese (“NCM”) lithium-ion batteries, provision of processing income and interest income decreased, gross profit decreased from approximately HK\$3 million for the six months ended 30 September 2019 to approximately HK\$0.4 million for the six months ended 30 September 2020.

The Group’s loss attributable to equity shareholders of the Company for the six months ended 30 September 2020 amounted to approximately HK\$59.9 million, representing a decrease in loss of approximately HK\$5.3 million as compared with the loss of approximately HK\$65.2 million for the six months ended 30 September 2019. The decrease was mainly attributable to the net effects of the followings:

- (i) The decrease of the gross profit from approximately HK\$3 million for the period ended 30 September 2019 to approximately HK\$0.4 million for the period ended 30 September 2020;
- (ii) the decrease in general and administrative expenses from approximately HK\$23.9 million for the period ended 30 September 2019 to approximately HK\$16.9 million for the period ended 30 September 2020, mainly resulted from the implementation of more stringent cost control by the Group;
- (iii) the increase in finance costs from approximately HK\$21.1 million for the period ended 30 September 2019 to approximately HK\$27.4 million for the period ended 30 September 2020, mainly resulted from accrual of default interest on overdue bank and other borrowings and lease liability;
- (iv) the increase in other operating expenses of approximately HK\$5.8 million for the period ended 30 September 2020, resulted from the temporary under-utilisation of the production facilities of the Chongqing factory; and
- (v) the decrease in share of loss of associates of approximately HK\$20.5 million during the period ended 30 September 2020 comparing with last corresponding period. As the Group’s two associates: (a) Synergy Dragon Limited (“SDL”), all interest in SDL has been written down to zero, no loss was further shared during the period ended 30 September 2020; and (b) ALEEEES, upon October 2019, the Group changed the accounting treatment of ALEEEES into financial assets at fair value through profit or loss, and no longer share any loss from ALEEEES during the period under review.



## Segment Information

### *Battery Materials Production Business*

During the period under review, the battery materials production business segment contributed to the Group's revenue of approximately HK\$14.5 million from the sales of cathode materials for NCM lithium-ion batteries and provision of processing services, representing a decrease of approximately 50.7% as compared with the revenue of approximately HK\$29.4 million for period ended 30 September 2019. Such significantly decrease was mainly due to (i) the outbreak of the COVID-19 pandemic that affected the demands on cathode materials; and (ii) the change of the Chongqing factory from manufacturing cathode materials to the provision of processing services from June 2020 onwards.

The battery materials production business segment brought a loss before tax of approximately HK\$38.8 million (six months ended 30 September 2019: approximately HK\$54.0 million) to the Group during the period.

The Group holds approximately 15.47% (31 March 2020: approximately 19.04%) of total issued shares of ALEEEES as at 30 September 2020. ALEEEES was classified from interest in an associate to financial assets at fair value through profit or loss when the Group changed its shareholding to 19.04%. ALEEEES, which operates in Taiwan and specialises in Lithium-Ferrous-Phosphate cathode materials and ternary oxides products.

### *Direct Investments Business*

The Group shared the gain of a joint venture, 華能壽光風力發電有限公司 ("Huaneng Shouguang") of approximately HK\$3.8 million for the period ended 30 September 2020 (30 September 2019: approximately HK\$3.3 million). Huaneng Shouguang is a wind power electricity developer and operator in the PRC. It generated electricity of approximately 48.9 million kWh (30 September 2019: approximately 47.0 million kWh) and recorded revenue of approximately HK\$27.2 million (six months ended 30 September 2019: approximately HK\$26.2 million) during period ended 30 September 2020.

## Geographical Analysis of Revenue

During the period ended 30 September 2020, revenue from Hong Kong and the PRC contributed approximately 0.5% (six months ended 30 September 2019: 8.9%) and 99.5% (six months ended 30 September 2019: 91.1%) to the Group's total revenue, respectively.



## Liquidity and Financial Resources

Resulted from the loss attributable to equity shareholders of the Company for the six months ended 30 September 2020 amounted to approximately HK\$59.9 million, the Group turned from its net assets attributable to equity owners of the Company of approximately HK\$50.5 million as at 31 March 2020 to net liabilities attributable to equity owners of the Company of approximately HK\$4.0 million as at 30 September 2020. Net liabilities attributable to equity owners of the Company per share were approximately HK\$0.0006 (31 March 2020: net assets per share of approximately HK\$0.007). The Group's total assets of approximately HK\$537.3 million (31 March 2020: approximately HK\$551.5 million) mainly consisted of intangible assets of approximately HK\$24.4 million (31 March 2020: approximately HK\$28.9 million), property, plant and equipment, and right-of-use asset in aggregate of approximately HK\$173.9 million (31 March 2020: approximately HK\$177.4 million), interest in a joint venture of approximately HK\$106.2 million (31 March 2020: approximately HK\$98.4 million), loan receivables of approximately HK\$54.6 million (31 March 2020: approximately HK\$52.6 million), financial assets at fair value through profit or loss of approximately HK\$92.2 million (31 March 2020: approximately HK\$94.9 million) and cash and cash equivalents of approximately HK\$31.7 million (31 March 2020: approximately HK\$34.5 million).

As at 30 September 2020, the current assets amounted to approximately HK\$232.4 million, representing a decrease of approximately HK\$14.0 million as compare with the current assets of approximately HK\$246.4 million as at 31 March 2020, mainly due to the impairment loss on amount due from an associate and trade receivables of totally approximately HK\$6.6 million, net loss on financial assets at fair value through profit or loss of approximately HK\$2.7 million and write-down of inventories of approximately HK\$1.5 million.

As at 30 September 2020, bank and other borrowings included:

- (i) bank borrowing of approximately HK\$36.6 million (31 March 2020: approximately HK\$35.7 million), denominated in RMB, was secured, interest bearing at floating rates and was repayable within one year. Such bank borrowing was granted under general banking facilities by a bank in the PRC. The general banking facilities were secured by, inter alia, certain land and buildings of the Group with carrying amounts of approximately HK\$80.7 million (31 March 2020: approximately HK\$79.9 million) in favour of the lender by way of the fixed charges and floating charges over all the plant and machinery and inventories of FDG Kinetic (Chongqing) Lithium Ion Battery Materials Co. Ltd., and such bank borrowing is overdue;
- (ii) the other borrowing of HK\$65.0 million (31 March 2020: HK\$65.0 million) is denominated in Hong Kong dollars, were unsecured, guaranteed by FDG EV and were overdue;



- (iii) the other borrowing of HK\$60.0 million from an independent third party (31 March 2020: HK\$60.0 million), secured by first fixed and floating charge over the undertaking, property and assets of the Company and were overdue; and
- (iv) the other borrowings of approximately HK\$75.0 million (31 March 2020: approximately HK\$72.2 million) were all overdue (31 March 2020: approximately HK\$22.4 million were overdue), denominated in RMB and out of which approximately HK\$46.6 million (31 March 2020: approximately HK\$47.8 million) was secured by certain machineries of the Group with carrying amounts of approximately HK\$40.7 million (31 March 2020: approximately HK\$41.2 million) and guaranteed by an indirect wholly-owned subsidiary of an associate.

As at 30 September 2020, the Group's lease liability amounted to approximately HK\$38.5 million (31 March 2020: approximately HK\$37.2 million) were overdue. The lease liability was secured by certain machineries of the Group with carrying amounts of approximately HK\$32.4 million (31 March 2020: approximately HK\$35.3 million) and guaranteed by an indirect wholly-owned subsidiary of an associate.

As at 30 September 2020, the current liabilities amounted to approximately HK\$534.3 million, representing an increase of approximately HK\$41.0 million comparing with the amount of approximately HK\$493.3 million as at 31 March 2020, which mainly reflected the accrual of interest due on bank and other borrowings and lease liability by the Group.

As at 30 September 2020, non-current liabilities being deferred tax amounted to approximately HK\$7.0 million, representing a decrease of approximately HK\$0.6 million comparing with the amount of approximately HK\$7.6 million as at 31 March 2020.

As at 30 September 2020, the Group is in total deficiency in equity of approximately HK\$4.0 million, the gearing ratio is not applicable.

## Foreign Exchange Exposure

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





## Material Acquisitions and Disposals

During the six months ended 30 September 2020, the Group had no material acquisitions or disposals of subsidiaries, associate and joint ventures.

## Contingent Liabilities and Pledge of Assets

The details of the Group's pledge of assets as at 30 September 2020 and 31 March 2020 are disclosed under the section headed "Liquidity and Financial Resources".

Save as disclosed in this report, the Group had no significant contingent liabilities as at 30 September 2020 (31 March 2020: Nil).

## Capital Commitments

The Group had capital commitments as at 30 September 2020 as disclosed in Note 19.

## Human Resources

As of 30 September 2020, the Group had 10 employees in Hong Kong (30 September 2019: 11 employees) and 55 employees in the PRC (30 September 2019: 71 employees). Total staff costs (including directors' remunerations) during the period ended 30 September 2020 amounted to approximately HK\$3.6 million (six months ended 30 September 2019: approximately HK\$7.1 million). The remuneration policies are determined with reference to market conditions and individual performance of staff. The Group participates in the Mandatory Provident Fund Scheme in Hong Kong and state managed retirement benefit schemes in the PRC.

The Group has a share option scheme, an employees' share award scheme and an employee benefit trust for the benefit of its directors and eligible participants. No share option was granted, exercised, cancelled or lapsed under the share option scheme and no share award was granted to employees under the employees' share award scheme during the period under review.



## Future Development

### Reorganisation Plan of the Group

Facing the dire financial difficulties, the Group is in urgent need for a feasible fund-raising plan, in order to prevent the assets of the Company from being disposed of at distressed value by the Receivers, and to oppose or seek for further adjournment in connection with the winding-up petition at the next hearing in January 2021. The Board proposed to conduct a fund raising by way of rights issue involving a capital reorganisation proposal comprising of share consolidation and reduction in share capital (the "Reorganisation Plan"). The Reorganisation Plan is subject to approval in general meeting. The Company has made submissions to the Stock Exchange in respect of the Reorganisation Plan. The objective is to raise sufficient funds to release the Company from the risks of receivership and winding-up petition.

### Cathode Materials Battery Production Business

As most of the production lines in Chongqing factory is performing the processing services which has limited margin during the current period under review. Through the entering of a cooperation agreement with an affiliate company of ALEES, the Group is developing overseas markets, samples have been sent to customers in Japan and South Korea. Looking forward, the Group will enhance its competitiveness by the exploration of new markets and the development of new products.



## Supplementary Information

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

As at 30 September 2020, 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:

#### 1. Interests and short positions in the shares, underlying shares and debentures of the Company

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

#### 2. Long positions in the shares and underlying shares of the associated corporations of the Company

##### FDG Electric Vehicles Limited ("FDG EV")

Name of directors	Capacity	Number of ordinary shares of the associated corporation	Number of underlying shares (unlisted and physically settled equity derivatives) of the associated corporation <i>(Note 2)</i>	Total number of ordinary shares and underlying shares of the associated corporation	Approximate percentage of issued ordinary share capital of the associated corporation <i>(Note 3)</i>
Mr. Jaime Che	Beneficial owner	50,000	8,327,483	8,377,483	0.33%
Mr. Cao Zhong	Beneficial owner	-	11,538,080	11,538,080	0.46%
	Interest of controlled corporation	64,449,499	-	64,449,499 <i>(Note 1)</i>	2.57%



*Notes:*

1. Mr. Cao Zhong is interested or deemed to be interested in a total of 75,987,579 shares and underlying shares of FDG EV 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) 11,538,080 share options<sup>(Note 2)</sup> held by Mr. Cao.
2. The interests in the underlying shares of FDG EV represent interests in options granted to the directors named above by FDG EV to subscribe for shares of FDG EV under a share option scheme of FDG EV.
3. These percentages are calculated on the basis of 2,504,750,675 issued shares of FDG EV as at 30 September 2020.

Save as disclosed above, as at 30 September 2020, none of the directors or chief executive of the Company or their respective close associates had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been recorded in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 September 2020, 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 held in long position (L)/ short position (S)	Approximate percentage of issued ordinary share capital <i>(Note 3)</i>
Sinopoly Strategic Investment Limited	Beneficial owner	3,447,222,490 (L)	51.04% (L)
		3,447,222,490 (S)	51.04% (S)
Union Grace Holdings Limited	Beneficial owner	1,588,235,294 (L)	23.52% (L)
		1,588,235,294 (S)	23.52% (S)
FDG EV	Interest of controlled corporations <i>(Note 1)</i>	5,035,457,784 (L)	74.56% (L)
		5,035,457,784 (S)	74.56% (S)
Sino Power Resources Inc.	Person having a security interest in shares <i>(Note 2)</i>	5,035,457,784 (L)	74.56% (L)



Name of substantial shareholders	Capacity	Number of ordinary shares held in long position (L)/ short position (S)	Approximate percentage of issued ordinary share capital <i>(Note 3)</i>
China Orient Asset Management (International) Holding Limited	Interest of controlled corporations <i>(Note 2)</i>	5,035,457,784 (L)	74.56% (L)
Wise Leader Assets Ltd.	Interest of controlled corporations <i>(Note 2)</i>	5,035,457,784 (L)	74.56% (L)
Dong Yin Development (Holdings) Limited	Interest of controlled corporations <i>(Note 2)</i>	5,035,457,784 (L)	74.56% (L)
China Orient Asset Management Co., Ltd.	Interest of controlled corporations <i>(Note 2)</i>	5,035,457,784 (L)	74.56% (L)

*Notes:*

- FDG EV is deemed or taken to be interested in (i) 3,447,222,490 shares held by Sinopoly Strategic Investment Limited which is a direct wholly-owned subsidiary of FDG EV; and (ii) 1,588,235,294 shares held by Union Grace Holdings Limited which is an indirect wholly-owned subsidiary of FDG EV.  
  
Mr. Jaime Che, an executive director of the Company, is also a director of each of Sinopoly Strategic Investment Limited and Union Grace Holdings Limited up to 24 August 2020 and 25 August 2020 respectively.
- Sino Power Resources Inc. is a wholly-owned subsidiary of China Orient Asset Management (International) Holding Limited ("COAMI"). COAMI is held as to 50% by Wise Leader Assets Ltd. ("Wise Leader") and as to 50% by Dong Yin Development (Holdings) Limited ("Dong Yin"). Wise Leader is a wholly-owned subsidiary of Dong Yin, which in turn is a wholly-owned subsidiary of China Orient Asset Management Co., Ltd. ("COAMC"). Accordingly, COAMI, Wise Leader, Dong Yin and COAMC were deemed to have the same long position as Sino Power Resources Inc.
- These percentages are calculated on the basis of 6,753,293,913 issued shares of the Company as at 30 September 2020.

Save as disclosed above, as at 30 September 2020, the Company had not been notified of any interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register kept by the Company under Section 336 of the SFO.



## Share Option Scheme

On 29 August 2017, a share option scheme (the “Share Option Scheme”) was approved and adopted by the shareholders of each of the Company and FDG EV for the purpose of enabling the Company to grant options to the eligible participants (i) in recognition of their contribution to the Company and its subsidiaries (collectively the “Group”); (ii) to attract and retain or otherwise maintain an on-going relationship with them for the benefit of the Group; and (iii) to align their interests with the shareholders of the Company, thereby encouraging them to work towards enhancing the value of the shares of the Company. The 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 2020, no share options were held by any of the directors, eligible employees and other participants of the Company under the Share Option Scheme and no share options were granted, exercised, cancelled or lapsed under the Share Option Scheme.

No expenses were recognised by the Group for the six months ended 30 September 2020 (six months ended 30 September 2019: nil).

## Employees’ Share Award Scheme

The Company has adopted an employees’ share award scheme on 10 February 2017. The objectives of the employees’ share award scheme of the Company are (i) to recognise the contributions by the eligible participants and to motivate them for the continual operation and further development of the Group; (ii) to align the interests of the eligible participants with the shareholders of the Company for the benefit of the Group; and (iii) to attract and retain suitable personnel for the interest of the Group and the shareholders of the Company as a whole.

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

No shares were awarded under the employees’ share award scheme of the Company during the six months ended 30 September 2020.



## 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 2020 and up to the date of this report, except for the following deviations.

### Code provisions A.2.1 to A.2.9

On 24 October 2020, Professor Sit Fung Shuen Victor (“Professor Sit”) resigned as an independent non-executive director and chairman of the Company. Since then, the Company has no chairman and this constitutes a deviation from the code provisions A.2.1 to A.2.9 of the Code. The Company is in the process of identifying a suitable candidate to fill the vacancy for the chairman in order to meet the requirement of the Code.

### Code provision A.5.1

Pursuant to code provision A.5.1 of the Code, the nomination committee should be chaired by the chairman of the board or an independent non-executive director and comprise a majority of independent non-executive directors.

On 19 March 2020, Mr. Cao Zhong (“Mr. Cao”) ceased to be the chairman of the Company due to the suspension of his duties as the chairman and executive director of the Company, but he remained as an executive director of the Company and the chairman of the nomination committee of the Company (the “Nomination Committee”), thus constituting a deviation from code provision A.5.1 of the Code. As the Company was focusing on its internal affairs at that time, the Board required reasonable time to consider the composition of the Nomination Committee. At the Board meeting held on 30 June 2020, Professor Sit, the then chairman of the Board and independent non-executive director of the Company, was appointed as the chairman of the Nomination Committee and such deviation has been rectified on 30 June 2020.

On 24 October 2020, Professor Sit resigned as an independent non-executive director of the Company. Hence, the Company did not have a chairman of the Nomination Committee and the number of independent non-executive directors of the Nomination Committee fell below a majority, thus constituting deviations from code provision A.5.1 of the Code. The Company has been endeavoring to identify a suitable candidate to act as independent non-executive director to rectify such deviations.

Further, as disclosed in the announcement of the Company dated 22 October 2020, following the resignation of Professor Sit on 24 October 2020, the number of independent non-executive directors of the Board has been less than three as required under Rule 3.10(1) of the Listing Rules. The Company is endeavoring to identify a suitable candidate to act as independent non-executive director to meet the requirement as soon as practicable.



## Changes in Directors' Information

There are no changes in the information of the directors of the Company required to be disclosed since the publication of the 2019/20 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. The Securities Code is on terms no less exacting than the required standard set out in the Model Code. Following specific enquiries the Company has been making, all directors of the Company, save as Mr. Cao, have confirmed their compliance with the required standard set out in the Model Code and the Securities Code throughout the six months ended 30 September 2020.

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

During the six months ended 30 September 2020, 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

Apart from those disclosed in Note 20 to the condensed consolidated interim financial statements in this report, there was no other material event occurred after the reporting period.





## 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 2020 and this report.

On behalf of the Board  
**FDG Kinetic Limited**  
**Jaime Che**  
*Chief Executive Officer*

Hong Kong, 27 November 2020

*As of the date of this report, the Board comprises Mr. Jaime Che (Chief Executive Officer) and Mr. Cao Zhong (suspended) as executive directors; and Mr. Hung Chi Yuen Andrew and Mr. Toh Hock Ghim as independent non-executive directors.*

*Website: <http://www.fdgkinetic.com>*

