THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Composite Document or the Offer or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or otherwise transferred all your securities in CIAM Group Limited, you should at once hand this Composite Document and the accompanying Form(s) of Acceptance to the purchaser(s) or transferee(s), licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

This Composite Document should be read in conjunction with the accompanying Form(s) of Acceptance, the contents of which form part of the terms and conditions of the Offer.

FDG Electric Vehicles Limited
五龍電動車(集團)有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 729)

CIAM Group Limited
事安集團有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 378)

Sinopoly Strategic Investment Limited
(Incorporated in the British Virgin Islands with limited liability)

COMPOSITE OFFER AND RESPONSE DOCUMENT RELATING TO VOLUNTARY CONDITIONAL OFFER BY VMS SECURITIES LIMITED ON BEHALF OF SINOPOLY STRATEGIC INVESTMENT LIMITED (A WHOLLY-OWNED SUBSIDIARY OF FDG ELECTRIC VEHICLES LIMITED) TO ACQUIRE ALL THE ISSUED SHARES AND SHARE OPTIONS OF CIAM GROUP LIMITED (OTHER THAN THOSE ALREADY ACQUIRED OR AGREED TO BE ACQUIRED BY PARTIES ACTING IN CONCERT WITH THE OFFEROR) IN EXCHANGE FOR NEW CONVERTIBLE BONDS TO BE ISSUED BY FDG ELECTRIC VEHICLES LIMITED

Financial Adviser to Sinopoly Strategic Investment Limited and FDG Electric Vehicles Limited
VMS Securities Limited

VMS

Independent Financial Adviser to the Offeree Company Independent Board Committee
Somerley Capital Limited

SOMERLEY CAPITAL LIMITED

The Offeree Shareholders and/or holders of the Options should inform themselves of and observe any applicable legal or regulatory requirements. Please refer to the section entitled "IMPORTANT NOTICES" beginning on page v of this Composite Document and "FURTHER TERMS OF THE OFFER – XII. AVAILABILITY OF THE OFFER" as set out in Appendix I to this Composite Document.

Capitalised terms used on this cover page shall have the same meanings as defined in the section headed under "DEFINITIONS" of this Composite Document, unless the context otherwise requires.

A letter from VMS Securities containing, among other things, the details of the terms of and condition to the Offer is set out on pages 10 to 39 of this Composite Document.

A letter from the Offeree Company Board is set out on pages 40 to 46 of this Composite Document.

A letter from the Offeree Company Independent Board Committee containing its recommendations to the Offeree Shareholders and holders of the Options is set out on pages 47 to 48 of this Composite Document.

A letter from Somerley, containing its opinion on the Offer and its advice to the Offeree Company Independent Board Committee and the Offeree Shareholders and holders of the Options is set out on pages 49 to 92 of this Composite Document.

The procedures for acceptance of the Offer and other related information are set out in Appendix I to this Composite Document and in the accompanying Form(s) of Acceptance. Acceptances of the Offer should be received by the Registrar or the company secretary of the Offeree Company as appropriate no later than 4:00 p.m. on Monday, 23 February 2015 or such other time as the Offeror may determine and announce with the consent of the Executive in accordance with the Takeovers Code.

Any persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form(s) of Acceptance to any jurisdiction outside Hong Kong should read the details in this regard which are contained in the section entitled "OVERSEAS OFFEREE SHAREHOLDERS AND HOLDERS OF THE OPTIONS" in Appendix I to this Composite Document before taking any action. It is the responsibility of each overseas Offeree Shareholder and overseas holder of the Options wishing to accept the Offer to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements. Overseas Offeree Shareholders and overseas holders of the Options are advised to seek professional advice on deciding whether to accept the Offer.

This Composite Document will remain on the websites of the Stock Exchange at http://www.hkex.com.hk, the Offeree Company at http://www.ciamgroup.com and FDG at http://www.fdgev.com as long as the Offer remains open.

* *For identification purpose only*

Hong Kong, 30 January 2015

CONTENTS

The timetable sets out below is indicative only and is subject to change. Any changes to the timetable will be jointly announced by FDG, the Offeror and the Offeree Company:

(Hong Kong time, unless otherwise indicated)

Despatch date of this Composite Document and the Offer opens for acceptance *(Note 1)* . . . . Friday, 30 January 2015

Acceptance of the Offer by the Offeree Shareholders under the Irrevocable Undertakings to Accept . . . . 3:00 p.m. on Tuesday, 3 February 2015

Announcement of the Offer having become unconditional as to acceptances posted on the Stock Exchange's website *(Notes 3, 7 and 8)* . . . . after 5:00 p.m. on Tuesday, 3 February 2015

On the assumption that the conditions of the Offer are satisfied on the seventh day after the Offer opens for acceptance, announcement of the Offer having become unconditional in all respects posted on the Stock Exchange's website *(Note 4)* . . . . Friday, 6 February 2015

Latest time and date for acceptance of the Offer assuming that the Offer is declared unconditional in all respects on the seventh day after the Offer opens for acceptance *(Notes 2, 3, 4, 5 and 6)* . . . . 4:00 p.m. on Monday, 23 February 2015

Final Closing Date *(Notes 4 and 5)* . . . . Monday, 23 February 2015

Announcement of the results of the Offer, as at the Final Closing Date, posted on the Stock Exchange's website . . . . . . 7:00 p.m. on Monday, 23 February 2015

Latest date for posting of certificates of the Exchange CBs to the accepting Offeree Shareholders and/or holders of the Options who have accepted the Offer by the Final Closing Date, assuming that the Offer is declared unconditional in all respects on the seventh day after the Offer opens for acceptance *(Note 7)* . . . . Wednesday, 4 March 2015

Latest date for posting of share certificates of FDG Shares to the accepting Offeree Shareholders and/or holders of the Options who have accepted the Offer by the Final Closing Date, assuming that the Offer is declared unconditional in all respects on the seventh day after the Offer opens for acceptance *(Note 7)*	Wednesday, 4 March 2015

Notes:

1. The Offer opens for acceptance on and from Friday, 30 January 2015, namely the date of posting of the Composite Document.

2. In accordance with Rule 15.1 of the Takeovers Code, the Offer must remain initially open for acceptance for at least 21 days following the date on which the Composite Document is posted. Where a period laid down by the Takeovers Code ends on a day which is not a business day, the period is extended until the next business day. The Offeree Shareholders and/or holders of the Options are required to submit the duly completed and signed Forms of Acceptance to the Registrar or the company secretary of the Offeree Company as appropriate on or before 4:00 p.m. on Monday, 23 February 2015, being the Final Closing Date, in order to accept the Offer.

3. In accordance with the Note to Rule 15.3 of the Takeovers Code, if the acceptance condition of the Offer is fulfilled, the Offeror may also declare and announce the Offer becomes unconditional as to acceptances, provided that the Offeror fully complies with Rules 15.1 and 15.3 of the Takeovers Code for the Offer to remain open for acceptance for not less than 14 days thereafter, and in no event the period open for acceptance is less than 21 days following the date on which the Composite Document is posted, being the Final Closing Date.

4. In accordance with Rule 15.3 of the Takeovers Code, where the Offer becomes or is declared unconditional in all respects, at least 14 days' notice in writing must be given before the Offer is closed to those Offeree Shareholders and/or holders of the Options who have not accepted the Offer.

5. In accordance with Rule 15.1 of the Takeovers Code, in any announcement of an extension of the Offer, either the next closing date must be stated or, if the Offer is unconditional as to acceptances, a statement may be made that the Offer will remain open until further notice. In the latter case, at least 14 days' notice in writing must be given, before the Offer is closed, to those Offeree Shareholders and/or holders of the Options who have not accepted the Offer and an announcement must be published.

6. Beneficial Owners of the Offeree Shares whose Offeree Shares are deposited in CCASS and registered under the name of HKSCC Nominees should note the timing requirements (as set out in Appendix I to this Composite Document) for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures. Acceptances of the Offer are irrevocable and are not capable of being withdrawn, except in the circumstances as set out in the section headed "Right of Withdrawal" in Appendix I of this Composite Document.

7. Certificates of the Exchange CBs and/or certificates of the FDG shares upon conversion of the Exchange CBs will be posted by ordinary post to the accepting Offeree Shareholders and/or holders of the Options at his/her/its own risks as soon as possible, but in any event, in accordance with Rule 20.1 of the Takeovers Code, within 7 business days of the later of (i) the date of receipt by the Registrar, or the company secretary of the Offeree Company, of all the relevant documents to render the acceptance under the Offer duly completed; and (ii) the date when the Offer becomes, or is declared, unconditional.

8. In accordance with Rule 15.5 of the Takeovers Code, except with the consent of the Executive, the Offer may not become or be declared unconditional as to acceptances after 7:00 p.m. on the 60th day after the date on which the Composite Document is posted. Accordingly, unless the Offer has become or been declared unconditional as to acceptances, the Offer will lapse at 7:00 p.m. on Tuesday, 31 March 2015 unless extended with the consent of the Executive.

9. If the Offer does not become or is not declared unconditional as to acceptances within the latest time permitted by the Takeovers Code at 7:00 p.m. on Tuesday, 31 March 2015, the Form(s) of Acceptance, the relevant certificate(s) of the Offeree Share(s), transfer receipt(s) and any other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) received by the Offeror will be returned to the accepting Offeree Shareholders and/or holders of the Options by post or such documents will be made available by the Registrar for collection, as soon as possible but in any event within 10 days after the Offer lapses. The Offeror will bear the relevant costs to be incurred for posting of such documents to such accepting Offeree Shareholders and/or holders of the Options.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF THE OFFER

If there is a tropical cyclone warning signal number 8 or above, or a black rainstorm warning:

(a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Offer and the latest date for despatch of certificates of the Exchange CBs, the latest time for acceptance of the Offer and the despatch of certificates of the Exchange CBs will remain at 4:00 p.m. on the same business day; or

(b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offer and the latest date for despatch of certificates of the Exchange CBs, the latest time for acceptance of the Offer and the despatch of certificates of the Exchange CBs will be rescheduled to 4:00 p.m. on the following business day.

All time and date references contained in this Composite Document are to Hong Kong time and dates.

If the latest time for acceptance of the Offer does not take place on Monday, 23 February 2015, the dates mentioned in this section of this Composite Document may be affected and an announcement will be made jointly by FDG, the Offeror and the Offeree Company in such event.

NOTICE TO THE OFFEREE SHAREHOLDERS AND HOLDERS OF THE OPTIONS OUTSIDE OF HONG KONG

The making and implementation of the Offer to the Offeree Shareholders and holders of the Options outside of Hong Kong may be subject to the laws of the relevant jurisdictions in which such Offeree Shareholders and/or holders of the Options are located. Such Offeree Shareholders and/or holders of the Options should inform themselves about and observe any applicable legal or regulatory requirements.

For details, please refer to the section entitled "OVERSEAS OFFEREE SHAREHOLDERS AND HOLDERS OF THE OPTIONS AND TAX IMPLICATIONS" of the "LETTER FROM VMS SECURITIES LIMITED" and the section entitled "OVERSEAS OFFEREE SHAREHOLDERS AND HOLDERS OF THE OPTIONS" under the "APPENDIX I – FURTHER TERMS OF THE OFFER".

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Composite Document contains forward-looking statements, which may be identified by words such as "believe", "expect", "anticipate", "intend", "plan", "seek", "estimate", "will", "would" or words of similar meaning, that involve risks and uncertainties, as well as assumptions. All statements other than statements of historical fact are statements that could be deemed as forward-looking statements.

In this Composite Document (including its appendixes), unless the context otherwise requires, the following expressions shall have the following meanings:

"acting in concert"	has the meaning ascribed to it under the Takeovers Code;
"Agnita"	Agnita Limited, a company incorporated in the British Virgin Islands with limited liability, which is owned as to 58.5% by Preferred Market and as to 41.5% by CIAM BVI;
"Agnita Loan"	the shareholder's loan in the principal amount of HK$150,000,000 extended by CIAM BVI to Agnita pursuant to the Agnita Loan Agreement;
"Agnita Loan Agreement"	the loan agreement dated 19 December 2013 entered into between CIAM BVI, as lender, and Agnita, as borrower, as amended and supplemented by the Agnita Supplemental Loan Agreements;
"Agnita Supplemental Loan Agreements"	the two supplemental agreements dated 23 September 2014 and 29 December 2014, respectively, entered into between CIAM BVI and Agnita to amend and supplement the Agnita Loan Agreement;
"Agnita Transaction"	(1) the sale and purchase of 41.5% of issued share capital of Agnita and the assignment of the Agnita Loan; and (2) the cancellation of the Call Option, as described under the section entitled "INFORMATION ON THE AGNITA TRANSACTION" in the "LETTER FROM VMS SECURITIES LIMITED" of this Composite Document;
"associate"	has the meaning ascribed to it under the Listing Rules;
"Beneficial Owner"	means any beneficial owner of the Offeree Shares registered in the name of any nominee, trustee, depositary or any other authorised custodian or third party;
"Call Option"	the call option previously granted by Preferred Market to CIAM BVI in respect of 8.5% of Agnita's issued share capital, exercisable during the period expiring on 7 March 2015, in exchange for the issue of 66,466,165 new Offeree Shares as consideration as disclosed in the circular of FDG dated 12 February 2014;

"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC;
"CCASS Participants"	means the persons admitted to participate in CCASS as a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant as defined under the General Rules of CCASS;
"Champion Rise"	Champion Rise International Limited, a wholly-owned investment holding company of Mr. Cao;
"CIAM"	CITIC International Assets Management Limited;
"CIAM BVI"	CIAM Investment (BVI) Limited, a wholly-owned subsidiary of the Offeree Company;
"CIFL"	China Innovation Foundation Limited, a charitable organisation with a five-member board including Mr. Cao, Mr. Miao and Dr. Chen;
"Close Relatives"	has the meaning ascribed to it under the Takeovers Code;
"Closing Date"	the date stated in the section entitled "EXPECTED TIMETABLE" in this Composite Document as the Final Closing Date of the Offer or any subsequent closing date as may be announced by the Offeror and approved by the Executive;
"Composite Document"	the composite offer and response document in connection with the Offer containing, inter alia, details of the Offer, terms and conditions of the Offer and the acceptance and transfer form in respect of the Offer;
"Conversion Price"	the conversion price of the Exchange CBs, as described under the section entitled "PRINCIPAL TERMS OF THE EXCHANGE CBS" in the "LETTER FROM VHS SECURITIES LIMITED" of this Composite Document;
"Dr. Chen"	Dr. Chen Yanping, an executive director and chief operating officer of FDG;
"Enlarged Group"	the FDG Group together with the Offeree Group;
"Exchange CBs"	the convertible bonds which are convertible into new FDG Shares at the Conversion Price to be issued by FDG in exchange for the Offeree Shares and the cancellation of the Options pursuant to the Offer;

"Executive"	the Executive Director of the Corporate Finance Division of the SFC and any of his delegates;
"Existing FDG CBs"	the outstanding HK$400,000,000 convertible bonds due in 2017 previously issued by FDG which are convertible into 666,666,666 new FDG Shares;
"Fame Depot"	Fame Depot Investments Limited, an investment holding company, of which Mr. Cao is the sole director and a wholly-owned subsidiary of CIFL;
"FDG"	FDG Electric Vehicles Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 729);
"FDG Board"	the board of directors of FDG;
"FDG's Circular"	the circular issued by FDG on 10 December 2014;
"FDG Director(s)"	the director(s) of FDG;
"FDG Group"	FDG and its subsidiaries;
"FDG Independent Shareholders"	FDG Shareholders who have no material interest in the Offer;
"FDG Options"	the outstanding options under the share option schemes adopted by FDG on 30 March 2004 and 28 February 2014 which are, subject to vesting, exercisable into 491,800,000 new FDG Shares;
"FDG Secured Bonds"	HK$370,000,000 8% bonds due in 2018 to be issued by FDG to the Offeree Company in the Agnita Transaction;
"FDG Share(s)"	ordinary shares of HK$0.01 each in FDG;
"FDG Shareholders"	holders of FDG Shares;

"Final Closing Date"	a date stated in this Composite Document as the Final Closing Date which is (i) the 14th day after the date on which the Offer is declared unconditional in all respects and a notice in writing is given to the Offeree Shareholders and holders of the Options who have not accepted the Offer, and (ii) at least 21 days following the date on which the Composite Document is posted, or such later date as may be extended by the Offeror in accordance with the Takeovers Code;
"Form(s) of Acceptance"	means the **WHITE** Form of Share Offer Acceptance and the **PINK** Form of Option Offer Acceptance, and "Form of Acceptance" shall mean any one of them; and represents the form(s) of acceptance and transfer in respect of the Offer accompanying the Composite Document;
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong;
"HKSCC"	Hong Kong Securities Clearing Company Limited;
"HKSCC Nominees"	HKSCC Nominees Limited, a nominee company holding shares on behalf of various CCASS Participants;
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China;
"Huaneng Shouguang"	華能壽光風力發電有限公司 (Huaneng Shouguang Wind Power Company Limited*), a joint venture of the Offeree Company in which it holds 45% equity interest;
"Independent Offeree Shareholders"	the Offeree Shareholders other than those who have given the Irrevocable Undertakings to Accept as set out in the section entitled "ACCEPTANCE CONDITION AND IRREVOCABLE UNDERTAKINGS TO ACCEPT" in the "LETTER FROM VMS SECURITIES LIMITED" in this Composite Document;
"Independent Third Parties"	a person(s) or company(ies) who/which is or are independent of and are not connected persons of or acting in concert with FDG and any of its connected persons (having the meaning ascribed to it under the Listing Rules);
"Infinity Wealth"	Infinity Wealth International Limited, a wholly-owned investment holding company of Mr. Miao;

"Irrevocable Undertakings to Accept"	the irrevocable undertakings of certain Offeree Shareholders to accept the Offer in respect of their Offeree Shares as described under the section entitled "ACCEPTANCE CONDITION AND IRREVOCABLE UNDERTAKINGS TO ACCEPT" in the "LETTER FROM VMS SECURITIES LIMITED" in this Composite Document;
"January 2015 Profit Warning"	the profit warning announcement of the Offeree Company dated 19 January 2015 in relation to the expected increase in loss attributable to the Offeree Shareholders for the year ended 31 December 2014 as compared to the loss recorded for the year ended 31 December 2013;
"Joint Announcement"	the announcement jointly published by FDG, the Offeror and the Offeree Company dated 2 November 2014 in relation to, among others, the Offer and the Agnita Transaction;
"Last Trading Day"	20 August 2014, being the last trading day for the Offeree Shares prior to the date of the Joint Announcement or (as the case may be) 28 August 2014, being the last trading day for the FDG Shares prior to the date of the Joint Announcement;
"Latest Practicable Date"	27 January 2015, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information herein;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Long Hing"	Long Hing International Limited, a wholly-owned investment holding company of Mr. Cao;
"Long-Stop Date"	28 February 2015 or such later date as the Offeror may agree with the consent of the Executive;
"Mr. Cao"	Mr. Cao Zhong, the brother-in-law of Mr. Miao, the Chairman of the FDG Board, an executive director, the chief executive officer and a substantial shareholder of FDG, and a substantial shareholder of the Offeree Company;
"Mr. Che"	Mr. Jaime Che, an executive director of FDG and a director of the Offeror;

"Mr. Lo"	Mr. Lo Wing Yat, the vice-chairman of the Offeree Company Board, a director and the chief executive officer of the Offeree Company, a director and the managing director of CITIC International Financial Holdings Limited, an executive director and the chief executive officer of CIAM, a director of CIAM BVI and an executive director of FDG;
"Mr. Miao"	Mr. Miao Zhenguo, the brother-in-law of Mr. Cao, the Deputy Chairman of the FDG Board, an executive director and a substantial shareholder of FDG and a director of the Offeror;
"NAV"	net asset value;
"Offer"	the voluntary conditional offer (comprising the Share Offer and Option Offer) to be made by VMS Securities on behalf of the Offeror to acquire all the issued Offeree Shares and to cancel the Options in exchange for the Exchange CBs (other than those already acquired or agreed to be acquired by parties in concert with the Offeror);
"Offeree Company"	CIAM Group Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 378);
"Offeree Company Board"	the board of directors of the Offeree Company;
"Offeree Company Independent Board Committee"	the independent board committee of the Offeree Company for the purpose of the Offer as described under the section entitled "INDEPENDENT FINANCIAL ADVISER AND INDEPENDENT BOARD COMMITTEE TO THE OFFEREE COMPANY" in the "LETTER FROM VMS SECURITIES LIMITED" of this Composite Document;
"Offeree Company Independent Financial Adviser" or "Somerley"	Somerley Capital Limited, the independent financial adviser to the Offeree Company Independent Board Committee for the purpose of the Offer. Somerley is a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO;
"Offeree Group"	the Offeree Company and its subsidiaries;

"Offer Period"	has the meaning ascribed thereto in the Takeovers Code, being the period from 2 November 2014, i.e. the date of the Joint Announcement, to the Closing Date;
"Offeree Shareholder(s)"	holder(s) of the Offeree Shares;
"Offeree Shares"	ordinary shares of HK$1.00 each in the share capital of Offeree Company;
"Offeror"	Sinopoly Strategic Investment Limited, a wholly-owned subsidiary of FDG;
"Options"	the options which are outstanding under the Share Option Scheme and are exercisable at HK$1.00 per Offeree Share;
"Option Offer"	the conditional offer to cancel the Options in exchange for the Exchange CBs in accordance to terms and conditions as set out in this Composite Document;
"Placing Agreement"	the conditional placing agreement dated 23 October 2014 entered into between FDG and VMS Securities in relation to the placing of new FDG Shares on a best effort basis under specific mandate as described under the section entitled "PLACING OF NEW SHARES" in the "LETTER FROM THE BOARD" of the FDG's Circular, supplemented by a letter agreement dated 29 December 2014 and lapsed on 19 January 2015;
"PRC"	the People's Republic of China which, for the purpose of this Composite Document, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
"Pre-Condition(s)"	the condition(s) precedent to the making of the Offer as described under the section entitled "PRE–CONDITIONS TO THE OFFER" in the "LETTER FROM VMS SECURITIES LIMITED" of this Composite Document;
"Preferred Market"	Preferred Market Limited, a wholly-owned subsidiary of FDG;
"Registered Owner"	means any nominee, trustee, depositary or any other authorised custodian or third person who is the registered holder of the Offeree Shares;

"Registrar"	Computershare Hong Kong Investor Services Limited, the branch share registrar and transfer office of the Offeree Company in Hong Kong, situated at Shops 1712-16, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong;
"Right Precious"	Right Precious Limited, a wholly-owned subsidiary of CIAM;
"RMB"	Renminbi yuan, the lawful currency of the PRC;
"Sale and Purchase Agreement"	the conditional sale and purchase agreement dated 31 October 2014 and supplemented by the two letter agreements dated 29 December 2014 and 27 January 2015, entered into among Preferred Market, FDG, CIAM BVI and the Offeree Company in relation to the Agnita Transaction;
"SEV"	Smith Electric Vehicles Corp., a corporation incorporated under the laws of the State of Delaware, United States of America;
"SFC"	the Securities and Futures Commission of Hong Kong;
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Share Offer"	the conditional offer to acquire all the issued Offeree Shares in exchange for the Exchange CBs (other than those already acquired or agreed to be acquired by parties in concert with the Offeror) in accordance to the terms and conditions as set out in this Composite Document;
"Share Option Scheme"	the share option scheme adopted by the Offeree Company on 12 October 2007;
"Silvanus Enterprises"	Silvanus Enterprises Limited, a wholly-owned investment holding company of an associate of Mr. Che;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs;

"Tianjin MTEC"	天津銘度科技有限公司 (Tianjin MTEC Technology Co. Ltd*), an associate company of the Offeree Company in which it holds 20% equity interest;
"Unconditional Date"	the date on which the Offer becomes or is declared unconditional in all respects;
"Union Ever"	Union Ever Holdings Limited, a wholly-owned investment holding company of Mr. Miao;
"Union Registrars"	Union Registrars Limited, the branch share registrar and transfer office and the Exchange CB registrar and transfer agent of FDG in Hong Kong, situated at A18/F., Asia Orient Tower, Tower Plaza, 33 Lockhart Road, Wanchai, Hong Kong;
"VMS Securities"	VMS Securities Limited, the financial adviser to the Offeror and FDG for the purpose of the Offer; and
"%"	per cent.

* *For identification purposes only*

30 January 2015

To: the Offeree Shareholders and holders of the Options

Dear Sir or Madam,

(a) INTRODUCTION

Reference is made to the Joint Announcement and the FDG's Circular in relation to, among others, the Offer and the Agnita Transaction. Capitalised terms used in this letter shall have the same meanings as defined in this Composite Document unless the context otherwise requires.

It was announced in the Joint Announcement that, subject to the fulfilment of the Pre-Conditions, a voluntary conditional offer would be made by the Offeror, a wholly-owned subsidiary of FDG, to acquire all the issued shares and to cancel all the Options of the Offeree Company (other than those already acquired or agreed to be acquired by parties acting in concert with the Offeror) in exchange for the Exchange CBs issued by FDG.

This letter sets out, among other things, the details of the Offer and the intention of the Offeror regarding the Offeree Group. The terms of the Offer and procedures for acceptance of the Offer are set out in this letter, Appendix I and in the Form(s) of Acceptance.

The Offeree Shareholders and holders of the Options are strongly advised to consider carefully the information contained in the "LETTER FROM THE OFFEREE COMPANY BOARD", the "LETTER FROM THE OFFEREE COMPANY INDEPENDENT BOARD COMMITTEE" and the "LETTER FROM THE OFFEREE COMPANY INDEPENDENT FINANCIAL ADVISER" as set out in this Composite Document.

(b) THE BASIS OF THE OFFER

The Offer will be made by VMS Securities on behalf of the Offeror on the following basis:

Offeree Shares

As at the Latest Practicable Date, the Offeree Company had 938,283,217 Offeree Shares in issue.

For every one Offeree Share . . . . an Exchange CB with principal amount of HK$1.70

The initial conversion price for the Exchange CBs is HK$0.50 per FDG Share. The minimum number of Offeree Shares that will be capable of being converted into an integral number of FDG Shares will be 5 Offeree Shares, which will be exchangeable for an

Exchange CB principal amount of HK$8.50 and will be convertible using the initial conversion price into 17 FDG Shares. Holders of the Exchange CBs proposing to convert their Exchange CBs should bear in mind that FDG Shares are currently tradable in board lots of 20,000 FDG Shares.

Options

As at the Latest Practicable Date, the Options were exercisable into 5,700,000 Offeree Shares in aggregate at the exercise price of HK$1.00 per Offeree Share.

For every one Option .... an Exchange CB with principal amount of HK$0.70

The initial conversion price for the Exchange CBs is HK$0.50 per FDG Share. The minimum number of Options that will be capable of being converted into an integral number of FDG Shares will be 5 Options, which will be exchangeable for an Exchange CB with principal amount of HK$3.50 and will be convertible using the initial conversion price into 7 FDG Shares. Holders of the Exchange CBs proposing to convert their Exchange CBs should bear in mind that FDG Shares are currently tradable in board lots of 20,000 FDG Shares.

The Options tendered for the Exchange CBs in the Offer will be cancelled.

All the Options are currently exercisable whether or not the Offer materialises. Under the Share Option Scheme, holders of the Options may elect to exercise their Options or accept the Offer on the above terms in respect of their Options. If they do not exercise their Options or accept the Offer, their Options will, according to the Share Option Scheme, lapse after the Offer closes.

Apart from the Offeree Shares in issue and the Options, the Offeree Company does not have other outstanding equity securities including equity-related convertible securities or any warrants, options or subscription rights in respect of any equity share capital, and has no outstanding obligations to issue any such equity securities or any such warrants, options or rights.

Value of the Exchange CBs

The Exchange CBs will be convertible into FDG Shares at HK$0.50 per FDG Share (subject to adjustment). The initial conversion price of HK$0.50 is based on the price-to-book ratio and the prevailing market prices of FDG Shares (in particular, the 5 consecutive trading days immediately preceding and including the Last Trading Day of HK$0.514 per FDG Share) and was negotiated on an arm's length basis which was considered by FDG and the Offeree Company to be acceptable to shareholders of both companies. It represents:

(1) a premium of 19.05% to the closing price of the FDG Shares of HK$0.420 as quoted on the Stock Exchange on the Latest Practicable Date;

(2) a discount of 9.09% to the closing price of the FDG Shares of HK$0.550 as quoted on the Stock Exchange on the Last Trading Day;

(3) a discount of 2.72% to the average of the closing prices of the FDG Shares as quoted on the Stock Exchange for the 5 consecutive trading days immediately preceding and including the Last Trading Day of HK$0.514 per FDG Share;

(4) a discount of 0.79% to the average of the closing prices of the FDG Shares as quoted on the Stock Exchange for the 10 consecutive trading days immediately preceding and including the Last Trading Day of HK$0.504 per FDG Share;

(5) a discount of 1.38% to the average of the closing prices of the FDG Shares as quoted on the Stock Exchange for the 30 consecutive trading days immediately preceding and including the Last Trading Day of HK$0.507 per FDG Share;

(6) a discount of 4.94% to the average of the closing prices of the FDG Shares as quoted on the Stock Exchange for the 60 consecutive trading days immediately preceding and including the Last Trading Day of HK$0.526 per FDG Share;

(7) a discount of 3.47% to the average of the closing prices of the FDG Shares as quoted on the Stock Exchange for the 90 consecutive trading days immediately preceding and including the Last Trading Day of HK$0.518 per FDG Share; and

(8) a premium of 367.29% to the NAV attributable to the owners of FDG per FDG Share as at 30 September 2014 of HK$0.107.

Based on the face value of the Exchange CBs offered for each Offeree Share and Option, the value offered per Offeree Share tendered under the Offer is HK$1.70 and the value offered per Option exercisable at HK$1.00 tendered under the Offer is HK$0.70, respectively.

For illustrative purposes only, the fair value of the Exchange CBs which consists of three components, namely the straight bond value, the values of the embedded call option to the holders of the Exchange CBs, and the redemption option of FDG, is calculated using the binomial pricing model and has been determined by Asset Appraisal Limited, an independent qualified professional valuer engaged by FDG. The fair value of the Exchange CBs is in the amount of HK$1,413,661,298 as at 31 December 2014 and HK$1,799,849,149 as at 9 October 2014 for an aggregate face value of HK$1,604,771,469.

In determining such fair value, the valuer has proceeded on the basis of the following parameters and assumptions for its valuation report as at 31 December 2014:

(1) the closing price of the FDG Shares as at 31 December 2014 was HK$0.385;

(2) the time to maturity is three years based on the period from the issue date of the Exchange CBs to their maturity date, which represents the maximum tenor for the Exchange CBs;

(3) the risk free rate is 0.99% based on the yield of three-year Hong Kong Exchange Fund Notes, which are Hong Kong dollar unsecured debt securities issued by Hong Kong Monetary Authority with a yield replicating risk free rate for debt instrument issued by sovereign government;

(4) the Conversion Price of the Exchange CBs is at HK$0.50 throughout its tenor;

(5) the dividend yield is 0% based on the historical records of FDG;

(6) the expected volatility is 44.15% based on the annualized standard deviations of the continuously compound rates of return on the share prices of BYD Company Limited (1211.HK), Chaowei Power Holdings Limited (951.HK), and Tianneng Power International Limited (819.HK) and FDG itself. These three Hong Kong publicly listed companies operate comparable businesses (i.e. battery manufacturing and/or electric vehicle production) in the PRC and are considered by the valuer to be appropriate benchmarks to assess volatility, and their volatility values for such purpose were taken to be 50.70%, 39.21% and 38.36%, respectively. FDG's own volatility was taken as 48.32%. As advised by the valuer, an exhaustive list of comparable companies was generated through the search engine of a market data provider from which the three companies mentioned above were selected based on the following criteria: (i) those companies are listed on the Stock Exchange as in the case of FDG; (ii) those companies are engaged in similar business as FDG (i.e. battery manufacturing business and electric vehicle production); and (iii) those companies' primary operations are in the PRC as in the case of FDG. As such, the three companies mentioned above represent an exhaustive list of companies based on such selection criteria;

(7) the risk free rate, dividend yield, volatility and credit spread will stay constant throughout the life of the Exchange CBs in the valuation model as at a date of valuation;

(8) the inflation and currency exchange rate will not differ materially from the rates presently prevailing; and

(9) there will be no major changes in the existing political, legal, fiscal or economic conditions in the PRC and Hong Kong where the business of FDG is operated.

The effect of the issuance of the placing shares under the Placing Agreement has been considered by Assets Appraisal which concluded that its impact on the fair value of the Exchange CBs is minimal.

The fair value of the Exchange CBs as at 31 December 2014 decreased as compared to the fair value as at 9 October 2014. This was mainly due to the decrease in the trading price for FDG Shares during the period. The valuer also performed a sensitivity analysis on the stock price and volatility of FDG Shares which are the two key assumptions adopted in determining the fair value of the Exchange CBs. As at 31 December 2014, the fair value of the Exchange CBs was HK$880,911 with a face value of HK$1,000,000. The total fair value of the Exchange CBs with a face value of HK$1,000,000 would be HK$936,520, representing an increase of approximately 6.31% over the current valuation if the stock price increases by 10%. The valuation would be HK$826,270, representing a decrease of approximately 6.20% if the stock price decreases by 10%. The total fair value of the Exchange CBs with a face value of HK$1,000,000 would be HK$900,200, representing an increase of approximately 2.19% over the current valuation if the volatility increases by 10%. The valuation would be HK$860,990, representing a decrease of approximately 2.26% if the volatility decreases by 10%.

In addition, the calculation of the fair value of the Exchange CBs as at 31 December 2014 stated above has been reviewed and reported on by the financial adviser of the Offeror and FDG. Such fair value will change from time to time subject to, inter alia, changes in the abovementioned parameters of the binomial pricing model. For further details, please refer to Appendix IV "ESTIMATES OF VALUE OF THE EXCHANGE CBS" and Appendix V.1 "LETTER FROM VMS SECURITIES LIMITED ON VALUER'S VALUATION OF THE EXCHANGE CBS" of this Composite Document.

The Offeree Shareholders and holders of the Options should take their own advice as to the value of the Exchange CBs, and should also note that the Exchange CBs are not listed and that there are conditions for conversion of the Exchange CBs. The Exchange CBs which have not been converted at maturity will be redeemed for cash at par.

Comparison of Value

As stated above, the value of the Offer is HK$1.70 per Offeree Share. This represents:

(1) a premium of 18.06% to the closing price of the Offeree Shares of HK$1.440 as quoted on the Stock Exchange on the Latest Practicable Date;

(2) a premium of 40.50% to the closing price of the Offeree Shares of HK$1.210 as quoted on the Stock Exchange on the Last Trading Day;

(3) a premium of 34.49% to the average of the closing prices of the Offeree Shares as quoted on the Stock Exchange for the 5 consecutive trading days immediately preceding and including the Last Trading Day of HK$1.264 per Offeree Share;

(4) a premium of 41.78% to the average of the closing prices of the Offeree Shares as quoted on the Stock Exchange for the 10 consecutive trading days immediately preceding and including the Last Trading Day of HK$1.199 per Offeree Share;

(5) a premium of 57.12% to the average of the closing prices of the Offeree Shares as quoted on the Stock Exchange for the 30 consecutive trading days immediately preceding and including the Last Trading Day of HK$1.082 per Offeree Share;

(6) a premium of 60.53% to the average of the closing prices of the Offeree Shares as quoted on the Stock Exchange for the 60 consecutive trading days immediately preceding and including the Last Trading Day of HK$1.059 per Offeree Share;

(7) a premium of 56.83% to the average of the closing prices of the Offeree Shares as quoted on the Stock Exchange for the 90 consecutive trading days immediately preceding and including the Last Trading Day of HK$1.084 per Offeree Share; and

(8) a premium of 21.78% to the NAV attributable to the owners of the Offeree Company per Offeree Share as at 30 June 2014 of HK$1.396.

The value offered for the Options is based on the Offer as extended in respect of the Offeree Shares after taking into account the exercise price of the Options.

For illustration purpose, the value of the Offer is HK$1.428 per Offeree Share if each of the FDG share is priced at the closing price for the FDG share of HK$0.420 as at the Latest Practicable Date. This value represents:

1) a premium of 18.02% to the closing price of the Offeree Shares of HK$1.210 as quoted on the Stock Exchange on the Last Trading Date; and

2) a discount of 0.83% to the closing price of the Offeree Shares of HK$1.440 as quoted on the Stock Exchange on the Latest Practicable Date.

Highest and Lowest Prices of the Offeree Shares

During the six months immediately preceding the Last Trading Day, the highest closing price of the Offeree Shares as quoted on the Stock Exchange was HK$1.72, which was recorded on 27 February 2014, and the lowest closing price of the Offeree Shares as quoted on the Stock Exchange was HK$0.96, as recorded on 9 June 2014. During the six months immediately preceding the commencement of the Offer Period, the highest closing price of the Offeree Shares as quoted on the Stock Exchange was HK$1.36, which was recorded on 13 August 2014 and the lowest closing price of the Offeree Shares as quoted on the Stock Exchange was HK$0.96, which was recorded on 9 June 2014.

Value of the Offer

Based on the face value of the Exchange CBs offered, and assuming that all of the Offeree Shares and the Options are tendered for the Exchange CBs, the Offer would be valued at HK$1,599,071,469. If all the Options have been exercised into the Offeree Shares and such Offeree Shares are also tendered for the Exchange CBs, the Offer would be valued at HK$1,604,771,469. The Offeree Shareholders and holders of the Options should take their own advice as to the value of the Offer, and should also note that the Exchange CBs are not listed and that there are conditions for conversion of the Exchange CBs.

Such valuation of the Offer was determined after taking into account factors including (i) the trend of the closing price of the Offeree Shares in the three months immediately preceding the Last Trading Day which is a reasonable period to reflect the price of the Offeree Shares and eliminates any short-term fluctuations considering the increase in share price and trading volume of the Offeree Shares on 12 and 13 August 2014 and the generally low to nil turnover of the Offeree Shares; (ii) the NAV of the Offeree Shares as at 30 June 2014; (iii) the market position and historical financial information of the Offeree Company; and (iv) the business prospects and development potential of the Offeree Company which has an investment portfolio focusing on clean energy and related sectors which will create potential synergy with the FDG Group after the completion of the Offer.

Sufficient Financial Resources

The Offer is a non-cash offer.

Settlement

Persons accepting the Offer may also elect in the Form(s) of Acceptance to immediately convert their Exchange CBs into FDG Shares in accordance with the terms and conditions of the Exchange CBs.

If you are a Beneficial Owner of Offeree Shares and your Offeree Shares are deposited in CCASS and registered under the name of HKSCC Nominees and you intend to immediately convert the Exchange CBs into new FDG Shares, you should contact your CCASS Participants and provide your CCASS Participants with instructions to make arrangements to withdraw your Offeree Shares from CCASS. The Offeree Shares should then be re-registered either under your own name or the name of your CCASS Participant with the Registrar. In order to be able to accept the Share Offer and immediately convert the Exchange CBs into new FDG Shares, the duly completed and signed WHITE Form of Share Offer Acceptance, together with the relevant share certificate(s) and/or transfer receipt(s) and/ or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) must be presented to the Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, before the latest time and date for acceptance of the Share Offer as set out in the section headed "EXPECTED TIMETABLE" in this Composite Document. In order to allow your CCASS Participant sufficient time to act on your instructions, please ensure that your instructions and/or arrangements are given or made in advance of the relevant dates stated in the "EXPECTED TIMETABLE" in this Composite Document and otherwise in accordance with the requirements of your CCASS Participant. If you have any doubt as to the above procedures, you are recommended to consult your professional advisers.

WARNING: Beneficial Owners of the Offeree Shares who decided not to withdraw their Offeree Shares from CCASS should note that if you accept the Share Offer, you will only receive the certificate of the Exchange CBs issued in the name of HKSCC Nominees and you will not be able to immediately convert the Exchange CBs into FDG Shares. Since the Exchange CBs will not be listed on the Stock Exchange (or any other stock exchange), the Exchange CBs will not be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS. In this regard, you are required to instruct your CCASS Participants to withdraw the Exchange CBs from CCASS. Under normal circumstance, Exchange CB certificates can be collected from the CCASS Depository on the next business day after the withdrawal order has been put through to CCASS. Beneficial Owners would then need to arrange to transfer and re-register the Exchange CBs into his own name or the name of the CCASS Participant by completing the necessary procedures for re-registration. It will take another seven business days for registration of the transfer of the Exchange CBs by Union Registrars upon receipt of the required documents. Exchange CBs will only be able to be converted into FDG Shares outside CCASS (please refer to the section entitled "SUBSEQUENT CONVERSION" below for details). None of the Offeror, the Offeree Company or HKSCC Nominees shall be held responsible if you decided not to withdraw your Offeree Shares from CCASS and is unable to immediately convert the Exchange CBs into FDG Shares.

Principal terms of the Exchange CBs

Principal amount	Maximum of HK$1,604,771,469
Interest	Zero coupon
Conversion	A holder of the Exchange CBs shall have the right during the conversion period to convert the whole or part (in an amount of HK$1,000,000 and integral multiples thereof or an amount representing in aggregate the entire outstanding principal amount of the Exchange CBs) of the principal amount of the Exchange CBs into new FDG Shares on each conversion, provided that no Exchange CBs will be converted, to the extent that following such exercise (i) any holder(s) of the Exchange CBs and parties acting in concert with it/them will trigger a change in control under the Takeovers Code; or (ii) the shareholding in FDG held by the public will be less than 25% or the minimum prescribed percentage as set out in the Listing Rules from time to time

	If an Offeree Shareholder accepting the Offer holds one board lot of Offeree Shares, such Offeree Shareholder is entitled to receive the Exchange CBs in principal amount of HK$17,000 and to convert the Exchange CBs into FDG Shares at anytime during the conversion period by dividing the principal amount by the then conversion price per FDG Share. Any amount of such Exchange CBs less than the then conversion price per FDG Share will not be converted
Conversion Price	HK$0.50 per FDG Share is subject to adjustment in accordance with the terms and conditions of the Exchange CBs for events such as (i) an alteration to the nominal value of the FDG Shares as a result of consolidation or subdivision; (ii) making a free distribution of FDG Shares by way of capitalization of profits or reserves, including any bonus issue; (iii) a capital distribution, including declaration of dividends in FDG Shares; (iv) issuance of any securities of FDG to at least 90% of the FDG Shareholders at less than 80% of the average of the closing prices of the FDG Shares for the 5 consecutive trading days prior to such issue (inclusive) (“**Current Market Price**”); (v) issuance or grant of options, rights or warrants to at least 90% of the FDG Shareholders which will allow such FDG Shareholders to subscribe for or purchase FDG Share at less than 80% of the Current Market Price; (vi) issuance of securities of FDG wholly for cash by the FDG Group at less than 80% of the Current Market Price; (vii) issuance or grant of options, rights or warrants wholly for cash which will allow the holders of such derivative(s) to subscribe for or purchase FDG Share at less than 80% of the Current Market Price; and (viii) securities offer to at least 90% of the FDG Shareholders by the FDG Group
Number of FDG Shares issuable upon conversion	Maximum of 3,209,542,938 new FDG Shares will be issued upon conversion of the Exchange CBs based on the initial conversion price of HK$0.50 per FDG Share
Conversion period	At any time on or after the issue date of the Exchange CBs up to the maturity date described below
Conversion shares	The FDG Shares to be issued upon conversion of the Exchange CBs will rank pari passu with all existing FDG Shares outstanding at the time of their issue and will be listed on the Stock Exchange

Maturity date	The date falling on the third anniversary of the date of commencement of the Offer
Redemption at maturity	Each Exchange CB which has not been converted by maturity date will be redeemed on maturity at a value equal to 100% of its outstanding principal amount. The holder of the Exchange CBs cannot request FDG to redeem the Exchange CBs prior to the maturity date
Redemption at the option of FDG	FDG may also, at any time after the second anniversary of the date of commencement of the Offer, by written notice elect to redeem the whole or any part of the then outstanding principal amount of the Exchange CBs in a pro rata manner
Mandatory conversion	If, at any time after the issue date up to the maturity date of the Exchange CBs, the closing price of FDG Shares as quoted on the Stock Exchange is more than HK$1.00 (subject to subdivision or consolidation of FDG Shares) for 15 consecutive trading days, FDG may give not less than 7 business days' notice to any holder of the Exchange CBs to mandatorily convert all or any part of the Exchange CBs, unless the mandatory conversion of the Exchange CBs will trigger a mandatory general offer or change in control under the Takeovers Code
Transferability	The Exchange CBs will be transferable
Status	The Exchange CBs will represent direct, unsubordinated and unconditional obligations of FDG and will at all times rank pari passu with all existing and future unsubordinated and unsecured obligations of FDG
Voting	The Exchange CBs carry no right to vote at any general meetings of FDG
Listing	No application will be made for the listing of the Exchange CBs on the Stock Exchange or any other exchange

Shareholding in the Enlarged Share Capital of FDG

Assuming that (i) all the Options will be exercised into the Offeree Shares and all the Offeree Shares (together with the Offeree Shares to be issued upon exercise of the Options) have been tendered for the Exchange CBs upon closing of the Offer; and (ii) all the Exchange CBs are converted into FDG Shares at the initial conversion price of HK$0.50, the FDG Shares arising from the conversion of all the Exchange CBs will represent approximately 18.49% of the issued share capital of FDG as of the Latest Practicable Date and approximately 15.61% of the enlarged issued share capital of FDG. Please refer to the table "EFFECT ON SHAREHOLDING OF FDG" below for more details.

(c) EFFECT ON SHAREHOLDING OF FDG

The effect of the Offer on the shareholding of FDG would be as follows:

	(1) As at the Latest Practicable Date	**(2) Upon full conversion of all the Exchange CBs** *(d)*
Concert parties of the Offeror *(a)*	6,222,171,041 (35.85%)	6,789,546,041 (33.01%)
CIFL *(b)*	105,263,157 (0.61%)	224,263,157 (1.09%)
CIAM *(c)*	448,780,000 (2.59%)	1,474,896,124 (7.17%)
Other Offeree Shareholders	–	1,477,671,813 (7.18%)
Holders of the Options *(d)*	–	19,380,000 (0.09%)
Other FDG Shareholders	10,580,677,428 (60.96%)	10,580,677,428 (51.45%)
Total	17,356,891,626 (100.00%*)	20,566,434,563 (100.00%*)
Public FDG Shareholders *(e)*	9,770,197,427 (56.29%)	12,499,711,364 (60.78%)

(a) Shareholding details of the concert parties of the Offeror in FDG, as identified by the Offeror, in relation to the Offer, are illustrated in the table under the next section entitled "EFFECT ON THE SHAREHOLDING IN FDG HELD BY OFFEROR'S CONCERT PARTIES AS IDENTIFIED BY THE OFFEROR". The number of FDG Shares held by the concert parties of the Offeror in relation to the Offer has been calculated to the best of the knowledge, information and belief of the FDG Directors having made all reasonable enquiries.

(b) CIFL currently holds 105,263,157 FDG Shares. It also holds 35,000,000 Offeree Shares through its wholly-owned subsidiary, Fame Depot, of which Mr. Cao is the sole director. CIFL is a charitable organisation with a five-member board including Mr. Cao, Mr. Miao and Dr. Chen. CIFL and Fame Depot have provided an undertaking to accept the Offer in relation to these Offeree Shares.

(c) CIAM currently holds 448,780,000 FDG Shares. It also holds 920,000 Offeree Shares in its own account and 300,878,860 Offeree Shares through its wholly-owned subsidiary, Right Precious. CIAM and Right Precious have provided an undertaking to accept the Offer in relation to these Offeree Shares. CIAM is 40% owned by CITIC International Financial Holdings Limited (a subsidiary of CITIC Limited which is a company listed in Hong Kong), 25% owned by ICH Company Limited (a subsidiary of ITOCHU Corporation which is a company listed on the Tokyo Stock Exchange), 20% owned by Ithmaar Bank B.S.C. (a company listed on the Bahrain Bourse and the Kuwait Stock Exchange) and 15% owned by Ichigo Group Holdings Co., Ltd. (a company listed on JASDAQ Securities Exchange operated by the Tokyo Stock Exchange).

(d) The FDG Shares to be held by holders of the Options and the numbers of FDG Shares in issue in column (2) of the above table are calculated on the basis that all the Options will be exercised into the Offeree Shares and all the Offeree Shares (together with the Offeree Shares to be issued upon exercise of the Options) are tendered for the Exchange CBs in the Offer and all of them are converted into FDG Shares at the initial conversion price of HK$0.50 thereafter.

(e) The number of FDG Shares held by public FDG Shareholders has been calculated to the best of the knowledge, information and belief of the FDG Directors having made all reasonable enquiries.

* *rounding errors ignored*

(d) EFFECT ON THE SHAREHOLDING IN FDG HELD BY OFFEROR'S CONCERT PARTIES AS IDENTIFIED BY THE OFFEROR

The effect of the Offer on the shareholding in FDG held by the concert parties of the Offeror, as identified by the Offeror, would be as follows:

	(1) As at the Latest Practicable Date	**(2) Upon full conversion of all the Exchange CBs** *(i)*
Mr. Cao *(a)*	2,311,059,998 (13.31%)	2,657,859,998 (12.92%)
Mr. Miao *(b)*	2,770,551,043 (15.96%)	2,770,551,043 (13.47%)
Dr. Chen *(c)*	658,125,000 (3.79%)	658,125,000 (3.20%)
Mr. Che *(d)*	1,000,000 (0.006%)	1,000,000 (0.005%)
Silvanus Enterprises *(d)*	–	213,996,000 (1.04%)
Mr. Lo *(e)*	–	6,579,000 (0.03%)
VMS Securities and associates *(f)*	38,560,000 (0.22%)	38,560,000 (0.19%)
Other concert parties of the Offeror *(g)*	442,875,000 (2.55%)	442,875,000 (2.15%)
Total *(h)*	6,222,171,041 (35.85%*)	6,789,546,041 (33.01%*)

(a) Mr. Cao holds 2,311,059,998 FDG Shares through Long Hing, his wholly-owned investment holding company. He also holds 2,000,000 Offeree Shares in his own account and 100,000,000 Offeree Shares through Champion Rise, his other wholly-owned investment holding company. Mr. Cao and Champion Rise have provided an undertaking to accept the Offer in relation to these Offeree Shares.

(b) Mr. Miao holds 2,606,301,043 and 164,250,000 FDG Shares through his wholly-owned investment holding companies, namely Union Ever and Infinity Wealth, respectively.

(c) Dr. Chen holds 658,125,000 FDG Shares through his 60%-owned investment holding company, Captain Century Limited. Dr. Chen's spouse holds the other 40% interest of Captain Century Limited.

(d) Silvanus Enterprises is a wholly-owned investment holding company of an associate of Mr. Che. Silvanus Enterprises holds 62,940,000 Offeree Shares. Silvanus Enterprises has provided an undertaking to accept the Offer in relation to these Offeree Shares.

(e) Mr. Lo holds 1,935,000 Offeree Shares. He has provided an undertaking to accept the Offer in relation to all the Offeree Shares that he holds.

(f) VMS Investment Group Limited, a holding company of VMS Securities, currently holds 38,560,000 FDG Shares and the Existing FDG CBs.

(g) Mr. Che's Close Relatives hold an aggregate of 150,375,000 FDG Shares. Dr. Chen's Close Relatives hold an aggregate of 292,500,000 FDG Shares.

(h) The number of FDG Shares held by the concert parties of the Offeror in relation to the Offer has been calculated to the best of the knowledge, information and belief of the FDG Directors having made all reasonable enquiries. FDG is of the view that CIAM, Right Precious, CIFL and Fame Depot are not concert parties of the Offeror. In the event that CIAM, Right Precious, CIFL and Fame Depot are deemed to be the concert parties of the Offeror for the purpose of the Offer, the aggregate shareholding of the Offeror and its concert parties will represent 39.04% of the issued share capital of FDG as of the Latest Practicable Date and 41.27% of the issued share capital of FDG upon full conversion of the Exchange CBs, respectively.

(i) The numbers of FDG Shares in issue in column (2) of the above table are calculated on the basis that all the Options will be exercised into the Offeree Shares and all the Offeree Shares (together with the Offeree Shares to be issued upon exercise of the Options) are tendered for the Exchange CBs in the Offer and all of them are converted into FDG Shares at the initial conversion price of HK$0.50 thereafter. As described above in the section entitled "THE BASIS OF THE OFFER-Principal terms of the Exchange CBs", no Exchange CBs will be converted, to the extent that following such exercise (i) any holder(s) of the Exchange CBs and parties acting in concert with it/them will trigger a change in control under the Takeovers Code; or (ii) the shareholding in FDG held by the public will be less than 25% or the minimum prescribed percentage as set out in the Listing Rules from time to time.

* *rounding errors ignored*

(e) PRE-CONDITIONS TO THE OFFER

The making of the Offer is subject to the satisfaction or waiver of the following Pre–Conditions:

(1) the FDG Independent Shareholders passing resolutions to approve the making of the Offer, and the allotment and issue of the FDG Shares pursuant to the conversion of the Exchange CBs;

(2) the Stock Exchange granting the listing of and permission to deal in the FDG Shares arising from the conversion of the Exchange CBs on the Stock Exchange;

(3) the consent, if any, of any third party for the change in controlling shareholder of the Offeree Company being obtained by the Offeree Company on terms reasonably acceptable to the Offeror, being a consent which, if it was not obtained, would result in a material adverse effect on the business of the Offeree Company or any of its subsidiaries if the Offer was made;

(4) save for the accounting impact of the Agnita Transaction, since the date of the last audited consolidated financial statements of the Offeree Company and up to and including the date on which the Composite Document is despatched to the Offeree Shareholders and holders of the Options, there having been no change, fact, event or circumstance which has had or would reasonably be expected to have a material adverse effect on the business, financial position, operations or prospects of the Offeree Group taken as a whole, including but not limited to any proceedings or other action or event which would make the Offer or the acquisition of any Offeree Shares and the Options pursuant to the Offer or the Irrevocable Undertakings to Accept illegal, void or unenforceable, or impose thereon any conditions or restrictions having a material adverse effect on the ability of the Offeror to proceed with or consummate the Offer and/or the Irrevocable Undertakings to Accept or the transactions contemplated thereunder;

(5) all warranties provided in the Irrevocable Undertakings to Accept remaining true, accurate and not misleading in all respects up to and including the date on which the Composite Document is despatched to the Offeree Shareholders and holders of the Options; and

(6) the Offeree Shares remaining listed and traded on the Stock Exchange up to and including the date on which the Composite Document is despatched to the Offeree Shareholders and holders of the Options save for any temporary suspension(s) of trading of the Offeree Shares that might be related to the Offer or the Agnita Transaction and no indication being received on or before such time from the SFC and/or the Stock Exchange to the effect that the listing of the Offeree Shares on the Stock Exchange is or is likely to be withdrawn, other than as a result of either of the Offer or anything done or caused by the Offeror, its concert parties or their representatives.

As of the Latest Practicable Date, Pre-Conditions (1), (2) and (3) have already been satisfied. For further details, please refer to the Joint Announcement, the FDG's Circular, the circular issued by the Offeree Company on 5 December 2014, the poll results announcement issued by FDG dated 29 December 2014 and the joint announcement issued by FDG and the Offeree Company dated 21 January 2015.

(f) ACCEPTANCE CONDITION AND IRREVOCABLE UNDERTAKINGS TO ACCEPT

Pursuant to Rule 30.2 of the Takeovers Code, the Offer is required to be conditional on the Offeror having received acceptances in respect of the Offeree Shares which, together with the Offeree Shares acquired or agreed to be acquired before or during the Offer, result in the Offeror and persons acting in concert with the Offeror holding more than 50% of the voting rights of the Offeree Company.

The Offeror has received irrevocable undertakings from the following Offeree Shareholders, holding approximately 53.68% of the issued share capital of the Offeree Company as at the Latest Practicable Date to accept the Offer in respect of all of the Offeree Shares they hold in exchange for the Exchange CBs:

The Offeree Shareholders	**Number of Offeree Shares Held**	**Percentage Shareholding**
Right Precious *(a)*	300,878,860	32.07%
CIAM *(a)*	920,000	0.10%
Champion Rise *(b)*	100,000,000	10.66%
Mr. Cao *(b)*	2,000,000	0.21%
Fame Depot *(c)*	35,000,000	3.73%
Silvanus Enterprises *(d)*	62,940,000	6.71%
Mr. Lo *(e)*	1,935,000	0.21%
Total *(f)*	503,673,860	53.68%*

(a) Right Precious is a wholly-owned subsidiary of CIAM. CIAM is 40% owned by CITIC International Financial Holdings Limited (a subsidiary of CITIC Limited which is a company listed in Hong Kong), 25% owned by ICH Company Limited (a subsidiary of ITOCHU Corporation which is a company listed on the Tokyo Stock Exchange), 20% owned by Ithmaar Bank B.S.C. (a company listed on the Bahrain Bourse and the Kuwait Stock Exchange) and 15% owned by Ichigo Group Holdings Co., Ltd. (a company listed on JASDAQ Securities Exchange operated by the Tokyo Stock Exchange).

(b) Champion Rise is a wholly-owned investment holding company of Mr. Cao.

(c) Fame Depot is an investment holding company of which Mr. Cao is the sole director and a wholly-owned subsidiary of CIFL. CIFL is a charitable organisation with a five-member board including Mr. Cao, Mr. Miao and Dr. Chen.

(d) Silvanus Enterprises is a wholly-owned investment holding company of an associate of Mr. Che.

(e) Mr. Lo holds 1,935,000 Offeree Shares. He has undertaken to accept the Offer in respect of all Offeree Shares that he holds in exchange for the Exchange CBs.

(f) Apart from the above Offeree Shares, such Offeree Shareholders do not own, control or have direction over any convertible securities, warrants or derivatives in the Offeree Company.

* *rounding errors ignored*

Effect on shareholding of the Offeree Company

The effect of the Offer on the shareholding of the Offeree Company would be as follows:

	(1) As at the Latest Practicable Date	(2) After the issue of the Exchange CBs under the Irrevocable Undertakings to Accept	(3) After the issue of all the other Exchange CBs *(f)*
Mr. Cao *(a)*	102,000,000 (10.87%)	–	–
CIFL *(b)*	35,000,000 (3.73%)	–	–
CIAM *(c)*	301,798,860 (32.17%)	–	–
Silvanus Enterprises *(d)*	62,940,000 (6.71%)	–	–
Mr. Lo *(e)*	1,935,000 (0.21%)	–	–
Other Offeree Shareholders	434,609,357 (46.32%)	434,609,357 (46.32%)	–
FDG	–	503,673,860 (53.68%)	943,983,217 (100.00%)
Total	938,283,217 (100.00%*)	938,283,217 (100.00%*)	943,983,217 (100.00%*)

(a) Mr. Cao holds 2,000,000 Offeree Shares in his own account and 100,000,000 Offeree Shares through Champion Rise, his wholly-owned investment holding company. Mr. Cao and Champion Rise have provided an undertaking to accept the Offer in relation to these Offeree Shares.

(b) CIFL holds 35,000,000 Offeree Shares through its wholly-owned subsidiary, Fame Depot, of which Mr. Cao is the sole director. CIFL is a charitable organisation with a five-member board including Mr. Cao, Mr. Miao and Dr. Chen. CIFL and Fame Depot have provided an undertaking to accept the Offer in relation to these Offeree Shares.

(c) CIAM holds 920,000 Offeree Shares in its own account and 300,878,860 Offeree Shares through its wholly-owned subsidiary, Right Precious. CIAM and Right Precious have provided an undertaking to accept the Offer in relation to these Offeree Shares. CIAM is 40% owned by CITIC International Financial Holdings Limited (a subsidiary of CITIC Limited which is a company listed in Hong Kong), 25% owned by ICH Company Limited (a subsidiary of ITOCHU Corporation which is a company listed on the Tokyo Stock Exchange), 20% owned by Ithmaar Bank B.S.C. (a company listed on the Bahrain Bourse and the Kuwait Stock Exchange) and 15% owned by Ichigo Group Holdings Co., Ltd. (a company listed on JASDAQ Securities Exchange operated by the Tokyo Stock Exchange).

(d) Silvanus Enterprises is a wholly-owned investment holding company of an associate of Mr. Che.

(e) Mr. Lo holds 1,935,000 Offeree Shares. He has undertaken to accept the Offer in relation to all the Offeree Shares that he holds.

(f) The number of Offeree Shares owned by FDG in column (3) of the above table is calculated on the basis that all the Options will be exercised into the Offeree Shares and all the Offeree Shares (together with the Offeree Shares to be issued upon exercise of these Options) are tendered for the Exchange CBs in the Offer. The Offeror has undertaken to the Stock Exchange that it will take appropriate steps following the closing of the Offer to ensure that the Offeree Company meets the public float requirement.

* *rounding errors ignored*

Under the terms and conditions of the Irrevocable Undertakings to Accept and the respective supplemental deeds entered on 30 December 2014 which amended the terms and conditions thereunder in respect of the latest time for acceptance of the Offer and the transfer of Offeree Shares to the Offeror, the relevant Offeree Shareholders will accept the Offer, and the Offeree Shares subject to the Irrevocable Undertakings to Accept will be transferred to the Offeror on or before 5:00 p.m. on the third business day next following the commencement of the Offer, in exchange for the Exchange CBs. Thereafter, the Offeror will accordingly hold the Offeree Shares which represent approximately 53.68% of the issued share capital of the Offeree Company and approximately 53.36% of the enlarged issued share capital of the Offeree Company assuming full exercise of the remaining Options. As set out in the section entitled "EXPECTED TIMETABLE" in this Composite Document, the Offeror will, on the second business day next following the commencement of the Offer, announce in accordance with Rule 15.3 of the Takeovers Code that the Offer has become unconditional in respect of acceptances. Pursuant to Rule 15.1 of the Takeovers Code, the Offer must be open for acceptance for at least 21 days following the date on which the Composite Document is posted. Under Rule 15.3 of the Takeovers Code, the Offer must remain open for acceptance for at least 14 days where the Offer becomes or is declared unconditional (whether as to acceptances or in all respects). As such, the Offer must remain open for acceptance for at least 14 days after the Offer becomes unconditional as to acceptances and unconditional in all respects, respectively.

The Irrevocable Undertakings to Accept will lapse and terminate if the Offer is not made by the Long-Stop Date. The Irrevocable Undertakings to Accept are not subject to any other condition.

Apart from the Irrevocable Undertakings to Accept, the Offeror has no other agreements or understanding with any other Offeree Shareholders or holders of the Options in relation to the acceptance of the Offer or the acquisition of any Offeree Shares or Options by the Offeror, and there exist no arrangements (whether by way of option, indemnity or otherwise) in relation to the Offeree Shares or the Options which are material to the Offer. There exist no arrangements (whether by way of option, indemnity or otherwise) in relation to the shares of the Offeror which might be material to the Offer.

Assuming that all the Options will be exercised into the Offeree Shares and all the Offeree Shares (together with the Offeree Shares to be issued upon exercise of the Options) have been tendered for the Exchange CBs upon closing of the Offer, (i) the Existing FDG CBs, if converted, will represent approximately 3.84% of the issued share capital of FDG as of the Latest Practicable Date and approximately 3.14% of the enlarged issued share capital of FDG; and (ii) the FDG Options, if exercised, will represent approximately 2.83% of the issued share capital of FDG as of the Latest Practicable Date and approximately 2.34% of the enlarged issued share capital of FDG. Apart from the Existing FDG CBs and the FDG Options, there exist no arrangements (whether by way of option, indemnity or otherwise) in relation to the FDG Shares which might be material to the Offer.

Mr. Cao, who is a director and a substantial shareholder owning 13.31% shareholding of FDG, is a concert party of the Offeror. He acquired 1,150,000 Offeree Shares for cash, within the six months immediately preceding the commencement of the Offer Period, for his own account and for investment purposes. His last acquisition was made on 5 June 2014. The highest price he paid was HK$1.13 per Offeree Share. The 1,150,000 Offeree Shares represent in aggregate approximately 0.12% of the issued share capital of the Offeree Company as at the Latest Practicable Date. Silvanus Enterprises sold 25,200,000 Offeree Shares at HK$1.00 per Offeree Share on 19 June 2014. Mr. Lo exercised 1,900,000 Options into Offeree Shares at the exercise price of HK$1.00 per Offeree Share on 23 December 2014.

As of the Latest Practicable Date, the total number of Offeree Shares held by the Offeror and its concert parties is 166,875,000, which represents 17.79% of the total issued share capital of the Offeree Company. Such concert parties, as identified by the Offeror, are Champion Rise, Mr. Cao, Silvanus Enterprises and Mr. Lo. Please refer to the table under the section entitled "EFFECT ON SHAREHOLDING OF THE OFFEREE COMPANY" for their respective interests in the Offeree Company and the table under the section entitled "EFFECT ON THE SHAREHOLDING IN FDG HELD BY OFFEROR'S CONCERT PARTIES AS IDENTIFIED BY THE OFFEROR" for their respective interests in FDG.

The Offeror and parties which act in concert with it, as identified by the Offeror, currently do not (save as aforesaid in the case of Champion Rise, Mr. Cao, Silvanus Enterprises, Mr. Lo and those with exempt principal trader status or exempt fund manager status) hold any Offeree Shares or have options to acquire any Offeree Shares, or options, convertible securities, warrants or other derivatives in respect of Offeree Shares.

The Offeror and parties which act in concert with it, as identified by the Offeror, have not (save as aforesaid in the case of Mr. Cao, Mr. Lo and Silvanus Enterprises) dealt in any Offeree Shares, or options, convertible securities, warrants or other derivatives in respect of Offeree Shares, during the six months immediately preceding the commencement of the Offer Period and ending on the Latest Practicable Date, and will not do so during the Offer Period. Although such parties are not considered by the Offeror as concert parties, for illustrative purpose, there has been no dealing by CIAM, Right Precious, CIFL or Fame Depot in the Offeree Shares, or options, convertible securities, warrants or other derivatives in respect of the Offeree Shares in the six months immediately preceding the commencement of the Offer Period and ending on the Latest Practicable Date. In the event that such parties are deemed to be the concert parties of the Offeror for the purpose of the Offer, the aggregate shareholding of the Offeror and its concert parties will represent 39.04% of the issued share capital of FDG as of the Latest Practicable Date.

There are no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Offeree Company which the Offeror or its concert parties, as identified by the Offeror, have borrowed or lent.

(g) OTHER CONDITIONS OF THE OFFER

The Offer is conditional on the following other conditions:

(1) all authorisations, orders, grants, recognitions, confirmations, consents, clearances, permissions and approvals obtained pursuant to paragraphs (1) to (3) of the Pre-Conditions not having been revoked, rescinded or amended from the date of commencement of the Offer and up to the Closing Date or if earlier the Unconditional Date;

(2) save for the accounting impact of the Agnita Transaction, from the date of commencement of the Offer and up to the Closing Date or if earlier the Unconditional Date, there having been no change, fact, event or circumstance which has had or would reasonably be expected to have a material adverse effect on the business, financial position, operations or prospects of the Offeree Group taken as a whole, including but not limited to any proceedings or other action or event which would make the Offer or the acquisition of any Offeree Shares pursuant to the Offer illegal, void or unenforceable, or impose thereon any conditions or restrictions having a material adverse effect on the ability of the Offeror to proceed with or consummate the Offer and/or the transactions contemplated thereunder; and

(3) the Offeree Shares remaining listed and traded on the Stock Exchange from the date of commencement of the Offer and up to the Closing Date or if earlier the Unconditional Date save for any temporary suspension(s) of trading of the Offeree Shares that might be related to the Offer or the Agnita Transaction and no indication being received on or before such time from the SFC and/or the Stock Exchange to the effect that the listing of the Offeree Shares on the Stock Exchange is or is likely to be withdrawn, other than as a result of either of the Offer or anything done or caused by the Offeror, its concert parties or their representatives.

Note: As at the Latest Practicable Date, none of the above other conditions had been fulfilled.

After the above conditions have been satisfied, the Offeror will announce in accordance with Rule 15.3 of the Takeovers Code that the Offer has become unconditional in all respects. Under the Takeovers Code, the Offer must remain open for acceptance for at least 14 days after the Offer becomes unconditional in all respects and at least 14 days' notice in writing must be given, before the Offer is closed, to the Offeree Shareholders and holders of the Options who have not accepted the Offer.

There exist no agreements or arrangements to which the Offeror is a party and which relate to circumstances in which the Offeror may or may not invoke or seek to invoke a Pre-Condition or condition to the Offer.

(h) INDEPENDENT FINANCIAL ADVISER AND INDEPENDENT BOARD COMMITTEE TO THE OFFEREE COMPANY

The Offeree Company Independent Financial Adviser

The Offeree Company has appointed Somerley to act as the independent financial adviser to the Offeree Company Independent Board Committee.

The Offeree Company Independent Board Committee

The Offeree Company has formed an independent board committee comprising all the non-executive directors of its board of directors to advise the Offeree Shareholders and holders of the Options in relation to the Offer:

Mr. Lu Zhicheng *(non-executive director)*
Mr. Wong Yau Kar David *(non-executive director)*
Mr. Huang Bin *(non-executive director)*
Mr. Hung Chi Yuen Andrew *(independent non-executive director)*
Mr. Sit Fung Shuen Victor *(independent non-executive director)*
Mr. Toh Hock Ghim *(independent non-executive director)*

Mr. Dou Jianzhong and Mr. Lo are not members of the Offeree Company Independent Board Committee. Mr. Dou, who is the chairman and a director of the Offeree Company, is at the same time an executive director and vice president of CITIC Limited, an executive director of CITIC Group Corporation (the substantial shareholder of CITIC Limited), the chairman and chief executive officer of CITIC International Financial Holdings Limited, a director of CIAM, and a director of several other companies within the CITIC group of companies. Mr. Lo, who is the executive vice-chairman, a director and chief executive officer of the Offeree Company, is at the same time an executive director of FDG, a director and the managing director of CITIC International Financial Holdings Limited, and a director and chief executive officer of CIAM.

After considering the advice from the Offeree Company Independent Financial Adviser which is set out in "LETTER FROM THE OFFEREE COMPANY INDEPENDENT FINANCIAL ADVISER", the Offeree Company Independent Board Committee made its recommendation to the Offeree Shareholders and holders of the Options in "LETTER FROM THE OFFEREE COMPANY INDEPENDENT BOARD COMMITTEE". Please refer to the respective letters for details of their advice/recommendation.

(i) INFORMATION ON FDG AND THE OFFEROR

The FDG Group is an integrated electric vehicle manufacturer which engages in (i) independent research and development, design and production of electric vehicles such as buses, coaches, mid-size buses, commercial vehicles, passenger vehicles and other special purpose models; (ii) the research and development, production, distribution and sale of lithium-ion batteries; and (iii) the provision of leasing services for electric vehicles. The

FDG Group operates battery manufacturing plants in Jilin and Tianjin and electric vehicles manufacturing plants in Hangzhou and Kunming in the PRC and exports its batteries to the United States of America, Europe, Canada and Australia.

The FDG Group currently has four core electric vehicle models, namely, the electric mid-size bus, the electric commercial vehicle, the electric bus and the electric mini SUV. The electric mini SUV will have a 2-seater and 5-seater version and is currently undergoing the validation process. All of the other models have passed the relevant validation tests and are ready to be launched.

The production base of the Hangzhou electric vehicle project (owned by Agnita) has a site area of 467,086.9 square meters. Construction of the production facilities commenced in February 2014 and it is expected to commence production in the first half of 2015. The Hangzhou facility will mainly focus on the production of electric mid-size buses, commercial vehicles and mini SUVs with a total designed annual production capacity of 100,000 electric vehicles. It will commence production of approximately 10,000 to 20,000 electric mid-size buses and/or commercial vehicles in the financial year ending 31 March 2016. Further, the FDG Group's Yunnan electric vehicle project located in Kunming has commenced production on 8 November 2014. The Kunming facility will mainly focus on the production of electric buses with a total designed annual production capacity of 10,000 electric buses and/or coaches. It is expected that the Kunming facility will produce 500 to 1,500 electric vehicles in this financial year ending 31 March 2015.

In addition, the FDG Group also possesses an established lithium-ion battery manufacturing operation with production facilities located in Tianjin and Jilin, respectively. The combination of electric vehicle and battery operations will bring a significant synergy to the FDG Group's integrated business development as all of the FDG Group's electric vehicles are currently using the battery products produced by the FDG Group. In addition, certain battery products produced by the FDG Group are being utilized in the field energy storage, such as an energy storage system for recycling energy including solar and wind power, and electric backup system used in buildings and mines.

The long-term development goal of FDG is to achieve rapid growth in the electric vehicle business by leveraging its outstanding R&D team in the field of electric vehicle and battery production as well as its technology and resources in core parts of new energy vehicle and battery, striving to become a leading integrated electric vehicle manufacturer in the market.

The Offeror was incorporated in the British Virgin Islands on 29 July 2013 and has an issued share capital of US$1.00, all of which is held by FDG. The Offeror has not carried on any business since its incorporation other than matters related to the Offer. When the Offer becomes unconditional with respect to acceptances upon the making of the Offer, the Offeror will become the holding company for the Offeree Company. The Offeror will carry on no other businesses.

(j) INFORMATION ON THE OFFEREE COMPANY

The Offeree Company is an investment company investing primarily in the energy conservation, environmental protection and clean energy sectors. As at the Latest Practicable Date, it holds 41.5% of the issued share capital of Agnita with FDG holding the remaining 58.5%, and has a 20% equity interest in Tianjin MTEC which is a developer of electric bike driving units. Tianjin MTEC has completed the construction of stage one production line and received indicative orders from customers.

In addition to the investments in Agnita and Tianjin MTEC, the Offeree Company holds 45% of the equity interest in Huaneng Shouguang, a wind power electricity facility developer and operator in the PRC. For the six months ended 30 June 2014, Huaneng Shouguang recorded a revenue of similar level compared to the same period in 2013 and contributed a profit of HK$1 million to the Offeree Company. The Offeree Company also holds 1.6% of the equity interest in UPC Renewables China Holdings Limited, a wind farm operator in the PRC with an aggregate installed wind energy generation capacity of over 174 megawatts.

The audited consolidated total assets and net assets and audited consolidated net loss before and after taxation of the Offeree Company in respect of the financial years 2012 and 2013 are as follows:

	31 December 2012 *(HK$)*	**31 December 2013** *(HK$)*
Audited consolidated total assets	574,183,000	1,364,398,000
Audited consolidated net assets	550,424,000	1,336,500,000
Audited consolidated net loss before taxation	(10,412,000)	(19,269,000)
Audited consolidated net loss after taxation	(14,691,000)	(22,229,000)

(k) INFORMATION ON THE AGNITA TRANSACTION

Agnita is the holding company for the FDG Group's Beijing research and development centre for electric vehicle and the Hangzhou electric vehicle production facility. FDG owns 58.5% of the issued share capital of Agnita through its wholly-owned subsidiary, Preferred Market, as of the Latest Practicable Date. The remaining 41.5% of Agnita's issued share capital is held by the Offeree Company through CIAM BVI, its wholly-owned subsidiary. Preferred Market previously granted to CIAM BVI the Call Option, pursuant to which CIAM BVI has the right to acquire from Preferred Market 8.5% of the issued share capital of Agnita at any time on or before 7 March 2015 in exchange for the issue of 66,466,165 new Offeree Shares as consideration. In addition, CIAM BVI granted a shareholder's loan of HK$150,000,000 to Agnita pursuant to the Agnita Loan Agreement on 19 December 2013.

Pursuant to the Sale and Purchase Agreement dated 31 October 2014, CIAM BVI conditionally agrees (i) to sell to Preferred Market and Preferred Market conditionally agrees to purchase from CIAM BVI 41.5% of the issued share capital of Agnita and all rights and benefits in the Agnita Loan; and (ii) to the cancellation of the Call Option at a consideration of HK$520,000,000, which will be settled by HK$150,000,000 in cash and the balance of HK$370,000,000 by the issue of the FDG Secured Bonds to CIAM BVI, the Offeree Company or companies wholly owned by the Offeree Company. The FDG Secured Bonds will be unlisted, non-convertible but transferable, have a face value of HK$370,000,000 with an 8% coupon per annum, a tenor of three years, and will be secured by the 41.5% of the issued share capital of Agnita purchased under the Agnita Transaction. To facilitate the discussion and negotiation of the Agnita Transaction, CIAM BVI entered into the Agnita Supplemental Loan Agreements on 23 September and 29 December 2014 with Agnita to extend the repayment date of the Agnita Loan to the long-stop date of the Sale and Purchase Agreement, i.e. 28 February 2015.

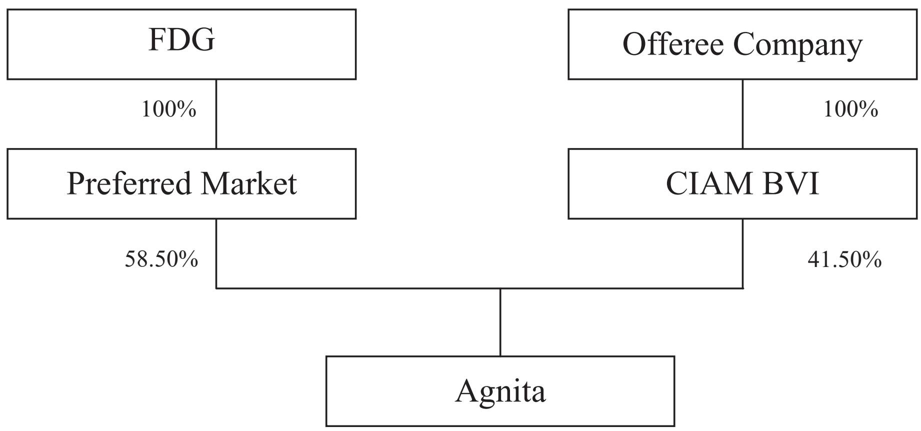
The consideration of the Agnita Transaction was determined after arm's length negotiations between FDG and the Offeree Company with reference to the face value of the Agnita Loan of HK$150,000,000, the acquisition cost to CIAM BVI of 41.5% of the issued share capital of Agnita (of HK$363,125,000 as disclosed in the Offeree Company's announcement dated 21 August 2013) and the development of Agnita since completion of the acquisition by CIAM BVI in November 2013 and the completion of the acquisition by FDG in March 2014, including the commencement of construction of electric vehicle manufacturing facility in Hangzhou, further details of which are set out under the sections entitled "(1) THE POSSIBLE OFFER – (m) REASONS FOR THE OFFER" in the "Letter from the Board" and "Material acquisitions and disposals of subsidiaries and associated companies" in "Appendix III – Management Discussion and Analysis of the Offeree Group" in the FDG's Circular.

Based on the above mentioned considerations and the reasons for the Agnita Transaction, the FDG Directors (except Mr. Lo who has abstained from voting in the board meeting approving the Agnita Transaction but including the independent non-executive directors of FDG) confirm that the terms and conditions of the Agnita Transaction are fair and reasonable and have been negotiated on an arm's length basis upon normal commercial terms.

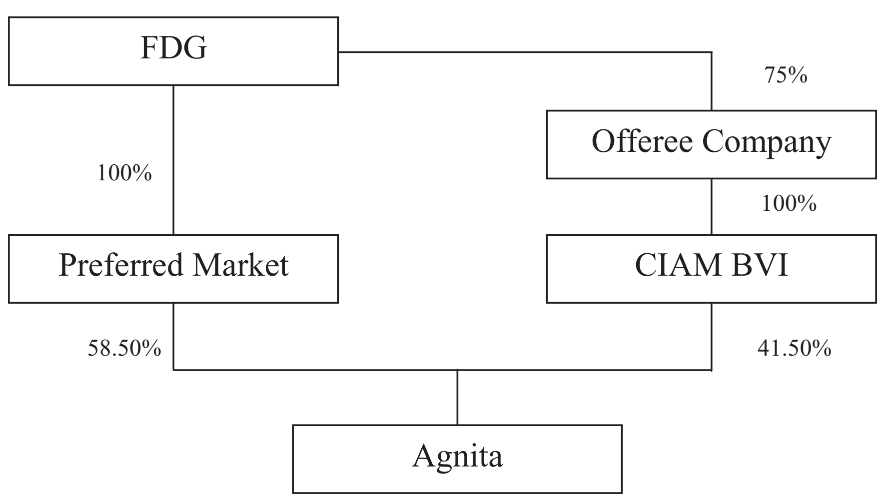
The closing of the Agnita Transaction is conditional on certain conditions precedent including, among others, (i) the approval of the Offeree Shareholders who have no material interest in the Agnita Transaction (such approval has been given at the Offeree Company's special general meeting held on 23 December 2014); and (ii) the Offer having become unconditional as to acceptances. The Offeror has received irrevocable undertakings from certain Offeree Shareholders holding approximately 53.68% of the issued share capital of the Offeree Company as at the Latest Practicable Date (for further details, please refer to the section entitled "ACCEPTANCE CONDITION AND IRREVOCABLE UNDERTAKINGS TO ACCEPT" in the "LETTER FROM VMS SECURITIES LIMITED") to accept the Offer in respect of all of the Offeree Shares they hold in exchange for the Exchange CBs. Under the terms and conditions of the Irrevocable Undertakings to Accept and the respective supplemental deeds entered on 30 December 2014 which amended the terms and conditions thereunder in respect of the latest time for acceptance of the Offer and the transfer of Offeree Shares to the Offeror, the relevant Offeree Shareholders will accept the Offer, and the Offeree Shares subject to the Irrevocable Undertakings to Accept will be transferred to the Offeror on or before 5:00 p.m. on the third business day next following the commencement of the Offer. The Offer is expected to become unconditional as to acceptance on 3 February 2015 and, on the assumption that all the conditions of the Offer are satisfied on the seventh day after the Offer opens for acceptance, the Offer will be declared unconditional in all respects on 6 February 2015. For further details of the Agnita Transaction, please refer to the Joint Announcement, the FDG's Circular, the circular of the Offeree Company dated 5 December 2014 and the announcement of the Offeree Company dated 23 December 2014.

Change in the shareholding structure of Agnita

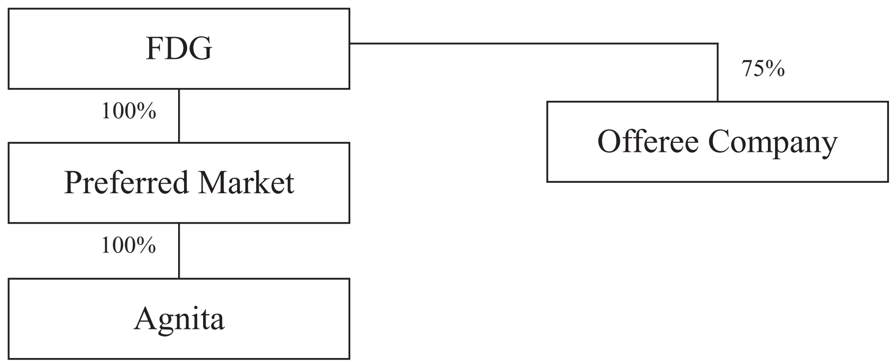
(i) Shareholding structure of Agnita as at the Latest Practicable Date:



(ii) Shareholding structure of Agnita upon completion of the Offer assuming (a) the Offeror obtains a shareholding of 75% or above in the Offeree Company pursuant to the Offer and, if required, places down such shareholding to 75% thereafter in order to maintain a minimum public float as required under the Listing Rules; and (b) the Agnita Transaction does not proceed:



(iii) Shareholding structure of Agnita upon completion of the Offer and the Agnita Transaction assuming the Offeror obtains a shareholding of 75% or above in the Offeree Company pursuant to the Offer and, if required, places down such shareholding to 75% thereafter in order to maintain a minimum public float as required under the Listing Rules:



(l) FINANCIAL EFFECTS TO THE FDG GROUP AS A RESULT OF THE OFFER

Upon completion of the Offer, FDG will be interested in at least 53.68% of the equity interest in the Offeree Company. FDG, being the controlling shareholder of the Offeree Company, will have the right to nominate directors in and control the majority of the voting right of the Offeree Company post completion of the Offer. Accordingly, the Offeree Company will become a non-wholly owned subsidiary of FDG, and the Offeree Group's financial results, assets and liabilities will be consolidated into the accounts of the FDG Group.

As the consideration of the Offer will be settled by the issue of the Exchange CBs, the acquisition cost of the Offer will be calculated using the fair value of the Exchange CBs as at the date of completion of the Offer. Based on the unaudited pro forma financial information of the Enlarged Group as shown in Appendix IV of the FDG's Circular assuming the Offer has been completed on 30 September 2014 and the FDG Group acquired 100% of the equity interest in the Offeree Company, and using, for illustration purpose only, the fair value in the amount of approximately HK$1,799,849,149 for the Exchange CBs with an aggregate face value of HK1,604,771,469, the financial effects to the FDG Group upon completion of the Offer resulting from the issuance of the Exchange CBs are expected to be as follows: (i) the total assets would increase from approximately HK$4,356.8 million to approximately HK$5,504.8 million; and (ii) the total liabilities would increase from approximately HK$2,158.0 million to approximately HK$3,086.7 million.

(m) REASONS FOR THE OFFER FOR FDG

Since the completion of FDG's acquisition of 58.5% of the issued share capital of Agnita on 7 March 2014, Agnita has already commenced construction of electric vehicle manufacturing facility in Hangzhou according to plan, and the validation processes for its electric commercial vehicle and mid-size bus have already received positive reviews. The Hangzhou facility is expected to commence production in the first half of 2015 and will mainly focus on the production of electric mid-size buses, commercial vehicles and mini

SUVs with a total designed annual production capacity of 100,000 electric vehicles. It will start by producing approximately 10,000 to 20,000 electric mid-size buses and/or commercial vehicles in the financial year ending 31 March 2016. Further, FDG's battery engineers have been working closely with Agnita's technicians to customize the battery pack designs for two electric vehicle models to be launched this year. In addition, FDG, through another wholly-owned subsidiary, has acquired 50% of the issued share capital of an electric vehicle manufacturer in Yunnan Province, the PRC, and the Agnita vehicle design team has designed the electric bus and coach which have commenced production in the Yunnan plant in 2014.

Considering the above-mentioned developments since FDG's acquisition of 58.5% of the issued share capital of Agnita, the FDG Board considers that it is in the best interest of FDG and its shareholders as a whole to either acquire and/or control the remaining 41.5% issued share capital of Agnita as early as possible. This will allow the business of Agnita to be more effectively managed on a day to day basis in terms of monitoring the current construction of the electric vehicle manufacturing facilities in Hangzhou, meeting Agnita's financing requirements, and carrying out future planning. It will also cement the ongoing support of Agnita's management team for FDG's other electric vehicle business.

In particular, FDG possesses an established lithium-ion battery manufacturing operation. The combination of the electric vehicle and battery operations will bring significant synergy, since the battery systems often account for 40% to 60% of the production cost of electric vehicles. The durability and reliability of batteries determine the performance and travel range of electric vehicles and the success of an electric vehicle manufacturer. The Agnita Transaction will further cement the vertical integration of FDG's electric vehicle operation, and enable FDG to secure a closer grip on the total production cost and obtain a competitive edge over its competitors.

The electric vehicle manufacturing business is capital intensive in nature and requires large amounts of capital expenditure at the development stage. The current estimation of the capital expenditure required for Agnita's electric vehicle project for the next twelve months is around HK$1.3 billion and the intention was to finance FDG's portion of the capital expenditure requirement through internal resources, bank financing and other fund raising activities. On 23 October 2014, FDG entered into the Placing Agreement with a placing agent to place up to 1,000,000,000 FDG Shares on a best effort basis which lapsed on 19 January 2015. The FDG Group intends to use general mandate to raise additional fund if and when necessary at the time and market condition which is in the best interest of FDG and its shareholders as a whole. As of 30 September 2014 and according to FDG's unaudited consolidated management accounts, the FDG Group had cash and bank balances of approximately HK$715 million. Since Agnita will either be wholly owned by FDG (through the Agnita Transaction) or 58.5%-50% directly owned and 41.5%-50% owned through a non-wholly owned subsidiary (in the event that the Offer is made but the Agnita Transaction does not proceed), the FDG Group will be responsible for 100% of such capital expenditure requirement, and proposes to raise such capital through bank financing and other fund raising activities. Most of the new funds raised through bank financing and other fund raising activities will be invested into Agnita.

The management of the Offeree Company also sees the value of Agnita, and after detailed discussion between FDG and the Offeree Company, both companies have concluded that a reasonable and fair solution for both companies is for FDG (or the Offeror) to make the Offer instead of solely for FDG to acquire the remaining shareholding in Agnita. This will allow Agnita's electric vehicle project to be consolidated into one listing platform and at the same time permit the FDG Shareholders, the Offeree Shareholders and holders of the Options that accept the Offer to benefit from the synergies of combining Agnita's electric vehicle business and the battery manufacturing business.

Once the Offer has been made, the Offeree Company will become a subsidiary of FDG given the Irrevocable Undertakings to Accept that the Offeror has received. At the very least, FDG will control the remaining 41.5% of the issued share capital of Agnita through a listed subsidiary which is primarily engaged in the energy conservation, environmental protection and clean energy sectors. These business segments are all related to the FDG Group's electric vehicle and battery production business and the FDG Board believes there will be synergies waiting to be unlocked.

(n) INTENTIONS OF THE OFFEROR IN RELATION TO THE OFFEREE COMPANY

The Offeror intends to nominate Mr. Cao and Mr. Che as executive directors and Mr. Miao as a non-executive director of the board of the Offeree Company. Such appointments will be made in accordance with the Takeovers Code and the Listing Rules. It is expected that Mr. Huang Bin, Mr. Lu Zhicheng and Mr. Wong Yau Kar David will resign from their positions as non-executive director of the board of the Offeree Company after the closing of the Offer.

It is the intention of the Offeror that the Offeree Company will, after the closing of the Offer, continue its principal business activities and there is no current intention following the closing of the Offer to inject any assets or business into or, save for the Agnita Transaction, to cause the Offeree Company to dispose of any assets or business. The Offeree Group has not entered into any agreement, arrangement, understanding, intention or negotiation with the Offeror or its associates in relation to (i) disposal, termination or scaling-down of the Offeree Group's existing business; (ii) disposal, restructuring or re-deployment of the Offeree Group's assets (apart from the Agnita Transaction); (iii) injection of any new business and/or assets in the Offeree Group; or (iv) proposed change in the board composition of the Offeree Group (apart from the Offeror's intended nomination of new directors to the board of the Offeree Company as mentioned in the paragraph above).

Other than the proposed changes mentioned above, the Offeror does not intend to institute any major changes to the current business and operation of the Offeree Company (including redeployment of the fixed assets of the Offeree Group and termination of employment within the Offeree Group). However, the FDG Group will carry out a review of the businesses of the Offeree Group after the closing of the Offer and may introduce any changes that it deems necessary or appropriate to the Offeree Group's businesses and operations (including the composition of the senior management of the Offeree Group) to better integrate its operations with the other operations of the FDG Group, optimize business performance, maximize synergy and achieve enhanced economies of scale of the FDG

Group. Further announcement will be made in this regard as and when appropriate according to the Listing Rules. If the Offeree Group considers that such review is required to be disclosed, or where such review will trigger disclosure, under the Listing Rules or the SFO, it will make announcement(s) accordingly.

The effect of the Agnita Transaction on the Offeree Group (and therefore on the Offeree Shareholders as a whole, including the Offeree Shareholders who do not accept the Offer) was set out in the Offeree Company's circular dated 5 December 2014. In particular, upon completion of the Agnita Transaction, the Offeree Group will cease to hold any interest in Agnita. The Offeree Group will receive HK$150 million in cash and the balance of the consideration of HK$370 million in the form of FDG Secured Bonds. The FDG Secured Bonds will be recorded as a non-current asset of the Offeree Group, and the interest income from the FDG Secured Bonds will be recorded as revenue of the Offeree Group prior to repayment by FDG or transfer of the FDG Secured Bonds by the Offeree Group.

(o) COMPULSORY ACQUISITION

The Offeror does not intend to avail itself of any power of compulsory acquisition of any Offeree Shares and/or Options after the closing of the Offer.

(p) MAINTENANCE OF THE LISTING OF THE OFFEREE COMPANY

The Offeror intends to maintain the listing of the Offeree Company on the Stock Exchange. The Offeror has undertaken to the Stock Exchange to take appropriate steps following the closing of the Offer to ensure that such numbers of Offeree Shares as required by the Stock Exchange will be held by the public.

The Offeror and FDG intend the Offeree Company to remain listed on the Stock Exchange. The directors of the Offeror and the new directors to be appointed to the Offeree Company Board have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Offeree Shares.

The Stock Exchange has stated that in the event that less than 25% of the Offeree Shares, being the minimum prescribed percentage applicable to the listed issuer, are in public hands following the closing of the Offer or if (i) the Stock Exchange believes that a false market exists or may exist in the trading of the Offeree Shares; or (ii) there are insufficient Offeree Shares in public hands to maintain an orderly market, it will give consideration to exercising its discretion to suspend dealings in the Offeree Shares.

(q) OVERSEAS OFFEREE SHAREHOLDERS AND HOLDERS OF THE OPTIONS AND TAX IMPLICATIONS

It is the responsibility of the overseas Offeree Shareholders and holders of the Options who wish to accept the Offer and to take any action in relation thereto, to satisfy themselves as to the full observance of the laws of any relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required to comply with other necessary formalities or legal requirements. The attention of the Offeree Shareholders and holders of the Options with a registered address in jurisdiction outside Hong Kong is drawn to the section entitled "OVERSEAS OFFEREE SHAREHOLDERS AND HOLDERS OF THE OPTIONS" in Appendix I to this Composite Document.

The overseas Offeree Shareholders and holders of the Options will be responsible for the payment of any transfer or other taxes due by such overseas Offeree Shareholders and holders of the Options in respect of their respective jurisdictions. None of FDG, the Offeror, the parties acting in concert of the Offereor, the Offeree Company, VMS Securities, Somerley, the Registrar or any of their respective directors, officers, associates, agents or any other professional adviser(s) to FDG, the Offeror and the Offeree Company or any other parties involved in the Offer is in a position to advise the overseas Offeree Shareholders and holders of the Options on their individual tax implications. The Offeree Shareholders and holders of the Options are recommended to consult their own professional advisers as to the tax implications that may arise from accepting the Offer. None of the FDG, the Offeror, the parties acting in concert of the Offereor, the Offeree Company, VMS Securities, Somerley, the Registrar or any of their respective directors, officers, associates, agents or any other professional adviser(s) to FDG, the Offeror and the Offeree Company or any other parties involved in the Offer accepts any responsibility for any tax effect on, or liabilities of, the relevant Offeree Shareholders and holders of the Options.

(r) ACCEPTANCE AND SETTLEMENT

Your attention is drawn to further details regarding the procedures for acceptance and settlement and acceptance period as set out in Appendix I to this Composite Document and the Form(s) of Acceptance.

(s) GENERAL

To ensure equality of treatment of all Offeree Shareholders, those Registered Owner Shareholders who hold Offeree Shares as nominee for more than one Beneficial Owner should, as far as practicable, treat the holding of each Beneficial Owner separately. It is essential for the Beneficial Owners whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offer.

All documents will be sent to the Offeree Shareholders and holders of the Options by ordinary post at their own risk. These documents will be sent to them at their respective addresses as appeared in the register of members and, in case of joint holders, whose name appears first in the said register of members, unless otherwise specified in the accompanying Form(s) of Acceptance duly completed, returned and received by the Registrar. None of FDG, the Offeror, the parties acting in concert of the Offeror, the Offeree Company, VMS Securities, Somerley, the Registrar or any of their respective directors, officers, associates, agents or any other professional adviser(s) to FDG, the Offeror and the Offeree Company or any other person involved in the Offer will be responsible for any loss or delay in transmission of such documents or any other liabilities that may arise as a result thereof.

The Offeree Shareholders and holders of the Options are recommended to consult their own professional advisers if they are in any doubt as to the taxation and implications of accepting the Offer in respect of their Offeree Shares and Options.

(t) ADDITIONAL INFORMATION

The Offeree Shareholders and holders of the Options are advised to read carefully the "LETTER FROM THE OFFEREE COMPANY INDEPENDENT BOARD COMMITTEE" and the "LETTER FROM THE OFFEREE COMPANY INDEPENDENT FINANCIAL ADVISER" as contained in this Composite Document before deciding whether or not to accept the Offer.

Your attention is also drawn to the further terms of the Offer, the additional information set out in the appendices to this Composite Document and the accompanying Form(s) of Acceptance.

Yours faithfully,
For and on behalf of
VMS Securities Limited
Keith William Jacobsen
Director

CIAM Group Limited
事安集團有限公司*

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

Chairman:
Dou Jianzhong

Executive Vice-chairman and Chief Executive Officer:
Lo Wing Yat

Non-executive Directors:
Huang Bin
Lu Zhicheng
Wong Yau Kar David

Independent Non-executive Directors:
Hung Chi Yuen Andrew
Sit Fung Shuen Victor
Toh Hock Ghim

Registered Office:
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Principal Place of Business in Hong Kong
23rd Floor
Bank of America Tower
12 Harcourt Road
Central, Hong Kong

30 January 2015

To: the Independent Offeree Shareholders and holders of the Options

Dear Sir or Madam,

VOLUNTARY CONDITIONAL OFFER BY VMS SECURITIES ON BEHALF OF THE OFFEROR TO ACQUIRE ALL THE ISSUED SHARES AND OPTIONS OF THE OFFEREE COMPANY (OTHER THAN THOSE ALREADY ACQUIRED OR AGREED TO BE ACQUIRED BY PARTIES ACTING IN CONCERT WITH THE OFFEROR) IN EXCHANGE FOR NEW CONVERTIBLE BONDS TO BE ISSUED BY FDG

INTRODUCTION

Reference is made to the Joint Announcement in which FDG, the Offeror and the Offeree Company jointly announced that the Offeror, a wholly-owned subsidiary of FDG, proposes to make a voluntary conditional offer to acquire all the issued shares and to cancel all the share options of the Offeree Company (other than those already acquired or agreed to be acquired by parties acting in concert with the Offeror) in exchange for the Exchange CBs issued by FDG.

VMS Securities, on behalf of Offeror, will make a voluntary conditional Exchange CB offer to acquire all of the issued shares in the share capital and to cancel all the outstanding share options of the Offeree Company (other than those already acquired or agreed to be acquired by parties acting in concert with the Offeror).

THE OFFEREE COMPANY INDEPENDENT BOARD COMMITTEE AND THE OFFEREE COMPANY INDEPENDENT FINANCIAL ADVISER

Pursuant to Rules 2.1 and 2.8 of the Takeovers Code, the Offeree Company Independent Board Committee comprising all the three non-executive directors (namely Mr. Hunag Bin, Mr. Lu Zhicheng and Mr. Wong Yau Kar David) and three independent non-executive directors (namely Mr. Hung Chi Yuen Andrew, Mr. Sit Fung Shuen Victor and Mr. Toh Hock Ghim), who have no direct or indirect interest in the Offer save as disclosed herein below, has been established to make a recommendation to the Independent Offeree Shareholders and holders of the Options (i) as to whether the Offer is, or is not, fair and reasonable; and (ii) as to acceptance.

As at the Latest Practicable Date, each of Mr. Lu Zhicheng, Mr. Wong Yau Kar David, Mr. Hung Chi Yuen Andrew, Mr. Sit Fung Shuen Victor and Mr. Toh Hock Ghim held 200,000 Options respectively. Mr. Huang Bin is a director of CIAM, which held 301,798,860 Offeree Shares (920,000 Offeree Shares in its own account and 300,878,860 Offeree Shares through its wholly-owned subsidiary, Right Precious), as at the Latest Practicable Date.

Mr. Dou Jianzhong and Mr. Lo are not members of the Offeree Company Independent Board Committee. Mr. Dou, who is the chairman and a director of the Offeree Company, is at the same time an executive director and vice president of CITIC Limited, an executive director of CITIC Group Corporation (the substantial shareholder of CITIC Limited), the chairman and chief executive officer of CITIC International Financial Holdings Limited, a director of CIAM, and a director of several other companies within the CITIC group of companies. Mr. Lo, who is the executive vice-chairman, a director and chief executive officer of the Offeree Company, is at the same time an executive director of FDG, a director and the managing director of CITIC International Financial Holdings Limited, and a director and chief executive officer of CIAM.

Somerley has been appointed as the independent financial adviser to advise the Offeree Company Independent Board Committee and the Independent Offeree Shareholders and holders of the Options in respect of the Offer.

This Composite Document, of which this letter forms a part, provides you with, among other things, information on and the procedures for acceptance and settlement of the Offer, the recommendation of Offeree Company Independent Board Committee and the advice of Somerley on the Offer, and the information relating to the Offeree Group and the FDG Group.

Unless the context otherwise requires, terms defined in the Composite Document shall have the same meanings when used in this letter.

THE OFFER

The following information about the Offer is based on the "LETTER FROM VMS SECURITIES LIMITED" contained in this Composite Document.

The Offer is being made by VMS Securities on behalf of Offeror on the terms and conditions set out in this Composite Document and in the accompanying Form(s) of Acceptance on the following basis:

Offeree Shares

As at the Latest Practicable Date, the Offeree Company had 938,283,217 Offeree Shares in issue.

For every one Offeree Share . . . . an Exchange CB with principal amount of HK$1.70

The initial conversion price for the Exchange CBs is HK$0.50 per FDG Share. The minimum number of Offeree Shares that will be capable of being converted into an integral number of FDG Shares will be 5 Offeree Shares, which will be exchangeable for an Exchange CB principal amount of HK$8.50 and will be convertible using the initial conversion price into 17 FDG Shares. Holders of the Exchange CBs proposing to convert their Exchange CBs should bear in mind that FDG Shares are currently tradable in board lots of 20,000 FDG Shares.

Options

As at the Latest Practicable Date, the Options were exercisable into 5,700,000 Offeree Shares in aggregate at the exercise price of HK$1.00 per Offeree Share.

For every one Option . . . . an Exchange CB with principal amount of HK$0.70

The initial conversion price for the Exchange CBs is HK$0.50 per FDG Share. The minimum number of Options that will be capable of being converted into an integral number of FDG Shares will be 5 Options, which will be exchangeable for an Exchange CB principal amount of HK$3.50 and will be convertible using the initial conversion price into 7 FDG Shares. Holders of the Exchange CBs proposing to convert their Exchange CBs should bear in mind that FDG Shares are currently tradable in board lots of 20,000 FDG Shares.

The Options tendered for the Exchange CBs in the Offer will be cancelled.

All the Options are currently exercisable whether or not the Offer materialises. Under the Share Option Scheme, holders of the Options may elect to exercise their Options or accept the Offer on the above terms in respect of their Options. If they do not exercise their Options or accept the Offer, their Options will, according to the Share Option Scheme, lapse after the Offer closes.

The Exchange CBs will be convertible into FDG Shares at HK$0.50 per FDG Share (subject to adjustment). The initial conversion price of HK$0.50 is based on the price-to-book ratio and the prevailing market prices of FDG Shares (in particular, the 5 consecutive trading days immediately preceding and including the Last Trading Day of HK$0.514 per FDG Share) and was negotiated on an arm's length basis which was considered by FDG and the Offeree Company to be acceptable to shareholders of both companies. It represents:

(1) a premium of 19.05% to the closing price of the FDG Shares of HK$0.420 as quoted on the Stock Exchange on the Latest Practicable Date;

(2) a discount of 9.09% to the closing price of the FDG Shares of HK$0.550 as quoted on the Stock Exchange on the Last Trading Day;

(3) a discount of 2.72% to the average of the closing prices of the FDG Shares as quoted on the Stock Exchange for the 5 consecutive trading days immediately preceding and including the Last Trading Day of HK$0.514 per FDG Share;

(4) a discount of 0.79% to the average of the closing prices of the FDG Shares as quoted on the Stock Exchange for the 10 consecutive trading days immediately preceding and including the Last Trading Day of HK$0.504 per FDG Share;

(5) a discount of 1.38% to the average of the closing prices of the FDG Shares as quoted on the Stock Exchange for the 30 consecutive trading days immediately preceding and including the Last Trading Day of HK$0.507 per FDG Share;

(6) a discount of 4.94% to the average of the closing prices of the FDG Shares as quoted on the Stock Exchange for the 60 consecutive trading days immediately preceding and including the Last Trading Day of HK$0.526 per FDG Share;

(7) a discount of 3.47% to the average of the closing prices of the FDG Shares as quoted on the Stock Exchange for the 90 consecutive trading days immediately preceding and including the Last Trading Day of HK$0.518 per FDG Share; and

(8) a premium of 367.29% to the NAV attributable to the owners of FDG per FDG Share as at 30 September 2014 of HK$0.107.

Based on the face value of the Exchange CBs offered for each Offeree Share and Option, the value offered per Offeree Share tendered under the Offer is HK$1.70 and the value offered per Option exercisable at HK$1.00 tendered under the Offer is HK$0.70, respectively.

For illustrative purposes only, the fair value of the Exchange CBs which consists of three components, namely the straight bond value, the values of the embedded call option to the holders of the Exchange CBs, and the redemption option of FDG, is calculated using the binomial pricing model and has been determined by Asset Appraisal Limited, an independent qualified professional valuer engaged by FDG. As at the 31 December 2014, the fair value of the Exchange CBs is in the amount of HK$1,413,661,298 for an aggregate face value of HK$1,604,771,469. The fair value was based on various assumptions, including the closing price of the FDG Shares of HK$0.385 on 31 December 2014.

The estimates of value of the Exchange CBs by Asset Appraisal Limited is set out in APPENDIX IV.

Further details of the Offer

Further details of the Offer including, among others, the terms and conditions and the procedures for acceptance and settlement are set out in the "LETTER FROM VMS SECURITIES LIMITED" contained in this Composite Document, Appendix I to this Composite Document and the accompanying Form(s) of Acceptance.

If an Offeree Shareholder or holder of the Options wishes to accept the Offer in respect of any of the Offeree Share or Option, the Offeree Shareholder and holder of the Options should complete the accompanying Form(s) of Acceptance in accordance with the instructions set out therein.

IRREVOCABLE UNDERTAKING TO ACCEPT

Please refer to the section entitled "ACCEPTANCE CONDITION AND IRREVOCABLE UNDERTAKING TO ACCEPT" set out in the "LETTER FROM VMS SECURITIES LIMITED" contained in this Composite Document for details.

EFFECT ON SHAREHOLDING OF THE OFFEREE COMPANY

Please refer to the Section entitled "EFFECT ON SHAREHOLDERING OF THE OFFEREE COMPANY" set out in the "LETTER FROM VMS SECURITIES LIMITED" contained in this Composite Document for details.

The Offeree Company Board has undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Offeree Shares.

GENERAL

Information on the Offeree Company

The Offeree Company is a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange. The Offeree Company is an investment company investing primarily in the energy conservation, environmental protection and clean energy sectors.

As disclosed in the January 2015 Profit Warning, the Offeree Company expected to record an increase in loss attributable to the Offeree Shareholders for the year ended 31 December 2014 as compared to the loss recorded for the year ended 31 December 2013. Based on the preliminary assessment of the unaudited management accounts of the Offeree Company for the year ended 31 December 2014 and information currently available to the

Offeree Company Board, the expected increase in loss, on a year-on-year basis, was primarily attributable to (i) the Offeree Group's share of the operating loss incurred by Agnita; (ii) no material fair value gain from the revaluation of the Offeree Group's investment portfolio for 2014; and (iii) the decrease in interest income.

Your attention is drawn to the financial information of the Offeree Group set out in Appendix II to this Composite Document.

Information on FDG and the Offeror

Your attention is drawn to the section entitled "INFORMATION ON FDG AND THE OFFEROR" in the "LETTER FROM VMS SECURITIES LIMITED" contained in and the financial information of the FDG Group set out in Appendix III to this Composite Document.

OFFEROR'S INTENTION

Your attention is drawn to the section entitled "INTENTIONS OF THE OFFEROR IN RELATION TO THE OFFEREE COMPANY" in the "LETTER FROM VMS SECURITIES LIMITED" contained in this Composite Document.

The Offeree Company Board fully notes and understands the intention of the Offeror on certain changes to the composition of the Offeree Company Board. The Offeree Company Board also notes that other than a review of the businesses of the Offeree Group and the composition of the senior management of the Offeree Group after the closing of the Offer as set out under the section entitled "INTENTIONS OF THE OFFEROR IN RELATION TO THE OFFEREE COMPANY" in the "LETTER FROM VMS SECURITIES LIMITED" contained in this Composite Document, the Offeror does not intend to institute any major changes to the current business and operation of the Offeree Company (including redeployment of the fixed assets of the Offeree Group and termination of employment within the Offeree Group). The Offeree Company Board will co-operate and provide support to the Offeror as regards to the Offeror's intention regarding the Offeree Group and will continue to act in the best interests of the Offeree Group and the Offeree Shareholders as a whole.

RECOMMENDATION

Your attention is drawn to the "LETTER FROM THE OFFEREE COMPANY INDEPENDENT BOARD COMMITTEE" set out in this Composite Document which contains the recommendation of the Offeree Company Independent Board Committee in respect of the Offer. Your attention is also drawn to the "LETTER FROM THE OFFEREE COMPANY INDEPENDENT FINANCIAL ADVISER" set out in this Composite Document, which contains its advice to the Offeree Company Independent Board Committee, the Offeree Shareholders and holders of the Options in respect of the fairness and reasonableness of the Offer and the principal factors and reasons it has considered before arriving at its advice.

ADDITIONAL INFORMATION

Please refer to the "LETTER FROM VMS SECURITIES LIMITED" set out in this Composite Document as well as the appendices to this Composite Document and the accompanying Form(s) of Acceptance for information relating to the Offer, the acceptance, settlement procedures of the Offer and the making of the Offer to the Offeree Shareholders and holders of the Options outside Hong Kong and its related taxation.

By Order of the Board
CIAM Group Limited
Dou Jianzhong
Chairman

CIAM Group Limited
事安集團有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 378)

30 January 2015

To: the Independent Offeree Shareholders and holders of the Options

Dear Sir or Madam,

VOLUNTARY CONDITIONAL OFFER BY VMS SECURITIES ON BEHALF OF THE OFFEROR TO ACQUIRE ALL THE ISSUED SHARES AND OPTIONS OF THE OFFEREE COMPANY (OTHER THAN THOSE ALREADY ACQUIRED OR AGREED TO BE ACQUIRED BY PARTIES ACTING IN CONCERT WITH THE OFFEROR) IN EXCHANGE FOR NEW CONVERTIBLE BONDS TO BE ISSUED BY FDG

We refer to the composite offer and response document dated 30 January 2015 jointly issued by FDG, the Offeror and the Offeree Company to the Offeree Shareholders and holders of the Options, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Composite Document unless the context otherwise requires.

We have been appointed by the Offeree Company Board to consider the terms of the Offer and to advise you as to whether, in our opinion, the terms of the Offer are fair and reasonable so far as the Independent Offeree Shareholders and holders of the Options are concerned and as to acceptance of the Offer.

Somerley has been appointed as the independent financial adviser to advise us in respect of the Offer. Your attention is drawn to the "LETTER FROM THE OFFEREE COMPANY INDEPENDENT FINANCIAL ADVISER" set out in this Composite Document containing its advice to us and the principal factors and reasons taken into account by it in arriving at such advice.

We draw your attention to the "LETTER FROM VMS SECURITIES LIMITED" set out on pages 10 to 39 of this Composite Document, the "LETTER FROM THE OFFEREE COMPANY BOARD" on pages 40 to 46 of this Composite Document and the appendices to the Composite Document.

Having taken into account the advice of Somerley, we consider that the terms of the Offer are fair and reasonable so far as the Independent Offeree Shareholders and holders of the Options are concerned. Accordingly, we recommend the Independent Offeree Shareholders and holders of the Options to accept the Offer. Independent Offeree Shareholders and holders of the Options are recommended to read the "LETTER FROM THE OFFEREE COMPANY INDEPENDENT FINANCIAL ADVISER". Notwithstanding our recommendation, the Independent Offeree Shareholders and holders of the Options are reminded that the decision to realize or to hold your investment in the Offeree Shares and/or the Options (as the case may be) is subject to individual circumstances and investment objectives and you should carefully and closely monitor the market price of the Offeree Shares and the FDG Shares in deciding whether to accept the Offer and/or dispose of the Offeree Shares in the open market.

Yours faithfully,
For and on behalf of the Offeree Company Independent Board Committee

Mr. Huang Bin **Mr. Lu Zhicheng** **Mr. Wong Yau Kar David**
Non-executive Directors

Mr. Hung Chi Yuen Andrew **Mr. Sit Fung Shuen Victor** **Mr. Toh Hock Ghim**
Independent non-executive Directors

The following is the full text of the letter of advice from Somerley to the Offeree Company Independent Board Committee in relation to the Offer, which has been prepared for the purpose of inclusion in the Composite Document.

SOMERLEY CAPITAL LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

30 January 2015

To: The Offeree Company Independent Board Committee

Dear Sirs,

**VOLUNTARY CONDITIONAL OFFER BY
VMS SECURITIES LIMITED ON BEHALF OF
THE OFFEROR TO ACQUIRE ALL THE ISSUED SHARES
AND OPTIONS OF THE OFFEREE COMPANY
(OTHER THAN THOSE ALREADY ACQUIRED
OR AGREED TO BE ACQUIRED BY PARTIES ACTING
IN CONCERT WITH THE OFFEROR)
IN EXCHANGE FOR NEW CONVERTIBLE BONDS
TO BE ISSUED BY FDG**

INTRODUCTION

We refer to our appointment to advise the Offeree Company Independent Board Committee in connection with the Offer. Details of the Offer are set out in the composite offer and response document issued jointly by the Offeree Company, the Offeror and FDG (the "Composite Document") to the Independent Offeree Shareholders and the holders of the Options (the "Optionholders") dated 30 January 2015, of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context otherwise requires.

As disclosed in the Joint Announcement, Sinopoly Strategic Investment Limited, a wholly-owned subsidiary of FDG, proposes to make a voluntary conditional offer to acquire all the issued shares and to cancel all the share options of the Offeree Company in exchange for the Exchange CBs issued by FDG, subject to the satisfaction of the Pre-Conditions.

As stated in the letter from VMS Securities Limited in the Composite Document, VMS Securities is making, on behalf of the Offeror, the Offer to all Offeree Shareholders and holders of the Options.

The Offeree Company Independent Board Committee comprising all the non-executive directors, namely Mr. Lu Zhicheng, Mr. Wong Yau Kar David and Mr. Huang Bin, and all the independent non-executive directors, namely Mr. Hung Chi Yuen Andrew, Mr. Sit Fung

Shuen Victor and Mr. Toh Hock Ghim, has been formed to advise the Independent Offeree Shareholders and the Optionholders on whether the terms of the Offer are fair and reasonable so far as the Independent Offeree Shareholders and the Optionholders are concerned, and as to the acceptance of the Offer.

We are not associated or connected with the Offeree Company, the Offeror or FDG, their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, are considered eligible to give independent advice on the Offer. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Offeree Company, the Offeror or FDG, their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them.

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the management of the Offeree Company (the "Management"), which we have assumed to be true, accurate and complete. We have reviewed the published information on the Offeree Company, including but not limited to, the interim report of the Offeree Company for the six months ended 30 June 2014 (the "Offeree 2014 Interim Report"), the annual report of the Offeree Company for the year ended 31 December 2013 (the "Offeree 2013 Annual Report"), the circular of the Offeree Company dated 5 December 2014 in relation to the Agnita Transaction (the "Agnita Circular"), the annual report of FDG for the year ended 31 March 2014 (the "FDG 2013/2014 Annual Report"), the interim report of FDG for the six months ended 30 September 2014 (the "FDG 2014/2015 Interim Report"), the FDG's Circular regarding, among other things, the Offer and other information contained in the Composite Document. We have reviewed the trading performance of the FDG Shares and the Offeree Shares on the Stock Exchange. We have sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed by them. We consider that the information we have received is sufficient for us to reach our opinion and advice as set out in this letter. We have no reason to doubt the truth and accuracy of the information provided to us or to believe that any material facts have been omitted or withheld. We have, however, not conducted any independent investigation into the business and affairs of the Offeree Group, nor have we carried out any independent verification of the information supplied. We have also assumed that all representations contained or referred to in the Composite Document are true at the time they were made and at the date of the Composite Document and the Offeree Shareholders and the Optionholders will be notified of any material changes as soon as possible, if any.

We have not considered the tax and regulatory implications on the Offeree Shareholders and the Optionholders of acceptance or non-acceptance of the Offer since these depend on their individual circumstances. In particular, Offeree Shareholders and the Optionholders who are resident overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions and, if in any doubt, should consult their own professional advisers.

PRINCIPAL TERMS OF THE OFFER

Share Offer

As disclosed in the letter from VMS Securities Limited in the Composite Document, the Share Offer will be made in accordance with the Takeovers Code on the following basis:

For every one Offeree Share . . . . an Exchange CB with principal amount of HK$1.70

As at the Latest Practicable Date, the Offeree Company has 938,283,217 Offeree Shares in issue.

The initial conversion price for the Exchange CBs is HK$0.50 per FDG Share. The minimum number of Offeree Shares that will be capable of being converted into an integral number of FDG Shares will be 5 Offeree Shares, which will be exchangeable for an Exchange CB principal amount of HK$8.50 and will be convertible using the initial conversion price into 17 FDG Shares. Holders of Exchange CBs proposing to convert their Exchange CBs should bear in mind that FDG Shares are currently tradable in board lots of 20,000 FDG Shares.

Option Offer

As disclosed in the letter from VMS Securities Limited in the Composite Document, the Option Offer will be made in accordance with the Takeovers Code on the following basis:

For every one Option . . . . . . an Exchange CB with principal amount of HK$0.70

As at the Latest Practicable Date, the Options are exercisable into 5,700,000 Offeree Shares in aggregate at the exercise price of HK$1.00 per Offeree Share.

The initial conversion price for the Exchange CBs is HK$0.50 per FDG Share. The minimum number of Options that will be capable of being converted into an integral number of FDG Shares will be 5 Options, which will be exchangeable for an Exchange CB principal amount of HK$3.50 and will be convertible using the initial conversion price into 7 FDG Shares. Holders of the Exchange CBs proposing to convert their Exchange CBs should bear in mind that FDG Shares are currently tradable in board lots of 20,000 FDG Shares.

The Options tendered for Exchange CBs under the Option Offer will be cancelled.

All the Options are in the money as at the Latest Practicable Date. Under the Share Option Scheme, Optionholders may elect to exercise their Options or accept the Option Offer on the above terms in respect of their Options. If they do not exercise their Options or accept the Option Offer, their Options will, according to the Share Option Scheme, lapse after the Option Offer closes.

Attention of the Offeree Shareholders and Optionholders is also drawn to the Appendix I to the Composite Document for other terms of the Offer.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Offer, we have taken into account the following principal factors and reasons:

1. Background leading to the Offer

On 2 November 2014, FDG and the Offeree Company jointly announced, among other things, the Agnita Transaction, details of which are set out in the Agnita Circular.

Agnita, an associate of the Offeree Company and is currently held as to 41.5% by the Offeree Group (through CIAM BVI) and as to 58.5% by the FDG Group (through Preferred Market). Agnita is a company incorporated in the British Virgin Islands with limited liability and principally engaged in vehicle design and the design, manufacture and sales of electric vehicles. The Offeree Group acquired 41.5% equity interest in Agnita in November 2013 and since then, Agnita has become an associate of the Offeree Company. In March 2014, FDG acquired the remaining 58.5% of the issued share capital of Agnita and Agnita has accordingly become a subsidiary of FDG since then.

As detailed in the letter from VMS Securities Limited in the Composite Document, since the completion of FDG's acquisition of 58.5% of the issued share capital of Agnita on 7 March 2014, Agnita has already commenced construction of electric vehicle manufacturing facility in Hangzhou, Zhejiang Province, the PRC according to plan, and the validation processes for its electric commercial vehicle and mid-size bus have already received positive reviews. The Hangzhou facility is expected to commence production in the first half of 2015 and will mainly focus on the production of electric mid-size buses, commercial vehicles and mini SUVs with a total designed annual production capacity of 100,000 electric vehicles. It will start by producing approximately 10,000 to 20,000 electric mid-size buses and/or commercial vehicles in the financial year ending 31 March 2016. Further, FDG's battery engineers have been working closely with Agnita's technicians to customize the battery pack designs for two electric vehicle models to be launched this year. In addition, FDG, through another wholly-owned subsidiary, has acquired 50% of the issued share capital of an electric vehicle manufacturer in Yunnan Province, the PRC, and the Agnita vehicle design team has designed the electric bus and coach which have commenced production in the Yunnan plant in 2014.

Considering the above-mentioned developments since FDG's acquisition of 58.5% of the issued share capital of Agnita, the FDG Board considers, as stated in the letter from VMS Securities Limited in the Composite Document, that it is in the best interest of FDG and its shareholders as a whole to either acquire and/or control the remaining 41.5% issued share capital of Agnita as early as possible. This will allow the business of Agnita to be more effectively managed on a day to day basis in terms of monitoring the current construction of the electric vehicle manufacturing facilities in Hangzhou, Zhejiang Province, the PRC, meeting Agnita's financing requirements, and carrying out future planning. It will also cement the ongoing support of Agnita's management team for FDG's other electric vehicle business.

Whilst the Management also sees the value of Agnita and after detailed discussion between FDG and the Offeree Company, both companies have concluded that a reasonable and fair solution for both companies is for FDG (or the Offeror) to make the Offer instead of solely for FDG to acquire the remaining shareholding in Agnita. This will allow Agnita's electric vehicle project to be consolidated into one listing platform and at the same time permit FDG Shareholders, the Offeree Shareholders and Optionholders that accept the Offer to benefit from the synergies of combining Agnita's electric vehicle business and the battery manufacturing business.

Once the Offer has been made, the Offeree Company will become a subsidiary of FDG given the Irrevocable Undertakings to Accept that the Offeror has received. As disclosed in the Agnita Circular, it is the intention of the Offeree Company and FDG that the completion of the Agnita Transaction will take place after the Offer becoming unconditional.

In the case that completion of the Agnita Transaction does not take place, FDG will control the remaining 41.5% of the issued share capital of Agnita through the Offeree Company, a listed subsidiary which is primarily engaged in the energy conservation, environmental protection and clean energy sectors.

2. Information on the Offeree Company

The Offeree Company is an investment company investing primarily in the energy conservation, environmental protection and clean energy sectors. Since 2008, the Offeree Group has adopted the "Green and Growth" investment philosophy. In pursuit of the philosophy, it has been searching for and making investments on projects related to energy conservation, environmental protection and clean energy.

As at the Latest Practicable Date, the major investments of the Offeree Group include: (i) 41.5% equity interest in Agnita and the Agnita Loan; (ii) a 45% equity interest in Huaneng Shouguang, a wind power electricity facility developer and operator in the PRC; (iii) 20% equity interest in Tianjin MTEC, an electric bike driving unit developer in the PRC; and (iv) 1.6% equity interest in UPC Renewables China Holdings Limited ("UPC"), a wind farm operator in the PRC with an aggregate installed wind energy generation capacity of over 174 megawatt.

Agnita is currently held as to 41.5% by the Offeree Group and as to 58.5% by the FDG Group. Pursuant to the terms of the Agnita Transaction, CIAM BVI conditionally agrees (i) to sell to Preferred Market and Preferred Market conditionally agrees to purchase from CIAM BVI 41.5% of the issued share capital of Agnita and all rights and benefits in the Agnita Loan; and (ii) to the cancellation of the Call Option at a consideration of HK$520 million, which will be settled by HK$150 million in cash and the balance of HK$370 million by the issue of the FDG Secured Bonds to CIAM BVI, the Offeree Company or other company wholly owned by the Offeree Company. The FDG Secured Bonds will be unlisted, non-convertible but transferable, have a face value of HK$370 million with an 8% coupon per annum, a tenor of three years, and will be secured by the 41.5% of the issued share capital of Agnita purchased under the Agnita Transaction. As stated in the Joint Announcement and the Agnita Circular, it is the current intention of the

Offeree Company and FDG that completion of the Agnita Transaction (including the acceptance of the FDG Secured Bonds) will take place after the Offer becoming unconditional. Further details of Agnita and the Agnita Transaction are covered in the Agnita Circular.

During the year ended 31 December 2013, Huaneng Shouguang reached the electricity output target for the year. However, as impacted by the declining PRC government subsidy, Huaneng Shouguang made only minimal profits for the year ended 31 December 2013. The investment in Huaneng Shouguang has been accounted for as a joint venture of the Offeree Group. For the six months ended 30 June 2014, Huaneng Shouguang contributed approximately HK$1 million of profit to the Offeree Group.

The Offeree Company invested in 20% equity interest in Tianjin MTEC in February 2014. It has completed the construction of the stage one production line and received indicative orders from customers. The Offeree Group's investment in Tianjin MTEC has been classified as interest in an associate but exempted from applying the equity method, thus was recognised as a financial asset at fair value through profit or loss in the Offeree Group's financial statements. The Offeree Group's investment in UPC has been accounted for as a financial asset at fair value through profit or loss in the Offeree Group's financial statements.

In addition to the aforesaid investments, the Offeree Group also had one entrusted loan to a mining company in Yunnan, the PRC, which was extended by the Offeree Group in October 2010 and has become overdue since October 2011. The carrying value of the loan (principal plus consultancy fee and accrued interests but net of impairment) was approximately RMB63.5 million (equivalent to approximately HK$79.2 million) as at 30 June 2014 which is below the fair value of the collateral of RMB255 million (equivalent to approximately HK$318 million) as disclosed in the Offeree 2014 Interim Report.

(a) Financial results of the Offeree Group

Set out below is the highlights of the consolidated interim results of the Offeree Group for the six months ended 30 June 2013 and 30 June 2014 and the consolidated annual results of the Offeree Group for each of the two financial years ended 31 December 2012 and 31 December 2013 as extracted from the Offeree 2014 Interim Report and the Offeree 2013 Annual Report respectively.

	For the six months ended 30 June 2014	For the six months ended 30 June 2013	For the year ended 31 December 2013	2012
			2013	2012
	(unaudited)	*(unaudited)* *(restated)*	*(audited)*	*(audited)*
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	9,160	18,648	32,647	22,067
(Loss) / profit from operations before impairment	(5,135)	2,670	378	(10,184)
Impairment loss on loan and other receivables	(8,251)	(9,539)	(19,463)	–
Finance costs	–	–	–	(2,445)
Gain on disposal of subsidiaries	–	658	685	63
Share of loss of an associate	(11,491)	–	(1,062)	–
Share of profits less losses of joint ventures	1,210	1,461	193	2,154
Loss before taxation	(23,667)	(4,750)	(19,269)	(10,412)
Loss attributable to the Offeree Shareholders	(23,657)	(4,790)	(22,229)	(14,687)
Loss per Share (HK cents)	(2.53)	(1.08)	(4.52)	(3.30)

Source: The Offeree 2014 Interim Report and the Offeree 2013 Annual Report.

During the periods under review, revenue of the Offeree Group mainly comprised net gain/loss on held-for-trading investments and financial assets, interest income from interest-bearing financial instruments and advisory fee income from financial services provided by the Offeree Group.

The Offeree Group reported a notable increase in total revenue by approximately 47.5% from approximately HK$22.1 million in 2012 to approximately HK$32.6 million in 2013. The increase was mainly due to the fair value gain of approximately HK$7.0 million pursuant to the disposal of the investment in listed shares of Sun.King Power Electronics Group Limited and an increase of interest income, dividend income and advisory fee income of approximately HK$4.2 million as compared to the previous financial year of approximately HK$23.1 million. As disclosed in the Offeree 2013 Annual Report, an impairment provision of approximately RMB15 million (equivalent to approximately HK$19.5 million) was made on all the interest accrued in 2013 for the aforesaid entrusted loan investments of which was overdue and debt restructuring arrangement with the borrower was made. The loss attributable to the Offeree Shareholders in 2013 was approximately HK$22.2 million, and represented an increase of approximately 51.0% from approximately HK$14.7 million of 2012. No dividend has been declared or paid for the two financial years ended 31 December 2013.

During the six months ended 30 June 2014, the Offeree Group reported a total revenue of approximately HK$9.2 million, which mainly comprised of an investment income of approximately HK$10.1 million and a net loss on financial assets at fair value through profit or loss of approximately HK$1.0 million. Out of the investment income of approximately HK$10.1 million, HK$8.3 million was penalty interest accrued for the aforesaid overdue loan which was also fully impaired in the same period. The loss attributable to Offeree Shareholders for the six months ended 30 June 2014 was approximately HK$23.7 million (2013: HK$4.8 million), which was mainly attributable to the share of loss of Agnita of approximately HK$11.5 million during the period.

Upon completion of the Agnita Transaction, the Offeree Group will cease to hold equity interest in Agnita and therefore the results of Agnita and its subsidiaries (the "Agnita Group") will not be equity accounted for in the profit and loss of the Offeree Group. As mentioned in the Joint Announcement and the Agnita Circular, the Agnita Transaction would result in a book loss of approximately HK$172.5 million to the Offeree Group (before expenses). Taking into consideration the estimated transaction expenses of approximately HK$4 million, the aggregate estimated loss for the Agnita Transaction is approximately HK$176.5 million. The actual loss will be subject to change as such amount will be calculated based on the carrying value of Agnita Group as at the date on which completion of the Agnita Transaction shall take place. The FDG Secured Bonds will be recorded as a non-current asset of the Offeree Group, and the interest income of HK$29.6 million per annum from the FDG Secured Bonds will be recorded as revenue of the Offeree Group prior to repayment by FDG or transfer of the FDG Secured Bonds by the Offeree Group.

As disclosed in the January 2015 Profit Warning, the Offeree Company expected to record an increase in loss attributable to the Offeree Shareholders for the year ended 31 December 2014 as compared to the loss recorded for the year ended 31 December 2013. Based on the preliminary assessment of the unaudited management accounts of the Offeree Company for the year ended 31 December 2014 and information currently available to the Offeree Company Board, the expected increase in loss, on a year-on-year basis, was primarily attributable to (i) the Offeree Company's share of the operating loss incurred by Agnita; (ii) no material fair value gain from the revaluation of the Offeree Group's investment portfolio for 2014; and (iii) the decrease in interest income.

(b) Recent financial position of the Offeree Group

The following is a summary of the Offeree Group's consolidated balance sheet as at 30 June 2014, 31 December 2013 and 31 December 2012 as extracted from the Offeree 2014 Interim Report and the Offeree 2013 Annual Report respectively:

	30 June 2014 *(unaudited)* *HK$'000*	**31 December 2013** *(audited)* *HK$'000*	**31 December 2012** *(audited)* *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment	780	932	1,525
Interest in an associate	542,526	556,435	–
Interest in joint ventures	111,691	113,198	122,850
Financial asset at fair value through profit or loss	47,010	28,295	28,287
Loan and other receivables	491	451	38,791
Other non-current assets	1,104	1,104	1,104
Total non-current assets	**703,602**	**700,415**	**192,557**
Current assets			
Financial assets at fair value through profit or loss	11,648	30,290	43,820
Amount due from ultimate holding company	–	–	79
Loan and other receivables	231,649	234,072	90,907
Cash and cash equivalents	381,716	399,621	246,820
Total current assets	**625,013**	**663,983**	**381,626**
TOTAL ASSETS	**1,328,615**	**1,364,398**	**574,183**
LIABILITIES			
Current liabilities			
Accruals and other payables	15,332	18,119	17,651
Amount due to a substantial shareholder	3,406	2,597	–
Loans from non-controlling shareholders	31	31	31
Current taxation	4,357	7,151	6,077
Total current liabilities	**23,126**	**27,898**	**23,759**
TOTAL LIABILITIES	**23,126**	**27,898**	**23,759**

	30 June 2014	31 December 2013	31 December 2012
	(unaudited)	*(audited)*	*(audited)*
	HK$'000	*HK$'000*	*HK$'000*
EQUITY			
Equity and reserves attributable to the Offeree Shareholders			
Share capital	935,133	935,133	444,633
Reserves	370,326	401,327	105,751
Total equity attributable to the Offeree Shareholders	**1,305,459**	**1,336,460**	**550,384**
Non-controlling interests	30	40	40
TOTAL EQUITY	**1,305,489**	**1,336,500**	**550,424**

Source: The Offeree 2014 Interim Report and the Offeree 2013 Annual Report.

As at 30 June 2014, the non-current assets of the Offeree Group primarily included, among other things, the carrying value of the investment in Agnita of approximately HK$542.5 million as at 30 June 2014 which comprised the Offeree Group's share of net assets attributable to equity shareholders of Agnita of approximately HK$84.2 million and the goodwill of approximately HK$458.3 million, as well as the 45% joint venture equity interest in Huaneng Shouguang of approximately HK$110.8 million as at 30 June 2014.

The Offeree Group's current assets principally comprise loans and other receivables as well as cash and cash equivalents. Loans and other receivables have increased from approximately HK$90.9 million as at 31 December 2012 to approximately HK$234.1 million as at 31 December 2013, representing an increase of approximately 157.5%, largely due to the provision of the Agnita Loan to Agnita. The balance of loans and other receivables as at 30 June 2014 stood at approximately HK$231.6 million with no material movement as compared with that as of 31 December 2013. Cash and cash equivalents increased from approximately HK$246.8 million as at 31 December 2012 to approximately HK$399.6 million as at 31 December 2013, representing an increase of approximately 61.9%. Such increase was mainly a result of the net proceeds of approximately HK$248.0 million received from fundraising completed in late 2013, netting of the provision of the Agnita Loan. The balance of cash and cash equivalents as at 30 June 2014 stood at approximately HK$381.7 million.

The Offeree Group was fairly debt-lite for the period under review with no non-current liabilities and the current liabilities of the Offeree Group as at 30 June 2014 were mainly consisted of accruals and other payables of approximately HK$15.3 million which represents a slight decrease from the balance of approximately HK$18.1 million as at 31 December 2013.

The total equity attributable to the Offeree Shareholders increased significantly from approximately HK$550.4 million as at 31 December 2012 to approximately HK$1,336.5 million as at 31 December 2013. The increase was mainly due to the issue and allotment of 290,500,000 consideration shares upon completion of the acquisition of the 41.5% interest in Agnita and issue and allotment of 200,000,000 new shares upon completion of the aforesaid fund raising in late 2013. The balance of total equity attributable to the Offeree Shareholders as at 30 June 2014 stood at approximately HK$1,305.5 million or approximately HK$1.39 per Offeree Share (based on 938,283,217 Offeree Shares in issue as at the Latest Practicable Date), with no material movement as compared with that as of 31 December 2013.

As discussed under sub-section headed "(a) Financial results of the Offeree Group" above, the Offeree Group would record an estimated aggregate loss of approximately HK$176.5 million upon completion of the Agnita Transaction. Accordingly, based on the total equity attributable to the Offeree Shareholders as at 30 June 2014 and assuming the completion of the Agnita Transaction, the equity attributable to the Offeree Shareholders is expected to decrease by the same amount as the aforesaid loss to approximately HK$1,129.0 million or approximately HK$1.20 per Offeree Share (based on 938,283,217 Offeree Shares in issue as at the Latest Practicable Date) upon completion of the Agnita Transaction.

3. Prospects of the Offeree Group

As discussed in the Offeree 2014 Interim Report, 2014 was another challenging year for the Offeree Group to apply its available funding to further fine tune the investment portfolio for the benefits of the Offeree Group as a Green investment platform, and at the same time, maximizing the benefits to the Shareholders. Following completion of the Agnita Transaction (if materialise), the Offeree Company, as an investment company, has been and will keep on identifying and evaluating suitable investment opportunities. In identifying future investment opportunities, the Offeree Group will consider both liquid investments and longer term investments in order to enhance the investment returns for the Offeree Shareholders. As at the Latest Practicable Date, the Offeree Company is in the process of identifying investment opportunities and has not yet entered into any agreements or arrangement relating to such investment opportunities.

4. Information on the Offeror and FDG

(a) Background of the Offeror and FDG

The Offeror was incorporated in the British Virgin Islands on 29 July 2013 and has an issued share capital of US$1.00, all of which is held by FDG. The Offeror has not carried on any business since its incorporation other than matters related to the Offer.

FDG (previously known as Sinopoly Battery Limited) is a limited liability company incorporated in Bermuda and its shares are listed on the Stock Exchange (Stock code: 729).

Prior to the FDG Agnita Acquisition (as defined below) and the GI Acquisition (as defined below), the FDG Group were principally engaged in (i) research and development, production, sale and distribution of Lithium-ion batteries and related products, (ii) electric vehicle leasing; and (iii) treasury investment as stated in the interim report of FDG for the six months period ended 30 September 2013. The continued economic development in the PRC and the per capita income of PRC resident has driven the demand for vehicle in the PRC over the past decade. However, air pollution in the PRC has been worsening as a result and therefore green alternative, i.e. electric vehicle are expected to replace the conventional vehicle in order to alleviate air pollution in the urban area. As disclosed in FDG's announcement dated 19 December 2013, the FDG Group was of the view that electric vehicle industry in the PRC was under-developed and, with its experience in the electric vehicle leasing business and its leading position in the lithium-ion battery manufacturing industry in the PRC, the FDG Group contemplated for a vertical expansion to the design and manufacturing of electric vehicles which the FDG Group considered would be a significant furtherance of the FDG Group's strategic development and benefit the FDG Group's existing battery products manufacturing business.

As disclosed in FDG's announcement dated 19 December 2013 and circular dated 12 February 2014, FDG acquired approximately 58.5% of equity interests in Agnita (the "FDG Agnita Acquisition") which through its subsidiary, Five Dragons Electric Vehicle Limited（五龍電動車有限公司, the "Five Dragons"）, is engaged in the business of (i) the design, research and development and testing of electric vehicles; and (ii) selling and licensing auto vehicle designs and associated patents to conventional automobile manufacturers. In addition, Five Dragons acquired a land parcel in Hangzhou, Zhejiang Province, the PRC with site area of 345,874 square meters in December 2013 which is used for plant facilities for manufacturing electric vehicles. As mentioned in FDG 2013/2014 Annual Report and FDG 2014/2015 Interim Report, the production base commenced construction in February 2014 and is expected to put into operation in the first half of 2015. The designed capacity of such production base is 100,000 units of electric vehicles per annum, including two-seat pure electric passenger vehicles, five-seat pure electric passenger vehicles as well as pure electric and extended-range electric minibuses with six to nine meters in length. Accordingly, the FDG Agnita Acquisition enables the FDG Group to diversify into the electric vehicles design and production sector. As further disclosed in the Joint Announcement, having considered the future development of Agnita, the FDG Group decided to acquire from the Offeree Group the remaining 41.5% equity interests in Agnita, which allow the business of Agnita to be more effectively managed by the FDG Group on a day to day basis in terms of monitoring the current construction of the electric vehicle manufacturing facilities in Hangzhou, Zhejiang Province, the PRC, meeting Agnita's financing requirements, and carrying out future planning.

As a further step of the FDG Group's strategic expansion to electric vehicle manufacturing and electric vehicle leasing businesses, it acquired Giant Industry Holdings Limited (the "GI Acquisition") which indirectly held 50% of registered capital of Yunnan Meidi Coach Manufacturing Co., Ltd.*（雲南美的客車製造有限公司, "Yunnan Meidi"）in April 2014. Yunnan Meidi is principally engaged in the business of manufacture, sales, assembly and maintenance of coaches, electric vehicles and parts and components, and holds a vehicle manufacturing license and a vehicle operating license in Kunming, Yunnan Province, the PRC. It also leases a land and plant thereon that are free of charge for three years. As disclosed in the letter from the Offeree Company Board and the section headed “Outlook and prospects” in the Appendix III – Financial Information of the FDG Group in the Composite Document, Yunnan Meidi’s plant has officially been put into mass production on 8 November 2014 with a designed annual capacity of 10,000 electric buses and/or coaches. As further disclosed in the section headed “Outlook and prospects” in the Appendix III – Financial Information of the FDG Group in the Composite Document, the annual production of the Yunnan plant for the financial year ended 31 March 2016 is expected to be around 2,000 – 5,000 electric bus and/or coaches. Further details of the GI Acquisition were set out in FDG’s announcement dated 15 April 2014.

In order to reflect FDG’s new corporate identity which is in line with its new branding that will serve to accentuate its focus on electric-vehicle related businesses, including but without limitation to (i) the design, production and sale of electric vehicles; (ii) the research and development, production and sale of Lithium-ion battery business; and (iii) electric vehicle leasing business, FDG recently changed its English name from “Sinopoly Battery Limited” to “FDG Electric Vehicles Limited” with effect from 19 June 2014.

(b) Historical financial performance of the FDG Group

Set out below are certain key financial information on FDG as extracted from the consolidated statement of profit or loss for the two years ended 31 March 2013 and 31 March 2014 and the six months ended 30 September 2013 and 30 September 2014 (the "Period"), details of which are set out in FDG 2013/2014 Annual Report and FDG 2014/2015 Interim Report respectively:

	For the six months ended 30 September		**For the year ended 31 March**	
	2014	**2013**	**2014**	**2013**
	(unaudited)	*(unaudited)*	*(audited)*	*(audited)*
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue				
Batteries products	135,537	40,320	80,649	53,175
Vehicle design & electric vehicle production	2,494	–	444	–
Electric vehicle leasing	606	233	781	–
Treasury investment	3,345	992	2,082	679
	141,982	41,545	83,956	53,854
Cost of sales and services	(121,552)	(38,499)	(77,014)	(46,659)
Gross profit	20,430	3,046	6,942	7,195
Impairment on intangible assets	(89,746)	(46,168)	–-	(100,564)
Impairment on goodwill	–	–	(665,438)	–
Loss before tax	(214,464)	(109,952)	(936,581)	(376,124)
Loss for the period/year	(191,953)	(98,410)	(911,878)	(324,447)
Profit for the year attributable to:				
– Owners of FDG	(153,195)	(98,410)	(906,389)	(324,447)
– Non-controlling interests	(38,758)	–	(5,489)	–

Revenue generated from sales of Lithium-ion batteries and its related products has been the major income source of FDG which represented over 95% of the total revenue of the FDG Group during the Period. The rest of the revenue came from (i) vehicle design and electric vehicle production; (ii) electric vehicle leasing; and (iii) treasury investment.

As disclosed in FDG 2013/2014 Annual Report, revenue generated from battery products business was approximately HK$80.6 million for the year ended 31 March 2014 ("FY2014"), represented an increase of approximately 51.5% as compared with approximately HK$53.2 million for the year ended 31 March 2013 ("FY2013"). Such increase was attributed to the rapid growth trends in the Lithium-ion battery industry and the increasing recognition by customers of the FDG Group. However, as discussed in the FDG 2013/2014 Annual Report, the gross profit ratio from the battery products business decreased from approximately 12.3% for FY2013 to approximately 6.3% for FY2014, which was mainly due to the improvement in manufacturing consistency which allows the FDG Group to produce less products, and resulted in temporary decrease in the utilisation rate of the production capacity and therefore an increase in unit cost per battery products. Following the completion of FDG Agnita Acquisition on 7 March 2014, the FDG Group recorded revenue of approximately HK$0.4 million from vehicle design service provided by the Agnita Group for FY2014. Furthermore, the FDG Group commenced the electric vehicle leasing business and achieved revenue of approximately HK$0.8 million for FY2014.

The FDG Group's net loss after tax increased to approximately HK$911.9 million for FY2014 from approximately HK$324.4 million for FY2013, which was principally attributable to the one-off goodwill impairment of approximately HK$665.4 million. As disclosed in FDG 2013/2014 Annual Report, such goodwill impairment mainly represented the fair value increase in the closing market price of the FDG Shares on the completion date of FDG Agnita Acquisition (i.e. HK$0.67 per share) from the contracted issue price for the consideration shares stipulated under the FDG Agnita Acquisition (i.e. HK$0.32 per share). We also noted that there was an impairment of intangible assets of approximately HK$100.6 million during FY2013, which did not incur during FY2014. As stated in the FDG 2013/2014 Annual Report, the aforesaid goodwill and intangible asset impairments are one-off non-cash items and would not have any impact on the cashflow and operations of FDG. If excluding the impairments on goodwill and intangible assets, the FDG Group recorded a loss after tax and non-controlling interests of approximately HK$241.0 million, representing an increase of approximately HK$17.1 million from approximately HK$223.9 million for FY2013. No dividend has been declared or paid in the past two financial years ended 31 March 2013 and 31 March 2014.

As stated in FDG 2014/2015 Interim Report, the revenue generated from battery products business was approximately HK$135.5 million for the six months ended 30 September 2014 ("1H2014"), represented a substantial increase of approximately 2.4 times as compared with approximately HK$40.3 million for the six months ended 30 September 2013 ("1H2013"). As disclosed in FDG 2014/2015 Interim Report, the increase is attributed to a stronger demand on Lithium-ion batteries under the rapid growth Lithium-ion battery industry. The gross profit ratio from the battery products business increased from approximately 5.2% of 1H2013 to approximately 12.0% of 1H2014 which was mainly attributable to a better economy of scale for the battery production and therefore a decrease in unit cost per battery product. Service income from vehicle design was approximately HK$2.5 million (1H2013: nil) as vehicle design and electric vehicle production business segment commenced following the completion of FDG Agnita Acquisition on 7 March 2014. In addition, the rental income from electric vehicle leasing business was approximately HK$0.6 million for 1H2014, representing an increase of approximately HK$0.4 million as compared with approximately HK$0.2 million of 1H2013. As disclosed in FDG 2014/2015 Interim Report, the increase was attributed to a higher demand to lease the electric vehicles which battery products of the FDG Group were applied onto.

As disclosed in FDG 2014/2015 Interim Report, due to the increase in general and administrative expenses and impairment of intangible assets in respect of vehicle design and electric vehicle production of Agnita during 1H2014, the FDG Group has widened its loss for the period to approximately HK$192.0 million from approximately HK$98.4 million in 1H2013. Despite the widened of the FDG Group's loss, the segment loss attributable to the battery products business was narrowed due to, as discussed in FDG 2014/2015 Interim Report, the substantial increase in sales and the strive for high efficiently in operations.

(c) Financial position of the FDG Group

Set out below is the summary of the consolidated statements of financial position of the FDG Group as at 30 September 2014, 31 March 2013 and 2014 as extracted from the FDG 2014/2015 Interim Report and FDG 2013/2014 Annual Report respectively:

	As at 30 September 2014	**As at 31 March 2014**	**As at 31 March 2013**
	(unaudited)	*(audited)*	*(audited)*
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Goodwill	443,520	349,576	–
Intangible assets	983,108	982,563	660,742
Fixed assets	1,020,567	874,358	451,790
Other non-current assets	470,022	213,126	111,716
	2,917,217	2,419,623	1,224,248
Current assets			
Cash and bank balance	714,528	1,069,623	140,567
Other current assets	725,068	387,558	263,429
	1,439,596	1,457,181	403,996
Total assets	4,356,813	3,876,804	1,628,244

	As at 30 September 2014	As at 31 March 2014	2013
	(unaudited)	*(audited)*	*(audited)*
	HK$'000	*HK$'000*	*HK$'000*
Current liabilities			
Bank loans and other borrowings	190,547	372,181	107,720
Obligations under redeemed convertible bonds	760,752	760,752	760,752
Other current liabilities	562,604	371,514	203,196
	1,513,903	1,504,447	1,071,668
Non-current liabilities	644,020	309,518	216,385
Total liabilities	2,157,923	1,813,965	1,288,053
Total equity			
Equity attributable to owners of FDG	1,861,260	1,733,800	340,191
Non-controlling interests	337,630	329,039	–
	2,198,890	2,062,839	340,191

As at 31 March 2014, the FDG Group's total assets amounted to approximately HK$3,876.8 million and its total liabilities amounted to approximately HK$1,814.0 million. Total assets and total liabilities of the FDG Group as at 31 March 2014 went up by approximately 138.1% and 40.8% respectively as compared with those as at 31 March 2013. The significant increase in the FDG Group's total assets was attributable to, as disclosed in the FDG 2013/2014 Annual Report, (i) the completion of the FDG Agnita Acquisition in March 2014 subsequent to which the financial position of Agnita and its subsidiaries was consolidated into the FDG Group's financial position as at 31 March 2014; and (ii) the completion of subscription and placing of new FDG Shares for cash in September 2013 and March 2014 respectively. As a result of the aforesaid share placing, the FDG Group had cash and bank balance of approximately HK$1,069.6 million as at 31 March 2014, representing a significant increase of approximately 6.6 times from 31 March 2013.

The FDG Group recorded net current liabilities of approximately HK$47.3 million as at 31 March 2014. Total bank loan and other borrowings increased from approximately HK$107.7 million as at 31 March 2013 by approximately 2.5 times to approximately HK$372.2 million as at 31 March 2014. The current ratio of the FDG Group improved considerably from approximately 0.38 as at 31 March 2013 to approximately 0.97 as at 31 March 2014, mainly attributable the enhanced cash position. As at 31 March 2014, total equity attributable to owners of FDG amounted to approximately HK$1,733.8 million, and the net assets attributable to owners of FDG per FDG Share amounted to approximately HK$0.102 per FDG Share (based on 16,976,891,626 FDG Shares in issue as at 31 March 2014).

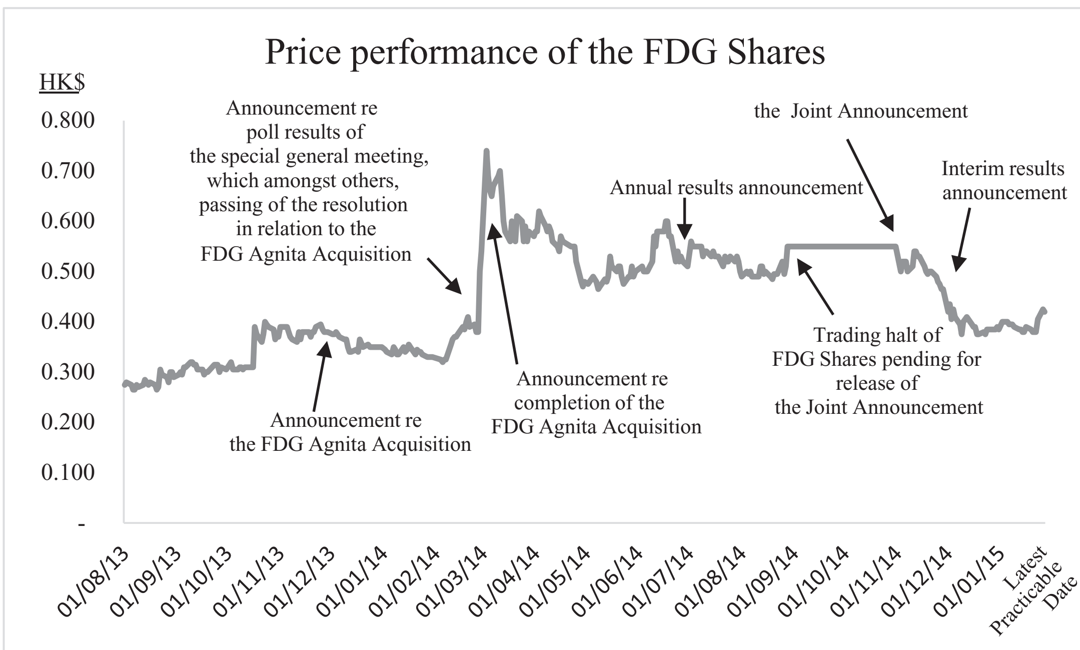
As at 30 September 2014, the FDG Group's total assets amounted to approximately HK$4,356.8 million and its total liabilities amounted to approximately HK$2,157.9 million. Total assets and total liabilities of the FDG Group as at 30 September 2014 went up by approximately 12.4% and 19.0% respectively as compared with those as at 30 September 2013. The increase in the FDG Group's total assets was mainly attributable to (i) the increase in trade and other receivables; (ii) the derivative component of the convertible bonds issued by FDG on 14 April 2014; and (iii) the increase in the deposits paid for non-current assets for the acquisition of machineries, equipment and moulding and the Series E preferred share issued by SEV for a total subscription amount of US$10 million. The FDG Group had cash and bank balance of approximately HK$714.5 million as at 30 September 2014, representing a decrease of approximately 33.2% from approximately HK$1,069.6 million as at 31 March 2014.

The FDG Group recorded net current liabilities of approximately HK$74.3 million as at 30 September 2014. Total bank loan and other borrowings decreased from approximately HK$372.2 million as at 31 March 2014 by 48.8% to approximately HK$190.5 million as at 30 September 2014. The current ratio of the FDG Group was around 0.95 as at 30 September 2014 which represents a slight decrease from around 0.97 as at 31 March 2014. The FDG Group had liabilities with an outstanding balance of approximately HK$706.8 million regarding its obligations under redeemed convertible bonds (the "Redeemed CBs") as at each of 31 March 2013, 31 March 2014 and 30 September 2014. As disclosed in the announcements of FDG dated 9 March, 12 March and 16 March 2011 (the "Previous Announcements"), various legal proceedings were issued against the holders of the Redeemed CBs and its associates in March 2011. Details of the aforesaid legal proceedings were set out in the Previous Announcements. In view of the legal proceedings, FDG issued a redemption notice to the holders of the Redeemed CBs on 8 March 2011 for the redemption of convertible bonds at face value of approximately HK$760,752,000 (the "Redemption Amount") such that FDG could seek to set off any damages suffered by the FDG Group against the Redemption Amount. As detailed in the FDG 2014/2015 Interim Report, the damages claimed (the "Claim Amount") by the FDG Group in the legal proceedings against the holder of the Redeemed CBs and its associates, as supported by an independent forensic accountant report commissioned by the FDG Group, were estimated to be substantially larger than the Redemption Amount. The FDG Group has sought to set off portion of the Claim Amount against the Redemption Amount (the "Set-Off") for the protection of FDG. In accordance with a judgment given by the High Court of Hong Kong, FDG has been given an unconditional leave to defend to the extent of the Set-Off, and based on which FDG is entitled to a stay of execution of payment for the Redemption Amount before the conclusion of the relevant legal proceedings. Under such backdrop and if the Redemption Amount is excluded from the calculation of the net current assets, the FDG Group will have net current assets of approximately HK$686.4 million (31 March 2014: approximately HK$713.5 million).

As at 30 September 2014, total equity attributable to owners of FDG amounted to approximately HK$1,861.3 million (before adjusting for the liability amount of the Redeemed CBs of HK$706.8 million as detailed above), and the net assets attributable to owners of FDG per FDG Share amounted to approximately HK$0.107 per FDG Share (based on 17,356,891,626 FDG Shares in issue as at 30 September 2014).

(d) Historical performance of the FDG Shares

Set out below is the movement of the closing prices of the FDG Shares from 1 August 2013 to the Latest Practicable Date (being the period of approximately 18 months prior to the Last Trading Day and up to and including the Latest Practicable Date (the "Review Period"):



Source: Bloomberg

During the period from 1 August 2013 to 26 February 2014, the closing price of the FDG Shares was within the range between HK$0.265 and HK$0.410 per Share. FDG published the announcement in relation to FDG Agnita Acquisition on 19 December 2013 and the FDG Share price remained at around HK$0.350 after the aforesaid announcement for more than a month. Shareholder's approval in respect of the FDG Agnita Acquisition was obtained in late February 2013 and the closing price of the FDG Shares peaked at HK$0.740 on 3 March 2014. After the publication of its final results announcement for the year ended 31 March 2014 on 27 June 2014, which has reflected the financial performance and position of the FDG Group after completion of the acquisition of 58.5% interests in Agnita, the closing price of the FDG Shares was traded within the range of HK$0.485 and HK$0.560 for a period of around two months up to and including the Last Trading Day.

The closing price of the FDG Shares was HK$0.550 on the Last Trading Day. Following the release of the Joint Announcement and up to 28 November 2014, being the date when FDG published the interim results announcement for the six months ended 30 September 2014, the closing price of the FDG Shares ranged between HK$0.540 and HK$0.465. Following the release of the aforesaid interim results announcement, the closing price of the FDG Share exhibited a further downward trend and was HK$0.420 as at the Latest Practicable Date.

Set out in the table below are the total monthly trading volumes of the FDG Shares and the percentages of such average daily trading volume to the total issued share capital and public float of FDG during the Review Period:

	Total monthly trading volume of FDG Shares	**Approximate % of average daily trading volume to the total FDG Shares issued** *(note 1)*	**Approximate % of average daily trading volume to the public float** *(note 2)*
2013			
August	363,151,570	0.1285	0.2089
September	461,205,502	0.1686	0.2713
October	1,857,527,610	0.6468	1.0306
November	994,458,202	0.3463	0.5518
December	509,338,903	0.1960	0.3185
2014			
January	561,420,281	0.1955	0.3176
February	2,279,524,176	0.8773	1.4254
March	7,894,427,282	2.2143	3.4436
April	1,997,278,385	0.5882	0.9148
May	1,782,796,781	0.5136	0.6859
June	2,483,297,444	0.7154	1.0116
July	1,114,896,509	0.2920	0.4129
From 1 August to the Last Trading Day	1,030,561,186	0.2969	0.4198
Average		**0.5072**	**0.7173**

	Total monthly trading volume of FDG Shares	Approximate % of average daily trading volume to the total FDG Shares issued *(note 1)*	Approximate % of average daily trading volume to the public float *(note 2)*
From the 3 November 2014 to the Latest Practicable Date *(note 3)*	2,365,669,115	0.2310	0.3267

Source: Bloomberg and the website of the Stock Exchange

Notes:

1. The calculation is based on the number of the FDG Shares in issue as at the end of each month.

2. The calculation is based on the number of the FDG Shares in issue as set out in note 1 above excluding the FDG Shares held by the substantial FDG Shareholders and directors of the Offeor in the corresponding month.

3. The trading in the FDG Shares was resumed on 3 November 2014 following the release of the Joint Announcement on 2 November 2014.

We note from the above tables that the average daily trading volume of the FDG Shares during the period from 1 August 2013 to the Last Trading Day was (i) within the range between approximately 0.1285% and 2.2143%, with an average of 0.5072%, of the total FDG Shares in issue; and (ii) within the range between approximately 0.2089% and 3.4436%, with an average of approximately 0.7173%, of the issued FDG Shares constituting the public float of FDG. The relatively higher trading volume of the FDG Shares in March 2014 were likely to be due to completion of the FDG Agnita Acquisition in March 2014. The number of FDG Shares traded daily from 3 November 2014 (the first trading day immediately following the release of the Joint Announcement and the resumption of trading in the FDG Shares) up to the Latest Practicable Date represented, on average, approximately 0.2310% and 0.3267% of the total FDG Shares in issue and the issued FDG Shares constituting the public float of FDG respectively.

(e) Prospects of the FDG Group

As detailed in the section headed "4. Information on the Offeror and FDG" above, the FDG Agnita Acquisition and the GI Acquisition together demonstrate the FDG Group's determination in order to achieve the goal of becoming a leading vertically integrated electric vehicle enterprise. Following completion of the abovementioned acquisitions, the FDG Group has turned into an integrated electric vehicle manufacturer which is engaged in independent R&D, design and production of electric vehicles such as coaches, mid-size and minibuses, commercial vehicles, SUVs and other models, the R&D, production, distribution and sale of Lithium-ion batteries as well as the provision of leasing services for electric vehicles.

As stated in the letter from VMS Securities Limited in the Composite Document, the FDG Group expects that the combination of electric vehicle and battery operations will bring a significant synergy to the FDG Group's business integrated development as all of the FDG Group's electric vehicles are currently using the battery products produced by the FDG Group. The FDG Group operates battery manufacturing plants in Jilin and Tianjin in the PRC and electric vehicles manufacturing plants in Hangzhou and Kunming of the PRC respectively and exports its batteries to the United States of America, Europe, Canada and Australia. As also disclosed in the section headed "Outlook and prospects" in Appendix III – Financial information of the FDG Group in the Composite Document, the FDG Group will also expand into the international market pursuant to the strategic cooperation with SEV, an internationally renowned commercial all-electric vehicle manufacturer. SEV is in the process of seeking for listing after which FDG is expected to become a shareholder with over 20% interest. Upon completion of the agreements entered between FDG and SEV, FDG will become an exclusive power battery supplier as well as an electric vehicle parts and components preferred supplier of SEV. In addition, FDG is in discussion with SEV regarding the adoption of FDG's electric vehicle chassis and design into their products. Coupled with the domestic and international developments of FDG, the completion of the abovementioned transactions represents a closer step to achieving the FDG Group's aim of becoming an unique leading vertically integrated electric vehicle enterprise.

Agnita has developed a factory with a designed annual production capacity of 100,000 electric vehicles, As disclosed under the section headed "Outlook and prospects" which set out in Appendix III – Financial information of the FDG Group in the Composite Document, as at the Latest Practicable Date, retail price and production cash cost for electrical mid-size bus and commercial vehicles are estimated to be approximately RMB300,000-RMB380,000 and RMB450,000 per vehicle, respectively, with a governmental subsidy of approximately RMB600,000 per vehicle. Annual production for the Hangzhou production facility for the financial year ending 31 March 2016 is expected to be approximately 10,000 to 20,000 electric mid-size buses and/or commercial vehicles. In addition, the design for a mini SUV has been completed and is undergoing the validation process which is expected to commence production in the second half of 2015.

As further disclosed under the section headed "Outlook and prospects" which set out in Appendix III – Financial information of the FDG Group in the Composite Document, the FDG Group's Yunnan electric vehicle project has commenced production with a designed annual production capacity of 10,000 electric buses and/or coaches. It was also disclosed that, as at the Latest Practicable Date, retail price and production cash cost are estimated to be approximately RMB800,000-RMB1,000,000 and RMB1,500,000 per vehicle, respectively, with a governmental subsidy of approximately RMB1,000,000 per vehicle. Annual production of the Yunnan production facility for the financial year ending 31 March 2016 is expected to be around 2,000-5,000 electric buses and/or coaches.

5. Intentions of the FDG regarding the Offeree Company

As disclosed in the letter from VMS Securities Limited in the Composite Document, the Offeror intends to nominate Mr. Cao and Mr. Che as executive directors and Mr. Miao as a non-executive director of the board of the Offeree Company, respectively. Such appointments will be made in accordance with the Takeovers Code and the Listing Rules. It is expected that Mr. Huang Bin, Mr. Lu Zhicheng and Mr. Wong Yau Kar David will resign from their positions as non-executive director of the board of the Offeree Company after the closing of the Offer.

As disclosed in the letter from VMS Securities Limited in the Composite Document, it is the intention of the Offeror that the Offeree Company will, after the closing of the Offer, continue its principal business activities and there is no current intention following the closing of the Offer to inject any assets or business into or, save for the Agnita Transaction, to cause the Offeree Company to dispose of any assets or business. The Offeree Group has not entered into any agreement, arrangement, understanding, intention or negotiation with the Offeror or its associates in relation to (i) disposal, termination or scaling-down of the Offeree Group's existing business; (ii) disposal, restructuring or re-deployment of the Offeree Group's assets (apart from the Agnita Transaction); (iii) injection of any new business and/or assets in the Offeree Group; or (iv) proposed change in the board composition of the Offeree Group (apart from the Offeror's intended nomination of new directors to the board of the Offeree Company as mentioned in the paragraph above).

As disclosed in the letter from VMS Securities Limited in the Composite Document, other than the proposed changes mentioned above, the Offeror does not intend to institute any major changes to the current business and operation of the Offeree Company (including redeployment of the fixed assets of the Offeree Group and termination of employment within the Offeree Group). However, the FDG will carry out a review of the businesses of the Offeree Group after the closing of the Offer and may introduce any changes that it deems necessary or appropriate to the Offeree Group's businesses and operations (including the composition of the senior management of the Offeree Group) to better integrate its operations with the other operations of the FDG Group, optimize business performance, maximize synergy and achieve enhanced economies of scale of the FDG Group. Further announcement will be made in this regard as and when appropriate according to the Listing Rules. If the Offeree Group considers that such review is required to be disclosed, or where such review will trigger disclosure under the Listing Rules or the SFO, it will make announcement(s) accordingly.

The Offeror does not intend to avail itself of any power of compulsory acquisition of any Offeree Shares and/or Options after the closing of the Offer.

The Offeror intends to maintain the listing of the Offeree Company on the Stock Exchange. The Offeror will undertake to the Stock Exchange to take appropriate steps following the closing of the Offer to ensure that such number of Offeree Shares as required by the Stock Exchange will be held by the public.

6. Conditions of the Offer and Irrevocable Undertakings to Accept

Pursuant to Rule 30.2 of the Takeovers Code, the Offer is required to be conditional on the Offeror having received acceptances in respect of the Offeree Shares which, together with the Offeree Shares acquired or agreed to be acquired before or during the Offer, result in the Offeror and persons acting in concert with the Offeror holding more than 50% of the voting rights of the Offeree Company.

As disclosed in the letter from VMS Securities Limited in the Composite Document, the Offeror has received irrevocable undertakings from the following Offeree Shareholders, holding approximately 53.68% of the issued share capital of the Offeree Company as at the Latest Practicable Date to accept the Offer in respect of all of the Offeree Shares they hold in exchange for the Exchange CBs:

Offeree Shareholders	**Number of Offeree Shares Held**	**Percentage Shareholding**
Right Precious *(note 1)*	300,878,860	32.07%
CIAM *(note 1)*	920,000	0.10%
Champion Rise *(notes 2 & 7)*	100,000,000	10.66%
Mr. Cao *(notes 2 & 7)*	2,000,000	0.21%
Fame Depot *(note 3)*	35,000,000	3.73%
Silvanus Enterprises *(notes 4 & 7)*	62,940,000	6.71%
Mr. Lo *(notes 5 & 7)*	1,935,000	0.21%
Total *(note 6)*	503,673,860	53.68%*

Notes:

1. Right Precious is a wholly-owned subsidiary of CIAM. CIAM is 40% owned by CITIC International Financial Holdings Limited (a subsidiary of CITIC Limited which is a company listed in Hong Kong), 25% owned by ICH Company Limited (a subsidiary of ITOCHU Corporation which is a company listed on the Tokyo Stock Exchange), 20% owned by Ithmaar Bank B.S.C. (a company listed on the Bahrain Bourse and the Kuwait Stock Exchange) and 15% owned by Ichigo Group Holdings Co., Ltd. (a company listed on JASDAQ Securities Exchange operated by the Tokyo Stock Exchange). As stated in the letter from VMS Securities Limited in the Composite Document, FDG is of the view that CIAM and Right Precious are not concert parties of the Offeror.

2. Champion Rise is a wholly-owned investment holding company of Mr. Cao.

3. Fame Depot is an investment holding company of which Mr. Cao is the sole director and a wholly-owned subsidiary of CIFL. CIFL is a charitable organisation with a five-member board including Mr. Cao, Mr. Miao and Dr. Chen. As stated in the letter from VMS Securities Limited in the Composite Document, FDG is of the view that CIFL and Fame Depot are not concert parties of the Offeror.

4. Silvanus Enterprises is a wholly-owned investment holding company of an associate of Mr. Che.

5. Mr. Lo holds 1,935,000 Offeree Shares. He has undertaken accept the Offer in respect of all Offeree Shares that he holds in exchange for Exchange CBs.

6. Apart from the above Offeree Shares and/or Options, such Offeree Shareholders do not own, control or have direction over any convertible securities, warrants or derivatives in the Offeree Company.

7. They are concert parties of the Offeror as identified by it.

* rounding errors ignored

Under the terms and conditions of the Irrevocable Undertakings to Accept and the respective supplemental deeds entered on 30 December 2014 which amended the terms and conditions thereunder in respect of the latest time for acceptance of the Offer and the transfer of Offeree Shares to the Offeror, the relevant Offeree Shareholders will accept the Offer, and the Offeree Shares subject to the Irrevocable Undertakings to Accept will be transferred to the Offeror on or before 5:00 p.m. on the third business day next following the commencement of the Offer, in exchange for the Exchange CBs. Thereafter, the Offeror will accordingly hold the Offeree Shares which represent approximately 53.68% of the issued share capital of the Offeree Company and approximately 53.36% of the enlarged issued share capital of the Offeree Company assuming full exercise of the remaining Options. As set out in the section entitled "EXPECTED TIMETABLE" in this Composite Document, the Offeror will, on the second business day next following the commencement of the Offer, announce in accordance with Rule 15.3 of the Takeovers Code that the Offer has become unconditional in respect of acceptances. Pursuant to Rule 15.1 of the Takeovers Code, the Offer must be open for acceptance for at least 21 days following the date on which the Composite Document is posted. Under Rule 15.3 of the Takeovers Code, the Offer must remain open for acceptance for at least 14 days after the Offer becomes or is declared unconditional (whether as to acceptances or in all respects). As such, the Offer must remain open for acceptance for at least 14 days after the Offer becomes unconditional as to acceptances and unconditional in all respects, respectively.

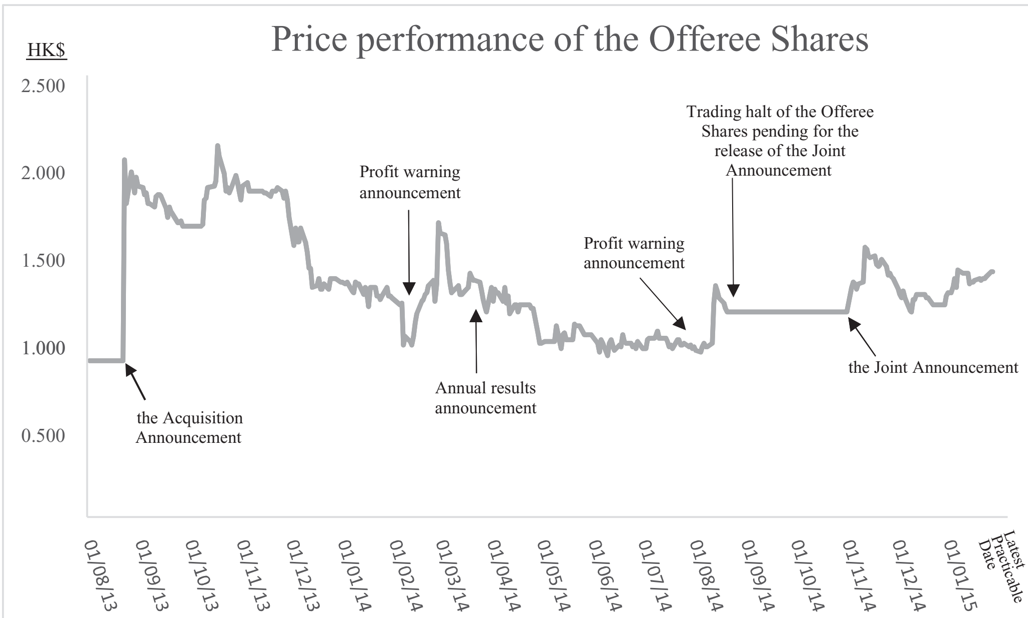
Other conditions of the Offer are stated under the section headed "Other Conditions of the Offer" in the letter from VMS Securities Limited in the Composite Document.

7. Analysis on the Share Offer

As mentioned under the section headed "Principal terms of the Offer" above, every one Offeree Share could be exchanged for the Exchange CB with principal amount of HK$1.70, which could be converted into 3.4 FDG Shares based on the initial conversion price for the Exchange CBs of HK$0.50 per FDG Share. As disclosed in the letter from VMS Securities Limited in the Composite Document, the initial conversion price for the Exchange CBs of HK$0.50 per FDG Shares is based on the price-to-book ratio and the prevailing market prices of FDG Shares (in particular, the 5 consecutive trading days immediately preceding and including the Last Trading Day of HK$ 0.514 per FDG Share) and was negotiated on an arm's length basis which was considered by FDG and the Offeree Company to be acceptable to shareholders of both companies.

(a) Historical performance of the Offeree Shares

Set out below is the movement of the closing prices of the Offeree Shares during the Review Period:



Source: Bloomberg

The trading of the Offeree Shares on the Stock Exchange had been suspended since 30 May 2013 pending for the release of the announcement in relation to the acquisition of 41.5% interests in Agnita Limited (the "Acquisition Announcement"). Following the publication of the Acquisition Announcement on 21 August 2013, trading of the Offeree Shares was resumed on 22 August 2013 and the closing price of the Offeree Shares soared and reached HK$2.08 on that trading day, which represented an increase of around 123.7% when compared to its closing price of HK$0.93 as at 29 May 2013, being the last trading day prior to the aforesaid suspension period. Since then, and saved for the transient rebound of the closing price in October 2013 and February and August 2014, the closing price of the Offeree Shares was in general on a downward trend from the highest of HK$2.16 on 17 October 2013 gradually to HK$1.21 per Offeree Share on the Last Trading Day.

Following the publication of the Joint Announcement and resumption in trading of the Offeree Shares on 3 November 2014, the closing price of the Offeree Shares went up from HK$1.35 on 3 November 2014 to HK$1.58 on 11 November 2014 and gradually down to HK$1.44 as at the Latest Practicable Date. We believe that the recent uplift in the closing price of the Offeree Shares, as compared with the Offeree Share price level immediately before the announcement of the Offer, was likely to be attributable to the market reaction to the publication of the Joint Announcement, and the sustainability of the current price level of the Offeree Shares could be uncertain.

Set out in the table below are the total monthly trading volumes of the Offeree Shares and the percentages of average daily trading volume to the total issued share capital and public float of the Offeree Company respectively during the Review Period:

	Total monthly trading volume of Offeree Shares	Approximate % of average daily trading volume to the total issued Offeree Shares *(note 1)*	Approximate % of average daily trading volume to the public float *(note 2)*
2013			
August	25,198,600	0.8096	2.5209
September	4,402,603	0.0495	0.1542
October	8,590,100	0.0920	0.2865
November	13,541,400	0.0690	0.1470
December	12,020,000	0.0643	0.1370
2014			
January	6,155,000	0.0313	0.0668
February	10,620,000	0.0598	0.1274
March	18,300,000	0.0932	0.1986
April	4,827,500	0.0258	0.0550
May	4,010,000	0.0214	0.0457
June	10,231,500	0.0547	0.1166
July	5,636,678	0.0274	0.0584
From 1 August to Last Trading Day	16,165,560	0.1235	0.2631
Average		**0.0607**	**0.1294**
From 3 November 2014 to the Latest Practicable Date *(note 3)*	**86,781,525**	**0.1568**	**0.3343**

Source: Bloomberg and the website of the Stock Exchange

Notes:

1. The calculation is based on the number of the Offeree Shares in issue as at the end of each month.

2. The calculation is based on the number of the Offeree Shares in issue as set out in note 1 above excluding the Offeree Shares held by the substantial Offeree Shareholders and directors of the Offeree Company in the corresponding month.

3. The trading in the Offeree Shares was resumed on 3 November 2014 following the release of the Joint Announcement on 2 November 2014

The trading volume of the Offeree Shares during the Review Period was relatively thin in general. The average daily trading volume of the Offeree Shares during the period from 1 August 2013 to the Last Trading Day was (i) in the range between approximately 0.0214% and 0.8096%, with an average of approximately 0.0607%, of the total Offeree Shares in issue; and (ii) in the range between approximately 0.0457% and 2.5209%, with an average of approximately 0.1294%, of the issued Offeree Shares constituting the public float of the Offeree Company. The relatively higher trading volume of the Offeree Shares in August 2013 were likely to be due to the Acquisition Announcement date 21 August 2013 relating to the acquisition of 41.5% interests in Angita. The number of Offeree Shares traded daily on average during the period from 3 November 2014 (the first trading day immediately following the publication of the Joint Announcement and the resumption of trading in the Offeree Shares) up to the Latest Practicable Date increased to approximately 0.1568% and 0.3343% of the total Offeree Shares in issue and the issued Offeree Shares constituting the public float of the Offeree Company respectively, which we believe was primarily due to the market reaction to the publication of the Joint Announcement and the sustainability of the recent growth in the trading volume could be uncertain. As compared with the liquidity of the FDG Shares as shown in sub-section headed "Historical performance of the FDG Shares" above, the Offeree Shares have had liquidity comparatively lower than that of the FDG Shares in the period before the publication of the Joint Announcement containing detailed terms of the Offer.

Set out in table below is the summary of the closing price/average closing price of the Offeree Shares (i) during the Review Period; (ii) during the period since the first trading day of the Offeree Share immediately after the release of the announcement regarding the previous acquisition of equity interests in Agnita, up to and including the Last Trading Day (the "Post-acquisition Period"); (iii) as at the Last Trading Day; and (iv) as at the Latest Practicable Date:

	Per Offeree Shares *HK$*
Average closing price during the Review Period	1.33
Average closing price during the Post-acquisition Period	1.40
Closing price as at the Last Trading Day	1.21
Closing price as at the Latest Practicable Date	1.44

(b) Evaluation of the Exchange CBs

i. Principal terms of the Exchange CBs

The Exchange CBs carry zero coupon, are unlisted but transferable, and have a principal amount up to HK$1,604,771,469 and a tenor of three years. The Exchange CBs are convertible into the FDG Shares at the initial conversion price of HK$0.50 per FDG Share (subject to adjustment).

The holders of the Exchanges CBs could exercise the conversion rights at any time on or after the issue date of the Exchange CBs up to its maturity date (being the date falling on the third anniversary of the date of commencement of the Offer), provided that no Exchange CBs will be converted, to the extent that following such exercise (i) any holder(s) of the Exchange CBs and parties acting in concert with it/them will trigger a change in control under the Takeovers Code; or (ii) the shareholding in FDG held by the public will be less than 25% or the minimum prescribed percentage as set out in the Listing Rules from time to time (collectively, the "Conversion Restrictions"). The Offeree Shareholders are reminded that any amount of such Exchange CBs less than the then conversion price per FDG Share will not be converted.

It is provided under the terms of the Exchange CBs that, if at any time after the issue date up to the maturity date of the Exchange CBs, the closing price of the FDG Shares as quoted on the Stock Exchange is more than HK$1.00 (subject to subdivision or consolidation of FDG Shares) for 15 consecutive trading days, FDG may give not less than 7 business days' notice to any holder of Exchange CBs to mandatorily convert all or any part of the Exchange CBs, unless the mandatory conversion of the Exchange CBs will trigger a mandatory general offer or change in control under the Takeovers Code (the "Mandatory Conversion"). FDG may also, at any time after the second anniversary of the date of commencement of the Offer, by written notice elect to redeem the whole or any part of the then outstanding principal amount of the Exchange CBs in a pro rata manner.

Pursuant to the terms of the Exchange CBs, the Exchange CBs which has not been converted by maturity date will be redeemed on maturity at a value equal to 100% of its outstanding principal amount, which is equivalent to the face value of HK$1.7 per Offeree Share. On the assumptions that 100% full acceptance of the Offer were received by the Offeror and none of the Exchange CBs has been converted into FDG Shares prior to its maturity, a maximum amount of approximately HK$1.6 billion shall be paid by FDG for the redemption of the Exchange CBs at its maturity, i.e. the third anniversary of the date of commencement of the Offer. However, Offeree Shareholders should note that the actual repayment amount payable by FDG under the Exchange CBs may eventually be less than HK$1.6 billion depending on the actual acceptance level of the Offer and the subsequent exercise of the conversion rights attached to the Exchange CBs by the accepting Offeree Shareholders during the term of Exchange CBs.

It is also noted that, despite that the capital expenditure for Agnita for the next 12 months would amount to around HK$1.3 billion (as provided by FDG, part of the aforesaid capital expenditure has and will be financed by an additional indebtedness of HK$300 million after 31 October 2014) and, the indebtedness of the FDG Group would be further increased as a result of the issue of the Exchange CBs, the Enlarged Group's (following the Offer becoming unconditional) cash level and net current assets as well as its business operations would be improved to cater for any potential redemption obligation under the Exchange CBs upon its maturity. FDG Group has a cash and bank balance of approximately HK$714.5 million as at 30 September 2014. Following the Offer becoming unconditional, the Offeree Company shall become a non-wholly owned subsidiary of FDG and the financial position and results of the Offeree Group will be consolidated into the accounts of the FDG Group. Taking into account the cash and bank balance of the FDG Group and the Offeree Group of approximately

HK$714.5 million as at 30 September 2014 and HK$381.7 million as at 30 June 2014 respectively, it is expected that the combined cash and bank balance of the Enlarged Group would amount to roughly HK$1.1 billion following the Offer becoming unconditional. As mentioned under the section headed "Outlook and prospects" of the FDG Group in Appendix III of the Composite Document, according to the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as set out in Appendix IV to the FDG's Circular, the net current liabilities of the FDG Group of approximately HK$74.3 million as at 30 September 2014 would be improved and become a net current asset position of approximately HK$545.1 million following the completion of the Offer. If the Redemption Amount as previously discussed in the sub-section headed "(b) Financial position of the FDG Group" above is excluded from, whilst an additional indebtedness of HK$300 million after 31 October 2014 is included in, the calculation of the net current assets, net current asset position of the Enlarged Group would amount to approximately HK$1.0 billion. Furthermore, given the intention of the Offeror to maintain the listing of the Offeree Company on the Stock Exchange and if 100% full acceptance of the Offer were eventually received by the Offeror, the Offeror and/or the Offeree Company would need to take appropriate steps to restore public float, which may include but not limited to the placing down of the Offeree Shares by the Offeror or new share issue by the Offeree Company. Such action(s) would also further enhance the cash level of the Enlarged Group. We noted that the market capitalisation of FDG is approximately HK$7.3 billion as at the Latest Practicable Date and total assets of the Enlarged Group would be approximately HK$5.5 billion. Given the market size and asset scale of FDG and its prospects as an integrated electric vehicle manufacturer which is engaged in independent R&D, design and production of electric vehicles and Lithium-ion batteries, and the fact that FDG has been able to successfully raise approximately HK$1.1 billion through placing of new shares and issue of convertible bonds in March and April 2014, it is reasonable to expect that FDG might also be able to raise new capital in the market by way of equity financing as and when necessary.

As discussed in details in the section headed "Prospects of the FDG Group" above, on top of its existing established lithium-ion battery manufacturing operation, the FDG Group is striving to become a leading integrated electric vehicle manufacturer in the market. As disclosed in the FDG's Circular, the letter from VMS Securities Limited and the section headed "Outlook and prospects" of the FDG Group in Appendix III – Financial information of the FDG Group in the Composite Document, the production base of the Hangzhou electric vehicle project (owned by Agnita) is expected to commence production in the first half of 2015 and will commence production of approximately 10,000 to 20,000 electric mid-size buses and/or commercial vehicles in the financial year ending 31 March 2016, whilst the FDG Group's Yunnan electric vehicle project located in Kunming has commenced production on 8 November 2014 and is expected to produce 500 to 1,500 electric vehicles in this financial year ending 31 March 2015 and around 2,000 to 5,000 electric vehicles in the financial year ending 31 March 2016.

Based on the aforesaid expected production scale and figures, it is expected that the electric vehicle segment could bring in further cash inflow for the financial year ending 31 March 2016 for FDG.

More detailed terms of the Exchange CBs are set out in more details under the section headed "Principal terms of the Exchange CBs" in the letter from VMS Securities Limited in the Composite Document.

ii. Value of the Exchange CBs

Pursuant to the terms of the Share Offer, the face value of the Exchange CB is HK$1.70 per Offeree Share.

In accordance with the valuation of the Exchange CBs prepared by Asset Appraisal Limited ("Asset Appraisal"), an independent qualified professional valuer engaged by FDG, as at 31 December 2014, the fair value of the Exchange CBs is HK$1,413,661,298 for the total face value of the Exchange CBs, which is equivalent to approximately HK$1.498 per Offeree Share. The summary of the valuation report (the "Valuation Report") is set out in Appendix IV of the Composite Document.

To assess the fairness and reasonableness of the valuation of the Exchange CBs (the "Valuation"), we have reviewed the methodology, bases and key assumptions employed and as stated in the Valuation Report. We note that the fair value of the Exchange CB is calculated based on the binomial pricing model after taking into consideration, among other things, (i) the closing price of the FDG Share of HK$0.385 as at 31 December 2014, being the date of the Valuation; (ii) the time to maturity and Conversion Price of the Exchange CBs; (iii) the expected volatility on the price of FDG shares and share price of other three companies which are listed on the Stock Exchange and engaged in the similar business in the PRC as FDG; (iv) the dividend yield of FDG of 0% based on its historical records; (v) the risk free rate based on the yield of three-year Hong Kong Exchange Fund Notes; and (vi) the credit spread determined with reference to credit analysis of FDG and the market rate with similar credit rating. Further details of the parameters and assumptions used for the binomial pricing model are also set out under the section headed "Basis of the Offer – Value of the Exchange CBs" in the letter from VMS Securities Limited in the Composite Document.

We consider the use of the closing price of the FDG Shares as at the date of the Valuation for the purposes of compiling the Valuation a common market practice. We have also reviewed the closing prices of the FDG Shares after the publication of the Joint Announcement and note that, during the period from 3 November 2014, being the trading day immediately following the publication of the Joint Announcement and up to the Latest Practicable Date, the closing prices of the FDG Shares were ranged between HK$0.375 and HK$0.54 per FDG Share with an average of approximately HK$0.432 per FDG Share. We note that the use of the closing price per FDG Share as at the date of the Valuation (i.e. 31

December 2014) of HK$0.385 for the purposes of the Valuation is lower than the aforesaid average closing price and is close to the low end of the aforesaid price range. On such basis, we consider it a fair representation of the current situation.

We understand that the expected volatility was arrived at based on the annualized standard deviations of the continuously compound rates of return on the share prices of BYD Company Limited (1211.HK), Chaowei Power Holdings Limited (951.HK), and Tianneng Power International Limited (819.HK) and FDG itself. We consider such three Hong Kong listed companies, which are engaged in similar business as FDG (i.e. battery manufacturing business and electric vehicle production) and having primary operations in the PRC as in the case of FDG, reasonable and appropriate comparables to FDG.

We also noted that Assets Appraisal had performed a sensitivity analysis on the stock price and the volatility which are the two key assumptions adopted in determining the fair value of the Exchange CBs. Set out below is the summary of the sensitivity analysis on these two key assumptions pursuant to the Valuation Report.

Sensitivity analysis on price of FDG Shares

Changes	-10%	-5%	Base scenario	+5%	+10%
Stock price (HK$)	0.347	0.366	0.385	0.404	0.424
Fair value (HK$)	1,325,974,522	1,371,983,320	1,413,661,298	1,457,357,162	1,502,900,576
Fair value per Offeree Share (HK$)	1.405	1.453	1.498	1.544	1.592
Percentage change per Offeree Share comparing to base scenario	-6.21%	-3.00%	–	+3.07%	+6.28%

Sensitivity analysis on volatility

Changes	-10%	-5%	Base scenario	+5%	+10%
Volatility (%)	39.73	41.94	44.15	46.36	48.56
Fair value (HK$)	1,381,692,187	1,390,149,333	1,413,661,298	1,429,289,709	1,444,615,276
Fair value per Offeree Shares (HK$)	1.464	1.473	1.498	1.514	1.530
Percentage change per Offeree Share comparing to base scenario	-2.27%	-1.67%	–	+1.07%	+2.14%

The calculation of the fair value of the Exchange CBs has been reviewed and reported on by VMS Securities, the financial adviser of the Offeror and FDG. However, the Offeree Shareholders should note that such fair value will change from time to time subject to, inter alia, changes in the abovementioned parameters of the binomial pricing model.

The binomial pricing model is, in our view, a commonly used valuation model for the valuation of convertible bonds. Having considered the above, and based on our review of the Valuation Report, we also consider that the basis and assumptions have been made with objectivity, and they are reasonable and adequate as they are made based on reasonable estimates of available market data.

Set out in table below is the comparison of the fair value of the Exchange CBs per Offeree Share against the closing price/average closing price of the Offeree Shares (i) during the Review Period; (ii) during the Post-acquisition Period; (iii) as at the Last Trading Day; and (iv) as at the Latest Practicable Date, respectively:

	Premium represented by the fair value of the Exchange CBs of approximately HK$1.498 per Offeree Share *(approx. %)*
Average closing price of the Offeree Shares during the Review Period of approximately HK$1.33	12.6
Average closing price of the Offeree Shares during the Post-acquisition Period of approximately HK$1.40	7.0
Closing price of the Offeree Shares as at the Last Trading Day of HK$1.21	23.8
Closing price of the Offeree Shares as at the Latest Practicable Date of HK$1.44	4.0

As showed in the table above, the fair value of the Exchange CBs per Offeree Share represents premiums over the closing price/average closing price of the Offeree Shares for each of the respective aforesaid periods.

As discussed in the section headed "(b) Recent financial position of the Offeree Group" above, the total equity attributable to the Offeree Shareholders was (i) approximately HK$1.39 per Offeree Share as at 30 June 2014 and prior to the Agnita Transaction; and (ii) approximately HK$1.20 per Offeree Share assuming the completion of the Agnita Transaction and based on the total equity attributable to the Offeree Shareholders as at 30 June 2014. The fair value of the Exchange CBs per Offeree Share therefore also represents premiums over the total equity attributable to Offeree Shareholders per Offeree Share immediately before and after completion of the Agnita Transaction.

iii. Analysis on recent takeover precedents

As mentioned under the sub-paragraph headed "(a) Financial results of the Offeree Group" above, the Offeree Group recorded net loss during the latest financial year. Accordingly, for the purpose of further assessing the fairness and reasonableness of the Exchange CBs offered per Offeree Share tendered, we have identified and reviewed a list of announced takeover transactions which involve a change in control of the listed companies through the sale and purchase and/or offer to acquire existing shares (excluding privatisation/restructuring precedents and companies under prolong suspension) from the website of the Stock Exchange, within the last two years prior to the Last Trading Day and up to and including the Latest Practicable Date which involve companies listed on the Main Board of the Stock Exchange and was loss making during the respective latest financial year as at the date of the respective announcement relating to takeover transaction (the "Takeover Precedents"). The premium or discount of the consideration offered under the Takeover Precedents to the then prevailing trading prices of the shares of the Takeover Precedents could provide a general reference of takeover exercises in Hong Kong market despite that the Takeover Precedents were conducted under different market conditions and the underlying companies carry on business in different industries. The table below illustrates the premium or discount of the consideration offered by the Takeover Precedents to the prevailing trading prices of the shares of the Takeover Precedents. We consider the Takeover Precedents an exhaustive list of relevant comparable companies based on the said criteria above.

						Premium/discount of offer/cancellation price over/to the share price of the relevant company prior to announcement of the takeover precedent			
Date of initial announcement	**Type of offer (Mandatory/ Voluntary)**	**Takeover precedents**	**Principal activities**	**Market capitalisation** *(HK$'million)*	**Offer/ cancellation price** *(HK$)*	**Closing price of the last trading day**	**Last 30 trading days**	**Last 90 trading days**	**Last 180 trading days**
06 January 2015	Mandatory	Group Sense (International) Limited (Stock code: 601) *(note 2)*	design, manufacturing and sale of original design manufacturing products, electronic dictionary products and personal communication productions, and the provision of electronic manufacturing services	592.8	0.4592	-7.2%	0.9%	9.2%	39.8%
18 December 2014	Mandatory	Forefront Group Limited (Stock code: 885)	(i) provision of logistic services in Hong Kong and the PRC; (ii) securities trading; (iii) money lending business; (iv) provision of design, manufacturing and distribution of printers, terminals and computers and point-of-sale electronic products and (v) provision of information technology services in the PRC	1,150.6	1.2000	-24.5%	-18.5%	-17.0%	-4.5%
11 December 2014	Mandatory	Greenheart Group limited (Stock code: 94)	Log harvesting, timber processing, marketing and sales of logs and timber products	710.9	0.7100	-21.1%	-14.4%	-3.1%	13.5%
12 June 2014	Voluntary	Paladin Limited (Stock code: 495)	re-development of a property project at Nos. 8, 10 and 12 Peak Road, property investment and indent trading	252.6	0.25	-20.6%	-16.5%	-17.6%	-2.1%

Date of initial announcement	**Type of offer (Mandatory/ Voluntary)**	**Takeover precedents**	**Principal activities**	**Market capitalisation** *(HK$'million)*	**Premium/discount of offer/cancellation price over/to the share price of the relevant company prior to announcement of the takeover precedent**					
					Offer/ cancellation price *(HK$)*	**Closing price of the last trading day**	**Last 30 trading days**	**Last 90 trading days**	**Last 180 trading days**
08 May 2014	Mandatory	Perception Digital Holdings Limited (Stock code: 1822) *(note 3)*	research, design, development and sale of digital signal processing ("DSP") based consumer electronics devices and platforms, including embedded firmware; the provision of solutions and services to customers for their DSP-based consumer electronic devices and platforms; and the trading of electronic components	443.7	0.17	-6.7%	35.3%	52.8%	44.1%
30 April 2014	Mandatory	Ares Aisa Limited (Stock code: 645)	Coal trading, entailing the selling of thermal coal purchased from Australia and Indonesia to the PRC	906.0	0.7000	-29.3%	-28.9%	-20.2%	-10.7%
28 March 2014	Mandatory	VXL Capital Limited (Stock code: 727)	Hotel investment and operation and property investment	871.9	0.2151	-62.3%	-47.7%	-18.2%	-1.6%
21 March 2014	Mandatory	Starlight International Holdings Limited (Stock code: 485)	manufacturing and sale of electronic products (representing karaoke sets, television sets, video products and audio products)	519.4	0.1720	-33.8%	-35.3%	-12.9%	11.1%

Date of initial announcement	Type of offer (Mandatory/ Voluntary)	Takeover precedents	Principal activities	Market capitalisation *(HK$'million)*	Offer/ cancellation price *(HK$)*	Premium/discount of offer/cancellation price over/to the share price of the relevant company prior to announcement of the takeover precedent: Closing price of the last trading day	Last 30 trading days	Last 90 trading days	Last 180 trading days
13 February 2014	Mandatory	New Heritage Holdings Limited (Stock code: 95)	property development and property investment in the PRC	1,430.6	1.1000	1.9%	1.0%	21.5%	58.1%
19 December 2013	Mandatory	Hing Lee (HK) Holdings Limited (Stock code: 396)	design, manufacture, sale and marketing of home furniture products including mainly wood-based furniture, sofa and mattresses, and licensing of its own brands and product designs	312.7	1.0200	–20.9%	–10.9%	13.5%	19.2%
05 September 2013	Voluntary	Radford Capital Investment Limited (stock code:901)	Investments in listed and unlisted securities primarily in Hong Kong	151.9	1.4412	77.9%	74.6%	80.2%	81.9%
27 June 2013	Mandatory	Greenfield Chemical Holding Limited (stock code:582)	Design, manufacturing and sale of the light-emitting diode and semi-conductor lighting related products and (ii) property development business in the PRC	8,188.3	0.3390	–23.5%	48.7%	149.9%	229.3%

Date of initial announcement	Type of offer (Mandatory/ Voluntary)	Takeover precedents	Principal activities	Market capitalisation *(HK$'million)*	Premium/discount of offer/cancellation price over/to the share price of the relevant company prior to announcement of the takeover precedent				
					Offer/ cancellation price *(HK$)*	**Closing price of the last trading day**	**Last 30 trading days**	**Last 90 trading days**	**Last 180 trading days**
10 May 2013	Mandatory	China Motion Telecom International Limited (Stock code: 989)	Retail business, property investment and holding business and the property development and management business	502.0	0.1570	-82.1%	-81.3%	-78.5%	-74.2%
31 January 2013	Mandatory	Greenheart Group limited (Stock code: 94)	log harvesting, timber processing, marketing and sales of logs and timber products	460.0	0.5800	-1.7%	1.3%	6.7%	16.9%
17 October 2012	Mandatory	Kwang Sung Electronics H.K. Co. Limited (Stock code: 2310)	manufacturing and sale of electronic components to worldwide customers (except those in Korea and Japan)	187.9	0.9263	-36.6%	-18.9%	7.8%	38.2%
		Average				**-19.4%**	**-7.4%**	**11.6%**	**30.6%**
		Maximum				**77.9%**	**74.6%**	**149.9%**	**229.3%**
		Minimum				**-82.1%**	**-81.3%**	**-78.5%**	**-74.2%**
		Offeree Company (fair value)			**1.4980**	**23.8%**	**38.7%**	**38.7%**	**21.8%**

Source: Hong Kong Stock Exchange and Bloomberg

Note:

1. The market capitalisation of the Takeover Precedents is calculated based on their respective closing share price on the last trading day prior to publication of their respective offer announcement and number of issued shares as at the date of the respective offer announcement available on the website of the Hong Kong Stock Exchange.

2. As disclosed in the announcement jointly issued by Ming Xin Developments Limited ("Ming Xin"), Group Sense (International) Limited ("Group Sense") and Century Sunshine Group Holdings Limited dated 6 January 2015, Ming Xin agreed to acquire from a group of existing shareholders of Group Sense of approximately 41.75% of the issued share capital of Group Sense. In addition, Group Sense and Ming Xin entered into a subscription agreement pursuant to which Group Sense agreed to issue, and Ming Xin agreed to subscribe for 239,532,000 new shares of Group Sense at the subscription price of HK$0.32 per share. Upon completion of the aforesaid share transfers and subscription, Ming Xin will be interested in approximately 51.46% of the enlarged issued share capital of Group Sense.

3. As disclosed in the announcement jointly issued by Perception Digital Holdings Limited ("Perception Digital") and Nat-Ace Pharmaceutical Ltd. ("Nat-Ace") dated 8 May 2014, Nat-Ace agreed to acquire from a group of existing shareholders of Perception Digital of approximately 40.99% of the issued share capital of Perception Digital. In addition, Perception Digital and Nat-Ace entered into a subscription agreement pursuant to which Perception Digital agreed to issue, and Nat-Ace agreed to subscribe for 616,275,000 new shares of Perception Digital at the subscription price of approximately HK$0.168 per share. Upon completion of the aforesaid share transfers and subscription, Nat-Ace will be interested in approximately 52.59% of the enlarged issued share capital of Perception Digital.

As illustrated in the table above, the offer prices for the Takeover Precedents ranged from (i) a discount of around 82.1% to a premium of around 77.9% to/over their respective closing price as at the respective last trading day, with an average discount of approximately 19.4%; (ii) a discount of around 81.3% to a premium of around 74.6% to/over their respective average closing price for the respective last 30 consecutive trading days, with an average discount of approximately 7.4%; (iii) a discount of around 78.5% to a premium of around 149.9% to/over their respective average closing price for the respective last 90 consecutive trading days, with an average premium of approximately 11.6%; and (iv) a discount of around 74.2% to a premium of around 229.3% to/over their respective average closing price for the respective last 180 consecutive trading days, with an average premium of approximately 30.6%. As such, the premiums represented by the fair value of the Exchange CBs offered per Offeree Share over each of the closing price of the Offeree Shares as at the last trading day and the average closing prices of the Offeree Shares for the last 30 and 90 consecutive trading days respectively were higher than the respective average values of the Takeover Precedents, which are considered favourable. We note that the premium represented by the fair value of the Exchange CBs offered per Offeree Share over the average closing price of the Offeree Shares for the last 180 consecutive trading days was lower than the average premium of the Takeover Precedents, however, it is still within the range of the Takeover Precedents.

iv. Analysis based on recent closing price of the FDG Shares

Under the Share Offer, every one Offeree Share could be exchanged for the Exchange CB with principal amount of HK1.7, which is convertible into 3.4 FDG Shares. We note that the closing price per FDG Shares decreased from HK$0.55 as at the Last Trading Day to HK$0.42 as at the Latest Practicable Date. Accordingly, the value of the 3.4 FDG Shares, based on the closing price of HK$0.42 per FDG Share as at the Latest Practicable Date, was approximately HK$1.428 (the "Hypothetical Value") which represented a discount of around 0.8% to the closing price per Offeree Share of HK$1.44 as at the Latest Practicable Date.

Despite the above, we however note that the Hypothetical Value represented:

(i) a premium of around 7.4% over the average closing price of the Offeree Shares of approximately HK$1.33 during the Review Period;

(ii) a premium of around 2.7% over the total equity attributable to the Offeree Shareholders of approximately HK$1.39 per Offeree Share as at 30 June 2014 and prior to the Agnita Transaction; and

(iii) a premium of around 19.0% over the total equity attributable to the Offeree Shareholders of approximately HK$1.20 per Offeree Share assuming the completion of the Agnita Transaction and based on the total equity attributable to the Offeree Shareholders as at 30 June 2014.

Also as shown in sub-sections headed "Historical performance of the FDG Shares" and "Historical performance of the Offeree Shares" above, FDG Shares have demonstrated liquidity comparatively higher than that of the Offeree Shares in the period prior to the publication of the Joint Announcement.

The Offeree Shareholders are reminded that the Hypothetical Value only provides a snap shot on the value to be realisable from the Exchange CBs assuming the conversion of the Exchange CBs into FDG Shares as at the Latest Practicable Date. However, as the accepting Offeree Shareholders are allowed to convert the Exchange CBs (subject to the Conversion Restrictions, the early redemption right of FDG and the Mandatory Conversion provision) at any time up to the maturity date based on their individual investment consideration/decision, the exact value to be realisable from the conversion of the Exchange CBs into FDG Shares may vary widely from time to time depending on the exact timing and extent of conversion of the Exchange CBs by the accepting Offeree Shareholders and the then FDG Share price. The accepting Offeree Shareholders should be mindful of the price movement of the FDG Shares and the then financial performance and business outlook of the FDG Group when making the decision on whether or not to convert and/or the timing to convert their Exchange CBs into the FDG Shares. Any outstanding Exchange CBs which have not been converted shall be redeemed by FDG at the end of the maturity of the Exchange CBs (i.e. 3 years)(subject to the Conversion Restrictions, the early redemption right of FDG and the Mandatory Conversion provision).

As the Exchange CBs are convertible into FDG Shares at any time up to the maturity date based on their individual investment consideration/decision and/or redeemable at face value of HK$1.70 at maturity (subject to the early redemption right of FDG and the Mandatory Conversion provision), we consider that the fair value of the Exchange CBs of HK$1.498, which was determined by an independent valuer after taken into consideration all the features of the Exchange CBs including, among other things, its face value, time to maturity and convertibility, the prevailing closing price of the FDG Shares as well as the expected volatility on the price of the FDG Shares, provides a more meaningful reference to the Offeree Shareholders in evaluating the fairness and reasonableness of the Share Offer.

8. Analysis of the Option Offer

As at the Latest Practicable Date, Options that are exercisable into 5,700,000 Offeree Shares in aggregate at the exercise price of HK$1.00 per Offeree Share. The basis of the offer to the Optionholders was based on the "see-though" principal that every one Option could be exchanged for the Exchange CBs with principal amount of HK$0.70, which could be converted into 1.4 FDG Shares based on the initial conversion price for the Exchange CBs of HK$0.50 per FDG Share.

Since the Options with the exercise price of HK$1.00 per Offeree Share is in the money as at the Latest Practicable Date, it is fair and reasonable to offer the Optionholders with the price of HK$0.70 which is calculated based on the "see-through" basis and represents the difference between the value offered per Offeree Share (i.e. the Exchange CBs with principal amount of HK$1.70) and the exercise price of the Options of HK$1.00. Whilst we consider the value offered per Offeree Share fair and reasonable based on, among other things, the reasons and factors as discussed under the section headed "7. Analysis of the Share Offer" above, we are of the view that the value offered to the Optionholders is accordingly fair and reasonable.

DISCUSSION AND ANALYSIS

We consider that the terms of the Offer, including the fair value of the Exchange CBs under the Share Offer and the Option Offer, are fair and reasonable so far as the independent Offeree Shareholders and the Optionholders are concerned after taking into account the principal factors and reasons, in particular:

1. given that the Offeree Group has been loss making for the past three financial years and the Offeror has no intention to institute any major changes to the current business and operation of the Offeree Company immediately after the closing of the Offer, it is difficult to estimate the financial results of the Offeree Company in the immediate future;

2. the fair value of the Exchange CBs offered per Offeree Share compares favourably against the prevailing closing prices of the Offeree Shares and represents premium over the total equity attributable to Offeree Shareholders per Offeree Share both immediately before and after completion of the Agnita Transaction;

3. as discussed in details under sub-section headed "(b) Principal terms of the Exchange CBs" above and having considered the factors discussed therein, the Enlarged Group's cash level and net current assets as well as its business operations would be improved to cater for any potential redemption obligation under the Exchange CBs upon its maturity;

4. the daily trading volume of the Offeree Shares has been thin in general during the Review Period and the Offeree Shareholders may find it difficult to dispose of a significant number of the Offeree Shares in the open market without causing an adverse impact on the market price level of the Offeree Shares. The Offer, therefore, represent an opportunity for the Offeree Shareholders and the Optionholders to exchange their investment in the Offeree Company to the Exchange CBs the fair value of which compare favourably against the prevailing closing prices of the Offeree Shares and the total equity attributable to Offeree Shareholders per Offeree Share; and

5. should the completion of the Agnita Transaction take place, the Offeree Shareholders are given a choice under the Offer to continue their investment in Agnita, if they so wish, and possibly benefit from the synergies of combining Agnita's electric vehicle business and the battery manufacturing business, through the acceptance of the Offer.

However, we would like to draw the followings to the Offeree Shareholders' and the Optionholders' attention including that:

- Offeree Shareholders should note that if they hold the Offeree Shares through HKSCC Nominees and accept the Share Offer, they will only receive the certificate of the Exchange CBs issued in the name of HKSCC Nominees and they will not be able to immediately convert the Exchange CBs into FDG Shares. Since the Exchange CBs will not be listed on the Stock Exchange (or any other stock exchange). Accordingly, the Exchange CBs will not be accepted as eligible securities by HKSCC for deposit, clearance or settlement in CCASS. In this regard, they are required to instruct their CCASS Participants to withdraw the Exchange CBs from CCASS. As detailed in Appendix I of the Composite Document, under normal circumstance, CCASS Participants are able to collect the Exchange CB certificates from the CCASS Depository on the next business day after the withdrawal order has been put through to CCASS. CCASS Participant should then arrange to transfer the Exchange CBs into their own name/the Beneficial Owners' name by completing the necessary procedures for re-registration. It will take another seven business days for registration of the transfer of the Exchange CBs (i.e. from the name of HKSCC Nominees to the name of the CCASS Participants and/or the Beneficial Owners) by Union Registrars upon receipt of the required documents. Exchange CBs will only be able to be converted into FDG Shares outside CCASS. Offeree Shareholders and Optionholders are recommended to read Appendix I of the Composite Document carefully, and consult their professional advisers if they are in doubt as to the procedures and time and cost involved;

- although the Exchange CBs are transferable, there is no liquid market for trading of the Exchange CBs. The Exchange CBs are also unsecured in nature. Offeree Shareholders and Optionholders who are concern about the liquidity and credit risk associated to the holding of the Exchange CBs should consider converting the Exchange CBs into FDG Shares (subject to the Conversion Restrictions, the early redemption right of FDG and the Mandatory Conversion provision) at time which they consider appropriate; and

- there are conditions and limitations for the conversion of the Exchange CBs, including but not limited to, the Conversion Restrictions, the early redemption right of FDG which enable FDG to redeem the whole or any part of the then outstanding principal amount the Exchange CBs at any time after the second anniversary of the date of commencement of the Offer and the right of FDG in regard to the Mandatory Conversion. In addition, the Offeree Shareholders and the Optionholders are reminded that, registered holder(s) of the Exchange CBs may convert the Exchange CBs by delivering to Union Registrar, a duly completed conversion notice and proof reasonably satisfactory to FDG of the authority of the person or person(s) to execute the conversion notice, together with the certificate(s) evidencing the Exchange CBs to be converted, and Union Registrars shall by no later than five business days after the date of receipt of such conversion notice and certificate allot and issue the number of the FDG Shares into which the Exchange CBs are converted. Accordingly, there will be a time lag between the exercise of the conversion right and the receipt of certificate of the FDG Shares and therefore, the Offeree Shareholders and Optionholders should be mindful of price fluctuation of the FDG Shares during the aforesaid time lag.

Offeree Shareholders should read carefully further terms and procedure for acceptance of the Offer as set out in Appendix I of the Composite Document and are recommended to consult their professional advisers if they are in any doubt.

OPINION AND RECOMMENDATION

Based on the above principal factors and reasons, we consider the terms of the Offer to be fair and reasonable so far as the Offeree Shareholders and the Optionholders are concerned. Accordingly, we recommend the Offeree Company Independent Board Committee to advise the Offeree Shareholders and the Optionholders to accept the Offer.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED

Kenneth Chow	**Lyan Tam**
Managing Director	*Director*

Mr. Kenneth Chow is a licensed person registered with the Securities and Futures Commission and as a responsible officer of Somerley to carry out Type 6 (advising on corporate finance) regulated activities under the SFO and has over 15 years of experience in corporate finance industry.

Ms. Lyan Tam is a licensed person registered with the Securities and Futures Commission and as a responsible officer of Somerley to carry out Type 6 (advising on corporate finance) regulated activities under the SFO and has over 12 years of experience in corporate finance industry.

I. PROCEDURES FOR ACCEPTANCE

The Share Offer

To accept the Share Offer, you should complete and sign the accompanying **WHITE** Form of Share Offer Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Share Offer.

If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Offeree Shares is/are in your name and you wish to accept the Share Offer, you must send the duly completed and signed **WHITE** Form of Share Offer Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar, at Shops 1712-16, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as practicable and in any event no later than 4:00 p.m. on the Final Closing Date or such later time and/or date as the Offeror may determine and announce with the consent of the Executive.

If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Offeree Shares is/are in the name of a nominee company or a name other than your own and you wish to accept the Share Offer in full or in part, you must either:

(1) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, and with instructions authorising it to accept the Share Offer on your behalf and requesting it to deliver the **WHITE** Form of Share Offer Acceptance duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for the number of Offeree Shares in respect of which you intend to accept the Share Offer to the Registrar; or

(2) arrange for the Offeree Shares to be registered in your name by the Offeree Company, through the Registrar, and send the duly completed and signed **WHITE** Form of Share Offer Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

(3) if your Offeree Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC to accept the Share Offer on your behalf on or before the deadline set by HKSCC. In order to meet the deadline set by

HKSCC, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on processing your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or

(4) if your Offeree Shares have been lodged with your Investor Participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System before the deadline set by HKSCC.

If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title in respect of your Offeree Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Share Offer, the **WHITE** Form of Share Offer Acceptance should nevertheless be duly completed and signed and delivered to the Registrar together with a letter stating that you have lost one or more of your share certificates and/or transfer receipt(s) and/or other document(s) of title in respect of your Offeree Shares or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Registrar as soon as possible thereafter.

If you have lost your share certificate(s) and/or transfer receipt(s) and/or other document(s) of title in respect of your Offeree Shares, you should also write to the Registrar requesting a letter of indemnity which, when duly completed and signed in accordance with the instructions given, should be returned to the Registrar.

If you have lodged transfer(s) of any of your Offeree Shares for registration in your name and have not received your share certificate(s) and you wish to accept the Share Offer, you should nevertheless complete and sign the **WHITE** Form of Share Offer Acceptance in accordance with the instructions given and deliver it to the Registrar together with the transfer receipt(s) duly signed by you. Such action will be deemed to be an irrevocable authority to the Offeror to collect from the Offeree Company or the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such share certificate(s) to the Registrar and to authorise and instruct the Registrar to hold such share certificate(s), subject to the terms and conditions of the Share Offer, as if it/they were delivered to the Registrar with the **WHITE** Form of Share Offer Acceptance.

An acceptance of the Share Offer may not be counted as valid unless:

(1) it is received by the Registrar on or before 4:00 p.m. on the Final Closing Date or such time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code, and the Registrar has recorded that such acceptance and any relevant documents required under paragraph (2) below have been so received; and

(2) the **WHITE** Form of Share Offer Acceptance is duly completed and signed and is:

(i) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if that/those share certificate(s) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Offeree Shares in blank or in favour of the acceptor duly executed by the registered holder) in order to establish your right to become the registered holder of the relevant Offeree Shares; or

(ii) from a registered Offeree Shareholder or his personal representatives (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Offeree Shares which are not taken into account under the other sub-paragraphs of this paragraph (2)); or

(iii) certified by the Registrar or the Stock Exchange.

If the **WHITE** Form of Share Offer Acceptance is executed by a person other than the registered Offeree Shareholder, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar must be produced.

No acknowledgment of receipt of any **WHITE** Form of Share Offer Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

The Option Offer

To accept the Option Offer, you should complete and sign the accompanying **PINK** Form of Option Offer Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Option Offer.

The duly completed and signed **PINK** Form of Option Offer Acceptance should be forwarded to the Offeree Company at 23rd Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong to the attention of the company secretary stating the number of Options in respect of which you intend to accept the Option Offer, by post or by hand to the Offeree Company as soon as possible and in any event so as to reach the Offeree Company at the aforesaid address no later than 4:00 p.m. on the Final Closing Date or such later time and/or date as the Offeror may determine and announce with the consent of the Executive.

No acknowledgment of receipt of any **PINK** Form of Option Offer Acceptance will be given.

II. DENOMINATIONS OF THE EXCHANGE CBS CERTIFICATES AND FDG SHARE CERTIFICATES

The Exchange CB certificates will be denominated in face value rather than in unit.

One Exchange CBs certificate or FDG Share certificate will be issued to each accepting Offeree Shareholder or holder of the Options except for HKSCC Nominees which is a nominee company holding shares on behalf of various CCASS Participants. HKSCC Nominees is therefore not the beneficial owner of the Exchange CBs and the FDG Shares to be held.

III. ODD LOTS

There is no odd lots arrangement.

IV. SETTLEMENT

The Share Offer (for Offeree Shareholders holding the Offeree Shares in their own accounts)

If you accept the Share Offer, settlement will be made by issuing the certificates of the Exchange CBs or the certificates of the FDG Shares as soon as possible, but in any event within seven business days of the date of receipt of a duly completed and valid acceptance of the Share Offer, or of the date on which the Offer becomes or is declared unconditional in all respects, whichever is the later. The certificates of the Exchange CBs or the certificates of the FDG Shares will be despatched by ordinary post to the address specified on the relevant Offeree Shareholder's **WHITE** Form of Share Offer Acceptance at his/her/its own risk.

The minimum number of Offeree Shares that will be capable of being converted into an integral number of FDG Shares will be 5 Offeree Shares, which will be exchangeable for an Exchange CB principal amount of HK$8.50 and will be convertible using the initial conversion price of HK$0.5 into 17 FDG Shares.

No fee will be charged for the conversion of the Exchange CBs by the holders of the Exchange CBs as they will be borne by FDG.

The Offeree Shareholders are recommended to consult their professional advisers if they are in doubt as to the above procedures.

The Share Offer (for the Beneficial Owners holding the Offeree Shares through HKSCC Nominees)

HKSCC Nominees is the registered shareholder who holds the Offeree Shares on behalf of the CCASS Participants who in turn holds the Offeree Shares on behalf of the Beneficial Owners. HKSCC Nominees will not provide service to immediately convert the Exchange CBs into FDG Shares on behalf of the CCASS Participants. In other words, HKSCC Nominees can only accept the Share Offer to exchange for the Exchange CBs (i.e. Option 1 in the WHITE Form of Share Offer Acceptance) on behalf of the relevant CCASS Participants and/or Beneficial Owner.

If you accept the Share Offer, settlement will be made by issuing the certificates of the Exchange CBs in the name of HKSCC Nominees as soon as possible, but in any event within seven business days of the later of (i) the date of receipt of the Registrar of all the relevant documents to render the acceptance under the Offer duly completed; and (ii) the date when the Offer becomes, or is declared, unconditional. The certificates of the Exchange CBs will be despatched to HKSCC Nominees at its own risk.

Upon accepting the Share Offer for the Exchange CBs as instructed by the CCASS Participants, HKSCC will provide facility for holding the Exchange CBs received by any persons holding their Offeree Shares through CCASS such that the Exchange CBs will be held in the name of HKSCC Nominees initially. Since the Exchange CBs will not be listed on the Stock Exchange (or any other stock exchange), the Exchange CBs will not be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS. In this regard, CCASS Participants are required to withdraw the Exchange CBs immediately from CCASS. Under normal circumstance, CCASS Participants are able to collect the Exchange CB certificates from the CCASS Depository on the next business day after they have input the withdrawal order in CCASS. CCASS Participant should then arrange to transfer the Exchange CBs into their own name/the Beneficial Owners' name by completing the necessary procedures for re-registration. It will take another seven business days for registration of the transfer of the Exchange CBs (i.e. from the name of HKSCC Nominees to the name of the CCASS Participants and/or the Beneficial Owners) by Union Registrars upon receipt of the required documents. Exchange CBs will only be able to be converted into FDG Shares outside CCASS (see section entitled "SUBSEQUENT CONVERSION" below for details).

A fee of HK$1.00 will be charged by HKSCC for each withdrawal by the CCASS Participant.

Alternatively, being Beneficial Owner of the Offeree Shares and your Offeree Shares are deposited in CCASS (which are registered under the name of HKSCC Nominees) and you intend to immediately convert the Exchange CBs into new FDG Shares, you should contact your CCASS Participants and provide your CCASS Participants with instructions to make arrangements to withdraw your Offeree Shares from CCASS. The Offeree Shares should then be re-registered either under your own name or the name of your CCASS Participant with the Registrar. In order to be able to accept the Share Offer and immediately convert the Exchange CBs into new FDG Shares, the duly completed and signed WHITE Form of Share Offer Acceptance, together with the relevant share certificate(s) and/or transfer receipt(s) and/ or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) must be presented to the Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, before the latest time and date for acceptance of the Share Offer as set out

in the section headed "EXPECTED TIMETABLE" in this Composite Document. In order to allow your CCASS Participant sufficient time to act on your instructions, please ensure that your instructions and/or arrangements are given or made in advance of the relevant dates stated in the "EXPECTED TIMETABLE" in this Composite Document and otherwise in accordance with the requirements of your CCASS Participant. If you have any doubt as to the above procedures, you are recommended to consult your professional advisers.

WARNING: Beneficial Owners of the Offeree Shares who decided not to withdraw their Offeree Shares from CCASS should note that if you accept the Share Offer, you will only receive the certificate of the Exchange CBs issued in the name of HKSCC Nominees and you will not be able to immediately convert the Exchange CBs into FDG Shares. Since the Exchange CBs will not be listed on the Stock Exchange (or any other stock exchange), the Exchange CBs will not be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS. In this regard, you are required to instruct your CCASS Participants to withdraw the Exchange CBs from CCASS. Under normal circumstance, Exchange CB certificates can be collected from the CCASS Depository on the next business day after the withdrawal order has been put through to CCASS. Beneficial Owners would then need to arrange to transfer and re-register the Exchange CBs into his own name or the name of the CCASS Participant by completing the necessary procedures for re-registration. It will take another seven business days for registration of the transfer of the Exchange CBs by Union Registrars upon receipt of the required documents. Exchange CBs will only be able to be converted into FDG Shares outside CCASS (please refer to the section entitled "SUBSEQUENT CONVERSION" below for details). None of the Offeror, the Offeree Company or HKSCC Nominees shall be held responsible if you decided not to withdraw your Offeree Shares from CCASS and is unable to immediately convert the Exchange CBs into FDG Shares.

The minimum number of Offeree Shares that will be capable of being converted into an integral number of FDG Shares will be 5 Offeree Shares, which will be exchangeable for an Exchange CB with a principal amount of HK$8.50 and will be convertible using the initial conversion price of HK$0.5 into 17 FDG Shares.

No fee will be charged for the conversion of the Exchange CBs by the holders of the Exchange CBs as they will be borne by FDG.

The Beneficial Owners are recommended to consult their professional advisers if they are in doubt as to the above procedures.

The Option Offer

If you accept the Option Offer, settlement will be made by issuing the certificates of the Exchange CBs and/or the certificates of the FDG Shares upon requesting immediate conversion of the Exchange CBs as soon as possible, but in any event within seven business days of the date of receipt of a complete and valid acceptance of the Option Offer, or of the date on which the Offer become or is declared unconditional in all respects, whichever is the later. The certificates of the Exchange CBs and/or the certificates of the FDG Shares upon requesting immediate conversion of the Exchange CBs will be despatched by ordinary post to the address specified on the relevant holders of the Options's **PINK** Form of Option Offer Acceptance.

The minimum number of Options that will be capable of being converted into an integral number of FDG Shares will be 5 Options, which will be exchangeable for an Exchange CB principal amount of HK$3.5 and will be convertible using the initial conversion price of HK$0.5 into 7 FDG Shares.

Exercise of the Options

A holder of the Options who wishes to accept the Share Offer may exercise his/her Options (to the extent exercisable) by completing, signing and delivering a notice for exercising the Options together with a cheque for payment of the subscription monies to the Offeree Company at 23rd Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong no later than 4:00 p.m. on or before the Final Closing Date, or such other time and/or date as the Offeror may, subject to the Takeovers Code, decide and announce. Holders of the Options may at the same time complete and sign the **WHITE** Form of Share Offer Acceptance and deliver it to the Registrar together with a copy of the set of documents delivered to the Offeree Company for exercising the Options. Exercise of the Options is subject to the terms and conditions of the Share Option Scheme (as applicable) and the terms attaching to the grant of the relevant Options. Delivery of the completed and signed **WHITE** Form of Share Offer Acceptance to the Registrar will not serve to complete the exercise of the Options but will only be deemed to be an irrevocable authority to the Offeror and/or VMS Securities and/or any of their respective agent(s) or such other person(s) as they may direct to collect from the Offeree Company or the Registrar on his/her behalf the relevant share certificate(s) when issued on exercise of the Options and to deliver such share certificate(s) to the Registrar and to authorise and instruct the Registrar to hold such share certificate(s), as if it was/they were delivered to the Registrar with the **WHITE** Form of Share Offer Acceptance. If a holder of the Options fails to exercise his/her Options as aforesaid, there is no guarantee that the Offeree Company could issue the relevant share certificate in respect of the Offeree Shares allotted pursuant to his/her exercise of the Option(s) to such holder of the Options in time for him/her to accept the Share Offer as an Offeree Shareholder of such Offeree Shares under the terms of the Share Offer.

Lapse of the Options

Nothing in this Composite Document or the Option Offer will serve to extend the life of any Option which lapses under the Share Option Scheme (as applicable). No exercise of the Options or acceptance of the Option Offer may be made in relation to any Option that has lapsed.

V. SUBSEQUENT CONVERSION, TRANSFER AND SPLITTING OF THE EXCHANGE CBS

Union Registrars has been appointed by FDG to act as the Exchange CBs registrar and transfer agent in Hong Kong. It maintains a register of holders of the Exchange CBs and provides registration, subsequent conversion, registration of transfer and splitting services to holders of the Exchange CBs. Its contact details, business hours and business days are:–

Office address:	A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong
Telephone:	(852) 2849 3399
Fax:	(852) 2849 3319
Business hours:	9:00 a.m. to 4.00 p.m.
Business days:	Monday to Friday, excluding any public holidays

Subsequent Conversion

Any registered holder of the Exchange CBs may, subject as provided herein, at any time during the conversion period, exercise the conversion rights to convert the whole or part (in an amount of HK$1,000,000 and integral multiples thereof or an amount representing in aggregate the entire outstanding principal amount of the Exchange CBs) of the Exchange CBs by delivering to Union Registrars a duly completed conversion notice (the form of which is provided in the terms and conditions attached to the Exchange CBs certificates) and proof reasonably satisfactory to FDG of the authority of the person or person(s) to execute the conversion notice, together with the certificate(s) evidencing the Exchange CBs to be converted. Union Registrars shall by no later than five business days after the date of receipt of such conversion notice and certificate allot and issue the number of the FDG Shares which the Exchange CBs are converted in the name as shown on the certificate(s) evidencing the Exchange CBs so surrendered. A certificate for such converted FDG Shares is issued to such holder and sent at the holder's own risk to the address appearing in the register of shareholders.

No fee will be charged for subsequent conversion of the Exchange CBs by the holder of the Exchange CBs as they will be borne by FDG.

Transfer

The Exchange CBs are transferable by instrument of transfer in accordance to the terms and conditions attached to the Exchange CBs certificates or in any other form as may be approved by the FDG Board. The instrument of transfer for the transfer of the Exchange CBs shall be duly signed by or on behalf of the transferor and the transferee. The instrument of transfer can be obtained at the office address of Union Registrars and the signed instrument of transfer may be delivered for registration at the aforesaid address during business hours on any business day. Any transfer of the Exchange CBs may not be registered unless: (i) the instrument of transfer is accompanied by the relevant Exchange CBs certificate(s) and such other evidence as may reasonably be required to show the right of the transferor to make the transfer (and, if the instrument of transfer is executed by some other person on his/her/its behalf, the authority of that person/company so to do); and (ii) if applicable, the instrument of transfer is duly and properly stamped.

Each new certificate to be issued upon a transfer of the Exchange CBs will be made available for personal collection by the holder entitled thereto during the business hours on any business day at the aforesaid office of Union Registrars from the seventh business day onwards following receipt of the documents specified above and upon production of such identification papers as may be reasonably requested by FDG or Union Registrars. Where some but not all of the Exchange CBs in respect of which a certificate is issued are to be transferred, the holder must first split the certificate by lodging with the Union Registrars the related Exchange CBs certificates together with the splitting details. A new certificate in respect of the balance of the Exchange CBs not so transferred will be made available for personal collection by the holder entitled thereto during the business hours on any business day at the aforesaid office of Union Registrars from the tenth business day onwards following receipt of the documents specified above and upon production of such identification papers as may be reasonably requested by FDG or Union Registrars.

A fee of HK$2.50 per Exchange CBs certificate to be issued/cancelled (whichever the number is higher) will be charged by Union Registrars for the transfer of the Exchange CBs.

Splitting

Subsequent splitting of the Exchange CBs certificates is allowed. Any holder of the Exchange CBs wishing to convert or transfer only part of his holding of the Exchange CBs evidenced by a certificate must first split the certificate by lodging with Union Registrars the related Exchange CBs certificate together with the splitting details. A new certificate in respect of the balance of the Exchange CBs not so converted or transferred will be made available for personal collection by the holder entitled thereto during the business hours on any business day at the aforesaid office of Union Registrars from the tenth business day onwards following receipt of the documents specified above and upon production of such identification papers as may be reasonably requested by FDG or Union Registrars.

A fee of HK$2.50 per new Exchange CBs certificate to be issued will be charged by Union Registrars for splitting the Exchange CBs certificate by the holder of the Exchange CBs.

VI. ACCEPTANCE PERIOD AND REVISIONS

Unless the Offer has been revised or extended with the consent of the Executive, to be valid, the **WHITE** Form of Share Offer Acceptance and the **PINK** Form of Option Offer Acceptance must be received by the Registrar and the Offeree Company as appropriate in accordance with the instructions printed thereon by 4:00 p.m. on the Final Closing Date.

If the Offer is extended, the announcement of such extension will state the next Closing Date or a statement that the Offer will remain open until further notice. In the latter case, at least 14 days' notice in writing must be given to the Offeree Shareholders and holders of the Options that have not accepted the Offer before the Offer is closed. If, in the course of the Offer, the Offeror revises the terms of the Offer, all the Offeree Shareholders and holders of the Options, whether or not they have already accepted the Offer will be entitled to accept the revised Offer under the revised terms. The revised Offer must be kept open for at least 14 days following the date on which the revised offer document is posted and shall not be closed earlier than the Closing Date.

If the Offer Period is extended, any reference in this Composite Document and in the Form(s) of Acceptance to the Final Closing Date shall, except where the context otherwise requires, be deemed to refer to the extended closing date.

VII. ANNOUNCEMENTS

By 6:00 p.m. on the Final Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry of the Offer. The Offeror must publish an announcement in accordance with the Listing Rules on the Stock Exchange's website by 7:00 p.m. on the Final Closing Date stating the results of the Offer and whether the Offer has been revised or extended or has expired. The announcement will state the following:

(1) the total number of Offeree Shares and Options and any other rights over Offeree Shares for which acceptances of the Offer has been received;

(2) the total number of Offeree Shares and Options and any other rights over Offeree Shares held, controlled or directed by the Offeror and the parties acting in concert with it before the Offer Period (as defined under the Takeovers Code);

(3) the total number of Offeree Shares and Options and any other rights over Offeree Shares acquired or agreed to be acquired during the Offer Period (as defined under the Takeovers Code) by the Offeror and the parties acting in concert with it; and

(4) details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Offeree Company which the Offeror and any parties acting in concert with it have borrowed or lent, save for any borrowed Offeree Shares which have been either on-lent or sold.

The announcement will specify the percentages of the relevant classes of share capital, and the percentages of voting rights represented by these numbers of Offeree Shares and Options.

In computing the total number of Offeree Shares and Options represented by acceptances, for announcement purpose, acceptances which are in full compliance with the requirements under Rule 30.2 of the Takeovers Code (i.e. (i) all the relevant documents to render the acceptance under the Offer are duly completed and (ii) acceptance have been received by the Registrar and the Offeree Company as appropriate no later than 4:00 p.m. on the Final Closing Date, being the latest time and date for acceptance of the Offer) shall be included.

As required under the Takeovers Code, all announcements in relation to the Offer will be made in accordance with the requirements of the Listing Rules.

VIII. NOMINEE REGISTRATION

To ensure equality of treatment of all Offeree Shareholders, those Registered Owners who hold shares as nominee for more than one Beneficial Owner should, as far as practicable, treat the holding of each Beneficial Owner separately. In order for the Beneficial Owners, whose investments are registered in nominee names, to accept the Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Offer.

All documents sent to the Offeree Shareholders and holders of the Options by post will be sent to them by ordinary post at their own risk. Such documents will be sent to the Offeree Shareholders and holders of the Options at their addresses specified on Form(s) of Acceptance (or in the case of the joint Offeree Shareholders, to the Offeree Shareholder whose name stands first in the register of members of Offeree Company).

All such documents will be sent at the risk of the persons entitled thereto and none of FDG, the Offeror, the parties acting in concert of the Offeror, the Offeree Company, VMS Securities, Somerley, the Registrar or any of their respective directors, officers, associates, agents or any other persons involved in the Offer will be responsible for any loss or delay in the transmission or any other liabilities that may arise as a result thereof.

IX. RIGHT OF WITHDRAWAL

The Offer is conditional upon fulfillment of certain conditions set out in the "LETTER FROM VMS SECURITIES LIMITED" and acceptance of the Offer tendered by any Offeree Shareholder or any holder of the Options shall be irrevocable and cannot be withdrawn, except in the circumstances set out in the following paragraph or in compliance with Rule 17 of the Takeovers Code, which provides that an acceptor of the Share Offer or the Option Offer shall be entitled to withdraw his/her/its acceptance after 21 days from the first closing date (being 16 March 2015 and only if the Offer has not by then become unconditional as to acceptance). This entitlement to withdraw shall be exercisable until such time as the Offer becomes or is declared unconditional as to acceptance. An acceptor of the Share Offer or the Option Offer may withdraw his/her/its acceptance by lodging a notice in writing signed by the acceptor (or his/her/its agent duly appointed in writing and evidence or whose appointment is produced together with the notice) to the Registrar and/or the company secretary of the Offeree Company as appropriate.

Under Rule 19.2 of the Takeovers Code, if the Offeror is unable to comply with any of the requirements of making announcements relating to the Offer as set out in the section entitled "ANNOUNCEMENTS" of this appendix, the Executive may require that acceptors be granted a right of withdrawal, on terms acceptable to the Executive, until such requirements can be met.

If the Offer is withdrawn with the consent of the Executive in accordance with the Takeovers Code, the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the share certificate(s) lodged together with the Form(s) of Acceptance to the relevant Offeree Shareholder(s).

X. OFFEREE SHARES AND OPTIONS

Acceptance of the Offer by any Offeree Shareholder and/or holders of the Options will be deemed to constitute a warranty by such person that all Offeree Shares and/or Options tendered by such Offeree Shareholder and/or holder of the Options under the Offer are free and clear of all liens, charges, encumbrances, rights of pre-emption and other third party rights of any nature whatsoever and with all rights attaching to them (including the right to receive in full all dividends and other distributions, if any declared in case for the Offeree Shares), made or paid on or after the date of this Composite Document.

XI. HONG KONG STAMP DUTY

Stamp duty arising in connection with acceptance of the Offer at the rate of 0.1% of the consideration payable by the Offeree Shareholders will be borne by the Offeror.

XII. AVAILABILITY OF THE OFFER

The Offeror intends to make available the Offer to all the Offeree Shareholders and holders of the Options, including those who are resident outside Hong Kong. The availability of the Offer to persons not resident in Hong Kong may be affected by the laws of the relevant overseas jurisdictions. Persons who are not resident in Hong Kong should inform themselves about and observe any applicable requirements in their own jurisdictions in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required or the compliance with other necessary formalities, regulatory or legal requirements and the payment of any transfer or cancellation or other taxes due in respect of such jurisdiction.

Any such overseas Offeree Shareholder and holder of the Option shall be fully responsible for the payment of any transfer or cancellation or other taxes and duties imposed by whomsoever payable in respect of that jurisdiction. The Offeror, VMS Securities and any other person involved in the Offer shall be entitled to be fully indemnified and held harmless by such person for any taxes as such person may be required to pay. The Offeree Shareholders and holders of the Option should consult their professional adviser if in doubt.

XIII. OVERSEAS OFFEREE SHAREHOLDERS AND HOLDERS OF THE OPTIONS

The Composite Document will not be filed under the applicable securities or equivalent legislation or rules of any jurisdictions other than Hong Kong.

In the event that the receipt of this Composite Document by any Offeree Shareholder or holder of Options resident in a jurisdiction outside of Hong Kong is prohibited by any applicable laws and regulations of that jurisdiction, or may only be effected in that jurisdiction after compliance with conditions or requirements in such jurisdiction such that it would be unduly burdensome on the Offeror, the Composite Document will not, subject to the Executive's consent, be despatched to such overseas Offeree Shareholders and/or overseas holders of the Options.

If this Composite Document is made available to any overseas Offeree Shareholder or overseas holders of the Options, such Offeree Shareholder or holder of the Options by tendering the Offeree Shares or the Options (as the case may be) to the Offeror in the Offer will be deemed to constitute a warranty to FDG and the Offeror that the offer, allotment, issue of the Exchange CBs and conversion of the Exchange CBs to such Offeree Shareholder or holder of the Options pursuant to the Offer comply with the requirements and restrictions of the applicable laws and regulations of the jurisdiction in which such Offeree Shareholder or holder of the Options resides and that such laws and regulations do not require FDG or the Offeror to effect any registration of any securities or prospectus or to undertake any other filing or procedure in that jurisdiction, and agrees to indemnify and keep indemnified FDG and the Offeror against any liability that may arise if such warranty is breached. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited is subject to any of the warranties.

This Composite Document will also be sent to the Offeree Shareholders and holders of the Options with a registered address outside Hong Kong.

Offeree Shareholders and holders of the Options who are citizens or residents or nationals of jurisdictions outside Hong Kong should obtain appropriate legal advice on, inform themselves about and observe any applicable legal requirement. It is the responsibility of each person who wishes to accept the Offer to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, the compliance with other necessary formalities or legal requirements and the payment of any transfer or other taxes due by such accepting Offeree Shareholders and holders of the Options in respect of such jurisdiction. Acceptances of the Offer by any such person will constitute a warranty by such person that such person is permitted under all applicable laws to receive and accept the Offer, and any revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws.

Based on the register of members of the Offeree Company as at the Latest Practicable Date, there were 64 Offeree Shareholders with registered addresses in Australia, Canada, Macau, Malaysia, the Philippines, the PRC, the United Kingdom, the United States and Vanuatu. As at the Latest Practicable Date, there were three holders of the Options with registered addresses in the PRC and a holder of the Options with registered address in

Singapore. The FDG Board has made enquiries regarding the legal restrictions under the applicable securities legislation of the relevant jurisdictions and the requirements of the relevant regulatory body or stock exchange with respect to the Offer in relation to such overseas Offeree Shareholders and holders of the Options.

Based on the legal advice of FDG's legal advisers in relation to the laws of the relevant jurisdictions, the FDG Directors have formed the view that the Offer can be extended to (i) the overseas Offeree Shareholders in Canada, Macau, Malaysia, the Philippines, the PRC and the United Kingdom; and (ii) holders of the Options in the PRC and Singapore without compliance (or minimal compliance is required) with local regulatory requirements.

Based on the legal advice of FDG's legal advisers in relation to the laws of Australia, Vanuatu and the United States (the "**Specified Territories**") and having considered the circumstances, the FDG Directors have formed the view that it is necessary or expedient to exclude those Offeree Shareholders with addresses in the Specified Territories from receiving the Form of Acceptance due to the time and costs involved in complying with the local legal and/or regulatory requirements in the Specified Territories in relation to the Offer. The Composite Document will be sent to the Offeree Shareholders with addresses in the Specified Territories for reference, and no Form of Acceptance will be sent to them.

Based on the register of members of the Offeree Company as at the Latest Practicable Date, there were 47 Offeree Shareholders with addresses in the Specified Territories holding in aggregate 30,337 Offeree Shares, representing approximately 0.003% of the number of Offeree Shares in issue as at the Latest Practicable Date. There is no holder of the Options with an address in the Specified Territories.

An application has been made to the Executive under Note 3 to Rule 8 of the Takeovers Code for consent to exclude the Offeree Shareholders in the Specified Territories from receiving the Form of Acceptance.

Overseas Offeree Shareholders and overseas holders of the Options are advised to seek professional advice on deciding whether to accept the Offer.

XIV. GENERAL

(1) All communications, notices, the Form(s) of Acceptance, share certificates, transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances, if any, to be delivered by or sent to or from the Offeree Shareholders and holders of the Options will be delivered by or sent to or from them, or their designated agents, through post at their own risk, and none of FDG, the Offeror, the parties acting in concert of the Offeror, the Offeree Company, VMS Securities, Somerley, the Registrar or any of their respective directors, officers, associates, agents or any other persons involved in the Offer, accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.

(2) The provisions set out in the Form(s) of Acceptance form part of the terms of the Offer.

(3) The accidental omission to despatch this Composite Document and/or the Form(s) of Acceptance or any of them to any person to whom the Offer is made will not invalidate the Offer in any way.

(4) The Offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.

(5) Due execution of a Form of Acceptance will constitute an authority to the Offeror, any director of the Offeror, VMS Securities or such person or persons as the Offeror may direct, to complete and execute any document on behalf of the person or persons accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as they may direct, the Offeree Shares and the Options in respect of which such person or persons has/have accepted the Offer.

(6) Acceptance of the Offer by any person holding the Offeree Shares and the Options will be deemed to constitute a warranty by such person or persons to the Offeror that the Offeree Shares and Options under the Offer are tendered by such person or persons free from all liens, charges, options, claims, equities, adverse interests, rights of pre-emption and any other third party rights or encumbrances of any nature whatsoever and together with all rights accruing or attaching thereto, including, without limitation, the right to receive in full dividends and other distributions declared, made or paid, if any, on or after the date of this Composite Document. The settlement of the Exchange CBs to which any Offeree Shareholder and holder of the Options is entitled under the Offer will be implemented in full in accordance with the terms of the Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Offeree Shareholders and holders of the Options.

(7) Acceptances of the Offer by any person will be deemed to constitute a warranty by such persons that such persons are permitted under all applicable laws to receive and accept the Offer, and any revision thereof, and such acceptances shall be valid and binding in accordance with all applicable laws. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees is subject to any of the warranties. Any such persons will be responsible for payment of any transfer or cancellation or other taxes or duties payable in respect of the relevant jurisdiction due by such persons.

(8) In making their decision, the Offeree Shareholders and holders of the Options must rely on their own examination of the Offeror, the Offeree Group and the terms of the Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Form(s) of Acceptance shall not be construed as any legal or business advice on the part of FDG, the Offeror, Offeree Company, VMS

Securities or their respective professional advisers. The Offeree Shareholders and holders of the Options should consult their own professional advisers for professional advice.

(9) Subject to the terms of the Takeovers Code, acceptance(s) of the Offer may, at the discretion of the Offeror, be treated as valid even if it is not entirely in order or is not accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities in respect thereof), but, in such cases, the certificates of the Exchange CBs or FDG Shares will not be despatched until the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities in respect thereof) has/have been received by the Registrar. However, such acceptances will not be counted towards fulfilling the acceptance condition.

(10) References to the Offer in this Composite Document and in the Form(s) of Acceptance shall include any extension and/or revision thereof.

(11) This Composite Document has been prepared for the purposes of compliance with the legislative requirements applicable in respect of the Offer in Hong Kong and the operating rules of the Stock Exchange.

(12) The English text of this Composite Document and of the Form(s) of Acceptance shall prevail over their respective Chinese text for the purpose of interpretation.

I. SUMMARY OF FINANCIAL INFORMATION OF THE OFFEREE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2014 AND FOR EACH OF THE THREE YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

The following is a summary of the unaudited consolidated financial information of the Offeree Group for the six months ended 30 June 2014 as extracted from the interim report of the Offeree Group for the six months ended 30 June 2014 and the audited consolidated financial information of the Offeree Group for each of the three years ended 31 December 2011, 2012 and 2013 as extracted from the annual reports of the Offeree Group.

Results

	Six months ended	**Year ended 31 December**		
	30 June 2014	**2013**	**2012**	**2011**
	(unaudited)	(audited)	(audited)	(audited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	9,160	32,647	22,067	29,107
Loss before taxation	(23,667)	(19,269)	(10,412)	(120,808)
Taxation	–	(2,960)	(4,279)	(10,645)
Loss for the year	(23,667)	(22,229)	(14,691)	(131,453)
Attributable to:				
Equity holders of the Offeree Company	(23,657)	(22,229)	(14,687)	(131,455)
Non-controlling interests	(10)	–	(4)	2
	(23,667)	(22,229)	(14,691)	(131,453)
Loss per share (HK cents)				
Basic	(2.53)	(4.52)	(3.30)	(29.56)
Diluted	(2.53)	(4.52)	(3.30)	(29.56)
Dividend per share	nil	nil	nil	nil

Assets, liabilities and minority interests

	As at	**As at 31 December**		
	30 June 2014	**2013**	**2012**	**2011**
	(unaudited)	(audited)	(audited)	(audited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	1,328,615	1,364,398	574,183	663,386
Total liabilities	23,126	27,898	23,759	102,335
	1,305,489	1,336,500	550,424	561,051
Equity attributable to equity holders of the Offeree Company	1,305,459	1,336,460	550,384	561,189
Non-controlling interests	30	40	40	(138)
Total equity	1,305,489	1,336,500	550,424	561,051

The following financial information is extracted from the published interim report of the Offeree Group for the six months ended 30 June 2014.

II. FINANCIAL INFORMATION OF THE OFFEREE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2014

Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2014

		Six months ended 30 June	
		2014	**2013**
	NOTE	*HK$'000*	*HK$'000*
		(Unaudited)	(Unaudited and restated)
Revenue			
Net gain/(loss) on held-for-trading investments		64	(892)
Net (loss)/gain on financial assets at fair value through profit or loss		(1,025)	5,691
Investment income		10,121	13,849
		9,160	18,648
Other net income		195	47
Administrative expenses		(14,490)	(16,025)
(Loss)/profit from operations before impairment		(5,135)	2,670
Impairment loss on loan and other receivables	*10(b)*	(8,251)	(9,539)
Gain on disposal of subsidiaries	*14*	–	658
Share of loss of an associate		(11,491)	–
Share of profits less losses of joint ventures		1,210	1,461
Loss before taxation	*4*	(23,667)	(4,750)
Income tax	*5*	–	(40)
Loss for the period		(23,667)	(4,790)
Other comprehensive income for the period (after tax and reclassification adjustments)			
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
– Exchange differences on translation of financial statements of foreign operations		(8,111)	3,574
– Reclassification adjustment upon disposal of a subsidiary	*14*	–	(139)
		(8,111)	3,435
Total comprehensive income for the period		(31,778)	(1,355)

		Six months ended 30 June	
		2014	**2013**
	NOTE	*HK$'000*	*HK$'000*
		(Unaudited)	(Unaudited and restated)
Loss for the period attributable to:			
– Equity shareholders of the Company		(23,657)	(4,790)
– Non-controlling interests		(10)	–
		(23,667)	(4,790)
Other comprehensive income for the period attributable to:			
– Equity shareholders of the Company		(8,111)	3,435
– Non-controlling interests		–	–
		(8,111)	3,435
Total comprehensive income for the period attributable to:			
– Equity shareholders of the Company		(31,768)	(1,355)
– Non-controlling interests		(10)	–
		(31,778)	(1,355)
Loss per share			
Basic and diluted (HK cents)	*6*	(2.53)	(1.08)

Consolidated Statement of Financial Position
At 30 June 2014

	NOTE	At 30 June 2014 HK$'000 (Unaudited)	At 31 December 2013 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment		780	932
Interest in an associate	7	542,526	556,435
Interest in joint ventures	8	111,691	113,198
Financial assets at fair value through profit or loss	9	47,010	28,295
Loan and other receivables	10	491	451
Other non-current assets		1,104	1,104
		703,602	700,415
Current assets			
Financial assets at fair value through profit or loss	9	11,648	30,290
Loan and other receivables	10	231,649	234,072
Cash and cash equivalents	11	381,716	399,621
		625,013	663,983
Current liabilities			
Accruals and other payables	12	15,332	18,119
Amount due to a substantial shareholder	17(b)	3,406	2,597
Loans from a non-controlling shareholder	17(b)	31	31
Current taxation		4,357	7,151
		23,126	27,898
Net current assets		601,887	636,085
NET ASSETS		1,305,489	1,336,500
CAPITAL AND RESERVES			
Share capital	13(b)	935,133	935,133
Reserves		370,326	401,327
Total equity attributable to equity shareholders of the Company		1,305,459	1,336,460
Non-controlling interests		30	40
TOTAL EQUITY		1,305,489	1,336,500

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014 – unaudited

	Attributable to equity shareholders of the Company									
	Share capital	Share premium	Contributed surplus	Exchange reserve	Share option reserve	Other reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note 13(c)(i)	*Note 13(c)(ii)*	*Note 13(c)(iii)*	*Note 13(c)(iv)*	*Note 13(c)(v)*				
Balance at 1 January 2014	935,133	341,137	82,445	25,326	8,912	5,763	(62,256)	1,336,460	40	1,336,500
Changes in equity for the six months ended 30 June 2014:										
Loss for the period	–	–	–	–	–	–	(23,657)	(23,657)	(10)	(23,667)
Other comprehensive income	–	–	–	(8,111)	–	–	–	(8,111)	–	(8,111)
Total comprehensive income for the period	–	–	–	(8,111)	–	–	(23,657)	(31,768)	(10)	(31,778)
Equity settled share-based transactions *(note 13(d))*										
– amortisation for the period	–	–	–	–	767	–	–	767	–	767
Balance at 30 June 2014	935,133	341,137	82,445	17,215	9,679	5,763	(85,913)	1,305,459	30	1,305,489
Balance at 1 January 2013	444,633	31,970	82,445	18,654	7,094	5,301	(39,713)	550,384	40	550,424
Changes in equity for the six months ended 30 June 2013:										
Loss for the period	–	–	–	–	–	–	(4,790)	(4,790)	–	(4,790)
Other comprehensive income	–	–	–	3,435	–	–	–	3,435	–	3,435
Total comprehensive income for the period	–	–	–	3,435	–	–	(4,790)	(1,355)	–	(1,355)
Profit appropriation to statutory surplus reserve *(note 13(c)(v))*	–	–	–	–	–	55	(55)	–	–	–
Equity-settled share-based transactions *(note 13(d))*										
– amortisation for the period	–	–	–	–	653	–	–	653	–	653
– transfer to accumulated losses upon forfeiture	–	–	–	–	(74)	–	74	–	–	–
Balance at 30 June 2013 and 1 July 2013	444,633	31,970	82,445	22,089	7,673	5,356	(44,484)	549,682	40	549,722
Changes in equity for the six months ended 31 December 2013:										
Loss for the period	–	–	–	–	–	–	(17,439)	(17,439)	–	(17,439)
Other comprehensive income	–	–	–	3,237	–	–	–	3,237	–	3,237
Total comprehensive income for the period	–	–	–	3,237	–	–	(17,439)	(14,202)	–	(14,202)
Profit appropriation to statutory surplus reserve *(note 13(c)(v))*	–	–	–	–	–	407	(407)	–	–	–
Issue of new shares *(note 13(b)(iii))*	490,500	309,167	–	–	–	–	–	799,667	–	799,667
Equity-settled share-based transactions										
– amortisation for the period	–	–	–		1,313	–	–	1,313	–	1,313
– transfer to accumulated losses upon forfeiture	–	–	–	–	(74)	–	74	–	–	–
Balance at 31 December 2013	935,133	341,137	82,445	25,326	8,912	5,763	(62,256)	1,336,460	40	1,336,500

Condensed Consolidated Statement of Cash Flows
For the six months ended 30 June 2014

		Six months ended 30 June	
		2014	**2013**
	NOTE	*HK$'000*	*HK$'000*
		(Unaudited)	(Unaudited)
Net cash used in operating activities		(15,798)	(14,895)
Investing activities			
Payment for purchase of financial assets at fair value through profit or loss		(19,308)	–
Proceeds from disposal of subsidiaries	*14*	–	238
Proceeds from disposal of financial assets at fair value through profit or loss		17,717	12,957
Loans repaid by third parties		14	291
Dividend received from a joint venture		–	8,813
Net cash (used in)/generated from investing activities		(1,577)	22,299
Net (decrease)/increase in cash and cash equivalents		(17,375)	7,404
Cash and cash equivalents at 1 January		399,621	246,820
Effect of foreign exchange rate changes		(530)	21
Cash and cash equivalents at 30 June	*11*	381,716	254,245

Notes to the Unaudited Interim Financial Report

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 22 August 2014.

The unaudited interim financial report has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 annual financial statements. Details of those changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of CIAM Group Limited (the "Company") and its subsidiaries (collectively the "Group") since the 2013 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the board of directors is included on page 35.

The financial information relating to the financial year ended 31 December 2013 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2013 are available at the Company's principal place of business. The auditors have expressed an unqualified opinion on those financial statements in their report dated 21 March 2014.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and one new interpretation that are first effective for the current accounting period of the Group and the Company. Of those, the following developments are relevant to the Group's financial statements:

– Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*

– Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27, Investment entities

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on the Group's interim financial report as the Company does not qualify to be an investment entity.

Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or cash generating unit ("CGU") whose recoverable amount is based on fair value less costs of disposal. The initial adoption of these amendments in 2014 do not have an impact on the Group's interim financial report as the Group has not recognised or reversed any impairment loss on individual non-financial asset or CGU.

3 SEGMENT REPORTING

The Group is principally engaged in direct investments, including financing, securities trading and asset investment, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's senior executive management for the purposes of resource allocation and performance assessment.

(a) Segment results

Information regarding the Group's reportable segment as provided to the Group's senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2014 and 2013 is set out below:

	Direct investments Six months ended 30 June		**Total Six months ended 30 June**	
	2014	**2013**	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited and restated)	(Unaudited)	(Unaudited and restated)
Revenue	9,160	18,648	9,160	18,648
Segment results	7,686	17,361	7,686	17,361
Impairment loss on loan and other receivables	(8,251)	(9,539)	(8,251)	(9,539)
Share of loss of an associate	(11,491)	–	(11,491)	–
Share of profits less losses of joint ventures	1,210	1,461	1,210	1,461
Unallocated corporate income			1,494	705
Central administrative costs and directors' remuneration			(14,315)	(14,738)
Loss before taxation			(23,667)	(4,750)

All of the segment revenue reported above is from external customers.

Segment results represent profit attributable to the segment without allocation of corporate income, central administrative costs and directors' remuneration.

These measures are reported to the Group's Office of Chief Executive Officer for the purposes of resource allocation and assessment of segment performance.

(b) Segment assets and liabilities

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

	At 30 June 2014	At 31 December 2013
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Segment assets		
Direct investments	941,738	958,928
Total segment assets	941,738	958,928
Cash and cash equivalents	381,716	399,621
Unallocated assets	5,161	5,849
Consolidated assets	1,328,615	1,364,398
Segment liabilities		
Direct investments	31	31
Total segment liabilities	31	31
Unallocated liabilities	23,095	27,867
Consolidated liabilities	23,126	27,898

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

– All assets are allocated to reportable segment other than property, plant and equipment, cash and cash equivalents, other non-current assets and the unallocated prepayments, deposits and other receivables; and

– All liabilities are allocated to reportable segment other than current taxation, amount due to a substantial shareholder and the unallocated accruals and other payables.

4 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Six months ended 30 June 2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Staff costs	5,853	7,739
Directors' remuneration	2,506	2,714
Depreciation of property, plant and equipment	188	316
Operating lease charges in respect of land and buildings	1,949	1,853

Note: Above amounts represented the net amount after expenses reimbursement arrangement under the Inter-companies Services and Cost Allocation Agreements ("Services Agreements") signed between the Company and CITIC International Assets Management Limited ("CIAM Parent"), a substantial shareholder (the ultimate holding company as at 30 June 2013) of the Company, on 30 December 2013 and 28 November 2011.

5 INCOME TAX

	Six months ended 30 June 2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Outside Hong Kong		
Provision for profits tax for the period	–	591
Over-provision for profits tax in respect of prior periods	–	(551)
	–	40

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2014 and 2013 as the Group does not have any assessable profit in Hong Kong in both periods. Taxation for subsidiaries outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant countries.

6 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of HK$23,657,000 (six months ended 30 June 2013: HK$4,790,000) and the weighted average number of 935,133,217 (six months ended 30 June 2013: 444,633,217) ordinary shares in issue during the interim period.

(b) Diluted loss per share

Diluted loss per share for the six months ended 30 June 2014 and 2013 was equal to the basic loss per share as the potential ordinary shares outstanding during the period had no dilutive effect on the basic loss per share for the period.

7 INTEREST IN AN ASSOCIATE

	At 30 June 2014	At 31 December 2013
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Share of net assets attributable to equity shareholders of the associate	84,235	98,144
Goodwill	458,291	458,291
	542,526	556,435

Details of the principal associates as at 30 June 2014 are as follows:

Name of associate	Form of business structure	Place of incorporation and operations	Issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Agnita Limited ("Agnita")	Incorporated	British Virgin Islands	USD10,000	41.5%	–	41.5%	Investment holding *(Note)*
天津銘度科技有限公司 ("Tianjin MTEC")	Incorporated	The People's Republic of China ("PRC")	RMB12,500,000	20%	–	20%	Development, manufacturing and sale of electric bike driving units

Note: Agnita and its subsidiaries, a pioneer in the PRC to design and develop electric vehicles, possess a manufacturing license in the PRC with the plan of producing electric vehicles, which enables the Group to explore many other value chain investment opportunities surrounding new energy transportation.

Interest in Agnita is accounted for using the equity method in the consolidated financial statements.

Interest in Tianjin MTEC is exempted from applying the equity method and is recognised as a financial asset at fair value through profit or loss (note 9).

8 INTEREST IN JOINT VENTURES

	At 30 June 2014	At 31 December 2013
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Share of net assets	111,691	113,198

Details of the principal joint venture as at 30 June 2014 are as follows:

Name of joint venture	Form of business structure	Place of incorporation and operation	Issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
華能壽光風力發電有限公司	Incorporated	PRC	RMB186,730,000	45%	–	45%	Investment, construction and operation of wind power electricity facility, development generation and sale of wind power electricity; provision of consultancy and related services in respect of electricity projects

9 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2014	At 31 December 2013
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Non-current		
Securities at fair value through profit or loss:		
Unlisted debt securities with embedded options	28,280	28,295
Unlisted equity securities	18,730	–
	47,010	28,295
Current		
Securities at fair value through profit or loss:		
Unlisted fund	–	18,727
Held-for-trading investments:		
Listed equity securities	1,831	1,748
Unlisted funds	9,817	9,815
	11,648	11,563
	11,648	30,290

All listed and unlisted investments classified as financial assets at fair value through profit or loss are issued by corporate entities.

As at 30 June 2014, the Group's unlisted equity investment amounting to a fair value of HK$18,730,000 (31 December 2013: HK$Nil) was an investment in an associate, Tianjin MTEC. This investment was exempted from applying the equity method and was recognised as a financial asset at fair value through profit or loss.

10 LOAN AND OTHER RECEIVABLES

(a) Loan and other receivables less impairment allowance

Included in loan and other receivables are loan receivables with the following ageing analysis:

	At 30 June 2014	At 31 December 2013
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Current	150,521	150,480
Less than 12 months past due	–	3
More than 12 months past due	175,616	177,141
Gross loan receivables *(Note)*	326,137	327,624
Prepayments, deposits and other receivables	67,740	60,858
	393,877	388,482
Individually assessed impairment allowances *(note 10(b))*	(161,737)	(153,959)
	232,140	234,523
Presented by:		
Non-current assets	491	451
Current assets	231,649	234,072
	232,140	234,523

Note: Included in the balance was an overdue loan of HK$61,206,000 (31 December 2013: HK$62,731,000) granted by a licensed bank incorporated in the PRC on behalf of the Group to an external customer under entrusted arrangement which the Group bears the risk and reward. The loan was secured by a mining right of an iron ore mine located in the PRC.

(b) Movement in impairment allowances on loan and other receivables

	At 30 June 2014	At 31 December 2013
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
At 1 January	153,959	135,996
Impairment loss charged to profit or loss during the period/ year *(Note)*	8,251	19,463
Uncollectible amount written off	–	(1,500)
Exchange adjustment	(473)	–
At 30 June/31 December *(note 10(a))*	161,737	153,959

Note: The carrying value (loan principal plus accrued consultancy fee and interests, net of impairment) of an entrusted loan to a mining company as at 30 June 2014 amounted to HK$79,229,000 (31 December 2013: HK$81,203,000). Based on the impairment assessment performed by the management, an individually assessed impairment allowance of

HK$8,251,000 was provided for the six months ended 30 June 2014, which represented the interest accrued for the six months ended 30 June 2014 (six months ended 30 June 2013: HK$9,539,000).

11 CASH AND CASH EQUIVALENTS

	At 30 June 2014	At 31 December 2013
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Deposits placed with other financial institutions	1,432	1,431
Bank balances and cash	380,284	398,190
	381,716	399,621

12 ACCRUALS AND OTHER PAYABLES

All accruals and other payables are unsecured and expected to be settled or recognised in profit or loss within one year or are repayable on demand.

13 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

No dividend had been paid or declared during the period in respect of previous financial year. The board of directors does not recommend the payment of a dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

(b) Share capital

(i) Authorised and issued share capital

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$1 each		
Authorised:		
At 1 January 2013	750,000,000	750,000
Increase in authorised share capital on 13 November 2013 *(note 13(b)(ii))*	1,750,000,000	1,750,000
At 31 December 2013 and 30 June 2014	2,500,000,000	2,500,000
Issued and fully paid:		
At 1 January 2013	444,633,217	444,633
Issue of new shares on 27 November 2013 *(note 13(b)(iii))*	490,500,000	490,500
At 31 December 2013 and 30 June 2014	935,133,217	935,133

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(ii) Increase in authorised share capital

By an ordinary resolution passed at the special general meeting held on 13 November 2013, the Company's authorised share capital was increased to HK$2,500,000,000 by the creation of additional 1,750,000,000 ordinary shares of HK$1 each, ranking pari passu with the existing ordinary shares of the Company in all respects.

(iii) New shares issued

Acquisition of an associate

On 27 November 2013, the Company issued and allotted an aggregate of 290,500,000 shares to five third parties for the acquisition of 41.5% equity interest in Agnita and HK$175,000,000 shareholder's loan to Agnita. Total value of the consideration shares of HK$551,950,000 was determined based on the closing share price of the Company as quoted on the Stock Exchange on 27 November 2013, the completion date of the acquisition. HK$290,500,000 was credited to share capital and the balance of HK$261,450,000 was credited to the share premium account.

New subscriptions

On 27 November 2013, the Company issued and allotted an aggregate of 200,000,000 shares at a consideration of HK$250,000,000 to three third parties under the subscription agreements dated 29 May 2013 upon the completion of the acquisition of Agnita. Total net proceeds of HK$247,717,000 had been received from the subscriptions, of which HK$200,000,000 was credited to share capital and the balance of HK$47,717,000 was credited to the share premium account.

(c) Nature and purpose of reserves

(i) Share premium

The application of share premium account is governed by Section 40 of the Companies Act 1981 of Bermuda.

(ii) Contributed surplus

Contributed surplus represents the difference between net assets of the companies acquired and the aggregate nominal value of shares issued by the Company under the scheme of arrangement in 1992.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is available for distribution to the shareholders of the Company. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(1) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(2) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(iv) Share option reserve

The share option reserve represents the grant date fair value of unexercised share options granted to employees of the Company.

(v) Other reserve

Other reserve arose as a result of (i) repurchase of the Company's listed securities, representing the excess of the nominal value of the shares repurchased over the consideration paid, (ii) goodwill reserve arising on acquisition of subsidiaries of the Company prior to 1 January 2005 and (iii) statutory surplus reserve for PRC subsidiaries.

Each PRC subsidiary is required to allocate 10% of its net profit, as determined under the Accounting Standards for Business Enterprises and other relevant requirements issued by the Ministry of Finance, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital.

(d) Equity settled share-based transactions

The Company adopted a share option scheme (the "Scheme") on 12 October 2007, pursuant to which options will be granted to eligible persons (including the directors and employees of the Company) for the purpose of providing incentives or rewards to them. A consideration of HK$1.00 is payable on acceptance of the offer of options and each option entitles the holder the right to subscribe for one share of HK$1.00 each of the Company. On 9 September 2009, 29,810,000 options were granted by the Company. 50% of these options had a vesting period of one year and had expired on 8 September 2012; remaining 50% of these options had a vesting period of two years with exercisable period ended on 8 September 2014. On 15 April 2013, a total of 10,050,000 new options ("New Options") were granted, among which, 1,200,000 options were granted with no vesting period and exercisable immediately upon acceptance of the offer until 8 September 2014 while the other 8,850,000 options had a vesting period of one year and were exercisable from 15 April 2014 to 14 April 2016. The fair value of the New Options granted under the Scheme was HK$2,733,000. As at 30 June 2014, the total number of shares of the Company that may be issued upon exercise of the options granted and yet to be exercised under the Scheme was 21,765,000 (31 December 2013: 21,765,000).

Expenses recognised in the Group's financial statements for the six months ended 30 June 2014 as a result of granting share options amounted to HK$767,000 (six months ended 30 June 2013: HK$653,000).

No options were lapsed during the six months ended 30 June 2014 (six months ended 30 June 2013: Nil). No options were forfeited during the six months ended 30 June 2014 (six months ended 30 June 2013: 125,000). No options were exercised during the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

14 DISPOSAL OF SUBSIDIARIES

During the six months ended 30 June 2014, there was no disposal of subsidiary by the Group.

During the six months ended 30 June 2013, the Group disposed of its interests in certain wholly owned subsidiaries to CIAM Parent and its subsidiary at a total consideration of HK$262,000.

The following summarises the effect of the disposal in the consolidated financial statements:

	HK$'000 (Unaudited)
Net liabilities disposed of:	
Cash and cash equivalents	24
Other receivables	43
Amounts due to ultimate holding company	(185)
Accruals and other payables	(139)
Gain on disposal of subsidiaries *(note 17(a))*	658
Exchange differences reclassified from equity to profit or loss on disposal of a subsidiary	(139)
Total consideration received, satisfied in cash	262
Net cash inflow arising on disposal of subsidiaries:	
Cash consideration	262
Cash and cash equivalents disposed of	(24)
Net cash inflow	238

15 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial instruments measured at fair value

(i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. 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

The Group has teams headed by different investment division general managers performing valuations for the financial instruments, including unlisted debt securities and the conversion option embedded in convertible notes and unlisted equity securities which are categorised into Level 3 of the fair value hierarchy. The teams report directly to the management. A valuation report with analysis of changes in fair value measurement is prepared by the teams at each interim and annual reporting date, and is reviewed and approved by the management. Discussion of the valuation process and results with the management is held twice a year, to coincide with the reporting dates.

As at 30 June 2014

	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Held-for-trading investments:				
– Listed equity securities	1,831	–	–	1,831
– Unlisted funds	–	9,817	–	9,817
Financial assets at fair value through profit or loss:				
– Unlisted debt securities with embedded options	–	–	28,280	28,280
– Unlisted equity securities	–	–	18,730	18,730

As at 31 December 2013

	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Audited)	(Audited)
Held-for-trading investments:				
– Listed equity securities	1,748	–	–	1,748
– Unlisted funds	–	9,815	–	9,815
Financial assets at fair value through profit or loss:				
– Unlisted debt securities with embedded options	–	–	28,295	28,295
– Unlisted fund	–	18,727	–	18,727

During the six months ended 30 June 2014 and twelve months ended 31 December 2013, there were no transfer between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

Fair value of unlisted funds in Level 2 is determined based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs at the end of the reporting period without any deduction for transaction costs. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

(iii) Information about Level 3 fair value measurements

The fair value of unlisted debt securities with embedded options and unlisted equity securities are estimated on the basis of an analysis of the investee's financial position and results, risk profile, prospects and other factors, adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 30 June 2014, if the discount for lack of marketability had been 5% higher/lower, with all other variables held constant, the Group's loss after tax for the period would have been HK$1,502,000 higher/ lower respectively (six months ended 30 June 2013: HK$2,007,000 higher/lower).

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

	At 30 June 2014	**At 31 December 2013**
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Unlisted debt securities with embedded options:		
At 1 January	28,295	28,287
Changes in fair value recognised in profit or loss during the period/year	(15)	8
At 30 June/31 December	28,280	28,295
Total (loss)/gain for the period included in profit or loss for assets held at the end of the reporting period	(15)	8
Unlisted equity securities:		
At 1 January	–	–
Payment for purchase	19,308	–
Exchange adjustment	(578)	–
At 30 June/31 December	18,730	–
Total loss for the period included in other comprehensive income for assets held at the end of the reporting period	(578)	–

The gain or loss arising from the remeasurement of the unlisted debt securities with embedded options and unlisted equity security are presented in "net (loss)/gain on financial assets at fair value through profit or loss" in the consolidated statement of comprehensive income.

(b) Fair values of financial assets and liabilities carried at other than fair value

All of the carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2014 and 31 December 2013 respectively.

16 CAPITAL COMMITMENTS

Capital commitments outstanding for investments as at 30 June 2014 not provided for in the financial statements were as follows:

	At 30 June 2014	At 31 December 2013
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Contracted for	2,620	2,622

17 MAJOR RELATED PARTY TRANSACTIONS

(a) Transactions with related companies

During the period, the Group had transactions with related parties as follows:

		Six months ended 30 June	
		2014	2013
	NOTE	*HK$'000*	*HK$'000*
		(Unaudited)	(Unaudited)
Gain on disposal of subsidiaries to ultimate holding company and its subsidiary *(note 14)*		–	658
Expenses reimbursed from a substantial shareholder	*(i)*	916	–
Expenses reimbursed from ultimate holding company	*(i)*	–	1,981
Expenses reimbursed to a substantial shareholder	*(i)*	(7,388)	–
Expenses reimbursed to ultimate holding company	*(i)*	–	(8,033)

(b) Balances with related companies

		At 30 June 2014	At 31 December 2013
	NOTE	*HK$'000*	*HK$'000*
		(Unaudited)	(Audited)
Loan to an associate	*(ii)*	150,000	150,000
Amount due to a substantial shareholder	*(ii)*	(3,406)	(2,597)
Loans from a non-controlling shareholder		(31)	(31)

Notes:

(i) The amounts represented expenses reimbursed from/(to) a substantial shareholder (the ultimate holding at 30 June 2013), CIAM Parent, under the Services Agreements as mentioned in note 4.

(ii) The amounts are non-interest bearing, unsecured and is expected to be settled within one year.

(c) Key management personnel compensation

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

	Six months ended 30 June	
	2014	**2013**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Salaries and other short-term employee benefits	4,908	5,166

The amounts represented the net amount after expenses reimbursement arrangement under the Services Agreements as mentioned in note 4.

The remuneration of directors and key executives is determined by the Nomination and Remuneration Committee of the Company having regard to the performance of individuals and market trends.

18 COMPARATIVE FIGURES

Since 1 July 2013, the Group and the Company have presented the amount of interest income from an impaired loan to external customer and the corresponding impairment loss on the accrued interest receivable from the loan of equal amount in the consolidated statement of comprehensive income on a gross basis. As a result, the comparative figure of "investment income" and "impairment loss on loan and other receivables" in the consolidated statement of comprehensive income has been restated accordingly to conform to the current period's presentation.

The following financial information is extracted from the annual report of the Offeree Group for the year ended 31 December 2013.

III. FINANCIAL INFORMATION OF THE OFFEREE GROUP FOR THE YEAR ENDED 31 DECEMBER 2013

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2013

	Note	**2013** *HK$'000*	**2012** *HK$'000*
Revenue			
Net (loss)/gain on held-for-trading investments		(434)	56
Net gain/(loss) on financial assets designated at fair value through profit or loss		5,752	(1,109)
Investment income	*3*	27,329	14,239
Advisory fee income	*4*	–	8,881
		32,647	22,067
Other net income		157	208
Administrative expenses		(32,426)	(32,459)
Profit/(loss) from operations before impairment		378	(10,184)
Impairment loss on loan and other receivables	*5*	(19,463)	–
Finance costs	*6(a)*	–	(2,445)
Gain on disposal of subsidiaries	*28*	685	63
Share of loss of an associate		(1,062)	–
Share of profits less losses of joint ventures		193	2,154
Loss before taxation	*6*	(19,269)	(10,412)
Income tax	*7*	(2,960)	(4,279)
Loss for the year		(22,229)	(14,691)
Other comprehensive income for the year (after tax and reclassification adjustments)	*11*		
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
– Exchange differences on translation of financial statements of foreign operations		6,858	3,882
– Reclassification adjustment upon disposal of subsidiaries		(186)	–
		6,672	3,882
Total comprehensive income for the year		(15,557)	(10,809)

	Note	2013 HK$'000	2012 HK$'000
Loss for the year attributable to:			
– Equity shareholders of the Company	10	(22,229)	(14,687)
– Non-controlling interests		–	(4)
		(22,229)	(14,691)
Other comprehensive income for the year attributable to:			
– Equity shareholders of the Company		6,672	3,882
– Non-controlling interests		–	–
		6,672	3,882
Total comprehensive income for the year attributable to:			
– Equity shareholders of the Company		(15,557)	(10,805)
– Non-controlling interests		–	(4)
		(15,557)	(10,809)
Loss per share			
Basic and diluted (HK cents)	12	(4.52)	(3.30)

Consolidated Statement of Financial Position
At 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	14(a)	932	1,525
Interest in an associate	16	556,435	–
Interest in joint ventures	17	113,198	122,850
Financial asset at fair value through profit or loss	18	28,295	28,287
Loan and other receivables	19	451	38,791
Other non-current assets	20	1,104	1,104
		700,415	192,557
Current assets			
Financial assets at fair value through profit or loss	18	30,290	43,820
Amount due from ultimate holding company	32(b)	–	79
Loan and other receivables	19	234,072	90,907
Cash and cash equivalents	22	399,621	246,820
		663,983	381,626
Current liabilities			
Accruals and other payables	23	18,119	17,651
Amount due to a substantial shareholder	32(b)	2,597	–
Loans from non-controlling shareholders	32(b)	31	31
Current taxation	24(a)	7,151	6,077
		27,898	23,759
Net current assets		636,085	357,867
NET ASSETS		1,336,500	550,424
CAPITAL AND RESERVES			
Share capital	25(c)(i)	935,133	444,633
Reserves		401,327	105,751
Total equity attributable to equity shareholders of the Company		1,336,460	550,384
Non-controlling interests		40	40
TOTAL EQUITY		1,336,500	550,424

Statement of Financial Position
At 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	14(b)	860	1,129
Investments in subsidiaries	15	538,503	541,503
Financial asset at fair value through profit or loss	18	28,295	28,287
Other non-current assets	20	979	979
		568,637	571,898
Current assets			
Financial assets at fair value through profit or loss	18	20,239	33,232
Amount due from ultimate holding company	32(b)	–	79
Amounts due from subsidiaries	21	476,971	125,365
Other receivables	19	1,493	1,345
Cash and cash equivalents	22	346,268	235,009
		844,971	395,030
Current liabilities			
Accruals and other payables	23	15,571	15,519
Amounts due to subsidiaries	21	351,392	683,903
Amount due to a substantial shareholder	32(b)	2,597	–
		369,560	699,422
Net current assets/(liabilities)		475,411	(304,392)
NET ASSETS		1,044,048	267,506
CAPITAL AND RESERVES			
Share capital	25(c)(i)	935,133	444,633
Reserves	25(a)	108,915	(177,127)
TOTAL EQUITY		1,044,048	267,506

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

		Attributable to equity shareholders of the Company									
		Share capital	Share premium	Contributed surplus	Exchange reserve	Share option reserve	Other reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note 25(c)(i)	*Note 25(d)(i)*	*Note 25(d)(ii)*	*Note 25(d)(iii)*	*Note 25(d)(iv)*	*Note 25(d)(v)*				
At 1 January 2013		444,633	31,970	82,445	18,654	7,094	5,301	(39,713)	550,384	40	550,424
Changes in equity for 2013:											
Loss for the year		–	–	–	–	–	–	(22,229)	(22,229)	–	(22,229)
Other comprehensive income	*11*	–	–	–	6,672	–	–	–	6,672	–	6,672
Total comprehensive income		–	–	–	6,672	–	–	(22,229)	(15,557)	–	(15,557)
Profit appropriation to statutory surplus reserve	*25(d)(v)*	–	–	–	–	–	462	(462)	–	–	–
Issue of new shares	*25(c)(iii)*	490,500	309,167	–	–	–	–	–	799,667	–	799,667
Equity-settled share-based transactions											
– amortisation for the year	*26*	–	–	–	–	1,966	–	–	1,966	–	1,966
– transfer to accumulated losses upon forfeiture		–	–	–	–	(148)	–	148	–	–	–
At 31 December 2013		935,133	341,137	82,445	25,326	8,912	5,763	(62,256)	1,336,460	40	1,336,500
At 1 January 2012		444,633	31,970	82,445	14,772	13,033	4,403	(30,067)	561,189	(138)	561,051
Changes in equity for 2012:											
Loss for the year		–	–	–	–	–	–	(14,687)	(14,687)	(4)	(14,691)
Other comprehensive income	*11*	–	–	–	3,882	–	–	–	3,882	–	3,882
Total comprehensive income		–	–	–	3,882	–	–	(14,687)	(10,805)	(4)	(10,809)
Profit appropriation to statutory surplus reserve	*25(d)(v)*	–	–	–	–	–	898	(898)	–	–	–
Equity-settled share-based transactions											
– transfer to accumulated losses upon lapse and forfeiture		–	–	–	–	(5,939)	–	5,939	–	–	–
Acquisition of interest from non-controlling shareholders		–	–	–	–	–	–	–	–	182	182
At 31 December 2012		444,633	31,970	82,445	18,654	7,094	5,301	(39,713)	550,384	40	550,424

Consolidated Statement of Cash Flows
For the year ended 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
Operating activities			
Loss before taxation		(19,269)	(10,412)
Adjustments for:			
Impairment loss on loan and other receivables	5	19,463	–
Depreciation of property, plant and equipment	14(a)	505	2,004
Gain on disposal of property, plant and equipment	6(c)	(32)	–
Gain on disposal of subsidiaries	28	(685)	(63)
Share of loss of an associate		1,062	–
Share of profits less losses of joint ventures		(193)	(2,154)
Net (gain)/loss on financial assets designated at fair value through profit or loss		(5,752)	1,109
Finance costs	6(a)	–	2,445
Equity-settled share-based payment expenses	6(b)	1,966	–
Adjusted operating loss before changes in working capital		(2,935)	(7,071)
Increase in other receivables		(24,999)	(17,402)
Decrease in held-for-trading investments		598	69
Decrease in amount due from ultimate holding company		79	13,614
(Decrease)/increase in accruals and other payables		(58)	4,835
Increase in amount due to a substantial shareholder		2,839	–
Decrease in amount due to ultimate holding company		–	(13,994)
Cash used in operations		(24,476)	(19,949)
Tax paid in Hong Kong		(705)	(845)
Tax paid outside Hong Kong		(1,299)	(11,402)
Interest paid		–	(2,445)
Net cash used in operating activities		(26,480)	(34,641)

	Note	2013 HK$'000	2012 HK$'000
Investing activities			
Proceeds from disposal of property, plant and equipment		123	–
Proceeds from disposal of subsidiaries	28	220	–
Investment in an associate		(4,452)	–
Investments in held-for-trading investments		–	(2,584)
Proceeds from disposal of held-for-trading investments		–	1,877
Proceeds from disposal of financial assets designated at fair value through profit or loss		18,676	–
Loans repaid by third parties		45,090	36,212
Loan to a third party		–	(34,198)
Loan to an associate	19(a)	(150,000)	–
Decrease in pledged bank deposit		–	65,000
Dividend distribution from a joint venture	17	21,802	7,618
Net cash (used in)/generated from investing activities		(68,541)	73,925
Financing activities			
Repayment of secured bank loan		–	(60,966)
Net proceeds from the issue of new shares	25(c)(iii)	247,717	–
Net cash generated from/(used in) financing activities		247,717	(60,966)
Net increase/(decrease) in cash and cash equivalents		152,696	(21,682)
Cash and cash equivalents at 1 January		246,820	267,824
Effect of foreign exchange rate changes		105	678
Cash and cash equivalents at 31 December	22	399,621	246,820

Notes to the Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). A summary of the significant accounting policies adopted by CIAM Group Limited (the "Company") and its subsidiaries (together referred to as the "Group") is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2013 comprises the Group and the Group's interest in an associate and joint ventures.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

– financial assets at fair value through profit or loss

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 35.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with note 1(i).

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(e)) or, when appropriate, the cost on initial recognition of an investment in an associate or a joint venture (see note 1(d)).

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses (see note 1(h)).

(d) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 1(h)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss. If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(e)).

(e) Financial instruments

(i) Initial recognition

The Group classifies its financial instruments into different categories at inception, depending on the purpose for which the assets were acquired. The categories are: financial assets at fair value through profit or loss and loans and receivables.

Financial instruments are measured initially at fair value, which normally will be equal to the transaction price plus, in case of a financial asset not held at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs on financial assets at fair value through profit or loss are expensed immediately.

The Group recognises financial assets on the date it becomes a party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets at fair value through profit or loss is recognised using trade date accounting. From this date, any gains and losses arising from changes in fair value of the financial assets at fair value through profit or loss are recorded.

(ii) Categorisation

Financial assets at fair value through profit or loss

This category comprises financial assets held for trading, and those designated at fair value through profit or loss upon initial recognition, but excludes those investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured.

Trading financial instruments are financial assets which are acquired or incurred principally for the purpose of trading, or are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Financial instruments are designated at fair value through profit or loss upon initial recognition when:

- the assets are managed, evaluated and reported internally on a fair value basis;
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise;
- the asset contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract; or
- the separation of the embedded derivative(s) from the financial instrument is not prohibited.

Financial assets under this category are carried at fair value. Changes in the fair value are included in profit or loss in the period in which they arise. Upon disposal, the difference between the net sale proceeds and the carrying value is included in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than (a) those that the Group intends to sell immediately or in the near term, which will be classified as held for trading; or (b) those that the Group, upon initial recognition, designates as at fair value through profit or loss. Loans and receivables mainly comprise loans to customers.

Loans and receivables include loans made under entrusted arrangement which are loans granted by licensed banks incorporated in the People's Republic of China (the "PRC") on behalf of the Group to external PRC customers which the Group bears the risks and rewards.

Loans and receivables are carried at amortised cost using the effective interest method, less impairment losses (see note 1(h)), if any, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses, if any.

(iii) Fair value measurement principles

The fair value of financial instruments is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. Financial assets are priced at current bid prices.

If there is no publicly available latest traded price nor a quoted market price on a recognised stock exchange or a price from a broker/dealer for non-exchange-traded financial instruments, or if the market for it is not active, the fair value of the instrument is estimated using valuation techniques that provide a reliable estimate of prices which could be obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on market data at the end of the reporting period.

(iv) Derecognition

A financial asset is derecognised when the contractual rights to receive the cash flows from the financial asset expire, or where the financial asset together with substantially all the risks and rewards of ownership, have been transferred.

The Group uses the weighted average method to determine realised gains and losses to be recognised in profit or loss on derecognition.

(v) Embedded derivatives

An embedded derivative is a component of a hybrid (combined) instrument that includes both the derivative and a host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. The embedded derivatives are separated from the host contract and accounted for as a derivative when (a) the economic characteristics and risks of the embedded derivative are not closely related to the host contract; and (b) the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in profit or loss.

When the embedded derivative is separated, the host contract is accounted for in accordance with note (ii) above.

(f) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(h)).

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– Leasehold improvements	Over the shorter of the term of the lease, or 5 years
– Furniture, fixtures and equipment	3-10 years
– Motor vehicles	4 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

(g) Operating lease charges

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(h) Impairment of assets

The carrying amount of the Group's assets is reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence that financial assets are impaired includes observable data that comes to the attention of the Group about one or more of the following loss events which has an impact on the future cash flows on the assets that can be estimated reliably:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor;

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, the carrying amount is reduced to the estimated recoverable amount by means of a charge to profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of loans and receivables, which are measured at amortised cost, whose recovery is considered doubtful but not remote. In this case, the impairment losses are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against loans and receivables directly and any amounts held in the allowance account relating to that borrower are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(i) Loans and receivables

Impairment losses on loans and receivables are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets). Receivables with a short duration are not discounted if the effect of discounting is immaterial.

The total allowance for credit losses consists of two components: individual impairment allowances, and collective impairment allowances.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. The individual impairment allowance is based upon management's best estimate of the present value of the cash flows which are expected to be received discounted at the original effective interest rate. In estimating these cash flows, management makes judgements about the borrower's financial situation and the net realisable value of any underlying collateral or guarantees in favour of the Group. Each impaired asset is assessed on its own merits.

The accuracy of the impairment allowances the Group makes depends on how well the Group can estimate future cash flows for individually assessed impairment allowances. While this necessarily involves judgement, the Group believes that the impairment allowances on loans and receivables are reasonable and supportable.

Any subsequent changes to the amounts and timing of the expected future cash flows compared to the prior estimates that can be linked objectively to an event occurring after the write-down, will result in a change in the impairment allowances on loans and receivables and be charged or credited to profit or loss. A reversal of impairment losses is limited to the loans and receivables' carrying amount that would have been determined had no impairment loss been recognised in prior years.

When there is no reasonable prospect of recovery, the loan and the related interest receivables are written off.

Loans and receivables with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Group has made concessions that it would not otherwise consider. Renegotiated loans and receivables are subject to ongoing monitoring to determine whether they remain impaired or past due.

(ii) Other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– investments in subsidiaries, an associate and joint ventures; and

– other non-current assets.

If any such indication exists, the asset's recoverable amount is estimated.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use, if determinable.

– *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Listing Rules the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the year (see notes 1(h)(i) and (ii)).

Impairment losses recognised in an interim period in respect of unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the year to which the interim period relates.

(i) Accruals and other payables

Accruals and other payables are initially recognised at fair value and subsequently stated at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(k) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Carried interest

Eligible employees are entitled to receive a share of the realised profits less losses on investments of the Group. The Group recognises a liability based on estimated fair value of its assets at the end of the reporting period. Carried interest payable is accrued on those investments over and above the performance hurdle of 10% internal rate of return, measured at the end of the reporting period. Carried interest is paid when the investment return is realised without any recourse.

(iii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a share option reserve within equity. The fair value is measured at grant date using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share option reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share option reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share option reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to accumulated losses).

(l) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset.

(m) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(n) Revenue recognition

Revenue is measured at fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Interest income

Interest income for all interest-bearing financial instruments is recognised in profit or loss on an accruals basis using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest income on all financial assets that are classified as trading or designated at fair value through profit and loss are considered to be incidental and are therefore presented together with all other changes in fair value arising from the portfolio. Net income from financial instruments designated at fair value through profit or loss and net trading income comprises all gains and losses from changes in fair value (net of accrued coupon) of such financial assets and financial liabilities, together with interest income and expense and foreign exchange differences attributable to those financial instruments.

(ii) Fee income

Fee income arises from financial services provided by the Group including project and structured finance transactions. Fee income is recognised when the corresponding service is provided, except where the fee is charged to cover the costs of a continuing service to, or risk borne for, the customer, or is interest in nature. In these cases, the fee is recognised as income in the accounting period in which the costs or risk is incurred and is accounted for as interest income.

(iii) Dividend income

– Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

– Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(o) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into Hong Kong dollars using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

Exchange differences relating to investments at fair value through profit or loss and derivative financial instruments are included in gains less losses from trading securities or financial instruments designated at fair value through profit or loss. All other exchange differences relating to monetary items are presented in profit or loss.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(p) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(q) Related parties

(A) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(B) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(r) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

– Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*

– HKFRS 10, *Consolidated financial statements*

– HKFRS 11, *Joint arrangements*

– HKFRS 12, *Disclosure of interests in other entities*

– HKFRS 13, *Fair value measurement*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Amendments to HKAS 1, Presentation of financial statements – Presentation of items of other comprehensive income

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of comprehensive income in these financial statements has been modified accordingly.

HKFRS 10, Consolidated financial statements

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and HK-SIC 12 *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

HKFRS 11, Joint arrangements

HKFRS 11, which replaces HKAS 31, *Interests in joint ventures*, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under HKFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity method in the Group's financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice.

As a result of the adoption of HKFRS 11, the Group has changed its accounting policy with respect to its interests in joint arrangements and re-evaluated its involvement in its joint arrangements. The Group has reclassified the investments from jointly controlled entities to joint ventures. The investments continue to be accounted for using the equity method and therefore this reclassification does not have any material impact on the financial position and the financial result of the Group.

HKFRS 12, Disclosure of interests in other entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in notes 15, 16 and 17.

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in note 30.

3. INVESTMENT INCOME

	2013	**2012**
	HK$'000	*HK$'000*
Interest income from financial assets that are not at fair value through profit or loss	26,881	13,736
Dividend income from:		
– listed securities	61	87
– unlisted funds	387	416
	27,329	14,239

4. ADVISORY FEE INCOME

Advisory fee relates to fees earned by the Group in 2012 for provision of advisory services to the customers.

5. IMPAIRMENT LOSS ON LOAN AND OTHER RECEIVABLES

	2013	**2012**
	HK$'000	*HK$'000*
Impairment loss charged on loan and other receivables *(note 19(b))*	19,463	–

6. LOSS BEFORE TAXATION

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

	2013	2012
	HK$'000	*HK$'000*
(a) Finance costs		
Interest on secured bank loans wholly repayable within five years	–	2,445
(b) Staff costs		
Contributions to defined contribution retirement plan*	1,031	841
Equity-settled share-based payment expenses *(note 26)*	1,966	–
Salaries, carried interest and other benefits*	15,540	15,934
	18,537	16,775
(c) Other items		
Depreciation of property, plant and equipment*	557	972
Gain on disposal of property, plant and equipment	(32)	–
Operating lease charges in respect of land and buildings*	3,751	3,035
Net foreign exchange gain	(76)	(204)
Auditor's remuneration	790	685
Directors' fees	2,650	3,200

* These amounts represented the net amount after expenses reimbursement arrangement under the Inter-companies Services and Cost Allocation Agreements ("Services Agreements") signed between the Company and CITIC International Assets Management Limited ("CIAM Parent"), a substantial shareholder of the Company, on 28 November 2011.

7. INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(a) Taxation in the consolidated statement of comprehensive income represents:

	2013	2012
	HK$'000	*HK$'000*
Hong Kong Profits Tax		
Under-provision in respect of prior years	1,510	–
Outside Hong Kong		
Provision for profits tax for the year *(note 24(a))*	709	4,279
Provision for withholding tax for the year *(note 24(a))*	1,299	–
Over-provision for profits tax in respect of prior years	(558)	–
	1,450	4,279
	2,960	4,279

No provision for Hong Kong Profits Tax for the years ended 31 December 2013 and 2012 has been made as the Group does not have any assessable profits in Hong Kong in both years. Taxation for subsidiaries outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant countries.

(b) Reconciliation between tax expense and accounting loss at applicable tax rates:

	2013	**2012**
	HK$'000	*HK$'000*
Loss before taxation	(19,269)	(10,412)
Notional tax on loss before taxation, calculated at the rates applicable to profits in the countries concerned	(1,725)	(481)
Tax effect of non-deductible expenses	1,368	1,731
Tax effect of non-taxable income	(557)	(1,140)
Tax effect of unused tax losses not recognised	2,973	4,181
Utilisation of tax losses previously not recognised	(51)	(12)
Under-provision in prior years	952	–
Actual tax expense	2,960	4,279

8. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

For the year ended 31 December 2013

Name of director	**Directors' fees**	**Salaries, allowances and benefits in kind**	**Discretionary bonuses and carried interest**	**Retirement scheme contributions**	**Sub-Total**	**Share-based payments** *(Note)*	**2013 Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Dou Jianzhong	600	–	–	–	600	371	971
Lo Wing Yat Kelvin	250	2,062	174	217	2,703	564	3,267
Huang Bin (appointed on 31 May 2013)	117	–	–	–	117	–	117
Hung Chi Yuen Andrew	400	–	–	–	400	59	459
Lu Zhicheng	200	–	–	–	200	59	259
Sit Fung Shuen Victor	400	–	–	–	400	59	459
Toh Hock Ghim	400	–	–	–	400	59	459
Wong Yau Kar David	200	–	–	–	200	59	259
Chan Peng Kuan (resigned on 31 May 2013)	83	–	–	–	83	59	142
	2,650	2,062	174	217	5,103	1,289	6,392

For the year ended 31 December 2012

Name of director	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses and carried interest	Retirement scheme contributions	Sub-Total	Share-based payments	2012 Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Dou Jianzhong	600	–	–	–	600	–	600
Lo Wing Yat Kelvin	250	1,949	160	175	2,534	–	2,534
Hung Chi Yuen Andrew	400	–	–	–	400	–	400
Lu Zhicheng	200	–	–	–	200	–	200
Sit Fung Shuen Victor	400	–	–	–	400	–	400
Toh Hock Ghim	400	–	–	–	400	–	400
Wong Yau Kar David	200	–	–	–	200	–	200
Chan Peng Kuan (appointed on 20 April 2012)	139	–	–	–	139	–	139
Zhao Tieliu (resigned on 20 April 2012)	61	–	–	–	61	–	61
Scott Anderberg Callon (resigned on 31 December 2012)	250	–	–	–	250	–	250
Graham Roderick Walker (resigned on 31 December 2012)	300	–	–	–	300	–	300
	3,200	1,949	160	175	5,484	–	5,484

For the years ended 31 December 2013 and 2012, the amounts represented the net amounts after expenses reimbursement arrangement under the Services Agreements.

Note: These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 1(k)(iii). Details of share-based payments, including the principal terms and number of options granted, are disclosed in note 26.

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2012: one) is director of the Company whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other four (2012: four) individuals are as follows:

	2013	2012
	HK$'000	*HK$'000*
Salaries and other emoluments	3,517	2,907
Discretionary bonuses	704	1,124
Share-based payments	621	–
Retirement scheme contributions	266	165
	5,108	4,196

The emoluments of the four (2012: four) individuals with the highest emoluments are within the following bands:

	2013 *Number of individuals*	2012 *Number of individuals*
Nil – HK$1,000,000	–	1
HK$1,000,001 – HK$1,500,000	4	3
HK$1,500,001 – HK$2,000,000	–	–
HK$2,000,001 – HK$2,500,000	–	–

For the years ended 31 December 2013 and 2012, the amounts represented the net amounts after expenses reimbursement arrangement under the Services Agreements.

10. LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated loss attributable to equity shareholders of the Company includes a loss of HK$25,091,000 (2012: HK$25,456,000) which has been dealt with in the financial statements of the Company.

11. OTHER COMPREHENSIVE INCOME

(a) Tax effects relating to each component of other comprehensive income

	2013			**2012**		
	Before-tax amount *HK$'000*	**Tax credit** *HK$'000*	**Net-of-tax amount** *HK$'000*	**Before-tax amount** *HK$'000*	**Tax credit** *HK$'000*	**Net-of-tax amount** *HK$'000*
Exchange differences on translation of financial statements of foreign operations	6,858	–	6,858	3,882	–	3,882
Reclassification adjustment upon disposal of subsidiaries *(note 28)*	(186)	–	(186)	–	–	–
Other comprehensive income	6,672	–	6,672	3,882	–	3,882

(b) Reclassification adjustment relating to components of other comprehensive income

	2013 *HK$'000*	**2012** *HK$'000*
Exchange differences		
Reclassification adjustment for amounts transferred to profit or loss upon disposal of subsidiaries *(note 28)*	(186)	–
Tax credit	–	–
Net movement in the exchange reserve during the year recognised in other comprehensive income	(186)	–

12. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of HK$22,229,000 (2012: HK$14,687,000) and the weighted average number of 491,667,464 (2012: 444,633,217) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2013	**2012**
Issued ordinary shares at 1 January	444,633,217	444,633,217
Effect of new shares issued	47,034,247	–
Weighted average number of ordinary shares at 31 December	491,667,464	444,633,217

(b) Diluted loss per share

Diluted loss per share for the years ended 31 December 2013 and 2012 were equal to the basic loss per share as the potential ordinary shares outstanding during the year had no dilutive effect on the basic loss per share for the years.

13. SEGMENT REPORTING

The Group is principally engaged in direct investments, including financing, securities trading and asset investment, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's senior executive management for the purposes of resource allocation and performance assessment.

(a) Segment results

Information regarding the Group's reportable segment as provided to the Group's senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2013 and 2012 is set out below:

	Direct investments		**Total**	
	2013	**2012**	**2013**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	32,647	22,067	32,647	22,067
Segment results	29,773	14,926	29,773	14,926
Impairment loss on loan and other receivables	(19,463)	–	(19,463)	–
Finance costs	–	(2,445)	–	(2,445)
Share of loss of an associate	(1,062)	–	(1,062)	–
Share of profits less losses of joint ventures	193	2,154	193	2,154
Unallocated corporate income			2,671	3,494
Central administrative costs and directors' remuneration			(31,381)	(28,541)
Loss before taxation			(19,269)	(10,412)

All of the segment revenue reported above is from external customers.

Segment results represent profit attributable to the segment without allocation of corporate income, central administrative costs and directors' remuneration.

These measures are reported to the Group's Office of Chief Executive Officer for the purposes of resource allocation and assessment of segment performance.

(b) Segment assets and liabilities

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

	2013	**2012**
	HK$'000	*HK$'000*
Segment assets		
Direct investments	958,928	320,560
Total segment assets	958,928	320,560
Cash and cash equivalents	399,621	246,820
Unallocated assets	5,849	6,803
Consolidated assets	1,364,398	574,183
Segment liabilities		
Direct investments	31	31
Total segment liabilities	31	31
Unallocated liabilities	27,867	23,728
Consolidated liabilities	27,898	23,759

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

– All assets are allocated to reportable segment other than property, plant and equipment, amount due from ultimate holding company, cash and cash equivalents, other non-current assets and the unallocated prepayments, deposits and other receivables; and

– All liabilities are allocated to reportable segment other than current taxation, amount due to a substantial shareholder, the unallocated accruals and other payables.

(c) Geographical information

The Group's operations are mainly located in Hong Kong and the PRC.

The following table provides an analysis of the Group's revenue and non-current assets by geographical location.

For revenue from listed investments, allocation is based on the location of investments being listed. For revenue from unlisted investments, funds, provision of finance and advisory services, allocation is based on the location of investees or borrowers.

Non-current assets are allocated by geographical location of the assets.

	Revenue		**Non-current assets** *(Note)*	
	2013	**2012**	**2013**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	8,220	681	1,964	2,452
PRC	25,163	19,900	669,705	123,027
Others	(736)	1,486	–	–
	32,647	22,067	671,669	125,479

Note: Non-current assets excluded financial instruments.

14. PROPERTY, PLANT AND EQUIPMENT

(a) The Group

	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost:				
At 1 January 2013	3,735	3,715	3,162	10,612
Derecognised on disposal of a subsidiary	–	(98)	–	(98)
Disposals	–	–	(920)	(920)
Exchange adjustments	–	15	9	24
At 31 December 2013	3,735	3,632	2,251	9,618
At 1 January 2012	3,735	3,704	3,144	10,583
Exchange adjustments	–	11	18	29
At 31 December 2012	3,735	3,715	3,162	10,612
Accumulated depreciation:				
At 1 January 2013	3,723	2,411	2,953	9,087
Charge for the year *(Note)*	12	373	120	505
Eliminated on disposal of a subsidiary	–	(97)	–	(97)
Written back on disposals	–	–	(829)	(829)
Exchange adjustments	–	13	7	20
At 31 December 2013	3,735	2,700	2,251	8,686
At 1 January 2012	2,717	1,919	2,425	7,061
Charge for the year *(Note)*	1,006	484	514	2,004
Exchange adjustments	–	8	14	22
At 31 December 2012	3,723	2,411	2,953	9,087
Net book value:				
At 31 December 2013	–	932	–	932
At 31 December 2012	12	1,304	209	1,525

Note: For the years ended 31 December 2013 and 2012, these amounts represented the gross amount before expenses reimbursement arrangement under the Services Agreements.

(b) The Company

	Leasehold improvements *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Cost:				
At 31 December 2013, 1 January 2013 and 31 December 2012	3,735	3,108	1,387	8,230
Accumulated depreciation:				
At 1 January 2013	3,723	1,991	1,387	7,101
Charge for the year	12	257	–	269
At 31 December 2013	3,735	2,248	1,387	7,370
At 1 January 2012	2,717	1,678	1,215	5,610
Charge for the year	1,006	313	172	1,491
At 31 December 2012	3,723	1,991	1,387	7,101
Net book value:				
At 31 December 2013	–	860	–	860
At 31 December 2012	12	1,117	–	1,129

15. INVESTMENTS IN SUBSIDIARIES

	The Company 2013 *HK$'000*	2012 *HK$'000*
Unlisted shares, at cost	538,503	541,503

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation and operations	Class of share capital	Issued and paid up share capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Bowen Limited	Hong Kong	Ordinary	HK$2	100%	100%	–	Investment holding
CIAM Investment (BVI) Limited	British Virgin Islands ("BVI")	Ordinary	USD100	100%	100%	–	Investment holding
逸百年投資諮詢(深圳)有限公司 *(Note)*	PRC	Registered	RMB60,000,000	100%	–	100%	Investment consultancy services

Note: This company is a wholly foreign-owned enterprise established in the PRC.

16. INTEREST IN AN ASSOCIATE

	The Group	
	2013	**2012**
	HK$'000	*HK$'000*
Share of net assets attributable to equity shareholders of the associate	98,144	–
Goodwill	458,291	–
	556,435	–

Particulars of the associate at 31 December 2013 are as follows:

				Proportion of ownership interest			
Name of associate	**Form of business structure**	**Place of incorporation and operation**	**Issued and paid up share capital**	**Group's effective interest**	**Held by the Company**	**Held by a subsidiary**	**Principal activity**
Agnita Limited ("Agnita")	Incorporated	BVI	USD10,000	41.5%	–	41.5%	Investment holding *(Note)*

Note: Agnita and its subsidiaries, a pioneer in the PRC to design and develop electric vehicles, possess a manufacturing license in the PRC with the plan of producing electric vehicles, which enables the Group to explore many other value chain investment opportunities surrounding new energy transportation.

The above associate is accounted for using the equity method in the consolidated financial statements.

Summarised financial information of Agnita, adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements, are disclosed below:

	2013
	HK$'000
Gross amounts of Agnita's	
Current assets	387,571
Non-current assets	280,221
Current liabilities	(341,810)
Non-current liabilities	(9,521)
Non-controlling interests	(79,970)
Net assets attributable to equity shareholders of Agnita	236,491

	Year ended 31 December 2013	Period from 27 November 2013 to 31 December 2013
	HK$'000	*HK$'000*
Revenue	24,521	1,562
Loss from continuing operations attributable to equity shareholders of Agnita	(37,497)	(2,560)
Other comprehensive income attributable to equity shareholders of Agnita	4,447	1,038
Total comprehensive income attributable to equity shareholders of Agnita	(33,050)	(1,522)
Dividend received from Agnita	–	–

	2013
	HK$'000
Reconciled to the Group's interests in Agnita	
Gross amounts of Agnita's net assets attributable to equity shareholders	236,491
Group's effective interest	41.5%
Group's share of Agnita's net assets attributable to equity shareholders	98,144
Goodwill	458,291
Carrying amount in the consolidated financial statements	556,435

Acquisition of an associate

For the year ended 31 December 2013

In November 2013, the Group acquired 41.5% equity interest in Agnita and HK$175,000,000 shareholder's loan to Agnita (which was subsequently capitalised) from five third parties. The consideration was satisfied by the issuance of 290,500,000 new shares ("Consideration Shares"). The total value of the Consideration Shares, determined based on the closing share price of the Company as quoted on the Stock Exchange on 27 November 2013, the completion date of the acquisition, of HK$551,950,000 together with related direct transaction costs were recognised as the investment cost in Agnita. Upon acquisition, Agnita has been accounted for as an associate of the Group.

Except for the direct transaction costs incurred, this is a significant non-cash transaction for the purpose of the consolidated statement of cash flows.

17. INTEREST IN JOINT VENTURES

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Share of net assets	113,198	122,850

Details of the principal joint venture, which is accounted for using the equity method in the consolidated financial statements, are as follows:

Name of joint venture	Form of business structure	Place of incorporation and operation	Issued and paid up share capital	Proportion of ownership interest Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
華能壽光風力發電有限公司 ("華能壽光")	Incorporated	PRC	RMB186,730,000	45%	–	45%	Investment, construction and operation of wind power electricity facility, development, generation and sale of wind power electricity; provision of consultancy and related services in respect of electricity projects

Summarised financial information of 華能壽光, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

	2013	2012
	HK$'000	*HK$'000*
Gross amounts of 華能壽光's		
Non-current assets	541,728	583,216
Current assets	42,574	128,028
Non-current liabilities	(286,032)	(360,799)
Current liabilities	(48,888)	(79,951)
Net assets	249,382	270,494
Included in the above assets and liabilities:		
Cash and cash equivalents	11,085	9,681
Current financial liabilities (excluding trade and other payables and provisions)	(42,233)	(41,127)
Non-current financial liabilities (excluding trade and other payables and provisions)	(286,032)	(319,672)
Revenue	60,667	59,520
Profit from continuing operations	825	5,150
Other comprehensive income	6,926	4,545
Total comprehensive income	7,751	9,695
Dividend received from 華能壽光	21,802	7,618
Included in the above profit:		
Depreciation and amortisation	(24,940)	(24,748)
Interest income	338	49
Finance cost	(16,572)	(18,676)
Income tax	(630)	(1,037)

	2013	2012
	HK$'000	*HK$'000*
Reconciled to the Group's interest in 華能壽光		
Gross amounts of 華能壽光's net assets	249,382	270,494
Group's effective interest	45%	45%
Group's share of 華能壽光's net assets	112,222	121,722
Carrying amount in the consolidated financial statements	112,222	121,722

Aggregate information of joint venture that is not individually material:

	2013	2012
	HK$'000	*HK$'000*
Aggregate carrying amount of individually immaterial joint venture in the consolidated financial statements	976	1,128
Aggregate amounts of the Group's share of this joint venture's		
Loss from continuing operations	(178)	(164)
Other comprehensive income	28	20
Total comprehensive income	(150)	(144)

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group		The Company	
	2013	**2012**	**2013**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current				
Securities designated at fair value through profit or loss:				
Unlisted debt securities with embedded options	28,295	28,287	28,295	28,287
Current				
Securities designated at fair value through profit or loss:				
Listed equity securities in Hong Kong	–	12,180	–	12,180
Unlisted fund	18,727	19,479	18,727	19,479
	18,727	31,659	18,727	31,659
Held-for-trading investments:				
Listed equity securities				
– in Hong Kong	1,512	1,573	1,512	1,573
– outside Hong Kong	236	183	–	–
Unlisted funds	9,815	10,405	–	–
	11,563	12,161	1,512	1,573
	30,290	43,820	20,239	33,232

All listed and unlisted securities classified as financial assets at fair value through profit or loss are issued by corporate entities.

19. LOAN AND OTHER RECEIVABLES

(a) Loan and other receivables less impairment allowances

	The Group		The Company	
	2013	2012	2013	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Loan to an associate				
Manufacturing *(Note (i))*	150,000	–	–	–
Loans to external customers				
Property investments	483	37,185	–	–
Manufacturing	114,410	114,410	–	–
Mining	62,731	61,089	–	–
	177,624	212,684	–	–
Gross loan receivables *(Note (ii))*	327,624	212,684	–	–
Prepayments, deposits and other receivables	60,858	53,010	1,493	1,345
	388,482	265,694	1,493	1,345
Individually assessed impairment allowances *(note 19(b))*	(153,959)	(135,996)	–	–
	234,523	129,698	1,493	1,345
Presented by:				
Non-current assets	451	38,791	–	–
Current assets	234,072	90,907	1,493	1,345
	234,523	129,698	1,493	1,345

Notes:

(i) The amount is non-interest bearing, unsecured and will mature in September 2014.

(ii) Included in the balance were loans of HK$62,731,000 (2012: HK$95,985,000) granted by licensed banks incorporated in the PRC on behalf of the Group to external customers under entrusted arrangements which the Group bears the risk and reward.

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

(b) Movement in impairment allowances on loan and other receivables

	The Group	
	2013	**2012**
	HK$'000	*HK$'000*
At 1 January	135,996	135,996
Impairment loss charged to profit or loss *(Note (i), note 5)*	19,463	–
Uncollectible amount written off	(1,500)	–
At 31 December *(note 19(a))*	153,959	135,996

Note:

(i) The principal amount of an entrusted loan to a mining company of HK$62,731,000 (2012: HK$61,089,000) was past due as at 31 December 2013. The total interest and consultancy fee income receivables in respect of this entrusted loan as at 31 December 2013 amounted to HK$37,935,000 (2012: HK$17,988,000). Based on the impairment assessment performed by management, an individually assessed impairment allowance of HK$19,463,000 (2012: HK$ Nil) was provided for the year ended 31 December 2013. (note 29(a)(i))

20. OTHER NON-CURRENT ASSETS

	The Group		The Company	
	2013	**2012**	**2013**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Club debentures	1,104	1,104	979	979

21. AMOUNTS DUE FROM/TO SUBSIDIARIES

The amounts due from/to subsidiaries are unsecured, non-interest bearing and repayable on demand.

22. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2013	**2012**	**2013**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deposits placed with other financial institutions	1,431	784	202	133
Bank balances and cash	398,190	246,036	346,066	234,876
	399,621	246,820	346,268	235,009

23. ACCRUALS AND OTHER PAYABLES

All accruals and other payables are unsecured and expected to be settled or recognised in profit or loss within one year or are repayable on demand.

24. INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the statement of financial position represents:

	The Group		The Company	
	2013	2012	2013	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong Profits Tax				
Provision for the year	–	–	–	–
Outside Hong Kong				
Provision for profits tax for the year *(note 7(a))*	709	4,279	–	–
Provision for withholding tax for the year *(note 7(a))*	1,299	–	–	–
Tax paid	(1,299)	(734)	–	
	709	3,545	–	–
Balance of profits tax provision relating to prior years	6,324	2,496	–	–
Exchange adjustments	118	36	–	–
	7,151	6,077	–	–

(b) Deferred tax assets not recognised:

In accordance with the accounting policy set out in note 1(l), the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK$460,838,000 (2012: HK$482,678,000), as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

25. CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share premium	Share option reserve	Other reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2013	31,970	7,094	2,184	(218,375)	(177,127)
Changes in equity for 2013:					
Loss for the year	–	–	–	(25,091)	(25,091)
Other comprehensive income	–	–	–	–	–
Total comprehensive income for the year	–	–	–	(25,091)	(25,091)
Issue of new shares *(note 25(c)(iii))*	309,167	–	–	–	309,167
Equity-settled share-based transactions					
– amortisation for the year *(note 26)*	–	1,966	–	–	1,966
– transfer to accumulated losses upon forfeiture	–	(148)	–	148	–
At 31 December 2013	341,137	8,912	2,184	(243,318)	108,915
At 1 January 2012	31,970	13,033	2,184	(198,858)	(151,671)
Changes in equity for 2012:					
Loss for the year	–	–	–	(25,456)	(25,456)
Other comprehensive income	–	–	–	–	–
Total comprehensive income for the year	–	–	–	(25,456)	(25,456)
Equity-settled share-based transactions					
– transfer to accumulated losses upon lapse and forfeiture	–	(5,939)	–	5,939	–
At 31 December 2012	31,970	7,094	2,184	(218,375)	(177,127)

(b) Dividends

No dividend had been paid or declared during the year in respect of previous financial year. The board of directors (the "Board") does not recommend the payment of a dividend for the year ended 31 December 2013.

(c) Share capital

(i) Authorised and issued share capital

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$1 each		
Authorised:		
At 1 January 2012, 31 December 2012	750,000,000	750,000
Increase in authorised share capital on 13 November 2013 *(note 25(c)(ii))*	1,750,000,000	1,750,000
At 31 December 2013	2,500,000,000	2,500,000
Issued and fully paid:		
At 1 January 2012, 31 December 2012	444,633,217	444,633
Issue of new shares on 27 November 2013 *(note 25(c)(iii))*	490,500,000	490,500
At 31 December 2013	935,133,217	935,133

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(ii) Increase in authorised share capital

By an ordinary resolution passed at the special general meeting held on 13 November 2013, the Company's authorised share capital was increased to HK$2,500,000,000 by the creation of additional 1,750,000,000 ordinary shares of HK$1 each, ranking pari passu with the existing ordinary shares of the Company in all respects.

(iii) New shares issued

Acquisition of an associate

On 27 November 2013, the Company issued and allotted an aggregate of 290,500,000 shares to five third parties for the acquisition of 41.5% equity interest in Agnita and HK$175,000,000 shareholder's loan to Agnita (note 16). Total value of the Consideration Share of HK$551,950,000 was determined based on the closing share price of the Company as quoted on the Stock Exchange on 27 November 2013, the completion date of the acquisition. HK$290,500,000 was credited to share capital and the balance of HK$261,450,000 was credited to the share premium account.

New subscriptions

On 27 November 2013, the Company issued and allotted an aggregate of 200,000,000 shares at a consideration of HK$250,000,000 to three third parties under the subscription agreements dated 29 May 2013 upon the completion of the acquisition of Agnita. Total net proceeds of HK$247,717,000 had been received from the subscriptions, of which HK$200,000,000 was credited to share capital and the balance of HK$47,717,000 was credited to the share premium account.

(iv) Terms of unexpired and unexercised share options at the end of the reporting period

Exercise period	Exercise price	2013 Number of share options	2012 Number of share options
9 September 2011 to 8 September 2014	HK$1.79	11,715,000	11,965,000
18 April 2013 to 8 September 2014	HK$1.79	1,200,000	–
15 April 2014 to 14 April 2016	HK$1.00	8,850,000	–
		21,765,000	11,965,000

Further details of these options are set out in note 26 to the financial statements.

(d) Nature and purpose of reserves

(i) Share premium

The application of share premium account is governed by section 40 of the Companies Act 1981 of Bermuda.

(ii) Contributed surplus

Contributed surplus represents the difference between net assets of the companies acquired and the aggregate nominal value of shares issued by the Company under the scheme of arrangement in 1992.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note (1)(o).

(iv) Share option reserve

The share option reserve represents the grant date fair value of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for share-based payments in note 1(k)(iii).

(v) Other reserve

Other reserve arose as a result of (i) repurchase of the Company's listed securities, representing the excess of the nominal value of the shares repurchased over the consideration paid, (ii) goodwill reserve arising on acquisition of subsidiaries of the Company prior to 1 January 2005 and (iii) statutory surplus reserve for PRC subsidiaries.

Each PRC subsidiary is required to allocate 10% of its net profit, as determined under the Accounting Standards for Business Enterprises and other relevant requirements issued by the Ministry of Finance, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital.

(e) Distributability of reserves

At 31 December 2013 and 2012, the Company has no reserves available for distribution to equity shareholders of the Company.

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Group defines "capital" as including all components of equity. On this basis the amount of capital employed at 31 December 2013 was HK$1,336,500,000 (2012: HK$550,424,000).

The Group's capital structure is regularly reviewed and managed with due regard to the capital management practices of the Group. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Group, to the extent that these do not conflict with the directors' fiduciary duties towards the Group or the requirements of the Companies Act 1981 of Bermuda. The results of the directors' review of the Group's capital structure are used as a basis for the determination of the level of dividends, if any, that are declared.

The Group was not subject to externally imposed capital requirements in either the current or prior year.

26. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

The Company operates a share option scheme (the "Scheme"), which was approved and adopted by the shareholders at the special general meeting of the Company on 12 October 2007 for the primary purpose of providing incentives or rewards to directors and eligible employees for their contribution to the Group. The Scheme will remain in force for ten years from the date of its adoption, unless otherwise cancelled or amended.

Under the Scheme, the Board of the Company may, at their absolute discretion, grant options to the following classes of participants, to subscribe for shares of the Company subject to the terms and conditions stipulated therein:

– any employees or proposed employees (whether full-time or part-time and including any executive directors), consultants or advisers of or to the Company, any of its subsidiaries or any entity (the "Invested Entity") in which the Group holds an equity interest;

– any non-executive directors (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;

– any suppliers of goods or services to any members of the Group or any Invested Entity;

– any customers of the Group or any Invested Entity;

– any person or entities that provide research, development, or other technological support to the Group or any Invested Entity; and

– any shareholders of any members of the Group or any Invested Entity, or any holders of any securities issued by any members of the Group or any Invested Entity.

The total number of shares which may be issued upon exercise of all share options to be granted under the Scheme must not in aggregate exceed 10% of the total number of shares of the Company in issue as at the date of approval of the Scheme. As at 31 December 2013, the total number of shares of the Company that may be issued upon exercise of all share options granted and yet to be exercised was 21,765,000 (2012: 11,965,000) representing approximately 2.3% (2012: 2.7%) of the issued share capital as at that date. The total number of shares issued and to be issued upon exercise of all share options granted to each participant in any 12-month period shall not exceed 1% of the shares of the Company then in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval at a general meeting.

The period within which a share option may be exercised under the Scheme will be determined by the Board at its absolute discretion, such that it shall end in any event not later than 10 years from the date of grant of the share option (the "Offer Date") subject to the provisions for early termination.

The exercise price in respect of the share option shall be at the discretion of the Board, save that it must be at least the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the Offer Date, (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the Offer Date; and (iii) the nominal value of the Company's share. A consideration of HK$1.00 is payable within 28 days from the Offer Date on acceptance of the offer of a share option.

The following table discloses movements of the Company's share options during the current year under the Scheme:

					Number of shares under the share options				
Name or category of participant	**Date of grant**	**Vesting period**	**Exercise period**	**Exercise price**	**Outstanding at 1.1.2013**	**Granted during the year**	**Forfeited during the year**	**Movement during the year**	**Outstanding at 31.12.2013**
				HK$				*(Note (iv))*	
Directors									
Dou Jianzhong	9.9.2009	*(Note (i))*	9.9.2011 to 8.9.2014	1.79	1,250,000	–	–	–	1,250,000
	15.4.2013	*(Note (ii))*	15.4.2014 to 14.4.2016	1.00	–	1,250,000	–	–	1,250,000
Lo Wing Yat Kelvin	9.9.2009	*(Note (i))*	9.9.2011 to 8.9.2014	1.79	1,900,000	–	–	–	1,900,000
	15.4.2013	*(Note (ii))*	15.4.2014 to 14.4.2016	1.00	–	1,900,000	–	–	1,900,000
Huang Bin *(Note (iv))*	9.9.2009	*(Note (i))*	9.9.2011 to 8.9.2014	1.79	–	–	–	400,000	400,000
Hung Chi Yuen Andrew	9.9.2009	*(Note (i))*	9.9.2011 to 8.9.2014	1.79	200,000	–	–	–	200,000
	15.4.2013	*(Note (ii))*	15.4.2014 to 14.4.2016	1.00	–	200,000	–	–	200,000
Lu Zhicheng	9.9.2009	*(Note (i))*	9.9.2011 to 8.9.2014	1.79	200,000	–	–	–	200,000
	15.4.2013	*(Note (ii))*	15.4.2014 to 14.4.2016	1.00	–	200,000	–	–	200,000
Sit Fung Shuen Victor	9.9.2009	*(Note (i))*	9.9.2011 to 8.9.2014	1.79	200,000	–	–	–	200,000
	15.4.2013	*(Note (ii))*	15.4.2014 to 14.4.2016	1.00	–	200,000	–	–	200,000
Toh Hock Ghim	9.9.2009	*(Note (i))*	9.9.2011 to 8.9.2014	1.79	200,000	–	–	–	200,000
	15.4.2013	*(Note (ii))*	15.4.2014 to 14.4.2016	1.00	–	200,000	–	–	200,000
Wong Yau Kar David	9.9.2009	*(Note (i))*	9.9.2011 to 8.9.2014	1.79	200,000	–	–	–	200,000
	15.4.2013	*(Note (ii))*	15.4.2014 to 14.4.2016	1.00	–	200,000	–	–	200,000
					4,150,000	4,150,000	–	400,000	8,700,000
Employees	9.9.2009	*(Note (i))*	9.9.2011 to 8.9.2014	1.79	5,815,000	–	(250,000)	–	5,565,000
	15.4.2013	*(Note (ii))*	15.4.2014 to 14.4.2016	1.00	–	4,500,000	–	–	4,500,000
	15.4.2013	*(Note (iii))*	18.4.2013 to 8.9.2014	1.79	–	1,200,000	–	–	1,200,000
					5,815,000	5,700,000	(250,000)	–	11,265,000
Other participants *(note (iv))*	9.9.2009	*(Note (i))*	9.9.2011 to 8.9.2014	1.79	2,000,000	–	–	(400,000)	1,600,000
	15.4.2013	*(Note (ii))*	15.4.2014 to 14.4.2016	1.00	–	200,000	–	–	200,000
					2,000,000	200,000	–	(400,000)	1,800,000
Total					11,965,000	10,050,000	(250,000)	–	21,765,000

Notes:

(i) The share options are subject to a vesting period of two years from the date of grant and will be exercisable for a period of three years thereafter.

(ii) The share options are subject to a vesting period of one year from the date of grant and will be exercisable for a period of two years thereafter.

(iii) The share options are exercisable immediately after acceptance of the offer until 8 September 2014.

(iv) Following the resignation of Mr. Chan Peng Kuan as a Non-executive Director of the Company on 31 May 2013, all share options granted to Mr. Chan were included under "Other participants". Following the appointment of Mr. Huang Bin as a Non-executive Director of the Company on 31 May 2013, all share options granted to him were moved from the category of "Other participants" to the category of "Directors".

(v) The closing price of the shares of the Company immediately before 9 September 2009 and 15 April 2013, on which the share options were granted, were HK$1.79 and HK$0.89 per share respectively.

(vi) During the year, no share options were exercised by any director, chief executive of the Company or other participants.

(vii) All dates are shown day/month/year.

The fair value of the services received in return for the share options granted under the Scheme is measured by reference to the fair value of share options granted. The fair value of the options granted under the Scheme during the year ended 31 December 2013 was HK$2,733,000. The estimate of the fair value of the share options granted is measured on the Black-Scholes Option Pricing Model (the "Model"). The contractual life of the share option is used as an input into the Model. Expectations of early exercise are incorporated into the Model.

Fair value of share options and assumptions:

	Share options with no vesting period	**Share options with a vesting period of one year**	**Share options with a vesting period of two years**
Fair value per share option at measurement date	HK$0.09	HK$0.30	HK$0.59
Closing price on grant date	HK$0.89	HK$0.89	HK$1.79
Exercise price	HK$1.79	HK$1.00	HK$1.79
Expected volatility	90.599% per annum	67.923% per annum	63.725% per annum
Expected life of share options	–	1 year	2 years
Expected dividend yield	–	–	–
Risk-free interest rates (based on the period average yields of the Exchange Fund Notes of comparable terms issued by the Hong Kong Monetary Authority)	0.090% per annum	0.183% per annum	1.157% per annum

The expected volatility is based on the historical volatility of the Company's share price, adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Expenses recognised in the Group's financial statements as a result of granting share options amounted to HK$1,966,000 (2012: HK$Nil).

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

27. EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plan

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance and the Occupational Retirement Scheme ("the ORSO scheme") for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF scheme and the ORSO scheme are defined contribution retirement plans administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$25,000 (HK$20,000 prior to June 2012). Contributions to the plan vest immediately. The Group contributes 10% of relevant income to the ORSO scheme, with a vesting scale of 0%-100%, according to the years of service of relevant employees.

28. DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2013

During the year ended 31 December 2013, the Group disposed of its interests in certain wholly owned subsidiaries to CIAM Parent and its subsidiaries at a total consideration of HK$349,000.

The following summarises the effect of the disposal in the consolidated financial statements:

	HK$'000
Net assets disposed of:	
Property, plant and equipment	1
Cash and cash equivalents	129
Other receivables	101
Amount due to a shareholder	(242)
Accruals and other payables	(139)
	(150)
Gain on disposal of subsidiaries	685
Exchange differences reclassified from equity to profit or loss upon disposal of subsidiaries *(note 11)*	(186)
Total consideration received, satisfied in cash	349
Net cash inflow arising on disposal of subsidiaries:	
Cash consideration	349
Cash and cash equivalents disposed of	(129)
	220

For the year ended 31 December 2012

During the year ended 31 December 2012, the Group disposed of its interests in certain wholly owned subsidiaries to CIAM Parent at a total consideration of HK$1,000.

The following summarises the effect of the disposal in the consolidated financial statements:

	HK$'000
Net assets disposed of:	
Cash and cash equivalents	1
Amounts due to ultimate holding company	(63)
	(62)
Gain on disposal of subsidiaries	63
Total consideration received, satisfied in cash	1
Net cash inflow arising on disposal of subsidiaries:	
Cash consideration	1
Cash and cash equivalents disposed of	(1)
	–

29. FINANCIAL RISK MANAGEMENT

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities.

These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to loan and other receivables and unlisted debt securities. The Group manages this risk as follows:

In respect of loan and other receivables, individual credit evaluations are performed semi-annually on all loan receivables. The Group has policies and procedures to evaluate the potential credit risk of a particular counterparty. The Group also has a review process that ensures the proper level of review and approval depending on the size of the loan receivables granted.

Investments are normally only in liquid securities quoted on a recognised stock exchange, except where entered into for long term strategic purposes. Management does not expect any investment counterparty to fail to meet its obligations.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from loan and other receivables and unlisted debt securities are set out in notes 18 and 19.

Concentration of credit risk exists when changes in geographic, economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is material in relation to the Group's total exposures.

(i) Credit quality of loan and other receivables

The credit quality of loan and other receivables can be analysed as follows:

	The Group					
	Loan receivables		**Prepayments, deposits and other receivables**		**Total**	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Gross loan and other receivables						
– neither past due nor impaired	150,480	35,734	2,204	14,651	152,684	50,385
– past due *(note 19(b)(i))*	62,734	61,040	18,472	17,988	81,206	79,028
– impaired	114,410	115,910	39,549	20,086	153,959	135,996
	327,624	212,684	60,225	52,725	387,849	265,409

The ageing analysis of loan and other receivables that are past due is as follows:

	The Group					
	Loan receivables		**Prepayments, deposits and other receivables**		**Total**	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Gross loan and other receivables that are past due						
– overdue 3 months or less	3	15,530	–	4,450	3	19,980
– 6 months or less but over 3 months	–	15,579	–	3,146	–	18,725
– 1 year or less but over 6 months	–	15,578	–	8,227	–	23,805
– over 1 year	62,731	14,353	18,472	2,165	81,203	16,518
	62,734	61,040	18,472	17,988	81,206	79,028

(ii) Collateral and other credit enhancements

The Group holds collateral against loan and other receivables in the form of second equitable mortgage, share charge, securities over mining license and assets, and guarantees. The Group considers that the credit risk arising from the loan and other receivables are significantly mitigated by the collaterals, with reference to their estimated market values as at 31 December 2013.

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash, readily realisable marketable securities or committed lines of funding (from major financial institutions or other group companies) to satisfy its contractual and reasonably foreseeable obligations as they fall due.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on current rates at the end of the reporting period) and the earliest date the Group and the Company can be required to pay.

2013

	The Group						
	Repayable on demand	**Less than 1 month**	**1 to 3 months**	**3 months to 1 year**	**Over 1 year**	**Total**	**Carrying amount**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Accruals and other payables	18,119	–	–	–	–	18,119	18,119
Amount due to a substantial shareholder	2,597	–	–	–	–	2,597	2,597
Loans from non-controlling shareholders	31	–	–	–	–	31	31
	20,747	–	–	–	–	20,747	20,747
Commitments	2,622	–	–	–	–	2,622	2,622
	23,369	–	–	–	–	23,369	23,369

	The Company						
	Repayable on demand	**Less than 1 month**	**1 to 3 months**	**3 months to 1 year**	**Over 1 year**	**Total**	**Carrying amount**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Accruals and other payables	15,571	–	–	–	–	15,571	15,571
Amount due to a substantial shareholder	2,597	–	–	–	–	2,597	2,597
Amounts due to subsidiaries	351,392	–	–	–	–	351,392	351,392
	369,560	–	–	–	–	369,560	369,560

2012

	The Group						
	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	Over 1 year	Total	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Accruals and other payables	17,548	–	–	–	–	17,548	17,548
Loans from non–controlling shareholders	31	–	–	–	–	31	31
	17,579	–	–	–	–	17,579	17,579
Commitments	5,159	–	–	–	–	5,159	5,159
	22,738	–	–	–	–	22,738	22,738

	The Company						
	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	Over 1 year	Total	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Accruals and other payables	15,519	–	–	–	–	15,519	15,519
Amounts due to subsidiaries	683,903	–	–	–	–	683,903	683,903
	699,422	–	–	–	–	699,422	699,422

(c) Market risk

The Group is exposed to market risk through its interest bearing financial instruments and holdings of foreign currency denominated financial assets and liabilities. Further information about the Group's exposure to these risks and how they are managed is provided below. There have been no changes in the methods and assumptions used to prepare the information about the sensitivity of the Group's financial instruments to changes in variables compared to last year.

(i) Interest rate risk

Interest rate risk primarily results from the timing differences in the repricing of interest bearing assets, liabilities and commitments. It also relates to positions from assets with their value may be affected by the change in interest rates. The interest-sensitive positions are managed and monitored regularly, with an aim to control the interest rate risk.

The major interest bearing financial instruments and their range of effective interest rate, before impairment allowances, if any, are:

	The Group		The Company	
	2013	2012	2013	2012
	%	%	%	%
Loan to an associate	0.00	N/A	N/A	N/A
Loans to external customers	6.00-30.00	2.00-21.00	N/A	N/A
Cash and cash equivalents	0.001-1.08	0.001-1.53	0.001-1.08	0.001-1.53

The following table indicates the mismatches of the expected interest repricing dates for interest bearing assets and liabilities at the end of the reporting period. Actual repricing dates may differ from the contractual dates owing to prepayments.

2013

	The Group				
	3 months or less (include overdue) *HK$'000*	**Over 3 months to 1 year** *HK$'000*	**Over 1 year** *HK$'000*	**Non-interest bearing** *HK$'000*	**Total** *HK$'000*
Loan to an associate	–	–	–	150,000	150,000
Loans to external customers	63,214	–	–	–	63,214
Cash and cash equivalents	395,734	–	–	3,887	399,621
	458,948	–	–	153,887	612,835

	The Company				
	3 months or less (include overdue) *HK$'000*	**Over 3 months to 1 year** *HK$'000*	**Over 1 year** *HK$'000*	**Non-interest bearing** *HK$'000*	**Total** *HK$'000*
Cash and cash equivalents	343,748	–	–	2,520	346,268

2012

	The Group				
	3 months or less (include overdue) *HK$'000*	**Over 3 months to 1 year** *HK$'000*	**Over 1 year** *HK$'000*	**Non-interest bearing** *HK$'000*	**Total** *HK$'000*
Loans to external customers	35,684	61,089	–	–	96,773
Cash and cash equivalents	240,700	–	–	6,120	246,820
	276,384	61,089	–	6,120	343,593

	The Company				
	3 months or less (include overdue) *HK$'000*	**Over 3 months to 1 year** *HK$'000*	**Over 1 year** *HK$'000*	**Non-interest bearing** *HK$'000*	**Total** *HK$'000*
Cash and cash equivalents	231,942	–	–	3,067	235,009

Sensitivity analysis

At 31 December 2013, it is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, the Group's and the Company's loss after tax would be HK$4,305,000 and HK$3,437,000 lower respectively (2012: HK$3,131,000 and HK$2,319,000 respectively). The extent of decrease in interest rates is expected to be minimal that the Group's and the Company's loss after tax would be lower by an insignificant amount.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis points increase or minimal decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next reporting period. The analysis was performed on the same basis for the year ended 31 December 2012.

(ii) Currency risk

The following table details the Group's material exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the year end date. Difference resulting from the translation of the financial statements of foreign operations into the Group's presentation currency is excluded.

2013

	The Group		**The Company**		
	United States Dollars	**Singapore Dollars**	**United States Dollars**	**Singapore Dollars**	**Renminbi**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets at fair value through profit or loss	37,754	437	28,295	–	–
Cash and cash equivalents	52,734	2,040	51,516	2,040	30
Amounts due from subsidiaries	–	–	1,025	–	1,504
Amounts due to subsidiaries	–	–	(7,777)	(2,166)	(2,199)
Net exposure arising from recognised assets and liabilities	90,488	2,477	73,059	(126)	(665)

2012

	The Group		The Company		
	United States Dollars	Singapore Dollars	United States Dollars	Singapore Dollars	Renminbi
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets at fair value through profit or loss	37,983	765	28,287	–	–
Cash and cash equivalents	52,106	2,040	58,038	2,040	–
Amounts due from subsidiaries	–	–	6,658	–	2,169
Amounts due to subsidiaries	–	–	(13,264)	(2,073)	(2,148)
Net exposure arising from recognised assets and liabilities	90,089	2,805	79,719	(33)	21

For purchases denominated in foreign currencies the Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

Sensitivity analysis

The following table indicates the approximate change in the Group's and the Company's loss before tax in response to possible changes in the foreign exchange rates to which the Group has significant exposure at the end of the reporting period.

	The Group			
	2013		2012	
	Higher/ (lower) in foreign exchange rates	Lower/ (higher) on loss before tax	Higher/ (lower) in foreign exchange rates	Lower/ (higher) on loss before tax
		HK$'000		*HK$'000*
Singapore Dollars	10%	248	10%	281
	(10)%	(248)	(10)%	(281)

	The Company			
	2013		2012	
	Higher/ (lower) in foreign exchange rates	(Higher)/ lower on loss before tax	Higher/ (lower) in foreign exchange rates	(Higher)/ lower on loss before tax
		HK$'000		*HK$'000*
Singapore Dollars	10%	(13)	10%	(3)
	(10)%	13	(10)%	3
Renminbi	10%	(67)	10%	2
	(10)%	67	(10)%	(2)

The sensitivity analysis above has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to the Group's and the Company's exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next end of the reporting period. In this respect, it is assumed that the pegged rate between the Hong Kong Dollars and the United States Dollars would be materially unaffected by any changes in movement in value of the USD against other currencies. The analysis was performed on the same basis for the year ended 31 December 2012.

(d) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as financial assets at fair value through profit or loss (see note 18).

Equity price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment (stock-specific) or its issuer, or factors affecting all instruments (generic risks) trade in the market.

The Group's listed investments are listed on the Stock Exchange and other overseas recognised stock exchanges. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the stock market index and other industry indicators, as well as the Group's liquidity needs.

The Group's unquoted investments are held for strategic purposes. Their performance is assessed at least bi-annually based on the information available to the Group, together with an assessment of their relevance to the Group's strategic plans.

At 31 December 2013, if the quoted market price of the Group's and Company's listed equity securities had been 10% higher/lower, then loss after tax (and accumulated losses) for the year would have been HK$146,000 (2012: HK$1,164,000) and HK$126,000 (2012: HK$1,148,000) lower/higher respectively, the effect of which will be classified as unrealised gain or loss on trading securities.

The sensitivity analysis has been determined assuming that the possible changes had occurred at the end of the reporting period and had been applied to the exposure to equity price risk in existence at that date. The analysis was performed on the same basis for the year ended 31 December 2012.

30. FAIR VALUES MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial instruments measured at fair value

(i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. 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

The Group has a team headed by different investment division general managers performing valuations for the financial instruments, including unlisted debt securities and the conversion option embedded in convertible notes which are categorised into Level 3 of the fair value hierarchy. The team reports directly to the management. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the management. Discussion of the valuation process and results with the management is held twice a year, to coincide with the reporting dates.

2013

	The Group				**The Company**			
	Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Held-for-trading investments:								
– Listed equity securities	1,748	–	–	1,748	1,512	–	–	1,512
– Unlisted funds	–	9,815	–	9,815	–	–	–	–
Financial assets designated at fair value through profit or loss:								
– Unlisted debt securities with embedded options	–	–	28,295	28,295	–	–	28,295	28,295
– Unlisted funds	–	18,727	–	18,727	–	18,727	–	18,727
	1,748	28,542	28,295	58,585	1,512	18,727	28,295	48,534

2012

	The Group				**The Company**			
	Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Held-for-trading investments:								
– Listed equity securities	1,756	–	–	1,756	1,573	–	–	1,573
– Unlisted funds	–	10,405	–	10,405	–	–	–	–
Financial assets designated at fair value through profit or loss:								
– Unlisted debt securities with embedded options	–	–	28,287	28,287	–	–	28,287	28,287
– Listed equity securities	12,180	–	–	12,180	12,180	–	–	12,180
– Unlisted funds	–	19,479	–	19,479	–	19,479	–	19,479
	13,936	29,884	28,287	72,107	13,753	19,479	28,287	61,519

During the years ended 31 December 2012 and 2013, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

Fair value of unlisted funds in Level 2 is determined based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs at the end of the reporting period without any deduction for transaction costs. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

(iii) Information about Level 3 fair value measurements

The fair value of unlisted debt securities with embedded options is estimated on the basis of an analysis of the investee's financial position and results, risk profile, prospects and other factors, adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 31 December 2013, if the discount for lack of marketability had been 5% higher/lower, with all other variables held constant, the Group's loss after tax for the year would have been HK$337,000 higher/lower.

The movement during the year in the balance of Level 3 fair value measurements is as follows:

	2013	**2012**
	HK$'000	*HK$'000*
Unlisted debt securities with embedded options:		
At 1 January	28,287	28,346
Changes in fair value recognised in profit or loss during the year	8	(59)
At 31 December	28,295	28,287
Total gain/(loss) for the year included in profit or loss for assets held at the end of the reporting period	8	(59)

The gains or losses arising from the remeasurement of the unlisted debt securities with embedded options are presented in "net gain/(loss) on financial assets designated at fair value through profit or loss" in the consolidated statement of comprehensive income.

(b) Fair values of financial assets and liabilities carried at other than fair value

All of the carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2013 and 2012 respectively.

31. COMMITMENTS

(a) Capital commitments outstanding for investments at 31 December 2013 not provided for in the financial statements were as follows:

	The Group		The Company	
	2013	**2012**	**2013**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contracted for	2,622	5,159	–	–

(b) At 31 December 2013, total future minimum lease payments under non-cancellable operating lease for properties are payable as follows:

	The Group		The Company	
	2013	**2012**	**2013**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 year	131	362	–	–

The Group is the lessee in respect of a property held under operating lease. The lease typically runs for an initial period of two years, with an option to renew the lease for a further period of one year when all terms are renegotiated.

32. MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with related companies

During the year, the Group had transactions with related parties as follows:

		The Group		The Company	
		2013	**2012**	**2013**	**2012**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Gain on disposal of subsidiaries to a substantial shareholder and its subsidiaries		685	–	–	–
Gain on disposal of subsidiaries to ultimate holding company and its subsidiary		–	63	–	1
Expenses reimbursed from a substantial shareholder	*(i)*	4,113	–	4,092	–
Expenses reimbursed from ultimate holding company	*(i)*	–	4,932	–	4,794
Expenses reimbursed to a substantial shareholder	*(i)*	(16,332)	–	(16,332)	–
Expenses reimbursed to ultimate holding company	*(i)*	–	(11,626)	–	(11,626)

The directors consider the above transactions were entered in the normal course of the Group's business.

(b) Balances with related companies

		The Group		The Company	
		2013	**2012**	**2013**	**2012**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amount due from ultimate holding company	*(ii)*	–	79	–	79
Bank deposits with related companies of the ultimate holding company (included in cash and cash equivalents)	*(iii)*	–	234,415	–	230,168
Amount due to a substantial shareholder	*(ii)*	2,597	–	2,597	–
Loans from non-controlling shareholders		31	31	–	–
Dividend receivable from a joint venture		–	8,813	–	–
Loan to an associate	*(ii)*	150,000	–	–	–

The directors consider the above transactions were entered in the normal course of the Group's business.

Notes:

(i) The amounts represented expenses reimbursed from/(to) a substantial shareholder/ultimate holding company under the Services Agreements.

(ii) The amounts are non-interest bearing, unsecured and is expected to be settled within one year.

(iii) The balance represents bank balances with two banking institutions, which are related companies of the ultimate holding company as at 31 December 2012.

(c) Key management personnel compensation

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

	2013	**2012**
	HK$'000	*HK$'000*
Short-term employment benefits	9,753	9,759
Post-employment benefits	536	382
Equity compensation benefits	1,840	–
	12,129	10,141

The amounts represented the net amounts after expenses reimbursement arrangement under the Services Agreements.

The remuneration of directors and key executives is determined by the Nomination and Remuneration Committee having regard to the performance of individuals and market trends.

Total remuneration is included in "staff costs" (see note 6(b)).

(d) Applicability of the Listing Rules relating to connected transactions

The related party transaction in relation to the provision of certain services between the Group and CIAM Parent constituted connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the Report of the Directors.

33. IMMEDIATE AND ULTIMATE CONTROLLING PARTY

Following the issuance of 290,500,000 new shares by the Company to five third parties as the consideration for the acquisition of 41.5% equity interest in Agnita and HK$175,000,000 shareholder's loan to Agnita (note 16 and 25(c)(iii)) and the issuance of 200,000,000 new shares to three third parties pursuant to the subscription agreements dated 29 May 2013 (note 25(c)(iii)) on 27 November 2013, the effective shareholding interest of Right Precious Limited and CIAM Parent, the controlling party of Right Precious Limited, in the Company has decreased from 67.67% to 32.17% and from 67.88% to 32.27% respectively. Right Precious Limited and CIAM Parent are no longer the immediate parent and the ultimate controlling party of the Company respectively as at 31 December 2013.

34. NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

On 22 January 2014, the Group entered into a subscription agreement to invest RMB15,000,000 (equivalent to approximately HK$19,100,000) in cash into 天津銘度科技有限公司 ("Tianjin MTEC"), a limited liability company incorporated in the PRC, to subscribe for 20% of the enlarged equity interest in Tianjin MTEC. Tianjin MTEC is engaged in the development, manufacturing and sales of electric bike driving units in the PRC, the major component being permanent magnet brushless direct current ("DC") motors and related parts. The subscription was completed in February 2014.

35. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of these financial statements and the reported amounts of revenues and expenses for the years presented. Changes in assumptions may have a significant impact on the financial statements in the periods where the assumptions are changed. The application of assumptions and estimates means that any selection of different assumptions would cause the Group's reporting to differ. The Group believes that the assumptions that have been made are appropriate and that the financial statements therefore present the financial position and results fairly, in all material respects. Management has discussed with the Audit Committee the development, selection and disclosure of the Group's significant accounting policies and estimates and the application of these policies.

Key sources of estimation uncertainty

(i) Loan and other receivables

Loans portfolios are reviewed periodically to access whether impairment losses exist. The Group makes judgements as to whether there is any objective evidence that a loan portfolio is impaired, i.e. whether there is a decrease in estimated future cash flows. Objective evidence for impairment includes observable data that the payments status of borrowers in a group has adversely changed. It may also include observable data in local or economic conditions that correlate with defaults on the assets in the Group. If management has determined, based on their judgement, that objective evidence of impairment exists, expected future cash flows are estimated based on historical loss experience for assets with credit risk characteristics similar to those of the Group. Historical loss experience is adjusted on the basis of the current observable data. Management reviews the methodology and assumptions used in estimating future cash flows regularly to reduce any difference between loss estimates and actual loss experience.

(ii) Unlisted investments

The fair values of unlisted debt securities with embedded option and financial assets at fair value through profit or loss are significantly affected by the combination of valuation methodologies employed, the parameters used and, if required, the underlying sample chosen. The valuation methodologies and the source of the parameters adopted by the Group are discussed in note 30(a)(ii) and (iii).

The Group held certain investments with carrying value of HK$28,542,000 (2012: HK$29,884,000) in unlisted funds. The fair values of these investments were determined by the manager or trustee of the fund in the absence of a readily ascertainable market value. Management was of the opinion that this estimated fair value may differ significantly from the value that would have been used had a ready market existed, and the difference could be material.

(iii) Carried interest provision

Carried interest accruals are calculated based on hypothetical share of profits by eligible employees taking into account the cash already distributed from the Group and the amount of divestment proceeds receivable or to be received upon disposal. The Group recognises a provision based on estimated fair value of its assets at the end of the reporting period in accordance with the methodology as stated in note 30. Carried interest will be distributed to the eligible employees upon realisation of the investments.

36. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2013

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and a new standard which are not yet effective for the year ended 31 December 2013 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*	1 January 2014
HKFRS 9, *Financial instruments*	Unspecified

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

IV. INDEBTEDNESS

Borrowings

As at the close of business on 31 October 2014, being the latest practicable date for the purpose of the statement of indebtedness, the Offeree Group had outstanding unsecured borrowings of approximately HK$0.03 million.

Contingent liabilities

As at the close of business on 31 October 2014, the Offeree Group had no contingent liabilities.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Offeree Group did not have any borrowings (including bank overdrafts, liabilities under acceptances other than normal trade bills, acceptance credits and finance lease commitments), debt securities, mortgages and charges, loan capital and contingent liabilities or guarantees as at the close of business on 31 October 2014. Offeree Company Board confirmed that there had been no material change in the indebtedness of the Group since 31 October 2014.

V. MATERIAL CHANGE

Save as (i) disclosed in the interim report of the Offeree Company for the six months ended 30 June 2014, in particular:

a. the increase in the non-current portion of financial assets at fair value through profit or loss as a result of the investment in 天津銘度科技有限公司 (Tianjin MTEC) by subscription for 20% equity interest of Tianjin MTEC in February 2014 as disclosed in note 9 to the financial statement to the Offeree Company's 2014 interim report; and

b. the decrease in the current portion of financial assets at fair value through profit and loss mainly attributable to the disposal of an unlisted fund (the "**Realisation**") during first half of 2014 as disclosed in note 9 to the financial statement to the Offeree Company's 2014 interim report; and

(ii) as disclosed in the January 2015 Profit Warning, the Offeree Company expected to record an increase in loss attributable to the Offeree Shareholders for the year ended 31 December 2014 from the amount of loss for the year ended 31 December 2013. The increase in loss was primarily attributable to:

   a. the Offeree Company's share of the operating loss incurred by Agnita which amounted to approximately HK$18 million in 2014 up to 30 November 2014;

b. no material fair value gain from the revaluation of the Offeree Group's investment portfolio for the year ended 31 December 2014, whereas a fair value gain of HK$6 million was recorded in the previous year; and

c. the decrease in investment income as a result of the non-recurrence of interest income from an entrusted loan to a property developer in Shaanxi, the PRC, which was fully repaid at the end of 2013 as disclosed in the Company's 2013 annual report, and the income recognised from the loan amounted to HK$6 million in the year ended 31 December 2013;

The Offeree Company is of the view that the expected increase in loss does not have any adverse impact on the business operation and cash flow of the Offeree Group. Such numbers are based on the preliminary assessment of the unaudited management accounts of the Offeree Group for the year ended 31 December 2014 and are subject to adjustments prior to the announcement on the results of the Offeree Company for the year ended 31 December 2014;

(iii) It was also mentioned in the 2015 January Profit Warning, as a status update to the Offeree Shareholders, of the delay in repayment of a loan made to a mining company in Yunnan with a principal amount of RMB50 million (equivalent to approximately HK$62.4 million) (the "**Loan**") which has been overdue since October 2011. The Loan has a carrying value of RMB63.5 million (equivalent to approximately HK$79.1 million) as at 31 December 2014. The Offeree Group entered into a loan restructuring agreement with the borrower in March 2014 whereby the borrower shall repay not less than RMB10 million (equivalent to approximately HK$12 million) by June 2014 and not less than RMB50 million by end of 2014. The activist activities in the region, which limited the transportation of dynamites for mining operations, and poor weather in 2014 affected the mining activities of the borrower, and the Offeree Group has not yet received any repayment during 2014 and up to the Latest Practicable Date. The Offeree Company will continue to monitor the operations of the borrower to expedite repayment. In accordance with the terms of the Loan, the Offeree Company has accrued an interest income of RMB7 million (equivalent to approximately HK$8 million) for the six months ended 30 June 2014 and RMB 13 million (equivalent to approximately HK$17 million) for the year ended 31 December 2014. The Offeree Company has adopted a prudent approach and made impairments of the same amounts in the corresponding period. Based on a valuation performed by an independent appraiser, the collateral of the Loan, being the mining rights of an iron ore mine owned by the borrower, was RMB246 million (equivalent to approximately HK$307 million) as at 30 November 2014. The Offeree Company considers the impairment provision to be adequate as the collateral value fully covers the carrying amount of the Loan;

the directors of the Offeree Company confirm that there had been no other material change in the financial or trading position or outlook of the Offeree Group since 31 December 2013 (the date to which the latest audited consolidated financial statements of the Offeree Group were made up) and up to and including the Latest Practicable Date.

VI. OUTLOOK AND PROSPECTS

The Offeree Group follows the "Green and Growth" strategy and has been investing in the energy conservation, environmental protection and clean energy sectors.

Its investment portfolio includes a 20% equity interest in Tianjian MTEC, a developer of electric bike driving units in the PRC. It has completed the construction of the first stage of the production line and received indicative orders from customers. The 45% equity interest in Huaneng Shouguang, a wind power electricity facility developer and operator in the PRC, continues to provide a stable profit contribution to the Offeree Group. The Offeree Group's investment portfolio also includes an equity interest in UPC Renewables China Holdings Limited, a wind farm operator in the PRC with an aggregate installed wind energy generation capacity of over 174 megawatts.

VII. OTHER INFORMATION

(1) Financial resources and gearing ratio

As at 31 December 2011, 2012 and 2013 and 30 June 2014, the equity attributable to owners of the Offeree Company was approximately HK$561.2 million, HK$550.4 million, HK$1,336.5 million and HK$1,305.5 million, respectively. The net current assets as at 31 December 2011, 2012 and 2013 and 30 June 2014 was approximately HK$407.9 million, HK$357.9 million, HK$636.1 million and HK$601.9 million, respectively, while cash and cash equivalents and pledged bank deposit amounted to approximately HK$332.8 million, HK$246.8 million, HK$399.6 million and HK$381.7 million, respectively. The Offeree Group had bank borrowings as at 31 December 2011, 2012 and 2013 and 30 June 2014 of HK$61.3 million, nil, nil and nil, respectively, which were at fixed interest rates. The gearing ratio of the Offeree Group as at 31 December 2011, 2012 and 2013 and 30 June 2014 was approximately 10.9%, nil, nil and nil respectively, defined as the bank borrowings over equity attributable to owners of the Offeree Company.

(2) Charge on Offeree Group's assets

As at 31 December 2011, bank deposits amounting to approximately HK$65.0 million were pledged to secure bank loans of approximately HK$61.3 million.

As at 31 December 2012, 31 December 2013 and 30 June 2014, none of the Offeree Group's assets were charged.

(3) Foreign currencies and treasury policy

During the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, most of the business transactions, assets and liabilities of the Offeree Group were denominated in HK$, RMB, United States Dollars and Singaporean Dollars. The Offeree Group had no material foreign exchange exposure risks during the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014.

The Offeree Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, including the terms of bank loans, to ensure that it maintains sufficient reserves of cash, readily realisable marketable securities and/or committed lines of funding (from major financial institutions or other group companies) to satisfy its contractual and reasonably foreseeable obligations as they fall due.

During the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, the Offeree Group did not have any financial instruments for hedging purposes.

I. SUMMARY OF FINANCIAL INFORMATION OF THE FDG GROUP FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014 AND FOR EACH OF THE THREE YEARS ENDED 31 MARCH 2012, 2013 AND 2014

The following is a summary of the unaudited consolidated financial information of FDG for the six months ended 30 September 2014 as extracted from the interim report of FDG for the six months ended 30 September 2014 and the audited consolidated financial information of FDG for each of the three years ended 31 March 2012, 2013 and 2014 as extracted from the annual reports of FDG.

Results

	Six months ended 30 September 2014	**Year ended 31 March 2014**	**2013**	**2012**
	(unaudited)	(audited)	(audited)	(audited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	141,982	83,956	53,854	59,436
Loss before taxation	(214,464)	(936,581)	(376,124)	(545,925)
Taxation	22,511	24,703	51,677	103,427
Loss for the year	(191,953)	(911,878)	(324,447)	(442,334)
Attributable to:				
Equity holders of FDG	(153,195)	(906,389)	(324,447)	(442,334)
Minority interests	(38,758)	(5,489)	–	–
	(191,953)	(911,878)	(324,447)	(442,334)
Loss per share (HK cents)				
Basic	(0.89)	(6.67)	(2.90)	(4.12)
Diluted	(0.89)	(6.67)	(2.90)	(4.12)

Assets, liabilities and minority interests

	As at	As at 31 March		
	30 September 2014	**2014**	**2013**	**2012**
	(unaudited)	(audited)	(audited)	(audited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	4,356,813	3,876,804	1,628,244	1,774,048
Total liabilities	2,157,923	1,813,965	1,288,053	1,244,800
Equity attributable to equity holders of FDG	1,861,260	1,733,800	340,191	529,248
Minority interests	337,630	329,039	–	–

II. FINANCIAL INFORMATION OF THE FDG GROUP FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

The following financial information is extracted from the published interim report of FDG for the six months ended 30 September 2014:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2014

		Six months ended	
		30.9.2014	**30.9.2013**
		(unaudited)	**(unaudited)**
	Note	*HK$'000*	*HK$'000*
Revenue	*2*	141,982	41,545
Cost of sales		(121,552)	(38,499)
Gross profit		20,430	3,046
Other income		8,153	11,795
Selling and distribution costs		(12,196)	(9,826)
General and administrative expenses		(93,691)	(54,494)
Research and development expenses		(7,612)	(3,876)
Finance costs	*3*	(39,802)	(10,429)
Amortisation of intangible assets	*9*	(89,746)	(46,168)
Loss before tax	*4*	(214,464)	(109,952)
Income tax	*5*	22,511	11,542
Loss for the period		(191,953)	(98,410)
Attributable to:			
Owners of the Company		(153,195)	(98,410)
Non-controlling interests		(38,758)	–
		(191,953)	(98,410)
		HK cents	*HK cents*
Loss per share attributable to owners of the Company	*6*		
– Basic and diluted		(0.89)	(0.74)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2014

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2014

	Note	30.9.2014 (unaudited) HK$'000	31.3.2014 (audited) HK$'000
Non-current assets			
Goodwill		443,520	349,576
Intangible assets	9	983,108	982,563
Fixed assets	10	1,020,567	874,358
Deposits paid for non-current assets	11	445,052	203,249
Available-for-sale investment		15,716	–
Prepaid rentals		9,254	9,877
		2,917,217	2,419,623
Current assets			
Inventories		132,353	123,346
Trade and other receivables	12	503,979	252,928
Derivative financial instruments	15	26,502	–
Pledged bank deposits		62,234	11,284
Cash and bank balances		714,528	1,069,623
		1,439,596	1,457,181
Current liabilities			
Bank loans and other borrowings		(190,547)	(372,181)
Loan from a non-controlling shareholder		(150,000)	(150,000)
Trade and other payables	13	(403,909)	(212,819)
Tax payable		(8,695)	(8,695)
Obligations under redeemed convertible bonds	14	(760,752)	(760,752)
		(1,513,903)	(1,504,447)
Net current liabilities		(74,307)	(47,266)
Total assets less current liabilities		2,842,910	2,372,357

	Note	30.9.2014 (unaudited) HK$'000	31.3.2014 (audited) HK$'000
Non-current liabilities			
Other non-current liability		(52,693)	(52,656)
Convertible bonds	*15*	(341,156)	–
Deferred tax liabilities		(250,171)	(256,862)
		(644,020)	(309,518)
NET ASSETS		2,198,890	2,062,839
CAPITAL AND RESERVES			
Issued capital	*16*	173,569	169,769
Reserves		1,687,691	1,564,031
Total equity attributable to owners of the Company		1,861,260	1,733,800
Non-controlling interests		337,630	329,039
TOTAL EQUITY		2,198,890	2,062,839

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2014

	Unaudited										
	Attributable to owners of the Company										
	Issued capital	Share premium	Exchange reserve	Contributed surplus	Capital redemption reserve	Equity component of convertible bonds	Share option reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 April 2014	169,769	6,174,125	20,047	15,506	1,868	–	21,839	(4,669,354)	1,733,800	329,039	2,062,839
Loss for the period	–	–	–	–	–	–	–	(153,195)	(153,195)	(38,758)	(191,953)
Other comprehensive income for the period	–	–	5,350	–	–	–	–	–	5,350	(754)	4,596
Total comprehensive loss for the period	–	–	5,350	–	–	–	–	(153,195)	(147,845)	(39,512)	(187,357)
Non-controlling interests arising on the acquisition	–	–	–	–	–	–	–	–	–	48,103	48,103
Shares issued pursuant to acquisition *(Note 16(c))*	3,800	178,600	–	–	–	–	–	–	182,400	–	182,400
Equity-settled share-based payments	–	–	–	–	–	–	6,830	–	6,830	–	6,830
Shares options lapsed	–	–	–	–	–	–	(15,076)	15,076	–	–	–
Issue of convertible bonds *(Note 15)*	–	–	–	–	–	86,075	–	–	86,075	–	86,075
As at 30 September 2014	173,569	6,352,725	25,397	15,506	1,868	86,075	13,593	(4,807,473)	1,861,260	337,630	2,198,890
As at 1 April 2013	122,545	3,925,882	19,217	15,506	1,868	–	18,361	(3,763,188)	340,191	–	340,191
Loss for the period	–	–	–	–	–	–	–	(98,410)	(98,410)	–	(98,410)
Other comprehensive income for the period	–	–	3,273	–	–	–	–	–	3,273	–	3,273
Total comprehensive loss for the period	–	–	3,273	–	–	–	–	(98,410)	(95,137)	–	(95,137)
Shares issued pursuant to subscriptions *(Note 16(a))*	14,200	314,480	–	–	–	–	–	–	328,680	–	328,680
Share options lapsed	–	–	–	–	–	–	(199)	199	–	–	–
Shares issued upon exercise of share options *(Note 16(b))*	11	93	–	–	–	–	(35)	–	69	–	69
Equity-settled share-based payments	–	–	–	–	–	–	528	–	528	–	528
Transaction costs attributable to issue of new shares	–	(99)	–	–	–	–	–	–	(99)	–	(99)
As at 30 September 2013	136,756	4,240,356	22,490	15,506	1,868	–	18,655	(3,861,399)	574,232	–	574,232

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2014

		Six months ended	
		30.9.2014	**30.9.2013**
		(unaudited)	(unaudited)
	Note	*HK$'000*	*HK$'000*
Operating activities			
Net cash used in operating activities		(143,043)	(62,734)
Investing activities			
Payments for acquisition of fixed assets		(154,527)	(12,071)
Payments of deposits paid for acquisition of fixed assets		(173,741)	(2,260)
Payments for deposit of an investment	*11*	(77,500)	–
Net cash inflows on acquisition of subsidiaries	*8*	13,534	–
Other cash flows used in investing activities		(89,863)	(25,349)
Net cash used in investing activities		(482,097)	(39,680)
Financing activities			
Net proceeds from issuance of new shares		–	328,581
Net proceeds from issuance of convertible bonds		392,000	–
Proceeds from bank loans		190,547	144,245
Repayment of bank loans and other borrowings		(372,181)	(109,112)
Other cash flows generated from/(used in) financing activities		59,782	(67,570)
Net cash generated from financing activities		270,148	296,144

	Six months ended	
	30.9.2014	**30.9.2013**
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Net (decrease)/increase in cash and cash equivalents	(354,992)	193,730
Effect of foreign exchange rate changes	(103)	1,824
Cash and cash equivalents at the beginning of the period	1,069,623	140,567
Cash and cash equivalents at the end of the period	714,528	336,121
Analysis of balances of cash and cash equivalents:		
Cash and bank balances as stated in the condensed consolidated statement of financial position	714,528	366,121
Less: Time deposits with original maturity over three months when acquired	–	(30,000)
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	714,528	336,121

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

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

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

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

2. REVENUE AND SEGMENT INFORMATION

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

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

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

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

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

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

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

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

(a) Segment information

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

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

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

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

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

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

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

(c) Seasonality of operations

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

3. FINANCE COSTS

	Six months ended 30.9.2014 (unaudited) *HK$'000*	30.9.2013 (unaudited) *HK$'000*
Interest expenses on convertible bonds *(Note 15)*	23,633	–
Interest on bank loans and other borrowings wholly repayable within five years	16,169	6,888
Other borrowing costs	–	3,541
	39,802	10,429

4. LOSS BEFORE TAX

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

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

5. INCOME TAX

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

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

6. LOSS PER SHARE

(a) Basic loss per share

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

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

(b) Diluted loss per share

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

7. INTERIM DIVIDEND

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

8. ACQUISITION OF SUBSIDIARIES

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

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

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

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

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

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

	Fair value recognised on the Acquisition (unaudited) *HK$'000*
Intangible assets *(Note 9)*	65,217
Fixed assets	14,820
Inventories	4,769
Trade and other receivables	15,890
Cash and bank balances	13,534
Trade and other payables	(1,719)
Deferred tax liabilities	(16,304)
Total identifiable net assets at fair value	96,207
Non-controlling interests	(48,103)
Goodwill arising on the Acquisition	93,591
	141,695

	HK$'000
Net consideration paid	141,695

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

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

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

	(unaudited) *HK$'000*
Cash and bank balances acquired and included in cash flows from investing activities	13,534
Transaction costs of the Acquisition included in cash flows from operating activities	(550)
	12,984

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

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

9. INTANGIBLE ASSETS

	Patents and patent using rights	Industrial proprietary rights	Technical know-hows	Lease contractual right	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost					
At 1 April 2013	3,642,030	–	–	–	3,642,030
Additions through acquisition of subsidiaries	–	29,594	388,599	–	418,193
Additions from internal developments	24	–	2,847	–	2,871
Exchange adjustments	36	(159)	(65)	–	(188)
At 31 March 2014	3,642,090	29,435	391,381	–	4,062,906
Additions through acquisition of subsidiaries *(Note 8)*	–	27,906	–	37,311	65,217
Additions from internal developments	–	–	26,709	–	26,709
Exchange adjustments	1	52	(1,705)	42	(1,610)
At 30 September 2014	3,642,091	57,393	416,385	37,353	4,153,222
Accumulated amortisation and impairment losses					
At 1 April 2013	2,981,288	–	–	–	2,981,288
Charge for the year	92,578	–	6,477	–	99,055
At 31 March 2014	3,073,866	–	6,477	–	3,080,343
Charge for the period	46,238	962	37,565	4,981	89,746
Exchange adjustments	–	1	18	6	25
At 30 September 2014	3,120,104	963	44,060	4,987	3,170,114
Carrying amount					
At 30 September 2014	521,987	56,430	372,325	32,366	983,108
At 31 March 2014	568,224	29,435	384,904	–	982,563

The lease contractual right represents the fair value of leasing the land and manufacturing factory from 雲南美的汽車產業控股有限公司 (Yunnan Meidi Vehicle Industry Holdings Co., Ltd.), a company incorporated in the PRC and 40% owned by the joint venture partner of the PRC Manufacturing Company, for a term of three years from 7 May 2014 at nil consideration.

As there is no indication that the carrying amount of the intangible assets may not be recovered, the Board believes that no provision for impairment is necessary at the end of the reporting periods.

10. FIXED ASSETS

During the period, the Group's additions to fixed assets amounting to HK$164,318,000 (six months ended 30 September 2013: HK$107,379,000), including an amount of HK$9,791,000 (six months ended 30 September 2013: HK$100,772,000) being transferred from deposits paid for non-current assets.

As at 30 September 2014, carrying amounts of certain land and buildings of HK$302,648,000 (31 March 2014: HK$206,138,000) were pledged as securities for the Group's bank loans of HK$190,547,000 (31 March 2014: HK$107,371,000).

11. DEPOSITS PAID FOR NON-CURRENT ASSETS

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

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

12. TRADE AND OTHER RECEIVABLES

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

An ageing analysis of trade receivables is as follows:

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

Trading terms with customers are either on a cash basis or on credit. For those customers who trade on credit, a credit period generally ranging from 30 days to 90 days is allowed. Credit limits are set for 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 senior management and the Board believes that no impairment allowance is necessary as there has not been a significant change in credit quality for these customers. The carrying amounts of the receivables approximate their fair values.

13. TRADE AND OTHER PAYABLES

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

An ageing analysis of trade payables is as follows:

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

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

14. 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 held by Mei Li for the protection of the Company. Further, in the legal proceedings against Mr. Chung and/or companies which are controlled and/or owned by him, the damages claimed (the "Claim Amount") by the Group, 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 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 judgment in favour of the Company. The Company has been given an unconditional leave to defend to the extent of the Set-Off, based on which the Company is entitled to a stay of execution of payment for obligation under the redeemed convertible bonds.

On 27 February 2013, the HK Court has made an order for bankruptcy against Mr. Chung (the "Bankruptcy"). As a result, all litigations involving Mr. Chung have been stayed. The Company is currently awaiting the trustee (the "Trustee") in Mr. Chung's bankruptcy to wind up his assets and take over the litigations involving Mr. Chung (the "Winding Up"). Despite Mr. Chung was adjudged bankrupt on 27 February 2013, Mr. Chung neither submitted a substantive statement of affairs, an annual report of his earnings and acquisitions nor delivered any substantial property to the Trustee as required by the Bankruptcy Ordinance. On 4 September 2014, the HK Court issued an arrest warrant against Mr. Chung.

15. CONVERTIBLE BONDS

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

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

The convertible bonds have been split as follows:

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

16. SHARE CAPITAL

	30.9.2014		31.3.2014	
	(unaudited)	(unaudited)	(audited)	(audited)
	No. of shares		*No. of shares*	
	'000	*HK$'000*	*'000*	*HK$'000*
Authorised:				
At beginning and at end of the reporting period				
Ordinary shares of HK$0.01 each	50,000,000	500,000	50,000,000	500,000
Issued and fully paid:				
At beginning of the reporting period				
Ordinary shares of HK$0.01 each	16,976,891	169,769	12,254,516	122,545
Issue of new shares:				
– pursuant to share subscriptions *(Note (a))*	–	–	1,420,000	14,200
– upon exercise of share options *(Note (b))*	–	–	1,125	11
– pursuant to acquisition transaction *(Note (c))*	380,000	3,800	1,901,250	19,013
– pursuant to share placement *(Note (d))*	–	–	1,400,000	14,000
At end of the reporting period				
Ordinary shares of HK$0.01 each	17,356,891	173,569	16,976,891	169,769

Notes:

(a) During the year ended 31 March 2014, the Company issued a total of 1,420,000,000 ordinary shares pursuant to the following subscription agreements:

– On 6 May 2013, the Company issued 1,200,000,000 ordinary shares of HK$0.01 each at the subscription price of HK$0.22 per share to five subscribers pursuant to the subscription agreements dated 23 April 2013.

– On 30 September 2013, the Company issued 220,000,000 ordinary shares of HK$0.01 each at the subscription price of HK$0.294 per share pursuant to the subscription agreement dated 19 September 2013.

(b) During the year ended 31 March 2014, share options were exercised to subscribe for 1,125,000 ordinary shares of the Company. The net consideration was HK$69,000 of which HK$11,000 was credited to share capital account and the balance of HK$58,000 was credited to the share premium account. The amount of HK$35,000 has been transferred from share option reserve account to share premium account upon exercise of share options.

(c) On 7 May 2014, 380,000,000 new ordinary shares of the Company of HK$0.01 each were issued at an issue price of HK$0.50 per share as consideration for the acquisition of Giant Industry Holdings Limited, a company incorporated in the British Virgin Islands with limited liability. The fair value of issued shares is calculated based on the closing market price of the ordinary share of the Company of HK$0.48 on 7 May 2014, the date of completion of the acquisition.

On 7 March 2014, 1,901,250,000 new ordinary shares of the Company of HK$0.01 each were issued at an issue price of HK$0.32 per share as consideration for the acquisition of 58.5% equity interest in Agnita Limited ("Agnita"), a company incorporated in the British Virgin Islands with limited liability. The fair value of issued shares is calculated based on the closing market price of the ordinary share of the Company of HK$0.67 on 7 March 2014, the date of completion of the acquisition.

(d) On 31 March 2014, the Company issued 1,400,000,000 ordinary shares of HK$0.01 each at the price of HK$0.50 per share pursuant to the placing agreement dated 20 March 2014.

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

17. CAPITAL COMMITMENTS

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

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

Note:

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

18. RELATED PARTY TRANSACTIONS

Key management personnel remuneration

Remuneration of key management personnel, including amounts paid to the Company's directors, is as follows:

	Six months ended	
	30.9.2014	**30.9.2013**
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Short-term employee benefits	4,589	2,360
Retirement benefit schemes contributions	48	23
Equity-settled share-based payments	1,719	41
	6,356	2,424

19. FAIR VALUE MEASUREMENT

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 "Fair Value Measurement". The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

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

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. 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.

As at 30 September 2014, the financial instruments that were measured subsequent to initial recognition at fair value grouped into Level 3 based on the degree to which the fair value is observable, are as follows:

	Fair value measurement categorised into			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale investment	–	–	15,716	15,716
Derivative financial instruments	–	–	26,502	26,502
Total	–	–	42,218	42,218

As at 31 March 2014, there are no Group's financial instrument measured in fair value.

During the period, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (31 March 2014: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

As at 30 September 2014, assets classified as Level 3 are measured at fair value on a recurring basis. The primarily include available-for-sale investment and derivative financial instruments. Fair values are determined using valuation technique, including discounted cash flow valuation, market comparison approach, binomial lattice model, and etc.

As at 30 September 2014, unobservable inputs such as weighted average cost of capital, long term growth rate, discount rate and lack of marketability discount rate were used in the valuation of assets classified as Level 3. The fair value was not significantly sensitive to reasonable changes in these unobservable inputs.

20. EVENTS AFTER THE REPORTING PERIOD

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

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

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

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

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

The following financial information is extracted from the annual report of FDG for the year ended 31 March 2014.

III. FINANCIAL INFORMATION OF THE FDG GROUP FOR THE YEAR ENDED 31 MARCH 2014

Consolidated Statement of Profit or Loss
For the year ended 31 March 2014

	Note	2014 HK$'000	2013 HK$'000
Revenue	7	83,956	53,854
Cost of sales		(77,014)	(46,659)
Gross profit		6,942	7,195
Other income	9	15,518	1,846
Selling and distribution costs		(18,995)	(19,641)
General and administrative expenses		(117,912)	(82,360)
Research and development expenses		(12,358)	(16,821)
Finance costs	10	(19,329)	(17,649)
Other operating expenses	11(a)	–	(26,083)
Write-down of inventories	11(b)	(25,954)	(15,905)
Amortisation of intangible assets	20	(99,055)	(106,142)
Impairment on intangible assets	20	–	(100,564)
Impairment on goodwill	19	(665,438)	–
Loss before tax	11	(936,581)	(376,124)
Income tax	13	24,703	51,677
Loss for the year		(911,878)	(324,447)
Attributable to:			
Owners of the Company	14	(906,389)	(324,447)
Non-controlling interests		(5,489)	–
		(911,878)	(324,447)
		HK cents	*HK cents*
Loss per share attributable to owners of the Company	16		
– Basic and diluted		(6.67)	(2.90)

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 March 2014

	2014	2013
	HK$'000	*HK$'000*
Loss for the year	(911,878)	(324,447)
Other comprehensive (loss)/income for the year, net of nil tax:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign subsidiaries	(80)	412
Total comprehensive loss for the year	(911,958)	(324,035)
Attributable to:		
Owners of the Company	(905,559)	(324,035)
Non-controlling interests	(6,399)	–
Total comprehensive loss for the year	(911,958)	(324,035)

Consolidated Statement of Financial Position
As at 31 March 2014

	Note	2014 HK$'000	2013 HK$'000
Non-current assets			
Goodwill	19	349,576	–
Intangible assets	20	982,563	660,742
Fixed assets	21	874,358	451,790
Deposits paid for fixed assets	22	203,249	100,778
Prepaid rentals		9,877	10,938
		2,419,623	1,224,248
Current assets			
Inventories	24	123,346	121,543
Trade and other receivables	25	252,928	132,294
Pledged bank deposits	26	11,284	9,592
Cash and bank balances	27	1,069,623	140,567
		1,457,181	403,996
Current liabilities			
Bank loans and other borrowings	28	(372,181)	(107,720)
Loan from a non-controlling shareholder	29	(150,000)	–
Trade and other payables	30	(212,819)	(132,586)
Deposit received	31	–	(61,915)
Tax payable		(8,695)	(8,695)
Obligations under redeemed convertible bonds	32	(760,752)	(760,752)
		(1,504,447)	(1,071,668)
Net current liabilities		(47,266)	(667,672)
Total assets less current liabilities		2,372,357	556,576
Non-current liabilities			
Other non-current liability	33	(52,656)	(51,707)
Deferred tax liabilities	34	(256,862)	(164,678)
		(309,518)	(216,385)
NET ASSETS		2,062,839	340,191
CAPITAL AND RESERVES			
Issued capital	35	169,769	122,545
Reserves	36	1,564,031	217,646
Total equity attributable to owners of the Company		1,733,800	340,191
Non-controlling interests		329,039	–
TOTAL EQUITY		2,062,839	340,191

Consolidated Statement of Changes in Equity

For the year ended 31 March 2014

	Attributable to owners of the Company										
	Issued capital	Share premium	Exchange reserve	Contributed surplus	Capital redemption reserve	Equity component of convertible bonds	Share option reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2012	109,917	3,651,166	18,805	15,506	1,868	153,974	16,753	(3,438,741)	529,248	–	529,248
Loss for the year	–	–	–	–	–	–	–	(324,447)	(324,447)	–	(324,447)
Other comprehensive income for the year	–	–	412	–	–	–	–	–	412	–	412
Total comprehensive loss for the year	–	–	412	–	–	–	–	(324,447)	(324,035)	–	(324,035)
Shares issued upon exercise of share options *(Note 35(b))*	11	93	–	–	–	–	(35)	–	69	–	69
Equity-settled share-based payments	–	–	–	–	–	–	1,643	–	1,643	–	1,643
Shares issued upon conversion of convertible bonds *(Note 35(e))*	12,617	274,623	–	–	–	(153,974)	–	–	133,266	–	133,266
At 31 March 2013 and 1 April 2013	122,545	3,925,882	19,217	15,506	1,868	–	18,361	(3,763,188)	340,191	–	340,191
Loss for the year	–	–	–	–	–	–	–	(906,389)	(906,389)	(5,489)	(911,878)
Other comprehensive income for the year	–	–	830	–	–	–	–	–	830	(910)	(80)
Total comprehensive loss for the year	–	–	830	–	–	–	–	(906,389)	(905,559)	(6,399)	(911,958)
Share issued pursuant to subscriptions and placement *(Note 35(a) & (d))*	28,200	1,000,480	–	–	–	–	–	–	1,028,680	–	1,028,680
Share issued upon exercise of share options *(Note 35(b))*	11	93	–	–	–	–	(35)	–	69	–	69
Issue of ordinary shares related to acquisition transaction *(Note 35(c))*	19,013	1,254,825	–	–	–	–	–	–	1,273,838	–	1,273,838
Non-controlling interests arising on business combination	–	–	–	–	–	–	–	–	–	335,438	335,438
Transaction costs attributable to issue of new shares	–	(7,155)	–	–	–	–	–	–	(7,155)	–	(7,155)
Share options lapsed	–	–	–	–	–	–	(223)	223	–	–	–
Equity-settled share-based payments	–	–	–	–	–	–	3,736	–	3,736	–	3,736
At 31 March 2014	169,769	6,174,125	20,047	15,506	1,868	–	21,839	(4,669,354)	1,733,800	329,039	2,062,839

Consolidated Statement of Cash Flows
For the year ended 31 March 2014

	Note	2014 HK$'000	2013 HK$'000
Operating activities			
Loss before tax		(936,581)	(376,124)
Adjustments for:			
Interest income	11	(3,817)	(1,130)
Finance costs	10	19,329	17,649
(Gain)/loss on disposal of fixed assets	11	(626)	10
Depreciation and amortisation of fixed assets	11	41,660	32,836
Equity-settled share-based payments	11	3,736	1,643
Impairment on goodwill	19	665,438	–
Amortisation of intangible assets	20	99,055	106,142
Impairment on intangible assets	20	–	100,564
Impairment on fixed assets	11	6,973	–
Write-down of inventories	11(b)	25,954	15,905
Warranty provision		467	953
Foreign exchange difference		(5,119)	(1,578)
		(83,531)	(103,130)
Changes in working capital:			
Decrease/(increase) in prepaid rentals		1,260	(10,938)
Increase in inventories		(27,757)	(79,555)
Increase in trade and other receivables		(90,119)	(20,943)
(Decrease)/increase in trade and other payables		(19,410)	21,681
Net cash used in operations		(219,557)	(192,885)
Interest received		3,783	1,130
Finance costs paid		(17,087)	(5,545)
Net cash used in operating activities		(232,861)	(197,300)
Investing activities			
Payments for acquisition of intangible assets		(2,871)	(2,030)
Payments for acquisition of fixed assets		(58,183)	(46,687)
Receipts on disposal of fixed assets		1,700	–
Increase in pledged bank deposits		(603)	(9,592)
Net cash inflows on acquisition of subsidiaries		126,812	–
Net cash generated from/(used in) investing activities		66,855	(58,309)

	Note	2014 HK$'000	2013 HK$'000
Financing activities			
Net proceeds from issuance of new shares		1,021,525	–
Proceeds from shares issued upon exercise of share options		69	69
Proceeds from bank loans		183,030	107,720
Repayment of bank loans		(109,694)	–
(Decrease)/increase in deposit received		–	61,915
(Decrease)/increase in bills payables		(1,028)	9,287
Net cash generated from financing activities		1,093,902	178,991
Net increase/(decrease) in cash and cash equivalents		927,896	(76,618)
Effect of foreign exchange rate changes		1,160	312
Cash and cash equivalents at beginning of the year		140,567	216,873
Cash and cash equivalents at end of the year		1,069,623	140,567
Analysis of cash and cash equivalents			
Cash and bank balances	27	1,069,623	140,567

Statement of Financial Position
As at 31 March 2014

	Note	2014 HK$'000	2013 HK$'000
Non-current assets			
Interests in subsidiaries	23	1,155,399	519,540
Current assets			
Amounts due from subsidiaries	23	406,778	545,499
Trade and other receivables	25	64,331	1,179
Cash and bank balances	27	855,329	30,372
		1,326,438	577,050
Current liabilities			
Trade and other payables	30	(3,848)	(3,646)
Obligations under redeemed convertible bonds	32	(760,752)	(760,752)
		(764,600)	(764,398)
Net current assets/(liabilities)		561,838	(187,348)
Total assets less current liabilities		1,717,237	332,192
NET ASSETS		1,717,237	332,192
CAPITAL AND RESERVES			
Issued capital	35	169,769	122,545
Reserves	36	1,547,468	209,647
TOTAL EQUITY		1,717,237	332,192

Notes to the Financial Statements

1. GENERAL INFORMATION

FDG Electric Vehicles Limited (previously known as "Sinopoly Battery Limited") (the "Company") is a limited liability company incorporated in Bermuda. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office and principal place of business of the Company are situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and Rooms 3001-3005, 30th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, respectively.

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in (i) research and development, production and sale of Lithium-ion batteries and related products; (ii) vehicle design and the design, manufacture and sale of electric vehicles; (iii) leasing of electric vehicles and (iv) treasury investment.

2. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of new individual Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKASs") and Interpretations (collectively "HKFRSs") and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

HKAS 1 (Amendment)	Presentation of Items of Other Comprehensive Income
HKFRS 10	Consolidated Financial Statements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
Annual Improvements Project	Annual Improvements 2009-2011 Cycle
HKFRS 7 (Amendment)	Disclosures – Offsetting Financial Assets and Financial Liabilities

The adoption of the above new and revised HKFRSs has had no material impact on the accounting policies of the Group and the methods of recognition and measurement in the Group's financial statements, except for the followings:

HKAS 1 (Amendment) Presentation of Items of Other Comprehensive Income

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of profit or loss and other comprehensive income in these financial statements has been modified accordingly. In addition, the Group has chosen to use the new titles "Statement of profit or loss" and "Statement of profit or loss and other comprehensive income" as introduced by the amendments in these financial statements.

HKFRS 10 Consolidated Financial Statements

HKFRS 10 replaces the requirements in HKAS 27 "Consolidated and Separate Financial Statements" relating to the preparation of consolidated financial statements and HK(SIC)-Int 12 "Consolidation – Special Purpose Entities". It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 April 2013.

HKFRS 12 Disclosure of Interests in Other Entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in Note 23.

HKFRS 13 Fair Value Measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

Up to the date of issue of these financial statements, the HKICPA has issued several amendments and standards which are not yet effective for the year ended 31 March 2014 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

Amendments to HKAS 32	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities[1]
Amendment to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
HK(IFRIC) – Int 21	Levies[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
HKFRS 9	Financial Instruments[5]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[5]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[4]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[4]
HKFRS 14	Regulatory Deferral Accounts[4]

[1] Effective for annual periods beginning on or after 1 January 2014
[2] Effective for annual periods beginning on or after 1 July 2014
[3] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
[4] Effective for annual periods beginning on or after 1 January 2016
[5] Available for application – mandatory effective date not yet determined

The Group is in the process of making an assessment of the impact of these amendments and standards in the period of initial application. So far, it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

In addition, the requirements of Part 9, "Accounts and Audit", of the new Hong Kong Companies Ordinance (Cap. 622) come into operation from the company's first financial year commencing after 3 March 2014 (i.e. the Company's financial year which began on 1 April 2014) in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of the expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9. So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

3. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable HKFRSs and accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap.32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap.622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). A summary of principal accounting policies adopted by the Group is set out in Note 4 below.

The consolidated financial statements have been prepared under the historical cost convention, except for derivative financial instruments which have been measured at fair value.

The consolidated financial statements for the year ended 31 March 2014 comprise the Company and its subsidiaries.

Each entity in the Group is measured using its functional currency, that is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiaries in Hong Kong is Hong Kong dollar ("HK$") and that of its subsidiaries in The People's Republic of China (the "PRC") is Renminbi ("RMB"). For the purposes of presenting the consolidated financial statements, the Group has adopted HK$ as its presentation currency and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have a significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 5.

In preparing these financial statements, the board of directors of the Company (the "Board") has considered the Group's future liquidity and believes that adequate funding is available to fulfill the Group's short-term obligations and capital expenditure requirements. As at 31 March 2014, the Group had net current liabilities of approximately HK$47,266,000, which included obligations under redeemed convertible bonds of approximately HK$760,752,000 (the "Redemption Amount") as set out in the consolidated statement of financial position.

Notwithstanding the aforesaid conditions, the consolidated financial statements have been prepared on a going concern basis because the Board is of the opinion that the Group can meet its financial obligations as and when they fall due in the coming year, after taking into consideration of the followings:

(1) Based on a court judgment dated 5 March 2013, the Company has been given an unconditional leave to defend to the extent of the set-off portion of the damages to be claimed by the Group against the Redemption Amount in the legal proceedings against the holder of such redeemed convertible bonds and its associates and based on which the Company is entitled to a stay of execution of payment for the Redemption Amount before the conclusion of the relevant legal proceedings;

(2) Subsequent to the end of the reporting period, as disclosed in Note 41(a), the Group raised fund of HK$400 million (before direct expenses) by issuing three-year convertible bonds to a subscriber in April 2014;

(3) The directors of the Company have reviewed the cash flow forecast of the Group for the twelve months ending 31 March 2015 and projected to have sufficient cash flows to finance the working capital and capital expenditure requirements of the Group during that period. In preparing the cash flow forecast, the directors have considered historical cash requirements of the Group as well as other key factors, including the availability of (i) the balance of cash at banks and on hand of approximately HK$1,069,623,000 as at 31 March 2014 and (ii) the above-mentioned convertible bonds;

(4) The directors of the Company are considering various alternatives to support its capital expenditure needs and will continue the negotiations with the Group's bankers; and

(5) Mr. Miao Zhenguo ("Mr. Miao"), the Deputy Chairman and executive director of the Company, and Union Ever Holdings Limited, a substantial shareholder of the Company and beneficially wholly-owned by Mr. Miao, have jointly provided an irrevocable letter of undertaking pursuant to which they will provide adequate funds to the Group so as to enable it to meet its financial obligations as and when they fall due for the next twelve months from the date of approval of the financial statements.

In light of the measures and arrangements implemented to date, the Board is of the view that the Group has sufficient cash resources to satisfy their working capital and other financial obligations for the next twelve months from the date of approval of these financial statements after having taken into account of the Group's projected cash flows, current financial resources and capital expenditure requirements. Accordingly, the Board is of the view that it is appropriate to prepare these financial statements on a going concern basis.

4. PRINCIPAL ACCOUNTING POLICIES

(a) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets, however, the choice of measuring non-controlling interests is limited to those types of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the subsidiary's net assets in the event of liquidation. All other types of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by HKFRSs.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Notes 4(k), (l) or (m) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, interests in subsidiaries are carried at cost less any impairment losses (see Note 4(g)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(b) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 4(g)).

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(c) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(d) Fixed assets and depreciation

Fixed assets, other than construction in progress, are carried at cost less accumulated depreciation and any accumulated impairment losses (see Note 4(g)). The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of fixed assets have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of fixed assets and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as interests in leasehold lands held for own use under operating leases and included in fixed assets in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and account for as fixed assets.

Depreciation is calculated to write off the cost of items of fixed assets, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

- Buildings held for own use situated on leasehold land under operating lease are depreciated over the shorter of the unexpired term of lease and their estimated useful lives.

- Other fixed assets are depreciated over their estimated useful lives as follows:

Leasehold land under finance leases and buildings	over the remaining lease terms
Leasehold improvements	20% to 33.3%
Furniture and equipment	10% to 33.3%
Motor vehicles	10% to 25%
Plant and machinery	10%
Electric vehicles	33.3%

Gains or losses arising from the retirement or disposal of an item of fixed assets are determined as the difference between the net proceeds on disposal and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Where parts of an item of fixed assets have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress represents buildings, leasehold improvement and plant and equipment in the course of construction for production and for the Group's own use purposes. Construction in progress is stated at cost less any identified impairment loss. Cost comprises construction expenditure and other direct costs attributable to such projects. Construction in progress is classified to the appropriate category of fixed assets when completed and ready for its intended use.

No depreciation is provided in respect of construction in progress until it is substantially complete and ready for its intended use.

(e) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see Note 4(g)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 4(g)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

– patents and exclusive patents using rights	10 years
– Industrial proprietary right	25 years
– Technical know-hows	5 years

The period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(f) Leased assets

Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring leasehold land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property.

(g) Impairment of assets

(i) Impairment of trade and other receivables

Trade and other receivables that are carried at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as follows:

For trade and other receivables carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables and other receivables included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables and other receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the followings assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased.

- goodwill;
- intangible assets;
- fixed assets;
- deposits paid for fixed assets;
- pre-paid interests in leasehold land classified as being held under an operating lease; and
- interests in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- *Calculation of recoverable amount*

  The recoverable amount of an asset is the greater of its fair value less cost of disposal and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e., a cash-generating unit).

- *Recognition of impairment losses*

  An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying amount of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value-in-use (if determinable).

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, "Interim Financial Reporting", in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Notes 4(g)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(h) Inventories

Inventories are carried at the lower of cost and net realizable value.

Cost is calculated using the weighted average method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(i) Project contracts in progress

Project contracts in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date (see Note 4(r)(ii)) less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Project contracts in progress is presented as "Amounts due from customers for contract work" (as part of trade and other receivables) in the statement of financial position for all contracts in which costs incurred plus recognised profits less recognised losses exceed progress billings. If progress billings exceed costs incurred plus recognised profits less recognised losses, then the difference is presented as "Amounts due to customers for contract work" (as part of trade and other payables) in the statement of financial position.

(j) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter carried at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see Note 4(g)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are carried at cost less allowance for impairment of doubtful debts.

(k) Convertible bonds

Convertible bonds issued by the Company that contain liability, conversion option and redemption option components are classified separately into liability component, equity component and embedded derivative component consisting of the redemption option of the Company respectively. A derivative embedded in a non-derivative host contract is treated as a separate derivative when its risks and characteristics are not closely related to those of the host contract. On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible bonds. The derivative component is carried at fair value on the statement of financial position with any changes in fair value being charged or credited to profit or loss in the period in which the change occurs. The difference between the proceeds of the issue of the convertible bonds and the fair values of the liability component and embedded derivative related to the redemption option of the Company is included in equity.

Subsequent to initial recognition, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The difference between the interest so calculated and the interest paid is added to the carrying amount of the liability component. The embedded derivative is re-measured to fair value through profit or loss at subsequent reporting dates. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, remains in equity reserve until the embedded option is exercised (at which time the convertible bonds equity component will be transferred to share capital and share premium). Where the option remains unexercised at the expiry date, the balance remaining in equity reserve is released to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of convertible bonds are allocated to the liability component, embedded derivative and equity component of the convertible bonds in proportion to the allocation of proceeds. Transaction costs relating to the liability component are included in the carrying amount of the liability component and amortised over the period of the convertible bonds using the effective interest method. Transaction costs relating to the embedded derivative are charged directly to profit or loss. Transaction costs relating to the equity component are charged directly to equity.

If the convertible bonds are redeemed by the Company before maturity, the Company will allocate the consideration paid and any transaction costs for the repurchase or redemption to the liability and equity components of the instrument at the date of the transaction. The method used in allocating the consideration paid and transaction costs to the separate components is consistent with that used in the original allocation to the separate components of the proceeds received by the Company when the convertible instrument was issued. Once the consideration is allocated, any resulting gain or loss relating to the liability component is recognised in profit or loss and the amount of consideration relating to the equity component is recognised in equity.

(l) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are carried at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(m) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently carried at amortised cost unless the effect of discounting would be immaterial, in which case they are carried at cost.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(o) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are carried at their present values.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in share option reserve within equity. The fair value is measured at grant date using the Binomial Option Pricing Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged or credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to share option reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the share option reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share option reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(p) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary differences, or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group or the Company has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either;

    – the same taxable entity; or

    – different taxable entities which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(q) Provisions and contingent liabilities

(i) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with Note 4(q)(ii). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with Note 4(q)(ii).

(ii) Other provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sales of goods

Sales of goods is recognised when the Group's products are delivered, and when the significant risks and rewards of ownership have been transferred to the buyer. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts and returns.

(ii) Service income

Service income is recognised when the outcome of a service contract can be estimated reliably, revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract.

When the outcome of a service contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

(iii) Interest income

Interest income is recognised on an accrual basis, using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial assets to the net carrying amounts of the financial assets.

(iv) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(s) Translations of foreign currency

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies carried at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Hong Kong dollars at the foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised directly in other comprehensive income and accumulated separately in equity in the exchange reserve.

On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(u) Warranties

Provisions for the expected cost of warranty obligations under the relevant sale of goods legislation are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

(v) Dividends and distributions

Dividends and distributions to the Company's shareholders are recognised as a liability in the Group's consolidated financial statements in the period in which the dividends and distributions have been approved by the Company's shareholders.

(w) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Board, the chief operating decision maker, for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group has made certain key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, as discussed below.

(a) Going concern

As mentioned in Note 3 to the consolidated financial statements, the directors are satisfied that the Group has sufficient cash resources to satisfy the Group's working capital and other financial obligations for the next twelve months from the date of approval of these financial statements. Under such circumstances, the consolidated financial statements have been prepared on a going concern basis. If the going concern basis is not appropriate, adjustments would have to be made to restate the values of assets to their immediate 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. Such adjustments may have a significant consequential effect on the loss for the year and net assets of the Group.

(b) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units to which the goodwill is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. In the process of estimating expected future cash flow, management makes assumptions about future revenues and profits. These assumption relate to future events and circumstances. The actual results may vary and may cause a material adjustment to the carrying amount of goodwill within the next financial year. Determining the appropriate discount rate involves estimating the appropriate adjustments for market risk and for asset specific risk factor.

The carrying amount of goodwill at 31 March 2014 was HK$349,576,000. Further details are given in Note 19.

(c) Impairment of intangible assets (other than goodwill)

Determining whether intangible assets (other than goodwill) are impaired requires an estimation of the value-in-use of the cash-generating units to which intangible assets has been allocated. The value-in-use calculation requires the Group to estimate the future cash flows and profit forecast expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. As the industries of the Lithium-ion batteries and related electric vehicles are new and currently at its early stage of development, the cash flow and profit forecast projections involve significant judgements and estimates on the accuracy of the assumptions for the projections and estimates of, including but not limited to, the future growth rates, the extent of the future market competition, market demand and market share, and sales and cost structures of the Lithium-ion batteries and related electric vehicles that the Group will achieve during the forecasting period. Where the actual future cash flows are less than expected, a material impairment loss may arise. The management performed an impairment assessment on intangible assets and no impairment loss (2013: HK$100,564,000) was recognised in the consolidated statement of profit or loss for the year ended 31 March 2014.

(d) Impairment of fixed assets

Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts are determined based on value-in-use calculations. In determining the value-in-use, expected cash flows generated by the asset are discounted to their present values, which require significant judgement relating to such items such as the level of turnover and the amount of operating costs.

(e) Impairment of interests in subsidiaries

Interests in subsidiaries are carried at cost less impairment. Judgement is required when determining whether an impairment existed. In making this judgement, historical data and factors such as industry, sector performance and financial information regarding the subsidiaries are taken into account.

(f) Impairment of receivables

The management evaluates whether there is any objective evidence that trade and other receivables are impaired and determines the amount of impairment loss as a result of the inability of the debtors to make required payments. The management's estimation is based on the ageing of the trade and other receivables balances, credit-worthiness, and historical write-off experience. If the financial condition of the debtors were to deteriorate, actual write-offs would be higher than estimated.

(g) Depreciation and amortisation of fixed assets

Fixed assets are depreciated or amortised on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account the anticipated technological changes. The depreciation and amortisation expense for future periods is adjusted if there are significant changes from previous estimates.

(h) Useful lives and amortisation of intangible assets

The intangible assets are amortised on a straight-line basis over the estimated useful lives. The management determines the estimated useful life and basis for amortisation taking into account factors including but not limited to, contractual terms of respective contracts, the expected usage of the assets by the Group based on past experience, technical obsolescence arising from changes or improvements in production or from a change in the market demand for the products of the assets. The estimation of the useful life and basis for amortisation is a matter of judgement based on the experience of the Group. Management reviews the useful life and basis for amortisation of intangible asset annually and, if expectations are significantly different from previous estimates of useful economics life, the amortisation rate for future periods will be adjusted accordingly.

Had different amortisation rates been used to calculate the amortisation of the intangible assets, the Group's result of operations and financial position could be materially different.

(i) Valuation of inventories

Inventories are carried at the lower of cost and net realisable value at the end of the reporting period. Net realisable value is determined on the basis of the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The management estimates the net realisable value for inventories based primarily on the latest invoice prices, current market conditions, historical experience on selling similar inventories and physical conditions of the inventories. It could change significantly as a result of changes in market conditions. In addition, the management performs an inventory review at the end of the reporting period and assess the need for write down of inventories.

(j) Income tax

Determining income tax provision involves judgement on the future tax treatment of certain transactions. The management carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

Financial assets at the end of the reporting period are as follows:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other receivables (excluding deposits and prepayments and value added tax receivables)	167,139	50,193	63,025	2
Amounts due from subsidiaries	–	–	406,778	545,499
Pledged bank deposits	11,284	9,592	–	–
Cash and bank balances	1,069,623	140,567	855,329	30,372
Loans and receivables (including cash and cash equivalents)	1,248,046	200,352	1,325,132	575,873

Financial liabilities at the end of the reporting period are as follows:

	Group		Company	
	2014	2013	2014	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank loans and other borrowings	372,181	107,720	–	–
Loan from a non-controlling shareholder	150,000	–	–	–
Trade and other payables (excluding receipts in advance and warranty provision)	204,171	116,730	3,848	3,646
Deposit received	–	61,915	–	–
Obligations under redeemed convertible bonds	760,752	760,752	760,752	760,752
Financial liabilities at amortised cost	1,487,104	1,047,117	764,600	764,398

(b) Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk, interest rate risk and currency risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Credit risk

The Group's and the Company's credit risk are primarily attributable to bank deposits, trade and other receivables and amounts due from subsidiaries. The management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group's and the Company's bank balances are deposited with creditworthy banks with high credit ratings and the Group and the Company have limited exposure to any single financial institution.

In respect of trade and other receivables, in order to minimise its credit risk exposure, credit evaluations are performed for the determination and approval of credit limits granted and other monitoring procedures are implemented to ensure that follow-up actions are taken to recover overdue debts. In addition, regular reviews on aging and recoverability are performed to ensure that adequate impairment losses are made for irrecoverable amounts.

Credit terms from generally one month to three months may be granted to customers, depending on the credit-worthiness of individual customers. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk. At the end of the reporting period, the Group had a concentration of credit risk of 89.33% (2013: 98.27%) of the total trade receivables due from the Group's five largest debtors as at 31 March 2014.

In respect of amounts due from subsidiaries, the Company reviews the recoverable amounts of individual debts at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management considers that the Company's credit risk is significantly reduced.

Except for the financial guarantee given by the Company as set out in Note 31, the Group and the Company do not provide any other guarantees which would expose the Group or the Company to credit risk. The maximum exposure to credit risk in respect of this financial guarantee at the end of the reporting period is disclosed in Note 31.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in Note 25.

(ii) Liquidity risk

At 31 March 2014, the Group has net current liabilities of approximately HK$47,266,000 (2013: HK$667,672,000) which included obligations under redeemed convertible bonds of approximately HK$760,752,000 (the "Redemption Amount"). The Group is exposed to liquidity risk of being unable to finance its future working capital and financial requirements when they fall due. To manage liquidity risk, the Group regularly monitors its current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks and financial institutions to meet its liquidity requirements in the short and longer terms. Based on a court judgment dated 5 March 2013, the Group has been given an unconditional leave to defend to the extent of the Set-Off (as defined in Note 32) and, based on which the Group is entitled to a stay of execution of payment for the Redemption Amount before the conclusion of the relevant legal proceedings.

The Board is of the opinion that the Group will be able to finance its future working capital and financial requirements as described in Note 3 to the consolidated financial statements.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group and the Company can be required to pay.

Group

		2014	
	Within 1 year or on demand	**Total undiscounted cash flows**	**Carrying amount at 31 March**
	HK$'000	*HK$'000*	*HK$'000*
Bank loans and other borrowings	390,702	390,702	372,181
Loan from a non-controlling shareholder	150,000	150,000	150,000
Trade and other payables (excluding receipts in advance and warranty provision)	204,171	204,171	204,171
Obligations under redeemed convertible bonds *(Note)*	760,752	760,752	760,752
	1,505,625	1,505,625	1,487,104

		2013	
	Within 1 year or on demand	**Total undiscounted cash flows**	**Carrying amount at 31 March**
	HK$'000	*HK$'000*	*HK$'000*
Bank loans and other borrowings	107,720	107,720	107,720
Trade and other payables (excluding receipts in advance and warranty provision)	116,730	116,730	116,730
Deposit received	61,915	61,915	61,915
Obligations under redeemed convertible bonds *(Note)*	760,752	760,752	760,752
	1,047,117	1,047,117	1,047,117

Note: Based on a court judgment dated 5 March 2013, the Group has been given an unconditional leave to defend to the extent of the Set-Off (as defined in Note 32) and based on which, the Group is entitled to a stay of execution of payment for the obligations under redeemed convertible bonds before the conclusion of relevant legal proceedings.

Company

	2014		
	Within 1 year or on demand	**Total undiscounted cash flows**	**Carrying amount at 31 March**
	HK$'000	*HK$'000*	*HK$'000*
Other payables	3,848	3,848	3,848
Obligations under redeemed convertible bonds *(Note)*	760,752	760,752	760,752
	764,600	764,600	764,600
Financial guarantee issued: Maximum amount guaranteed	–	–	–

	2013		
	Within 1 year or on demand	**Total undiscounted cash flows**	**Carrying amount at 31 March**
	HK$'000	*HK$'000*	*HK$'000*
Other payables	3,646	3,646	3,646
Obligations under redeemed convertible bonds *(Note)*	760,752	760,752	760,752
	764,398	764,398	764,398
Financial guarantee issued: Maximum amount guaranteed *(Note 31)*	61,915	61,915	–

Note: Based on a court judgment dated 5 March 2013, the Company has been given an unconditional leave to defend to the extent of the Set-Off (as defined in Note 32) and based on which, the Company is entitled to a stay of execution of payment for the obligations under redeemed convertible bonds before the conclusion of relevant legal proceedings.

(iii) Interest rate risk

The Group and the Company are exposed to cash flow interest rate risk in relation to variable-rate bank balances and fair value interest rate risk in relation to fixed-rate bank loans, other borrowings and bank deposits.

Group

	2014		2013	
	Effective interest rate	*HK$'000*	*Effective interest rate*	*HK$'000*
Variable rate bank balances	0.01% to 0.39%	188,125	0.01% to 0.39%	62,983
Fixed rate bank balances	0.20% to 3.70%	879,230	0.16% to 3.08%	78,346
Fixed rate bank loans	7.50% to 7.80%	183,031	7.80% to 8.20%	107,720
Fixed rate other borrowings	7.00% to 20.00%	189,150	–	–

Company

	2014		2013	
	Effective interest rate	*HK$'000*	*Effective interest rate*	*HK$'000*
Variable rate bank balances	0.01%	4,169	0.01%	4
Fixed rate bank balances	0.20% to 1.20%	844,092	0.16% to 0.65%	26,292

Sensitivity analysis

The fixed rate bank loans, other borrowings and bank balances of the Group and the Company which are fixed rate instrument are insensitive to any change in interest rates. A change in interest rate at the end of the reporting period would not affect the consolidated statement of profit or loss.

At 31 March 2014, it is estimated that a general increase or decrease of 100 basis points in interest rates in respect of variable rate bank balances, with all other variable held constant, would decrease or increase the Group's and the Company's loss after tax for the year and accumulated losses by approximately HK$1,881,000 (2013: HK$630,000) and HK$42,000 (2013: nil), respectively.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next annual reporting period. The analysis is performed on the same basis for 2013.

(iv) Currency risk

The Group currently does not have a foreign currency hedging policy. However, the management monitors the relative foreign exchanges positions of its assets and liabilities and will consider hedging significant foreign currency exposures should the need arises.

The following table details the Group's and the Company's exposure at the end of the reporting period to currency risk arising from the following assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the end of the reporting period. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

Group

	2014		**2013**	
	United States Dollars		**United States Dollars**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and bank balances	10,849	–	11,529	–
Trade and other receivables	1,305	–	321	–
Other payables	–	(4,388)	–	(4,667)
	12,154	(4,388)	11,850	(4,667)

Company

	2014		**2013**	
	United States Dollars		**United States Dollars**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and bank balances	7,084	–	5,788	–

As the Hong Kong dollars are pegged to United States dollars, the Group and the Company considers the risk of movements in exchange rates between the Hong Kong dollars and the United States dollars to be insignificant. Therefore, no sensitivity analysis is prepared.

(v) Fair value measurement

Fair value of financial assets and liabilities carried at other than fair value

The directors consider that the carrying amounts of the Group's and the Company's financial instruments at cost or amortised cost are not materially different from their fair values as at 31 March 2014 and 2013.

7. REVENUE

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

	2014	**2013**
	HK$'000	*HK$'000*
Sales of Lithium-ion batteries and its related products	80,649	53,175
Service income from vehicle design	444	–
Rental income from leasing of electric vehicles	781	–
Interest income from treasury investment in cash markets	2,082	679
Total	83,956	53,854

8. SEGMENT REPORTING

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:

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

(b) the vehicle design and electric vehicle production segment includes the vehicle design and the design, manufacture and sales of electric vehicles (a new business which was acquired during the year ended 31 March 2014);

(c) the electric vehicle leasing segment represents the provision of leasing service of electric vehicles (a new business which commenced during the year ended 31 March 2014); and

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

During the year ended 31 March 2013, as almost all of the Group's business operations were related to the Lithium-ion battery business, which constituted over 90% of the Group's revenue, results, assets and liabilities, the Board made decisions about resource allocation and performance assessment based on the entity-wide financial information, and no operating segment analysis was presented accordingly.

During the year ended 31 March 2014, as the Group commenced and identified two new reportable segments and changed the structure of its internal organisation, the corresponding information for the year ended 31 March 2013 was restated accordingly.

For the purposes of assessing segment performance and allocating resources between segments, the Board monitors the results, assets and liabilities attributable to each reportable segment on the following basis:

(i) Reportable segment profit/(loss) before tax represents the profit earned by/(loss from) each segment without allocation of central administration costs and central finance costs;

(ii) Revenue and expenses are allocated to each reportable segment with reference to revenue generated by the relevant segments and the expenses incurred by the relevant segments or which otherwise arise from the depreciation and amortisation of assets attributable to the relevant segments. The revenue from external parties reported to the Board is measured in a manner consistent with that in the consolidated statement of profit or loss. Inter-segment transactions are on an arm's length basis in a manner similar to transactions with third parties;

(iii) All assets are allocated to reportable segments other than unallocated corporate assets; and

(iv) All liabilities are allocated to reportable segments other than unallocated corporate liabilities.

The Group's reportable segments for the years ended 31 March 2014 and 2013 are as follows:

	2014				
	Battery products *HK$'000*	**Vehicle design & electric vehicle production** *HK$'000*	**Electric vehicle leasing** *HK$'000*	**Treasury investment** *HK$'000*	**Total** *HK$'000*
Revenue from external customers	80,649	444	781	2,082	83,956
Inter-segment revenue	727	–	–	–	727
Reportable segment revenue	81,376	444	781	2,082	84,683
Reportable segment profit/(loss) before tax	(213,401)	(677,380)	(3,095)	2,082	(891,794)
Other segment information:					
Interest income	1,047	245	443	2,082	3,817
Depreciation and amortisation of fixed assets	37,933	582	1,594	–	40,109
Finance costs	13,845	1,943	–	–	15,788
Amortisation of intangible assets	92,578	6,477	–	–	99,055
Impairment on goodwill	–	665,438	–	–	665,438
Impairment on fixed assets	6,973	–	–	–	6,973
Write-down of inventories	25,954	–	–	–	25,954
Additions to non-current assets	34,442	1,967,620	583	–	2,002,645
Reportable segment assets	1,584,683	1,402,124	22,932	855,329	3,865,068
Reportable segment liabilities	(1,341,023)	(466,849)	(1,050)	–	(1,808,922)

	2013 (Restated)				
	Battery products	**Vehicle design & electric vehicle production**	**Electric vehicle leasing**	**Treasury investment**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Reportable segment revenue from external customers	53,175	–	–	679	53,854
Reportable segment profit/(loss) before tax	(331,703)	–	–	679	(331,024)
Other segment information:					
Interest income	451	–	–	679	1,130
Depreciation and amortisation of fixed assets	30,889	–	–	–	30,889
Finance costs	17,649	–	–	–	17,649
Amortisation of intangible assets	106,142	–	–	–	106,142
Impairment on intangible assets	100,564	–	–	–	100,564
Write-down of inventories	15,905	–	–	–	15,905
Additions to non-current assets	69,871	–	–	–	69,871
Reportable segment assets	1,572,297	–	–	30,372	1,602,669
Reportable segment liabilities	(1,220,945)	–	–	–	(1,220,945)

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

	2014	2013
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	84,683	53,854
Elimination of inter-segment revenue	(727)	–
Consolidated revenue	83,956	53,854
Loss		
Reportable segment loss	(891,794)	(331,024)
Other income	1,449	407
Depreciation and amortisation	(1,551)	(1,947)
Finance costs	(3,541)	–
Unallocated corporate expenses	(41,144)	(43,560)
Consolidated loss before tax	(936,581)	(376,124)
Assets		
Reportable segment assets	3,865,068	1,602,669
Unallocated corporate assets	11,736	25,575
Consolidated total assets	3,876,804	1,628,244
Liabilities		
Reportable segment liabilities	(1,808,922)	(1,220,945)
Unallocated corporate liabilities	(5,043)	(67,108)
Consolidated total liabilities	(1,813,965)	(1,288,053)

Geographical information

(a) Revenue from external customers

	2014	2013
	HK$'000	*HK$'000*
European countries	20,247	20,965
PRC	42,280	14,801
The United States of America	3,349	4,967
Canada	5,100	1,267
Australia	4,036	5,287
Hong Kong	2,201	2,246
Others	6,743	4,321
	83,956	53,854

The revenue information is based on the location of the customers.

(b) Non-current assets

	2014	2013
	HK$'000	*HK$'000*
The PRC	2,415,046	1,222,206
Hong Kong	4,577	2,042
	2,419,623	1,224,248

The geographical location of the non-current assets is based on the physical location of the asset, in case of fixed assets and other non-current assets, and the location of the operation to which they are allocated, in the case of intangible assets and goodwill.

Information about major customers

Revenue(s) from customer(s) contributing 10% or more of the total revenue of the Group is/are as follows:

	2014	2013
	HK$'000	*HK$'000*
Customer A – revenue from sales of battery products	N/A	6,682
Customer B – revenue from sales of battery products	17,508	N/A

9. OTHER INCOME

	2014	2013
	HK$'000	*HK$'000*
Interest income	1,735	451
Government grants *(Note)*	4,106	554
Exchange gain, net	4,871	221
Others	4,806	620
	15,518	1,846

Note: The government grants were entitled to the Group from the PRC government for, inter alia, its development of strategic emerging industries and development of new energy automotive industries in the PRC.

10. FINANCE COSTS

	2014	2013
	HK$'000	*HK$'000*
Imputed interest on convertible bonds	–	12,104
Interest on bank loans wholly repayable within five years	13,845	5,545
Other borrowing costs	5,484	–
Total interest expenses on financial liabilities not at fair value through profit or loss	19,329	17,649

11. LOSS BEFORE TAX

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

	2014	2013
	HK$'000	*HK$'000*
Interest income	(3,817)	(1,130)
Auditor's remuneration	1,650	1,430
Cost of inventories recognised as expenses		
– included in cost of sales	74,827	46,659
– included in research and development expenses	4,351	11,498
– included in selling and distribution costs	1,907	2,249
– included in write-down of inventories *(Note (b))*	25,954	15,905
Amortisation of intangible assets	99,055	106,142
Impairment on intangible assets	–	100,564
Impairment on fixed assets	6,973	–
Impairment on goodwill	665,438	–
Depreciation and amortisation of fixed assets	41,660	32,836
Exchange gains, net	(4,871)	(221)
(Gain)/loss on disposal of fixed assets	(626)	10
Minimum lease payments under operating leases in respect of property rentals	10,762	7,151
Staff costs (including directors' emoluments)		
– salaries and allowances	57,732	61,804
– equity-settled share-based payments	3,736	1,643
– contributions to retirement benefits schemes	7,621	7,241

Notes:

(a) During the year ended 31 March 2013, the other operating expenses of HK$26,083,000 represented production and output costs incurred in trial run stage of the Group's battery production base in Tianjin, the PRC.

(b) The write-down of inventories amounted to HK$25,954,000 (2013: HK$15,905,000) was provided for those slow-moving inventories which were less compatible with and less marketable than the Group's current products.

12. RETIREMENT BENEFIT SCHEMES

The Group's Hong Kong subsidiaries operate defined contribution retirement benefit schemes under the Hong Kong Mandatory Provident Fund Schemes Ordinance ("Ordinance"). The Ordinance requires each employer and its employees to contribute 5% of the employees' monthly gross earnings with a ceiling of HK$1,250 (HK$1,000 per month prior to June 2012) per month. The assets of the scheme are held separately from those of the Group in independently administered funds. The contributions payable by the Group to the scheme are immediately vested and charged to the consolidated statement of profit or loss.

The employees of the Group's PRC subsidiaries are members of the retirement schemes operated by the PRC local authorities. The subsidiaries are required to contribute at a rate ranging from 14% to 21% of the eligible employees' salaries to these schemes. The only obligation of the Group with respect to these schemes is the required contributions under the schemes.

The Group's total contributions to these schemes charged to the consolidated statement of profit or loss for the year ended 31 March 2014 amounted to HK$7,621,000 (2013: HK$7,241,000).

13. INCOME TAX

	2014	2013
	HK$'000	*HK$'000*
The PRC tax:		
Charge for the year	–	–
Deferred *(Note 34)*	(24,703)	(51,677)
Total credit for the year	(24,703)	(51,677)

No provision for the Hong Kong profits tax and the PRC enterprise income tax has been made as the Group sustained losses for taxation purposes in Hong Kong and the PRC for the years ended 31 March 2014 and 2013. The deferred tax of HK$24,703,000 (2013: HK$51,677,000) that has been credited to the consolidated statement of profit or loss arose from origination and reversal of temporary differences.

The tax credit for the year can be reconciled to the loss per the consolidated statement of profit or loss as follows:

	2014	2013
	HK$'000	*HK$'000*
Loss before tax	(936,581)	(376,124)
Notional tax on loss before tax, calculated at the rates applicable to the tax jurisdiction concerned	(173,401)	(88,389)
Tax effect of non-deductible expenses	120,062	15,665
Tax effect of non-taxable income	(545)	(165)
Tax effect of unrecognised temporary differences	(313)	248
Tax losses not recognised	29,494	20,964
Tax credit for the year	(24,703)	(51,677)

14. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company for the year includes a loss of approximately HK$914,123,000 (2013: HK$303,395,000) which has been dealt with in the financial statements of the Company.

15. DIVIDEND

No dividend was paid or declared by the Company during the year (2013: nil).

16. LOSS PER SHARE

(a) Basic loss per share

The basic loss per share is calculated based on (i) the consolidated loss for the year attributable to owners of the Company of HK$906,389,000 (2013: HK$324,447,000) and (ii) the weighted average number of 13,584,372,000 (2013: 11,175,462,000) ordinary shares in issue during the year.

	2014 Weighted average number of ordinary shares	**2013 Weighted average number of ordinary shares**
	'000	*'000*
Issued ordinary shares at the beginning of the reporting period	12,254,516	10,991,707
Effect of issue on shares pursuant to share subscriptions *(Note 35(a))*	1,195,233	–
Effect of issue on shares upon exercise of share options *(Note 35(b))*	564	1,076
Effect of issue on shares upon acquisition transaction *(Note 35(c))*	130,223	–
Effect of issue on shares pursuant to share placement *(Note 35(d))*	3,836	–
Effect of issue on shares upon conversion of convertible bonds *(Note 35(e))*	–	182,679
Weighted average number of ordinary shares at the end of the reporting period	13,584,372	11,175,462

(b) Diluted loss per share

The calculation of diluted loss per share does not assume the exercise of the Company's outstanding share options or conversion of outstanding convertible bonds which had anti-dilutive effect and would result in a reduction in loss per share for the years ended 31 March 2014 and 2013. Therefore, the diluted loss per share is the same as the basic loss per share for both years.

17. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The emoluments of the directors of the Company (the "Directors") for the year ended 31 March 2014 disclosed pursuant to the Listing Rules and section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), are set out below:

	Directors' fees	Basic salaries, allowances and benefits in kind	Equity-settled share-based payments	Retirement benefit schemes contributions	2014 Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors					
Mr. Miao Zhenguo *(Chief Executive Officer) (Note (i))*	–	1,370	165	15	1,550
Mr. Lo Wing Yat	320	–	109	–	429
Mr. Jaime Che	–	1,047	165	15	1,227
Mr. Xu Donghui *(Note (ii))*	–	1,096	109	15	1,220
Non-executive Directors					
Mr. Cao Zhong *(Chairman) (Note (iii))*	19	–	–	–	19
Professor Chen Guohua	320	–	82	–	402
Independent non-executive Directors					
Mr. Chan Yuk Tong	320	–	109	–	429
Mr. Fei Tai Hung	320	–	109	–	429
Mr. Tse Kam Fow	320	–	109	–	429
	1,619	3,513	957	45	6,134

The emoluments of the Directors for the year ended 31 March 2013 disclosed pursuant to the Listing Rules and Section 161 of the predecessor Hong Kong Companies Ordinance are set out below:

	Directors' fees *HK$'000*	Basic salaries, allowances and benefits in kind *HK$'000*	Equity-settled share-based payments *HK$'000*	Retirement benefit schemes contributions *HK$'000*	2013 Total *HK$'000*
Executive Directors					
Mr. Miao Zhenguo *(Chief Executive Officer)*	–	1,370	31	14	1,415
Mr. Lo Wing Yat	320	–	62	–	382
Mr. Jaime Che	–	1,057	62	14	1,133
Mr. Xu Donghui	–	1,096	62	14	1,172
Non-executive Director					
Professor Chen Guohua	320	–	–	–	320
Independent non-executive Directors					
Mr. Chan Yuk Tong	320	–	31	–	351
Mr. Fei Tai Hung	320	–	31	–	351
Mr. Tse Kam Fow	320	–	31	–	351
	1,600	3,523	310	42	5,475

Notes:

(i) Mr. Miao Zhenguo has resigned as the Chief Executive Officer of the Company but remained as the Deputy Chairman and executive director of the Company with effect from 28 May 2014.

(ii) Mr. Xu Donghui has resigned as an executive director and the Chief Operating Officer of the Company with effect from 28 May 2014 but remained as a senior executive in the Group's battery manufacturing business.

(iii) Mr. Cao Zhong has been appointed as a non-executive director and Chairman of the Company with effect from 11 March 2014 and re-designated as an executive director of the Company with effect from 15 April 2014. On 28 May 2014, Mr. Cao Zhong has been appointed as the Chief Executive Officer of the Company.

The aggregate amounts of emoluments payable to the Directors during the year are as follows:

	2014	**2013**
	HK$'000	*HK$'000*
Fees		
Executive Directors	320	320
Non-executive Directors	339	320
Independent non-executive Directors	960	960
	1,619	1,600
Other emoluments for Directors		
Basic salaries, allowances and benefits in kind	3,513	3,523
Equity-settled share-based payments	957	310
Retirement benefit schemes contributions	45	42
	4,515	3,875
	6,134	5,475

The above emoluments included the fair value of share options granted to certain Directors under the Company's share option scheme. The details are disclosed in Note 37.

No emoluments of the Directors were incurred as an inducement to join or upon joining the Company or as compensation for loss of office during the years ended 31 March 2014 and 2013.

No Directors has waived or agreed to waive any remuneration during the years ended 31 March 2014 and 2013.

(b) Five highest paid individuals

The five highest paid individuals of the Group include three (2013: three) Directors, details of whose emoluments are set out in Note 17(a) to the financial statements. Details of the emoluments of the remaining two (2013: two) individuals for the year are as follows:

	2014	**2013**
	HK$'000	*HK$'000*
Basic salaries, allowances and benefits in kind	1,900	2,141
Equity-settled share-based payments	219	345
Retirement benefit schemes contributions	15	14
	2,134	2,500

The emoluments of the two (2013: two) individuals with the highest emoluments fell within the following bands:

	Number of Employees	
	2014	**2013**
Emoluments bands		
HK$500,001 – HK$1,000,000	1	–
HK$1,000,001 – HK$1,500,000	1	2
	2	2

18. ACQUISITION OF SUBSIDIARIES

On 19 December 2013, Preferred Market Limited ("Preferred Market"), a wholly-owned subsidiary of the Company, together with the Company as its guarantor, entered into an acquisition agreement (the "Acquisition Agreement") with Captain Century Limited, Designer Touch Limited, Infinity Wealth International Limited, Super Sleek Limited, Super Engine Limited, Ms. Lam Chiu Che, and Ms. Chong Sok Un, (collectively, the "Vendors") and five Vendors' guarantors. Pursuant to the Acquisition Agreement, the Vendors conditionally agreed to sell and Preferred Market conditionally agreed to purchase 58.50% equity interest in Agnita Limited ("Agnita") and its subsidiaries (collectively, the "Agnita Group") for a total consideration of HK$608,400,000 (the "Acquisition"). The consideration of the Acquisition was settled by the issue of 1,901,250,000 new shares of the Company (the "Consideration Shares") at the contracted issue price of HK$0.32 per share and the Acquisition was completed on 7 March 2014 (the "Completion Date").

Infinity Wealth International Limited is wholly owned by Mr. Miao Zhenguo, the Deputy Chairman, executive director and substantial shareholder of the Company and is therefore a connected person of the Company for the purpose of the Listing Rules. Ms. Chong Sok Un is an associate of Mr. Jamie Che, an executive director of the Company, and is therefore a connected person of the Company for the purpose of the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction for the Company.

Preferred Market would have the right to nominate and appoint majority of the directors in Agnita Limited and all of its subsidiaries, and they would become indirect non wholly-owned subsidiaries of the Company post the Completion Date.

The Agnita Group was principally engaged in (i) the design, research and development, and testing of electric vehicles, and (ii) selling and licensing auto vehicle designs and associated patents to the automobile manufacturers. The Agnita Group started to construct facilities dedicated to producing pure electric vehicles which are designed and developed by it and will carry out the business of marketing, sales and distribution of those pure electric vehicles.

Given the Group's experience in the electric vehicle leasing business and being one of the leading Lithium-ion battery manufacturers in the PRC for electric vehicles, the Board are of the view that the Acquisition represents a significant furtherance of the Group's strategic development of vertical expansion and will be beneficial to the development of the Group's electric battery products through the synergy formed.

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

The fair values of the identifiable assets and liabilities of the Agnita Group as at the Completion Date were as follows:

	Fair value recognised on the Acquisition
	HK$'000
Intangible assets *(Note 20)*	418,193
Fixed assets *(Note 21)*	330,343
Deposits paid for fixed assets	182,983
Trade and other receivables	30,481
Pledged bank deposits	1,089
Cash and bank balances	126,812
Trade and other payables	(40,418)
Other borrowings	(190,170)
Loan from a non-controlling shareholder	(150,000)
Deferred tax liabilities *(Note 34)*	(116,935)
Total identifiable net assets at fair value	592,378
Non-controlling interests	(335,438)
Goodwill arising on the Acquisition *(Note 19)*	1,016,898
	1,273,838

	HK$'000
Consideration for the Acquisition:	
Issue of 1,901,250,000 Consideration Shares at fair value	1,273,838

The fair value of each Consideration Share was calculated at HK$0.67, being the closing market price of the Company's ordinary share on the Completion Date.

The Group incurred transaction costs of HK$2,425,000 for the Acquisition. These transaction costs have been expensed and are included in general and administrative expenses in the consolidated statement of profit or loss.

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

	HK$'000
Cash and bank balances acquired and included in cash flows from investing activities	126,812
Transaction costs of the Acquisition included in cash flows from operating activities	(2,425)
	124,387

Since the completion of the Acquisition, the Agnita Group contributed HK$444,000 to the Group's revenue and caused a loss of HK$10,394,000 to the consolidated loss for the year ended 31 March 2014.

Had the Acquisition taken place at the beginning of the year, the revenue of the Group and the loss of the Group for the year would have been HK$101,971,000 and HK$957,165,000 respectively.

At the Completion Date, a call option was granted by Preferred Market (the Company as guarantor) to CIAM Investment BVI Limited ("CIAM BVI") (which has a common director with the Company, a shareholder of Agnita and is a wholly-owned subsidiary of CIAM Group Limited ("CIAM Group"), a company listed on the

Stock Exchange) in accordance with the call option deed dated 19 December 2013. If the call option was exercised, Preferred Market would be required to sell 8.50% of the issued share capital of Agnita to CIAM BVI at an exercise price of HK$88,400,000, which will be satisfied by the issuance of CIAM Group's 66,466,165 new ordinary shares. The call option is exercisable by CIAM BVI within one year from the Completion Date. Upon the exercise of the call option, Agnita will be held as to 50% by each of Preferred Market and CIAM BVI, but Preferred Market will still have the right to nominate and appoint the majority of the directors in each member of the Agnita Group. Hence, Agnita will remain as an indirect non wholly-owned subsidiary of the Group and the accounting treatment of Agnita will remain unchanged. As at the Completion Date and at the end of the reporting period, the fair values of the call option were insignificant according to the valuation performed by an independent valuer.

19. GOODWILL

Group

Goodwill is allocated to the Group's cash-generating units identified according to the operating segments as follows:

	Allocated to battery products segment *HK$'000*	Allocated to vehicle design & electric vehicle production segment *HK$'000*	Total *HK$'000*
Cost			
At 1 April 2012, 31 March 2013 and 1 April 2013	904,240	–	904,240
Acquisition of subsidiaries *(Note 18)*	–	1,016,898	1,016,898
Exchange adjustments	–	(5,453)	(5,453)
At 31 March 2014	904,240	1,011,445	1,915,685
Accumulated impairment losses			
At 1 April 2012, 31 March 2013 and 1 April 2013	904,240	–	904,240
Impairment loss for the year	–	665,438	665,438
Exchange adjustments	–	(3,569)	(3,569)
At 31 March 2014	904,240	661,869	1,566,109
Carrying amount			
At 31 March 2014	–	349,576	349,576
At 31 March 2013	–	–	–

Impairment testing of goodwill in respect of vehicle design and electric vehicle production segment

Significant portion of the goodwill in connection with the Acquisition arose from the increase in fair value of the Consideration Share from the contracted issue price of HK$0.32 per Consideration Share as stipulated under the Acquisition to the closing market price of the shares of the Company on the Completion Date. The closing market price per share of the Company on the Completion Date was used as the fair value of the issued shares of the Company for the purpose of calculating the fair value of the Consideration Shares issued for the Acquisition. The impairment loss of goodwill of approximately HK$665,438,000 was recognised immediately upon completion of the Acquisition according to the recoverable amount of the cash-generating unit to which goodwill has been allocated with reference to the valuation performed by an independent professional valuer, Jones Lang LaSalle Corporate Appraisal and

Advisory Limited. In the opinion of the Board, the impairment loss was mainly attributable to the increase in the fair value of Consideration Shares of the Company at the Completion Date. After the recognition of impairment loss, the carrying amount of goodwill was HK$349,576,000, which was arisen mainly by the benefit of expected synergies, revenue growth and future market development. None of the goodwill recognised is expected to be deductible for income tax purposes.

The recoverable amount of the vehicle design and electric vehicle production cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by management. The discount rate applied to the cash flow projections is approximately 22.71% per annum and cash flows beyond the five-year period are extrapolated using an estimated growth rate of 3% per annum.

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – Budgeted gross margins are based on the average values of the comparables and the expectations for market development.

Discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant units. In determining an appropriate discount rate, a consideration has been given to the applicable borrowing interest rates in the year immediately before the budget years.

Growth rate – The growth rate used does not exceed the long-term average growth rate of the relevant market in the PRC.

The values assigned to the key assumptions on market development, gross margins and discount rate are consistent with external information sources.

The impairment loss recognised during the year solely relates to the Group's vehicle design and electric vehicle production activities. As the cash-generating unit has been reduced to its recoverable amount of approximately HK$1,998 million, any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment loss.

20. INTANGIBLE ASSETS

Group

	Patents and patent using rights *HK$'000*	Industrial proprietary right *HK$'000*	Technical know-hows *HK$'000*	Total *HK$'000*
Cost				
At 1 April 2012	3,640,000	–	–	3,640,000
Additions through acquisition	1,981	–	–	1,981
Additions from internal developments	49	–	–	49
At 31 March 2013 and 1 April 2013	3,642,030	–	–	3,642,030
Additions through acquisition of subsidiaries *(Note 18)*	–	29,594	388,599	418,193
Additions from internal developments	24	–	2,847	2,871
Exchange adjustments	36	(159)	(65)	(188)
At 31 March 2014	3,642,090	29,435	391,381	4,062,906
Accumulated amortisation and impairment losses				
At 1 April 2012	2,774,582	–	–	2,774,582
Charge for the year	106,142	–	–	106,142
Impairment loss for the year	100,564	–	–	100,564
At 31 March 2013 and 1 April 2013	2,981,288	–	–	2,981,288
Charge for the year	92,578	–	6,477	99,055
At 31 March 2014	3,073,866	–	6,477	3,080,343
Carrying amount				
At 31 March 2014	568,224	29,435	384,904	982,563
At 31 March 2013	660,742	–	–	660,742

Notes:

(a) Intangible assets mainly represent:

(1) the exclusive using rights of certain licensed patents granted to the Group through an acquisition in 2010;

(2) the industrial proprietary right and capitalised development costs of certain technical know-hows relating to the electric vehicle production business acquired through the Acquisition; and

(3) the patents generated through further acquisitions and internal research and developments and capitalised technical know-hows by the Group.

(b) As at 31 March 2014 and 2013, the recoverable amount of the patents and patents using rights was assessed by the Board by reference to the professional valuation performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("Jones Lang LaSalle"), an independent firm of professionally qualified valuers. The Board is of the opinion that, based on the valuation performed by Jones Lang LaSalle, no impairment losses (2013: HK$100,564,000) should be recognised in the Group's consolidated statement of profit or loss for the year ended 31 March 2014. The valuation performed by Jones Lang LaSalle is based on value-in-use calculations using cash flow projections which are based on financial forecast approved by the Board. The pre-tax discount rate applied to the cash flow projections is 23.69% (2013: 25.57%) per annum. The Board was of the opinion that the decrease in the recoverable amount of the intangible assets and the impairment loss of HK$100,564,000 for the year ended 31 March 2013 attributable to the longer than expected time in (i) the trial run stage of the Tianjin production site; (ii) adopting new raw materials; and (iii) introducing new patents, technique and know-hows into production process, which in turn delay production and generated lesser economic benefits to the Group. The patents and patents using rights were belong to battery products segment.

21. FIXED ASSETS

Group

	Interest in leasehold land held for own use under operating lease	Leasehold land under finance leases and buildings	Buildings held for own use	Leasehold improvements	Plant and machinery	Furniture and equipment	Motor vehicles	Electric vehicles	Sub-total	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost											
At 1 April 2012	28,595	41,942	79,731	2,768	141,855	9,455	9,005	–	313,351	45,200	358,551
Additions	–	1,453	–	–	102,668	4,950	422	4,633	114,126	34,037	148,163
Exchange adjustments	109	160	304	–	540	26	20	–	1,159	173	1,332
Transfers	–	42,771	14,824	5,446	3,168	2,921	–	–	69,130	(69,130)	–
Disposals	–	–	–	–	(10)	(3)	–	–	(13)	–	(13)
At 31 March 2013 and 1 April 2013	28,704	86,326	94,859	8,214	248,221	17,349	9,447	4,633	497,753	10,280	508,033
Acquisition of subsidiaries *(Note 18)*	245,588	–	66,781	–	–	17,237	737	–	330,343	–	330,343
Additions	102,691	8,981	190	2,795	4,415	1,664	1,906	–	122,642	12,481	135,123
Exchange adjustments	(502)	1,593	1,376	100	4,552	177	103	85	7,484	189	7,673
Transfers	–	10,003	–	–	–	1,582	–	–	11,585	(11,585)	–
Disposals	–	–	–	(2,769)	(1,196)	(617)	(525)	–	(5,107)	–	(5,107)
Reclassification	–	–	2,972	–	(481)	(3,789)	1,298	–	–	–	–
At 31 March 2014	376,481	106,903	166,178	8,340	255,511	33,603	12,966	4,718	964,700	11,365	976,065
Accumulated depreciation and amortisation and impairment losses											
At 1 April 2012	732	–	2,893	1,381	12,056	2,431	3,639	–	23,132	–	23,132
Charge for the year	639	2,166	3,663	923	20,726	2,700	1,919	100	32,836	–	32,836
Exchange adjustments	7	15	36	–	187	19	14	–	278	–	278
Disposals	–	–	–	–	(2)	(1)	–	–	(3)	–	(3)
At 31 March 2013 and 1 April 2013	1,378	2,181	6,592	2,304	32,967	5,149	5,572	100	56,243	–	56,243
Charge for the year	2,257	1,868	5,448	1,939	23,218	3,164	2,279	1,487	41,660	–	41,660
Impairment for the year	–	–	–	–	6,973	–	–	–	6,973	–	6,973
Exchange adjustments	15	41	65	1	621	68	50	3	864	–	864
Disposals	–	–	–	(2,769)	(301)	(610)	(353)	–	(4,033)	–	(4,033)
Reclassification	–	–	94	–	(200)	(101)	207	–	–	–	–
At 31 March 2014	3,650	4,090	12,199	1,475	63,278	7,670	7,755	1,590	101,707	–	101,707
Carrying amount											
At 31 March 2014	372,831	102,813	153,979	6,865	192,233	25,933	5,211	3,128	862,993	11,365	874,358
At 31 March 2013	27,326	84,145	88,267	5,910	215,254	12,200	3,875	4,533	441,510	10,280	451,790

Notes:

(a) All of the Group's land and buildings are held in the PRC under medium-term leases as at 31 March 2014 and 2013.

(b) As at 31 March 2014, certain land and buildings of the Group with a total carrying amount of HK$206,138,000 (2013: HK$190,663,000) were pledged as securities for the Group's bank loans (Note 28 (a)).

22. DEPOSITS PAID FOR FIXED ASSETS

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

As at 31 March 2013, the Group acquired a land in the PRC from the local government and paid the full consideration and related direct costs of totally HK$97,933,000. The land which was partly subsidised by the government grant (Note 33) is not transferrable in the next ten years after acquisition. The Group transferred the land from deposits paid for fixed assets to fixed assets during the year ended 31 March 2014. The remaining deposit of HK$2,845,000 was for the purchase of machineries and equipment.

23. INTERESTS IN SUBSIDIARIES

Company

	2014	**2013**
	HK$'000	*HK$'000*
Unlisted shares, at cost	11	11
Amounts due from subsidiaries *(Note (b))*	5,892,068	4,501,585
	5,892,079	4,501,596
Less: Allowance for impairment losses *(Note (a))*	(4,329,902)	(3,436,557)
	1,562,177	1,065,039
Less: Amounts due from subsidiaries under current assets *(Note (b))*	(406,778)	(545,499)
Interests in subsidiaries	1,155,399	519,540

Notes:

(a) Movements in the allowance for impairment losses are as follows:

	2014	**2013**
	HK$'000	*HK$'000*
Balance at beginning of the year	3,436,557	3,170,947
Add: Impairment losses during the year	893,345	265,610
Balance at end of the year	4,329,902	3,436,557

Impairment losses were recognised during the years ended 31 March 2014 and 2013 after taking into consideration of the financial position and loss making situations of those subsidiaries.

(b) The amounts due from subsidiaries are unsecured and interest-free. In the opinion of the Board, except for amounts due from subsidiaries of HK$406,778,000 (2013: HK$545,499,000) which are repayable on demand, the remaining balances which will not be demanded for repayment, are considered as quasi-equity investment in subsidiaries.

(c) Particulars of the principal subsidiaries as at 31 March 2014 are as follows:

Name	Place of incorporation and operation	Issued and fully paid capital/ registered capital	Percentage of equity interest held by the Company		Principal activities
			Directly	Indirectly	
ACE Legend Holdings Limited	Hong Kong	HK$1	–	100%	Investment holding
Agnita Limited	British Virgin Islands	US$10,000	–	58.50%	Investment holding
Basland Enterprises Ltd.	British Virgin Islands	US$100	100%	–	Investment holding
Five Dragons Electric Vehicle Limited	Hong Kong	HK$100	–	58.50% *(Note 3)*	Investment holding
Glory Era Limited	Hong Kong	HK$10,000	100%	–	Human resources, administrative management and consultancy services
Lucky Metro Trading Ltd.	British Virgin Islands	US$100	–	100%	Investment holding
Preferred Market Limited	British Virgin Islands	US$1	100%	–	Investment holding
Qiyang Limited	British Virgin Islands	US$1	100%	–	Investment holding
Sinopoly Battery International Limited	Hong Kong	HK$1	–	100%	Distribution and sale of battery products
Sinopoly Battery Research Center Limited	Hong Kong	HK$1	–	100%	Research and development
Thunder Sky Energy Technology Limited	Hong Kong	HK$1,000,000	–	100%	Investment holding
Union Grace Holdings Limited	British Virgin Islands	US$1,000	–	100%	Investment holding
Sinopoly New Energy Investment Co., Ltd. *(Note 1)*	PRC	HK$350,000,000*	–	100%	Investment holding, purchase of battery raw materials and sale of battery products
Tianjin Sinopoly New Energy Technology Co., Ltd. *(Note 1)*	PRC	HK$130,000,000*	–	100%	Manufacture and sale of battery products
吉林中聚新能源科技有限公司 (Jilin Sinopoly New Energy Technology Co., Ltd.$^{\Delta}$) *(Note 1)*	PRC	HK$177,000,000*	–	100%	Manufacture and sale of battery products

Name	Place of incorporation and operation	Issued and fully paid capital/ registered capital	Percentage of equity interest held by the Company Directly	Percentage of equity interest held by the Company Indirectly	Principal activities
北京中聚力佳科技有限公司 (Beijing Sinopoly Li Jia Technology Co., Ltd.$^{\Delta}$) *(Note 1)*	PRC	HK$13,000,000*	–	100%	Research and development, purchase of battery raw materials and sale of battery products
深圳中聚電池有限公司 (Shenzhen Sinopoly Battery Ltd.$^{\Delta}$) *(Note 1)*	PRC	HK$10,000,000*	–	100%	Sale of battery products
天津中聚新能源設備有限公司 (Tianjin Sinopoly New Energy Equipment Co., Ltd$^{\Delta}$) *(Note 2)*	PRC	RMB10,000,000*	–	100%	Manufacture and sale of battery-related products
上海中聚佳華電池科技有限公司 (Shanghai Sinopoly Jia Hua Battery Technology Co., Ltd.$^{\Delta}$) *(Note 2)*	PRC	RMB10,000,000*	–	100%	Research and development
簡式國際汽車設計(北京)有限公司 (Jasmin International Auto R&D (Beijing) Co., Ltd$^{\Delta}$) *(Note 2)*	PRC	RMB80,000,000*	–	46.80% *(Note 4)*	Design of electric vehicles
杭州長江汽車有限公司 (Hangzhou Changjiang Automobile Co., Ltd$^{\Delta}$) *(Note 2)*	PRC	RMB21,320,000*	–	25.74% *(Note 5)*	Manufacture and distribution of electric vehicles

Note 1: These subsidiaries established in the PRC are wholly foreign-owned enterprises.

Note 2: These subsidiaries established in the PRC are limited liability companies.

Note 3: Five Dragons Electric Vehicle Limited ("Five Dragons") was wholly-owned by Agnita (which was in return 58.50% owned by the Group). Accordingly, the Company has a 58.50% effective interest in Five Dragons.

Note 4: Jasmin International Auto R&D (Beijing) Co., Ltd ("Jasmin Beijing") was 80% owned by Five Dragons (which was in return wholly owned by Agnita). Accordingly, the Company has a 46.80% effective interest in Jasmin Beijing.

Note 5: Hangzhou Changjiang Automobile Co., Ltd ("Changjiang") was 55% owned by Jasmin Beijing (which was controlled by the Group through Agnita (Note 4)). Accordingly, the Company has a 25.74% effective interest in Changjiang.

* The registered capital has been fully paid-up.

Δ For identification purpose.

The following table lists out the information of Agnita, the subsidiary of the Group which has material non-controlling interest ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination. Since Agnita was acquired by the Group during the year ended 31 March 2014, no comparative information was presented accordingly.

	2014
	Agnita
	HK$'000
NCI percentage	41.50%
Current assets	111,566
Non-current assets	956,192
Current liabilities	(356,880)
Non-current liabilities	(115,268)
Net assets attributable to NCI of Agnita's subsidiaries	139,933
Net assets attributable to the owners of Agnita	455,677
Carrying amount of NCI	189,106
Revenue	444
Loss attributable to NCI of Agnita's subsidiaries	(2,009)
Loss attributable to the owners of Agnita	(8,385)
Loss allocated to NCI	(3,480)
Total comprehensive loss attributable to NCI of Agnita's subsidiaries	(2,385)
Total comprehensive loss attributable to the owners of Agnita	(9,674)
Dividend paid to NCI	–
Cash flows used in operating activities	(13,516)
Cash flows used in investing activities	(44,080)
Cash flows used in financing activities	–

24. INVENTORIES

Group

	2014	**2013**
	HK$'000	*HK$'000*
Raw materials	13,135	16,388
Work in progress	9,495	8,760
Finished goods	100,716	96,395
	123,346	121,543

The carrying amount of inventories carried at fair value less cost to sell amounted to HK$52,454,000 (2013: nil).

25. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2014	**2013**	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables *(Notes (a) and (b))*	66,648	44,876	–	–
Bills receivables	–	858	–	–
Amounts due from customers for contract work *(Note (c))*	3,650	–	–	–
Other receivables *(Notes (d) and (e))*	125,626	33,244	63,025	2
Less: Allowance for doubtful debts for other receivables	(28,785)	(28,785)	–	–
Deposits and prepayments	19,578	26,362	1,306	1,177
Value added tax receivables	66,211	55,739	–	–
	252,928	132,294	64,331	1,179

Notes:

(a) An ageing analysis of trade receivables is as follows:

Group

	2014	**2013**
	HK$'000	*HK$'000*
Within 1 month	10,131	316
Between 1 and 3 months	943	73
Over 3 months	55,574	44,487
	66,648	44,876

Trading terms with customers are either on a cash basis or on credit. For those customers who trade on credit, a credit period generally ranging from 30 days to 90 days is allowed. Credit limits are set for 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 senior management. The carrying amounts of the receivables approximate their fair values.

(b) The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

Group

	2014	**2013**
	HK$'000	*HK$'000*
Neither past due nor impaired	11,584	356
Less than 1 month past due	827	160
Between 1 and 3 months past due	1,006	413
More than 3 months past due	53,231	43,947
Past due but not impaired	55,064	44,520
	66,648	44,876

Receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record and/or sound financial background with the Group. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. As at 31 March 2014 and 2013, the Group does not hold any collateral over these balances.

(c) As at 31 March 2014, the aggregate amount of costs incurred plus recognised profits less recognised losses to date, included in the amounts due from customers for contract work, was approximately HK$12,384,000 (2013: nil) less progress billings of HK$8,734,000 (2013: nil). The amounts due from customers for contract work is expected to be recovered within one year.

(d) Included in other receivables is an amount of HK$28,785,000 (2013: HK$28,785,000) which was due from certain Chung Parties (as defined in Note 39), in respect of the trade sales amount receipts due to the Group as reduced by the amount of purchases payable to such Chung Parties. However, such Chung Parties have failed and refused to remit such amount to the Group. Impairment losses in respect of the other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against the other receivables directly.

(e) Included in other receivables is an amount of HK$62,988,000 (2013: nil) due from an entity which has a common director with the Company. The outstanding balance is unsecured, non-interest bearing and is expected be recovered within one year.

(f) All of the trade and other receivables (net of allowance for doubtful debts) are expected to be recovered or recognised as expense within one year.

26. PLEDGED BANK DEPOSITS

As at 31 March 2014, the pledged bank deposits of HK$311,000 (2013: HK$305,000), HK$8,259,000 (2013: HK$9,287,000) and HK$2,714,000 (2013: nil) were pledged as security for a sale contract, the issuance of bills payables (Note 30) and letter of credit by the Group, respectively.

As at 31 March 2014 and 2013, all pledged bank deposits relating to the PRC subsidiaries were denominated in RMB. RMB is not freely convertible into other currencies and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

27. CASH AND BANK BALANCES

	Group		**Company**	
	2014	**2013**	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash at bank and in hand	198,652	71,508	11,237	4,080
Short-term bank deposits	870,971	69,059	844,092	26,292
Cash and cash equivalents in the consolidated statement of cash flows	1,069,623	140,567	855,329	30,372

At the end of the reporting period, the cash and bank balances of the PRC subsidiaries denominated in RMB amounted to HK$152,291,000 (2013: HK$79,600,000). RMB is not freely convertible into other currencies and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

28. BANK LOANS AND OTHER BORROWINGS

Group

	2014	**2013**
	HK$'000	*HK$'000*
Secured bank loans repayable within one year *(Note (a))*	107,371	107,720
Unsecured bank loans repayable within one year *(Note (b))*	75,660	–
Unsecured other borrowings repayable within one year	189,150	–
	372,181	107,720

Notes:

(a) As at 31 March 2014 and 2013, the bank loans were secured by certain land and buildings of the Group (Note 21(b)).

(b) As at 31 March 2014, the bank loan was granted under a corporate guarantee given by an independent third party.

29. LOAN FROM NON-CONTROLLING SHAREHOLDER

The Group obtained a loan from a non-controlling shareholder of the Group's subsidiaries, which is non-interest bearing, unsecured, and repayable in September 2014.

30. TRADE AND OTHER PAYABLES

	Group		**Company**	
	2014	**2013**	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables *(Note (a))*	25,437	19,178	–	–
Bills payables	8,259	9,287	–	–
Payables for acquisition of fixed assets	65,117	69,487	–	–
Other payables and accruals	105,358	18,778	3,848	3,646
Receipts in advance	7,228	14,903	–	–
Warranty provision *(Note (b))*	1,420	953	–	–
	212,819	132,586	3,848	3,646

As at 31 March 2014, bills payables of HK$8,259,000 (2013: HK$9,287,000) was secured by the equivalent amount of bank deposits (Note 26).

Notes:

(a) An ageing analysis of trade payables is as follows:

Group

	2014	**2013**
	HK$'000	*HK$'000*
Within 1 month	8,474	4,214
Between 1 and 3 months	7,007	1,864
Over 3 months	9,956	13,100
	25,437	19,178

(b) Warranty provision

Group

	HK$'000
At 1 April 2013	953
Additional provision made	467
At 31 March 2014	1,420

The Group generally provides one to three-year warranties to its customers on certain of its battery products, under which faulty products are repaired or replaced. The amount of the provision for the warranties is estimated based on sales volumes and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

31. DEPOSIT RECEIVED

On 20 March 2013, the Group entered into an investment agreement (the "Investment Agreement") with an institution (which has a common director with the Company) and its subsidiary (collectively, the "Investors"). The Investors intend to subscribe for equity interests in the Group's subsidiaries which operate electric vehicles leasing business (the "Investment"), subject to their due diligence and the terms and conditions to be agreed. An earnest money of RMB50,000,000 (approximately HK$61,915,000) (the "Deposit") was paid by the Investors for the purpose of securing the Investment. The Company gave a guarantee to the Investors in return to secure the due and punctual performance of its subsidiaries under the Investment Agreement (the "Guarantee"). Upon the expiry of the Investment Agreement, the Group entered into a supplementary agreement ("Supplementary Agreement") with the Investors to return the Deposit within six months starting from 21 September 2013 and the Company gave the Investors a cash pledge amounting to HK$62,988,000 as a security and the Guarantee was cancelled accordingly. During the year ended 31 March 2014, the Group entered into another supplementary agreement with the Investors to further extend the repayment date of the Deposit and to terminate the cash pledge under the Supplementary Agreement. As at 31 March 2014, since such outstanding balance was no longer related to the Investment, such outstanding balance was transferred to the other payables and as included in "Trade and Other Payables" (Note 30). Such balance was unsecured, non-interest bearing and expected to be settled within one year.

32. 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 held by Mei Li (the "Redemption Amount") for the protection of the Company. Further, in the legal proceedings against Mr. Chung and/or companies which are controlled and/or owned by him, the damages claimed (the "Claim Amount") by the

Group, 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 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 judgment in favour of the Company. The Company has been given an unconditional leave to defend to the extent of the Set-Off, based on which the Company is entitled to a stay of execution of payment for obligation under the redeemed convertible bonds.

On 27 February 2013, the HK Court has made an order for bankruptcy against Mr. Chung (the "Bankruptcy"). As a result, all litigations involving Mr. Chung have been stayed. The Company is currently awaiting the trustee (the "Trustee") in Mr. Chung's bankruptcy to wind up his assets and take over the litigations involving Mr. Chung (the "Winding Up"). Despite Mr. Chung was adjudged bankrupt on 27 February 2013, Mr. Chung neither submitted a substantive statement of affairs, an annual report of his earnings and acquisitions nor delivered any substantial property to the Trustee as required by the Bankruptcy Ordinance as of the date of approval of these financial statements. The Company has consequently filed a complaint with the Trustee and the Official Receiver and urged them to take immediate actions to expedite the Winding Up.

33. OTHER NON-CURRENT LIABILITY

The Group had received a grant of HK$52,656,000 (2013: HK$51,707,000) from the PRC government authority for subsidising the Group's acquisition of a land for constructing the Lithium-ion batteries production plant. The grant is subject to certain conditions to be complied by the Group. Since the related conditions were not yet fulfilled, there was no recognition of such grant as deferred income in the consolidated statement of profit or loss for the years ended 31 March 2014 and 2013.

34. DEFERRED TAX LIABILITIES

Group

The following are the major deferred tax balances recognised and movements thereon during the years end 31 March 2014 and 2013:

	Fixed assets	Intangible assets	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2012	–	216,355	216,355
Credit to profit or loss *(Note 13)*	–	(51,677)	(51,677)
At 31 March 2013 and 1 April 2013	–	164,678	164,678
Credit to profit or loss *(Note 13)*	–	(24,703)	(24,703)
Acquisition of subsidiaries *(Note 18)*	22,918	94,017	116,935
Exchange adjustments	(9)	(39)	(48)
At 31 March 2014	22,909	233,953	256,862

At 31 March 2014, the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK$427,311,000 (2013: HK$242,816,000), as it is not probable that future taxable profits against which the tax losses can be utilised will be available in the relevant taxation authority and the relevant taxable entity. The tax losses do not expire under current tax legislation, except for amounts of HK$251,420,000 (2013: HK$110,105,000) that will expire in the coming one to five years.

At 31 March 2014, the Company has not recognised deferred tax assets in respect of cumulative tax losses of HK$42,655,000 (2013: HK$22,622,000), as it is not probable that future taxable profits against which the tax losses can be utilised will be available in the relevant taxation authority. The tax losses do not expire under current tax legislation.

35. SHARE CAPITAL

	2014		2013	
	No. of shares *'000*	*HK$'000*	**No. of shares** *'000*	*HK$'000*
Authorised:				
At beginning and at end of the reporting period				
Ordinary shares of HK$0.01 each	50,000,000	500,000	50,000,000	500,000
Issued and fully paid:				
At beginning of the reporting period				
Ordinary shares of HK$0.01 each	12,254,516	122,545	10,991,707	109,917
Issue of new shares:				
– pursuant to share subscriptions *(Note (a))*	1,420,000	14,200	–	–
– upon exercise of share options *(Note (b))*	1,125	11	1,125	11
– pursuant to acquisition transaction *(Note (c))*	1,901,250	19,013	–	–
– pursuant to share placement *(Note (d))*	1,400,000	14,000	–	–
– upon conversion of convertible bonds *(Note (e))*	–	–	1,261,684	12,617
At end of the reporting period				
Ordinary shares of HK$0.01 each	16,976,891	169,769	12,254,516	122,545

Notes:

(a) During the year ended 31 March 2014, the Company issued totally 1,420,000,000 ordinary shares pursuant to the following subscription agreements:

– on 6 May 2013, the Company issued 1,200,000,000 ordinary shares of HK$0.01 each at the subscription price of HK$0.22 per share to five subscribers pursuant to the subscription agreements dated 23 April 2013.

– on 30 September 2013, the Company issued 220,000,000 ordinary shares of HK$0.01 each at the subscription price of HK$0.294 per share pursuant to the subscription agreement dated 19 September 2013.

(b) During the year ended 31 March 2014, share options were exercised to subscribe for 1,125,000 ordinary shares of the Company. The net consideration was HK$69,000 of which HK$11,000 was credited to share capital account and the balance of HK$58,000 was credited to the share premium account. The amount of HK$35,000 was transferred from share option reserve account to share premium account upon exercise of share options.

During the year ended 31 March 2013, share options were exercised to subscribe for 1,125,000 ordinary shares of the Company. The net consideration was HK$69,000 of which HK$11,000 was credited to share capital account and the balance of HK$58,000 was credited to the share premium account. The amount of HK$35,000 has been transferred from share option reserve account to share premium account upon exercise of share options.

(c) On 7 March 2014, 1,901,250,000 new shares of the Company of HK$0.01 each were issued at an issue price of HK$0.32 per share in connection with the acquisition of the Agnita Group as consideration. The fair value of the shares is calculated based on the closing price of the Company's share of HK$0.67 on the date of completion of the Acquisition.

(d) On 31 March 2014, the Company issued 1,400,000,000 ordinary shares of HK$0.01 each at the price of HK$0.50 per share pursuant to the placing agreement dated 20 March 2014.

(e) During the year ended 31 March 2013, the convertible bonds with an aggregate principal amount of HK$239,720,000 were converted into approximately 1,261,684,000 new ordinary shares of the Company of HK$0.01 each at a conversion price of HK$0.19 per share.

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

36. RESERVES

The reconciliation between the opening and closing balances of each component of the Group's consolidated reserves is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of reserves between the beginning and the end of the reporting period are set out below:

Company

	Share premium	Contributed surplus	Capital redemption reserve	Equity component of convertible bonds	Share option reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2012	3,651,166	15,506	1,868	153,974	16,753	(3,448,575)	390,692
Shares issued upon exercise of share options *(Note 35(b))*	93	–	–	–	(35)	–	58
Equity-settled share-based payments	–	–	–	–	1,643	–	1,643
Shares issued upon conversion of convertible bonds *(Note 35(e))*	274,623	–	–	(153,974)	–	–	120,649
Loss for the year	–	–	–	–	–	(303,395)	(303,395)
Total comprehensive loss	–	–	–	–	–	(303,395)	(303,395)
At 31 March 2013 and 1 April 2013	3,925,882	15,506	1,868	–	18,361	(3,751,970)	209,647
Share issued pursuant to subscriptions and placement *(Note 35 (a) &(d))*	1,000,480	–	–	–	–	–	1,000,480
Shares issued upon exercise of share options *(Note 35(b))*	93	–	–	–	(35)	–	58
Issue of ordinary share related to acquisition transaction *(Note 35(c))*	1,254,825	–	–	–	–	–	1,254,825
Transaction cost attributable to issue of new shares	(7,155)	–	–	–	–	–	(7,155)
Share option lapsed	–	–	–	–	(223)	223	–
Equity-settled share-based payments	–	–	–	–	3,736	–	3,736
Loss for the year	–	–	–	–	–	(914,123)	(914,123)
Total comprehensive loss	–	–	–	–	–	(914,123)	(914,123)
At 31 March 2014	6,174,125	15,506	1,868	–	21,839	(4,665,870)	1,547,468

Notes:

(a) Share premium

The application of share premium account is governed by the relevant provisions set out in the Company's Bye-laws and the Companies Act 1981 of Bermuda.

(b) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(c) Contributed surplus

The contributed surplus represents the surplus arising from capital reductions pursuant to the Group's reorganisation in 2004 and 2005.

(d) Capital redemption reserve

In prior years, the Company repurchased its own shares. The capital redemption reserve represents the amount equivalent to the nominal value of the shares cancelled from repurchases of own shares transferred from retained profits.

(e) Equity component of convertible bonds

The reserve comprises the value of the unexercised equity component of convertible bonds issued by the Group recognised in accordance with the accounting policy adopted for convertible bonds. The convertible bonds of the Group were fully converted during the year ended 31 March 2013.

(f) Share option reserve

The share option reserve comprises the fair value of unexercised share options granted by the Company.

(g) Distributability of reserve

The Company had no reserves available for distribution as at 31 March 2014 and 2013. Under the Companies Act 1981 of Bermuda, contributed surplus is available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if the Company is, or would after the payment be, unable to pay its liabilities as they become due; or the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

37. SHARE OPTION SCHEME

Pursuant to the approval by the shareholders of the Company at the special general meeting held on 28 February 2014, the share option scheme adopted by the Company on 30 March 2004 (the "Old Scheme") was terminated and a new share option scheme (the "New Scheme") which was in compliance with the requirements set out in the Listing Rules was adopted by the Company, both effective on 28 February 2014. No further options can be granted under the Old Scheme; howsoever, the options of which granted under the Old Scheme before 28 February 2014 remains exercisable.

A summary of the principal terms of the New Scheme is set out below:

Purpose of the New Scheme

The purpose of the New Scheme is to enable the Group to grant option(s) to the Eligible Participants (as defined below) to subscribe for shares of the Company (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.

Participants of the New Scheme

The Board may, at its absolute discretion, invite any persons belonging to any of the following classes of participants (the "Eligible Participants") to take up options to subscribe for shares of the Company:

(a) any employee (whether full-time or part-time) of, or any individual for the time being seconded to work for, the Company, or any of its subsidiaries, or any entity in which any member of the Group holds an equity interest (the "Invested Entity") (the persons are collectively referred to as "Eligible Employees");

(b) any directors (including executive, non-executive and independent non-executive directors) of the Company, or any directors of any of its subsidiaries or any Invested Entity;

(c) any supplier of goods or services to any member of the Group or any Invested Entity;

(d) any customer, agent or distributor of any member of the Group or any Invested Entity;

(e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;

(f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity who has contributed or may contribute to the Group or the applicable Invested Entity;

(g) any adviser (professional or otherwise) or consultant to any member of the Group or any Invested Entity; and

(h) any joint venture or business partner of any member of the Group or any Invested Entity who has contributed or may contribute to the Group or the applicable Invested Entity,

and, for the purposes of the New Scheme, an offer for the grant of an option may be made to any company wholly owned by one or more Eligible Participants.

Total number of shares available for issue

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes must not in aggregate exceed 30% of the share capital of the Company in issue from time to time.

The total number of shares which may be issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the New Scheme and any other share option schemes) to be granted under the New Scheme and any other share option schemes must not in aggregate exceed 10% of the total number of shares of the Company in issue as at the date of refreshment of share option mandates from time to time.

As at the date of this annual report, the total number of shares of the Company that may be issued upon exercise of all options granted and vested but not yet exercised was 40,700,000, which represented approximately 0.23% of the issued share capital of the Company on that date.

Maximum entitlement of each participant

An offer for the grant of an option to any director, chief executive or substantial shareholder of the Company, or any of their respective associates must be approved by the independent non-executive directors (excluding any independent non-executive director who or whose associate is the proposed grantee of an option). Where any grant of options to a substantial shareholder of the Company or an independent non-executive director, or any of their respective associates, would result in the shares issued and to be issued upon the exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) under the New Scheme and any other share option schemes to such person in the 12-month period up to and including the date of such grant:

(a) representing in aggregate over 0.1% of the shares in issue; and

(b) having an aggregate value, based on the closing price of the shares at the offer date of each offer for the grant of an option, in excess of HK$5 million,

such further grant of options must be approved by the shareholders in general meeting of the Company.

Subject to the aforesaid, the total number of shares issued and which may fall to be issued upon the exercise of any options granted under the New Scheme and any other share option schemes (including both exercised or outstanding options) to each grantee in any 12-month period must not in aggregate exceed 1% of the issued share capital of the Company for the time being. Any further grant of options to a grantee in excess of such limit must be separately approved by shareholders in general meeting of the Company with such grantee and his associates abstaining from voting.

Option period

The period within which the shares must be taken up under an option shall be determined and notified by the Board to the grantee thereof, but such period shall end in any event not later than 10 years from the date of offer of the option subject to the provisions for early termination thereof.

Minimum period for which an option must be held before it can be exercised

Unless otherwise determined by the Board and stated in the offer for the grant of an option to a grantee, a grantee is not required to hold an option for any minimum period before the exercise of an option granted to him.

Amount payable upon acceptance of option

A nominal consideration of HK$1 is payable on acceptance of the offer of an option, which shall not be later than 21 days from the offer date.

Subscription price for shares

The subscription price for shares under the New Scheme will be a price determined by the Board, but shall not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the offer date, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of a share.

Remaining life of the New Scheme

The New Scheme commenced on 28 February 2014 and shall continue in force until the tenth anniversary of such date.

The Old Scheme has more or less the same principal terms as the New Scheme except for the following:

Purpose of the Old Scheme

The purpose of the Old Scheme is to enable the Group to grant options to the Former Eligible Participants (as defined below) as incentives or rewards for their contribution to the Group.

Participants of the Old Scheme

The directors may at their absolute discretion, invite any person belonging to any of the following classes of participants (the "Former Eligible Participants") to take up options to subscribe for shares of the Company:

(a) any employee (whether full time or part time, including any executive director but excluding any non-executive director) of, or any individual for the time being seconded to work for, the Company, or any of its subsidiaries, or any entity (the "Former Invested Entity") in which any member of the Group holds an equity interest (the persons are collectively referred to as the "Former Eligible Employees");

(b) any non-executive directors (including independent non-executive directors) of the Company, any of its subsidiaries or any Former Invested Entity;

(c) any supplier of goods or services to any member of the Group or any Former Invested Entity;

(d) any customer of the Group or any Former Invested Entity;

(e) any person or entity that provides research, development or other technological support to the Group or any Former Invested Entity;

(f) any shareholder of any member of the Group or any Former Invested Entity or any holder of any securities issued by any member of the Group or any Former Invested Entity who have contributed or may contribute to the Group;

(g) any adviser (professional or otherwise) or consultant to the Group relating to business development of the Group or any member of the Group or any Former Invested Entity; and

(h) any joint venture or business partner of the Group who have contributed or may contribute to the development and growth of the Group,

and, for the purposes of the Old Scheme, an offer for the grant of an option may be made to any company wholly owned by one or more Former Eligible Participants.

Details of the options and movements in such holdings during the year ended 31 March 2014 are as follows:

Category of participants	Date of grant	Number of options: Outstanding as at 1.4.2013	Grant during the year *(Note 2)*	Exercise during the year	Lapsed during the year	Outstanding as at 31.3.2014	Exercised period	Exercise price per option *HK$*	Weighted average closing price of the shares immediately before which the options were exercised *HK$*
Director & Substantial Shareholder									
Mr. Miao Zhenguo	21.4.2011	10,000,000	–	–	–	10,000,000	21.4.2012-20.4.2014 *(Note 3)*	0.810	–
	4.9.2013	–	12,000,000	–	–	12,000,000	4.9.2015-3.9.2023 *(Note 4)*	0.450	–
Directors									
Mr. Lo Wing Yat	23.8.2007	14,600,000	–	–	–	14,600,000	23.8.2008-22.8.2017 *(Note 5)*	0.230	–
	8.5.2009	16,200,000	–	–	–	16,200,000	8.5.2010-7.5.2019 *(Note 5)*	0.061	–
	21.4.2011	20,000,000	–	–	–	20,000,000	21.4.2012-20.4.2014 *(Note 3)*	0.810	–
	4.9.2013	–	8,000,000	–	–	8,000,000	4.9.2015-3.9.2023 *(Note 4)*	0.450	–
Mr. Xu Donghui	21.4.2011	20,000,000	–	–	–	20,000,000	21.4.2012-20.4.2014 *(Note 3)*	0.810	–
	4.9.2013	–	8,000,000	–	–	8,000,000	4.9.2015-3.9.2023 *(Note 4)*	0.450	–
Mr. Jaime Che	21.4.2011	20,000,000	–	–	–	20,000,000	21.4.2012-20.4.2014 *(Note 3)*	0.810	–
	4.9.2013	–	12,000,000	–	–	12,000,000	4.9.2015-3.9.2023 *(Note 4)*	0.450	–
Professor Chen Guohua	4.9.2013	–	6,000,000	–	–	6,000,000	4.9.2015-3.9.2023 *(Note 4)*	0.450	–
Mr. Chan Yuk Tong	8.5.2009	900,000	–	–	–	900,000	8.11.2010-7.5.2019 *(Note 6)*	0.061	–
	21.4.2011	10,000,000	–	–	–	10,000,000	21.4.2012-20.4.2014 *(Note 3)*	0.810	–
	4.9.2013	–	8,000,000	–	–	8,000,000	4.9.2015-3.9.2023 *(Note 4)*	0.450	–
Mr. Fei Tai Hung	8.5.2009	900,000	–	–	–	900,000	8.11.2010-7.5.2019 *(Note 6)*	0.061	–
	21.4.2011	10,000,000	–	–	–	10,000,000	21.4.2012-20.4.2014 *(Note 3)*	0.810	–
	4.9.2013	–	8,000,000	–	–	8,000,000	4.9.2015-3.9.2023 *(Note 4)*	0.450	–

Category of participants	Date of grant	Number of options: Outstanding as at 1.4.2013	Grant during the year *(Note 2)*	Exercise during the year	Lapsed during the year	Outstanding as at 31.3.2014	Exercised period	Exercise price per option *HK$*	Weighted average closing price of the shares immediately before which the options were exercised *HK$*
Mr. Tse Kam Fow	8.5.2009	900,000	–	–	–	900,000	8.11.2010-7.5.2019 *(Note 6)*	0.061	–
	21.4.2011	10,000,000	–	–	–	10,000,000	21.4.2012-20.4.2014 *(Note 3)*	0.810	–
	4.9.2013	–	8,000,000	–	–	8,000,000	4.9.2015-3.9.2023 *(Note 4)*	0.450	–
Employees	8.5.2009	1,125,000	–	(1,125,000)	–	–	8.5.2011-7.5.2019 *(Note 7)*	0.061	0.310
	21.4.2011	50,300,000	–	–	–	50,300,000	21.4.2012-20.4.2014 *(Note 3)*	0.810	–
	21.4.2011	15,200,000	–	–	(1,800,000) *(Note 8)*	13,400,000	21.4.2013-20.4.2014 *(Note 7)*	0.810	–
	4.9.2013	–	197,400,000	–	(4,100,000) *(Note 8)*	193,300,000	4.9.2015-3.9.2023 *(Note 4)*	0.450	–
Others	23.8.2007	7,200,000	–	–	–	7,200,000	23.8.2008-22.8.2017 *(Note 5)*	0.230	–
	21.4.2011	101,000,000	–	–	–	101,000,000	21.4.2012-20.4.2014 *(Note 3)*	0.810	–
	4.9.2013	–	10,000,000	–	–	10,000,000	4.9.2015-3.9.2023 *(Note 4)*	0.450	–
		308,325,000	277,400,000	(1,125,000)	(5,900,000)	578,700,000			
Weighted average exercise price *(HK$)*		0.720	0.450	0.061	0.560	0.594			
Exercisable as at 31.3.2014						21,800,000		0.230	
						18,900,000		0.061	
						264,700,000		0.810	

Category of participants	Date of grant	Number of options: Outstanding as at 1.4.2012	Exercised during the year	Lapsed during the year	Re-classified during the year	Outstanding as at 31.3.2013	Exercise period	Exercise price per option *HK$*	Weighted average closing price of the shares immediately before the dates on which the options were exercised *HK$*
Director & Substantial Shareholder									
Mr. Miao Zhenguo	21.4.2011	10,000,000	–	–	–	10,000,000	21.4.2012-20.4.2014 *(Note 3)*	0.810	–
Directors									
Mr. Lo Wing Yat	23.8.2007	14,600,000	–	–	–	14,600,000	23.8.2008-22.8.2017 *(Note 5)*	0.230	–
	8.5.2009	16,200,000	–	–	–	16,200,000	8.5.2010-7.5.2019 *(Note 5)*	0.061	–
	21.4.2011	20,000,000	–	–	–	20,000,000	21.4.2012-20.4.2014 *(Note 3)*	0.810	–
Mr. Xu Donghui	21.4.2011	20,000,000	–	–	–	20,000,000	21.4.2012-20.4.2014 *(Note 3)*	0.810	–
Mr. Jaime Che	21.4.2011	20,000,000	–	–	–	20,000,000	21.4.2012-20.4.2014 *(Note 3)*	0.810	–
Mr. Chan Yuk Tong	8.5.2009	900,000	–	–	–	900,000	8.11.2010-7.5.2019 *(Note 6)*	0.061	–
	21.4.2011	10,000,000	–	–	–	10,000,000	21.4.2012-20.4.2014 *(Note 3)*	0.810	–
Mr. Fei Tai Hung	8.5.2009	900,000	–	–	–	900,000	8.11.2010-7.5.2019 *(Note 6)*	0.061	–
	21.4.2011	10,000,000	–	–	–	10,000,000	21.4.2012-20.4.2014 *(Note 3)*	0.810	–
Mr. Tse Kam Fow	8.5.2009	900,000	–	–	–	900,000	8.11.2010-7.5.2019 *(Note 6)*	0.061	–
	21.4.2011	10,000,000	–	–	–	10,000,000	21.4.2012-20.4.2014 *(Note 3)*	0.810	–
Employees	8.5.2009	2,250,000	(1,125,000)	–	–	1,125,000	8.5.2011-7.5.2019 *(Note 7)*	0.061	0.330
	21.4.2011	58,300,000	–	–	(8,000,000) *(Note 11)*	50,300,000	21.4.2012-20.4.2014 *(Note 3)*	0.810	–
	21.4.2011	16,400,000	–	(1,200,000) *(Note 12)*	–	15,200,000	21.4.2013-20.4.2014 *(Note 7)*	0.810	–
Others	23.8.2007	7,200,000	–	–	–	7,200,000	23.8.2008-22.8.2017 *(Note 5)*	0.230	–
	21.4.2011	93,000,000	–	–	8,000,000 *(Note 11)*	101,000,000	21.4.2012-20.4.2014 *(Note 3)*	0.810	–
		310,650,000	(1,125,000)	(1,200,000)	–	308,325,000			
Weighted average exercise price *(HK$)*		0.718	0.061	0.810	0.810	0.720			
Exercisable as at 31.3.2013						21,800,000 20,025,000 251,300,000		0,230 0.061 0.810	

Notes:

1. Number of options refers to the number of underlying shares of the Company covered by the options under the Old Scheme. No options were granted under the New Scheme for the year ended 31 March 2014.

2. Options to subscribe for 277,400,000 shares of the Company were granted on 4 September 2013. The Company received an aggregate consideration of HK$119 for the grant of these options. The closing price of the shares of the Company on the trading day immediately before the date on which these options were granted was HK$0.300.

3. Options granted are subject to a vesting period of one year and are exercisable 12 months after the relevant date of grant.

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

5. Options granted are subject to a vesting period of 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.

6. Options granted are subject to a vesting period of 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.

7. Options granted are subject to a vesting period of two years and are exercisable 24 months after the relevant date of grant.

8. A total of 1,800,000 vested options and 4,100,000 unvested options lapsed during the year ended 31 March 2014 following the cessation of optionholders to be employees of the Company or eligible participants of the Old Scheme.

9. The weighted average fair values of the options granted during the year ended 31 March 2014 calculated using the Binomial Option-Pricing Model and the inputs into such model were as follows:

	Options granted on 4 September 2013 with vesting period of two years	**Options granted on 4 September 2013 with vesting period of five years**
Weighted average fair value	HK$0.045	HK$0.128
Share price on grant date	HK$0.295	HK$0.295
Exercise price	HK$0.450	HK$0.450
Expected volatility	52.62%	63.99%
Option life	10 years	10 years
Risk-free interest rate	0.376%	1.392%
Expected dividend yield	0%	0%

Expected volatility was determined by using the annualised standard deviations of the continuously compounded rates of return on the share prices of three other comparable companies. The result of the Binomial Option-Pricing Model can be materially affected by changes in these variables and assumptions. Therefore, an option's actual value may differ from the estimated fair value of the options due to limitations of the Binomial Option-Pricing Model.

10. No options were cancelled during the year ended 31 March 2014.

11. The outstanding options (vested but not yet exercised) entitling the employee to subscribe for a total of 8,000,000 shares of the Company at an exercise price of HK$0.810 per share remained exercisable until 20 April 2014 as determined by the Board. Such options were therefore re-classified from the category of "Employees" to the category of "Others" as quasi-employees during the year ended 31 March 2013.

12. A total of 1,200,000 unvested options lapsed during the year ended 31 March 2013 following the cessation of optionholders to be employees of the Company or eligible participants of the Old Scheme.

13. The Group recognised total expenses of approximately HK$3,736,000 for the year ended 31 March 2014 (2013: HK$1,643,000) in relation to the options granted by the Company. The options outstanding as at 31 March 2014 had a weighted average remaining contractual life of 4.8 years (2013: 1.6 years).

38. COMMITMENTS

(a) Commitments under operating leases

At the end of the reporting period, the Group and the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of rental premises falling due as follows:

	Group		**Company**	
	2014	**2013**	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	9,985	5,589	7,367	2,790
In the second to fifth years	20,702	479	19,420	–
	30,687	6,068	26,787	2,790

Leases are negotiated for terms from one to four years with a fixed monthly rental over the terms of the leases. None of the leases include contingent rentals.

(b) Capital commitments

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

	2014	**2013**
	HK$'000	*HK$'000*
Capital commitments in respect of fixed assets		
Contracted, but not provided for *(Note)*	899,878	15,797
Capital commitments in respect of capital expenditure of the Group's factories in the PRC		
Authorised, but not contracted for	14,045	17,483
	913,923	33,280

The Company did not have any material capital commitments at the end of the reporting period (2013: nil).

Note:

The amounts of approximately HK$786,233,000 (2013: nil) related to capital expenditure of electric vehicle production business intend to be contributed and supported by the Group and non-controlling shareholders of the Agnita Group on pro rata to their equity interest.

39. LITIGATIONS

The Company and two of its subsidiaries are currently involved in several litigations with Mr. Winston Chung (formerly known as Chung Hing Ka) ("Mr. Chung") and companies which are controlled and/or owned by him (together with Mr. Chung, the "Chung Parties"). The summaries of litigations are as follows:

- The Company and two of its subsidiaries have instituted legal proceedings against the Chung Parties in the HK Court for, inter alia, breaches of various agreements in relation to the acquisition completed by the Group on 25 May 2010. The Chung Parties has made a counterclaim based on certain documents.

- The Chung Parties has filed a lawsuit against a subsidiary of the Company in the HK Court and alleged that the Company's subsidiary is not entitled to use certain patents.

- The Chung Parties has filed a lawsuit against a subsidiary of the Company in the Shenzhen Intermediate Court of the PRC for breaches of various agreements in relation to the production of battery products.

In these litigations, the allegations and defenses of the Chung Parties are primarily based on certain documents (the "Questioned Documents") which the Group denied that they are the versions executed by the Group and the Chung Parties. The Group has strong reasons to believe that the Questioned Documents are fraudulently altered and/or completely fabricated.

On 27 February 2013, the HK Court has made an order for bankruptcy against Mr. Chung (the "Bankruptcy"). As a result, all litigations involving Mr. Chung have been stayed. The Group is currently awaiting the trustee (the "Trustee") in Mr. Chung's bankruptcy to wind up his estates and take over the litigations involving Mr. Chung. Despite Mr. Chung was adjudged bankrupt over a year, Mr. Chung neither submitted a substantive statement of affairs, an annual report of his earnings and acquisitions nor delivered any substantial property to the Trustee as required by the Bankruptcy Ordinance.

Based on legal advice, the directors of the Company are of the view that the allegations and defenses of the Chung Parties are frivolous, vexations and based on unsubstantiated and invalid grounds, and the directors of the Company do not believe it is probable that the courts will find against them. No provision has therefore been made in respect of these litigations.

40. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

Key management personnel remuneration

Remuneration of key management personnel, including amounts paid to the Company's directors as disclosed in Note 17(a) and certain of the highest paid employees as disclosed in Note 17(b), is as follows:

	2014	**2013**
	HK$'000	*HK$'000*
Short-term employee benefits	5,911	7,264
Retirement benefit schemes contributions	60	56
Equity-settled share-based payments	1,067	655
	7,038	7,975

41. EVENTS AFTER THE REPORTING PERIOD

(a) On 20 March 2014, the Company entered into a convertible bond agreement with the subscriber pursuant to which the subscriber has conditionally agreed to subscribe for the three-year convertible bonds with the principal amount of HK$400 million at the rate of 8% per annum. The subscription was completed on 14 April 2014.

(b) On 15 April 2014, Preferred Market entered into an agreement with the vendor pursuant to which Preferred Market would purchase the entire equity interest of Giant Industry Holdings Limited (the "Target") which has a 50% indirect equity interest in Yunnan Meidi Coach Manufacturing Co., Ltd. (the "PRC Company") (collectively, the "Target Group") which is principally engaged in the manufacture, sale, assembly and maintenance of coaches, electric vehicles and systems, and parts and components. Preferred Market would have the right to nominate and appoint all the directors of the Target and a majority of the directors in the PRC Company, and they would become the subsidiaries of the Company upon the completion of the acquisition. The acquisition will provide an immediate platform for the Group to engage in the manufacture of electric vehicles. The acquisition consideration is HK$190 million and would be settled by the issuance of 380,000,000 ordinary shares of the Company. If the net assets value of the Target Group as determined in accordance with the completion accounts is less than HK$88,000,000, the guarantor and/or the vendor will indemnify Preferred Market against such shortfall. The acquisition was completed on 7 May 2014 and the Group is in the process of finalising the fair value assessments of the net assets acquired. Accordingly, certain disclosures in relation to the business combination as at the date of the acquisition have not been presented.

(c) On 28 April 2014, the Company granted to the eligible participants a total of 183,200,000 share options at the exercise price of HK$0.63 per share with validity of 10 years from the date of grant, to subscribe for the Company's ordinary shares under the New Scheme.

(d) On 11 May 2014, the Company entered into the agreement with Smith Electric Vehicles Corp. ("SEV"), a company incorporated in the United States of America. Pursuant to the agreement, the Company (i) has agreed to subscribe (a) the series AA senior secured convertible promissory notes in the principal amount of US$2 million issued by SEV; and (b) the series E preferred shares issued by SEV offering at a total subscription amount of US$10 million subject to, among other things, the execution of an exclusive battery supply contract and a memorandum of understanding in relation to the supply of electric vehicle components; and (ii) will enter into definitive agreements to subscribe for common shares of a certain public listed company, of which SEV will become its wholly-owned subsidiary, for a total subscription amount of US$30 million subject to certain terms and conditions.

42. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances.

The capital structure of the Group consists of the equity attributable to owners of the Company, comprising issued capital and reserves. No material changes were made in the objectives, policies or processes during the years ended 31 March 2014 and 2013.

The management of the Group reviews the capital structure and considers the cost of capital regularly. The Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, issue new shares as well as the raising of debts and bank borrowings.

Neither the Company or any other subsidiary is subject to externally imposed capital requirements.

The Group monitors its capital structure on the basis of net debt to equity ratio, which is net debt divided by capital. Net debt includes the Group's total borrowings (including bank loans and other borrowings, loan from a non-controlling shareholder and obligations under redeemed convertible bonds) less cash and bank balances as shown in consolidated statement of financial position. Total capital includes all components of equity attributable to owners to the Company. The net debt to equity ratio as at end of the reporting period is as follows:

	2014	**2013**
	HK$'000	*HK$'000*
Bank loans and other borrowings	372,181	107,720
Loan from a non-controlling shareholder	150,000	–
Obligations under redeemed convertible bonds *(Note)*	760,752	760,752
Total borrowings	1,282,933	868,472
Less: Cash and bank balances	(1,069,623)	(140,567)
Net debt	213,310	727,905
Total equity attributable to owners of the Company	1,733,800	340,191
Net debt to equity ratio	12%	214%

Note: Based on a court judgment dated 5 March 2013, the Group has been given an unconditional leave to defend to the extent of the Set-Off and based on which, the Group is entitled to a stay of execution of payment for the obligations under redeemed convertible bonds before the conclusion of relevant legal proceedings.

43. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board on 27 June 2014.

There is no qualification contained in the auditors' report of FDG in respect of each of the last three financial years ended 31 March 2012, 2013 and 2014.

IV. INDEBTEDNESS

Debt securities

As at the close of business on 31 October 2014, being the latest practicable date for the purpose of the statement of indebtedness, the FDG Group had issued the Existing FDG CBs with principal amount of HK$400 million convertible bonds bearing an interest at 8% per annum, with a maturity date on the third anniversary from the date of issue (i.e., 14 April 2017) and entitle the holder to convert them, in whole or in part, into ordinary shares of FDG at a conversion price of HK$0.60 per share (subject to adjustments).

Borrowings

As at the close of business on 31 October 2014, the FDG Group had outstanding bank loans of approximately HK$190.5 million, all of which were secured by certain lands and buildings in the PRC.

As at the close of business on 31 October 2014, the FDG Group had outstanding unsecured other borrowings of approximately HK$276.2 million including a shareholder's loan of HK$150 million granted by CIAM BVI to Agnita. The FDG Group had outstanding bills payable of approximately HK$108.7 million which were secured by an amount of pledged bank deposits of HK$101.1 million.

Other than that the total indebtedness has been increased by approximately HK$300 million, there is no other material changes in respect of the indebtedness position subsequent to 31 October 2014.

Contingent liabilities

Save as aforesaid and apart from intra-group liabilities, as at the close of business on 31 October 2014, the FDG Group did not have other outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

V. MATERIAL ACQUISITIONS

(1) On 15 April 2014, Preferred Market entered into an agreement to acquire the entire issued share capital of Hong Kong Southwest Electric Vehicles Limited which held 50% of the registered capital of Yunnan Meidi Coach Manufacturing Co., Ltd.* (雲南美的客車製造有限公司)(the "**Yunnan Meidi**"). Yunnan Meidi is principally engaged in the business of manufacture, sales, assembly and maintenance of coaches, electric vehicles and parts and components, and holds a vehicle manufacturing license and a vehicle operating license in Kunming, Yunnan, the PRC. Yunnan Meidi's electric vehicle manufacturing facility is located in Kunming and has commenced production in November 2014. The consideration for such acquisition was HK$190 million and was settled by the issue of 380,000,000 new FDG Shares at the issue price of HK$0.50 per FDG Share. Such acquisition was completed on 7 May 2014.

(2) On 31 October 2014, Preferred Market entered into the Sale and Purchase Agreement pursuant to which, CIAM BVI conditionally agrees (i) to sell to Preferred Market and Preferred Market conditionally agrees to purchase from CIAM BVI 41.5% of the issued share capital of Agnita and all rights and benefits in the Agnita Loan; and (ii) to the cancellation of the Call Option at a consideration of HK$520,000,000, which will be settled by HK$150,000,000 in cash and the balance of HK$370,000,000 by the issue of the FDG Secured Bonds to CIAM BVI, the Offeree Company or companies wholly owned by the Offeree Company. The FDG Secured Bonds will be unlisted, non-convertible but transferable, have a face value of HK$370,000,000 with an 8% coupon per annum, a tenor of three years, and will be secured by the 41.5% of the issued share capital of Agnita purchased under the Agnita Transaction.

Agnita is the holding company for the FDG Group's Beijing research and development centre for electric vehicle and the Hangzhou electric vehicle production facility. As of the Latest Practicable Date, FDG owns 58.5% of the issued share capital of Agnita through Preferred Market. The Hangzhou facility is expected to commence production in the first half of 2015 and will mainly focus on the production of electric mid-size buses, commercial vehicles and mini SUV with a total designed annual production capacity of 100,000 electric vehicles. It will commence production of approximately 10,000 to 20,000 electric mid-size buses and/or commercial vehicles in the coming financial year ending 31 March 2016. The closing of the Agnita Transaction is conditional on certain conditions precedent including, among others, the approval of the Offeree Shareholders who have no material interest in the Agnita Transaction and the Offer having become unconditional as to acceptances. On 23 December 2014, a special general meeting was held by the Offeree Company and the Agnita Transaction was duly passed by the independent shareholders of the Offeree Company by poll.

VI. MATERIAL CHANGE

The FDG Directors are not aware of any material changes in the financial or trading position or outlook of the FDG Group since 31 March 2014, being the date of the latest published audited financial statements of the FDG Group up to and including the Latest Practicable Date, save for (i) the proceeds of approximately HK$400 million raised from the issuance of the Existing FDG CBs as disclosed in the FDG announcement dated 14 April 2014; (ii) the acquisition of the entire issued share capital of Giant Industry Holdings Limited pursuant to the conditional sale and purchase agreement as disclosed in the FDG announcement dated 15 April 2014; (iii) the transactions pursuant to the wrap agreement between FDG and SEV dated 11 May 2014 and other agreements in connection therewith as disclosed in the FDG announcement dated 11 May 2014; (iv) the development of Agnita since completion of the acquisition by FDG in March 2014, including the commencement of construction of electric vehicle manufacturing facility in Hangzhou, further details of which are set out under the sections entitled "REASONS FOR THE OFFER FOR FDG" in the "LETTER FROM VMS SECURITIES LIMITED" in this Composite Document and "MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES" in "APPENDIX III – MANAGEMENT DISCUSSION AND ANALYSIS OF THE OFFEREE GROUP" in the FDG's Circular; (v) the increase of capital commitments in respect of capital expenditure of the FDG Group's factories in the PRC of approximately HK$1.3 billion as disclosed in the interim report of FDG for the six months ended 30 September 2014; (vi) change in financial position and business updates as disclosed in the interim report of FDG for the six months ended 30 September 2014; (vii) the potential impact of the Offer and the Agnita Transaction; and (viii) the prospects of the FDG Group as discussed in the section entitled "OUTLOOK AND PROSPECTS" below.

VII. OUTLOOK AND PROSPECTS

The Offer and the Agnita Transaction together mark an important step in the FDG Group's vision to becoming a leading vertically integrated electric vehicle enterprise. Agnita has developed a factory with a designed annual production capacity of 100,000 electric cars, including mid-size buses, commercial vehicles and mini SUV, which will be built in the first half of 2015. As at the Latest Practicable Date, retail price and production cash cost for electric mid-size bus and commercial vehicles are estimated to be approximately RMB300,000-RMB380,000 and RMB450,000 per vehicle, respectively, with a governmental subsidy of approximately RMB600,000 per vehicle. Annual production for the Hangzhou production facility for the financial year ending 31 March 2016 is expected to be approximately 10,000 to 20,000 electric mid-size buses and/or commercial vehicles. In addition, the design for a mini SUV has been completed and is undergoing the validation process which is expected to commence production in the second half of 2015.

Furthermore, the FDG Group's Yunnan electric vehicle project has commenced production with a designed annual production capacity of 10,000 electric buses and/or coaches. As at the Latest Practicable Date, retail price and production cash cost are estimated to be approximately RMB800,000-RMB1,000,000 and RMB1,500,000 per vehicle, respectively, with a governmental subsidy of approximately RMB1,000,000 per vehicle. Annual production of the Yunnan production facility for the financial year ending 31 March 2016 is expected to be around 2,000-5,000 electric buses and/or coaches. The FDG Group will continue to develop its electric vehicle business through stringent control of production costs, paying close attention on the trends of the electric vehicle market, monitoring governmental policy changes relevant to the electric vehicle market and capturing opportunities beneficial to the FDG Group.

The FDG Group will also expand into the international market pursuant to the strategic cooperation with SEV, an internationally renowned commercial all-electric vehicle manufacturer. SEV is in the process of seeking for listing after which FDG is expected to become a shareholder with over 20% interest. Upon completion of the agreements entered between FDG and SEV, FDG will become an exclusive power battery supplier as well as an electric vehicle parts and components preferred supplier of SEV. In addition, FDG is in discussion with SEV regarding the adoption of FDG's electric vehicle chassis and design into their products.

Coupled with the domestic and international developments of FDG, the FDG Board is of the view that the completion of the abovementioned transactions represents a step closer to achieving the FDG Group's aim of becoming a leading vertically integrated electric vehicle enterprise. The FDG Board is positive towards the future development of the FDG Group as an integrated electric vehicle manufacturer.

According to the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as set out in Appendix IV to the FDG's Circular, the net current liabilities of the FDG Group of approximately HK$74.3 million as at 30 September 2014 would be improved and become a net current asset position of approximately HK$545.1 million following the completion of the Offer. If the Redemption Amount as discussed in the sub-section headed "(b) FINANCIAL POSITION OF THE FDG GROUP" in the "LETTER FROM THE OFFEREE COMPANY INDEPENDENT FINANCIAL ADVISOR" in this Composite Document is excluded from, whilst an additional indebtedness of HK$300 million after 31 October 2014 is included in the calculation of the net current assets, the net current asset position of the Enlarged Group would amount to approximately HK$1 billion.

The Offeror and the FDG Group intend to maintain the listing of the Offeree Company on the Stock Exchange and if 100% full acceptance of the Offer were eventually received by the Offeror, the Offeror and/or the Offeree Company would take appropriate steps to restore public float, which may include but not limited to the placing down of the Offeree Shares by the Offeror or new share issue by the Offeree Company, which would also further enhance the cash level of the Enlarged Group.

Moreover, with the market capitalisation (of approximately HK$7.3 billion as at Latest Practicable Date) and asset scale (total assets of approximately HK$5.5 billion as at 30 September 2014) of the Enlarged Group according to the unaudited pro forma consolidated statement of assets and liabilities and its prospects as an integrated electric vehicle manufacturer which engages in independent R&D, design and production of electric vehicles and Lithium-ion batteries, and that FDG has been able to successfully raise approximately HK$1.1 billion through placing of new shares and issue of convertible bonds in March and April 2014, respectively, the FDG Group expects to successfully raise new capital in the market by way of equity financing as and when necessary.

* *For identification purpose only*

The following is the text of a summary report, for the purpose of incorporation in this Composite Document, received from Asset Appraisal Limited, an independent valuer, in connection with its valuation as at 31 December 2014 of the Exchange CBs, for illustrative purpose. The full set of the report is available for inspection as stated in Appendix VI – "GENERAL INFORMATION OF THE FDG GROUP" under section entitled "DOCUMENTS AVAILABLE FOR INSPECTION".

Capitalised terms used in this report will, unless otherwise stated, have the same meaning given to them in the Composite Document dated 30 January 2015 in relation to the Offer.

The Exchange CBs

In carrying out this valuation exercise, Asset Appraisal Limited has reviewed the principal terms of the Exchange CBs and summarized as follows:

Principal amount	Maximum of HK$1,604,771,469
Interest	Zero coupon
Conversion	A holder of Exchange CBs shall have the right during the conversion period to convert the whole or part of the principal amount of the Exchange CBs into new FDG Shares on each conversion in accordance with the terms and conditions of the Exchange CBs
Conversion price	HK$0.50 per FDG Share
Number of FDG Shares issuable upon conversion	Maximum of 3,209,542,938 new FDG Shares will be issued upon conversion of the Exchange CBs based on the initial conversion price of HK$0.50 per FDG Share
Conversion period	At any time on or after the issue date of the Exchange CBs up to the maturity date described below
Maturity date	The date falling on the third anniversary of the date of commencement of the Offer
Redemption at maturity	Each Exchange CB which has not been converted by maturity date will be redeemed on maturity at a value equal to 100% of its outstanding principal amount. The holder of Exchange CBs cannot request FDG to redeem the Exchange CBs prior to the maturity date

Redemption at the option of FDG	FDG may also, at any time after the second anniversary of the date of commencement of the Offer, by written notice elect to redeem the whole or any part of the then outstanding principal amount of the Exchange CBs in a pro rata manner
Mandatory conversion	If, at any time after the issue date up to the maturity date of the Exchange CBs, the closing price of the FDG Shares as quoted on the Stock Exchange is more than HK$1.00 (subject to subdivision or consolidation of FDG Shares) for 15 consecutive trading days, FDG may give not less than 7 business days' notice to any holder of Exchange CBs to mandatorily convert all or any part of the Exchange CBs, unless the mandatory conversion of the Exchange CBs will trigger a mandatory general offer or change in control under the Takeovers Code

Valuation approach and methodology

Binomial pricing model is employed in deriving the fair value of the Exchange CBs. The model involves the construction of a binomial lattice which represents different possible paths that might be followed by the underlying asset prices over the life of the Exchange CBs.

Valuation parameters and assumptions

In the valuation, Asset Appraisal Limited has proceeded on the basis of the following parameters and assumptions:

1. the closing price of the FDG Shares as at 31 December 2014 was HK$0.385;

2. the time to maturity is three years based on the period from the issue date of the Exchange CBs to their maturity date, which represents the maximum tenor for the Exchange CBs;

3. the risk free rate is 0.99% based on the yield of three-year Hong Kong Exchange Fund Notes, which are Hong Kong dollar unsecured debt securities issued by Hong Kong Monetary Authority with a yield replicating risk free rate for debt instrument issued by sovereign government;

4. the Conversion Price of the Exchange CBs is at HK$0.50 throughout its tenor;

5. the dividend yield is 0% based on the historical records of FDG;

6. the expected volatility is 44.15% based on the annualized standard deviations of the continuously compound rates of return on the share prices of BYD Company Limited (1211.HK), Chaowei Power Holdings Limited (951.HK), and Tianneng Power International Limited (819.HK) and FDG itself. Their volatility values for such purpose were taken to be 50.70%, 39.21% and 38.36%, respectively. FDG's own volatility was taken as 48.32%. An exhaustive list of comparable companies was generated through the search engine of a market data provider from which the three companies mentioned above were selected based on the following criteria: (i) those companies are listed on the Stock Exchange as in the case of FDG; (ii) those companies are engaged in similar business as FDG (i.e. battery manufacturing business and electric vehicle production); and (iii) those companies' primary operations are in the PRC as in the case of FDG. As such, the three companies mentioned above represent an exhaustive list of companies based on such selection criteria;

7. the risk free rate (i.e. 0.99%), dividend yield (i.e. 0%), volatility (i.e. 44.15%) and credit spread (i.e. 13.56%) will stay constant throughout the life of the Exchange CBs in the valuation model as at the date of valuation;

8. the inflation and currency exchange rate will not differ materially from the rates presently prevailing; and

9. there will be no major changes in existing political, legal, fiscal or economic conditions in the PRC and Hong Kong where the business of FDG is operated.

Fair value

Based on the results of Asset Appraisal Limited's investigations and analyses, it is of its opinion that fair value as at the prescribed valuation date of 31 December 2014, free from any encumbrances, of the Exchange CBs, was in the amount of HK$1,413,661,298 for an aggregate face value of HK$1,604,771,469.

The following is the letter from VMS Securities to the FDG Directors for the purpose of inclusion in this Composite Document.

VMS

30 January 2015

The board of directors
FDG Electric Vehicles Limited
Rooms 3001-3005, 30th Floor
China Resources Building
26 Harbour Road
Wanchai, Hong Kong

Dear Sirs,

We refer to the valuation report dated 15 January 2015 on the convertible bonds of FDG Electric Vehicles Limited with the principal amount of HK$1,604,771,469 issued by Asset Appraisal Limited (the "**Valuer**") with fair value of HK$1,413,661,298 as at 31 December 2014.

We have discussed with the Valuer the bases and assumptions upon which the valuation report has been made. We have also considered the valuation report dated 15 January 2015 addressed to us. On the basis of the information contained in the valuation report, we are of the opinion that the bases, assumptions and calculation of the fair value of the convertible bonds are fair and reasonable and have been made after due and careful enquiry and consideration.

This letter is provided to the board of directors of FDG solely for the purpose of complying with Rule 11.1 of the Takeovers Code and not for any other purpose. We do not accept any responsibility to any person(s), other than the board of directors of FDG, in respect of, arising out of, or in connection with this letter.

Yours faithfully,
For and on behalf of
VMS Securities Limited
Keith William Jacobsen
Director

The following is the text of a letter received from KPMG, Certified Public Accountants, Hong Kong, for inclusion in this Composite Document.

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

30 January 2015

The Directors
CIAM Group Limited
23/F, Bank of America Tower
12 Harcourt Road
Central
Hong Kong

Dear Sirs,

CIAM Group Limited (the "Company")

Profit Estimate for Year Ended 31 December 2014

We refer to the estimate of the loss attributable to the shareholders of the Company for the year ended 31 December 2014 which has been prepared to enable the Company's directors to issue the following statements ("the Profit Estimate") set out in the profit warning announcement dated 19 January 2015 (the "Profit Warning Announcement"):

"The board of directors of the Company wishes to inform the shareholders of the Company and potential investors that the Company expects to record an increase in loss attributable to the shareholders of the Company for the year ended 31 December 2014 as compared to the loss recorded for the year ended 31 December 2013, and

In accordance with the terms of the Loan (to a mining company in Yunnan with a principal amount of RMB50 million (equivalent to approximately HK$62 million) as at 31 December 2014), the Group has accrued an interest income of RMB7 million (equivalent to approximately HK$8 million) for the six months ended 30 June 2014 and RMB 13 million (equivalent to approximately HK$17 million) for the year ended 31 December 2014. The Group has adopted a prudent approach and made impairments of the same amounts in the corresponding period."

Responsibilities

The Profit Estimate has been prepared by the directors of the Company based on the unaudited consolidated results based on management accounts of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2014.

The Company's directors are solely responsible for the Profit Estimate. It is our responsibility to form an opinion on the accounting policies and calculations of the Profit Estimate based on our procedures.

Basis of opinion

We carried out our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 "Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness" and with reference to Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company's directors have properly compiled the Profit Estimate in accordance with the bases adopted by the directors and as to whether the Profit Estimate is presented in a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled based on the unaudited consolidated management accounts of the Company for the year ended 31 December 2014 and is presented on a basis consistent in all material respects with the accounting policies adopted by the Group as set out in the Company's published annual report filed with The Stock Exchange of Hong Kong Limited for the year ended 31 December 2013.

KPMG

Certified Public Accountants
Hong Kong

The following is the text of a letter from Somerley prepared for inclusion in the Composite Document.

SOMERLEY CAPITAL LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

30 January 2015

The board of directors
CIAM Group Limited
23 Floor, Bank of America Tower,
12 Harcourt Road,
Central, Hong Kong

Dear Sirs,

Reference is made to the composite document dated 30 January 2015 jointly issued by FDG Electric Vehicles Limited ("**FDG**"), Sinopoly Strategic Investment Limited (the "**Offeror**") and CIAM Group Limited (the "**Offeree Company**") in relation to the voluntary conditional offer by VMS Securities Limited on behalf of the Offeror to acquire all the issued shares and share options of the Offeree Company (other than those already acquired or agreed to be acquired by parties acting in concert with the Offeror) in exchange for new convertible bonds to be issued by FDG (the "**Composite Document**"). Terms used in this letter have the same meanings as those defined in the Composite Document unless the context requires otherwise. We refer to the announcement of the Offeree Company dated 19 January 2015 (the "**Announcement**") in relation to, among other things, the expected increase in loss attributable to the Offeree Shareholders for the year ended 31 December 2014 and the making of the impairment provision (the "**Provision**") with respect to an interest income (the "**Interest Income**") accrued in the year ended 31 December 2014 pursuant to a loan made to a mining company in Yunnan which has been overdue since October 2011 (the "**Loan**").

In the Announcement, the directors of the Offeree Company has issued the following statements (the "**Profit Warning**") in relation to the forecast of loss attributable to the Offeree Shareholders for the year ended 31 December 2014:

"The board of directors of the Company wishes to inform the shareholders of the Company and potential investors that the Company expects to record an increase in loss attributable to the shareholders of the Company for the year ended 31 December 2014 as compared to the loss recorded for the year ended 31 December 2013." and

"In accordance with the terms of the Loan, the Group has accrued an interest income of RMB7 million (equivalent to approximately HK$8 million) for the six months ended 30 June 2014 and RMB13 million (equivalent to approximately HK$17 million) for the year ended 31 December 2014. The Group has adopted a prudent approach and made impairments of the same amounts in the corresponding period."

The Profit Warning for which the Offeree Company Board is solely responsible for, has been prepared by them with reference to the unaudited consolidated results of the Offeree Group based on its management accounts for the financial year ended 31 December 2014 (the "**Management Accounts**"). We have examined and discussed the Management Accounts with the management of the Offeree Company. We have also discussed with the directors of the Offeree Company the bases upon which the Interest Income and the Provision were prepared, including but not limited to, the loan agreement and loan restructuring agreements in connection with the Loan upon which the calculation of the Interest Income was based and the confirmation by the Offeree Group that during 2014 and up to the date of this letter, the Offeree Group has not yet received any repayment of the Loan and/or the Interest Income. We have also considered the letter from KPMG dated 30 January 2015 issued to you, the text of which is set out in the section headed "LETTER FROM KPMG ON THE JANUARY 2015 PROFIT WARNING" set out in Appendix V.2 to the Composite Document which states that, in KPMG's opinion, so far as the accounting policies and calculations are concerned, the Profit Warning has been properly compiled based on the Management Accounts and is presented on a basis consistent in all material respects with the accounting policies adopted by the Offeree Group as set out in the Offeree Company's published annual report filed with The Stock Exchange of Hong Kong Limited for the year ended 31 December 2013. Based on the above, we are satisfied that the Profit Warning has been prepared by the Offeree Company Board with due care and consideration.

For the purpose of this letter, we have relied on and assumed the accuracy and completeness of all information provided to us and/or discussed with the Offeree Company, its subsidiaries, associate and/or joint ventures. We have not assumed any responsibility for independently verifying the accuracy and completeness of such information or undertaken any independent evaluation or appraisal of any of the assets or liabilities of the Offeree Company, its subsidiaries, associate and/or joint ventures. Save as provided in this letter, we do not express any other opinion or views on the Profit Warning and the financial results of the Offeree Group for the year ended 31 December 2014 (the "**FY2014 Results**"), and/or on the financial results of the Offeree Company's associate and/or joint ventures for the year ended 31 December 2014. The Offeree Company Board remains solely responsible for the Profit Warning and the FY2014 Results.

This letter is provided to the Offeree Company Board solely for the purpose of complying with Rule 10.9 of the Takeovers Code and not for any other purpose. We do not accept any responsibility to any person(s), other than the Offeree Company Board, in respect of, arising out of, or in connection with this letter.

Yours faithfully,
For and on behalf of
Somerley Capital Limited
Kenneth Chow **Lyan Tam**
Managing Director *Director*

I. RESPONSIBILITY STATEMENT

This Composite Document includes particulars given in compliance with the Listing Rules and the Takeovers Code for the purposes of giving information with regard to the Offer, the Offeror and FDG Group. The directors of the Offeror and FDG jointly and severally accept full responsibility for the accuracy of the information (other than that in respect of the Offeree Company, directors of the Offeree Company, and their respective associates and parties acting in concert with any of them except for Mr. Lo) contained in this Composite Document and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

II. CORPORATE INFORMATION ON THE FDG GROUP

FDG is a company incorporated in Bermuda with limited liability and has been listed on the Main Board of the Stock Exchange since 3 October 1991. The FDG Group is principally engaged in (i) research and development, production and sale of lithium-ion batteries and related products; (ii) vehicle design and the design, manufacture and sale of electric vehicles; and (iii) leasing of electric vehicles. The registered office of FDG is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of FDG in Hong Kong is at Rooms 3001-3005, 30th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

III. SHARE CAPITAL AND SHARE OPTIONS

As at the Latest Practicable Date, the authorised share capital of FDG was HK$500,000,000 divided into 50,000,000,000 FDG Shares and the issued share capital of FDG was HK$173,568,916.26 divided into 17,356,891,626 FDG Shares.

On 7 May 2014, a total of 380,000,000 FDG shares were issued and allotted at a price of HK$0.5 per share pursuant to a sale and purchase agreement, entered into among Preferred Market as the purchaser, Mr. Kam Chi Yip as the vendor and Mr. Huang Jianmeng as the guarantor of the vendor on 15 April 2014 under the general mandate to issue shares granted at the FDG's annual general meeting held on 27 August 2013.

Save as disclosed above, no FDG Share has been issued or repurchased since 31 March 2014, being the date for the latest published audited consolidated financial statement of FDG, up to the Latest Practicable Date. There was no re-organization of the share capital of FDG during the two financial years preceding the commencement of the Offer Period.

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

Details of movements in the number of share options (since 31 March 2014, being the date for the latest published audited consolidated financial statement of FDG, up to the Latest Practicable Date) are set out below:

		Number of options						
Category of participants	**Date of grant**	**Outstanding as at 1 April 2014**	**Granted during the period** *(Note b)*	**Lapsed during the period**	**Re-classified during the period**	**Outstanding as at the Latest Practicable Date**	**Exercise period**	**Exercise price per option** *HK$*
Directors & Substantial Shareholders								
Mr. Cao	28 April 2014	–	10,000,000	–	–	10,000,000	28 April 2016-27 April 2024 *(Note c)*	0.630
Mr. Miao	21 April 2011	10,000,000	–	(10,000,000)	–	–	21 April 2012-20 April 2014 *(Note d)*	0.810
	4 September 2013	12,000,000	–	–	–	12,000,000	4 September 2015-3 September 2023 *(Note c)*	0.450
	28 April 2014	–	3,000,000	–	–	3,000,000	28 April 2016-27 April 2024 *(Note c)*	0.630
Directors								
Dr. Chen	28 April 2014	–	–	–	12,000,000 *(Note e)*	12,000,000	28 April 2016-27 April 2024 *(Note c)*	0.630
Mr. Lo	23 August 2007	14,600,000	–	–	–	14,600,000	23 August 2008-22 August 2017 *(Note f)*	0.230
	8 May 2009	16,200,000	–	–	–	16,200,000	8 May 2010-7 May 2019 *(Note f)*	0.061
	21 April 2011	20,000,000	–	(20,000,000)	–	–	21 April 2012-20 April 2014 *(Note d)*	0.810
	4 September 2013	8,000,000	–	–	–	8,000,000	4 September 2015-3 September 2023 *(Note c)*	0.450
	28 April 2014	–	4,000,000	–	–	4,000,000	28 April 2016-27 April 2024 *(Note c)*	0.630

		Number of options						
Category of participants	Date of grant	Outstanding as at 1 April 2014	Granted during the period *(Note b)*	Lapsed during the period	Re-classified during the period	Outstanding as at the Latest Practicable Date	Exercise period	Exercise price per option *HK$*
Mr. Xu Donghui	21 April 2011	20,000,000	–	(20,000,000)	–	–	21 April 2012-20 April 2014 *(Note d)*	0.810
	4 September 2013	8,000,000	–	–	(8,000,000) *(Note g)*	–	4 September 2015-3 September 2023 *(Note c)*	0.450
Mr. Che	21 April 2011	20,000,000	–	(20,000,000)	–	–	21 April 2012-20 April 2014 *(Note d)*	0.810
	4 September 2013	12,000,000	–	–	–	12,000,000	4 September 2015-3 September 2023 *(Note c)*	0.450
	28 April 2014	–	4,000,000	–	–	4,000,000	28 April 2016-27 April 2024 *(Note c)*	0.630
Professor Chen Guohua	4 September 2013	6,000,000	–	–	–	6,000,000	4 September 2015-3 September 2023 *(Note c)*	0.450
	28 April 2014	–	4,000,000	–	–	4,000,000	28 April 2016-27 April 2024 *(Note c)*	0.630
Mr. Chan Yuk Tong	8 May 2009	900,000	–	–	–	900,000	8 November 2010-7 May 2019 *(Note h)*	0.061
	21 April 2011	10,000,000	–	(10,000,000)	–	–	21 April 2012-20 April 2014 *(Note d)*	0.810
	4 September 2013	8,000,000	–	–	–	8,000,000	4 September 2015-3 September 2023 *(Note c)*	0.450
	28 April 2014	–	4,000,000	–	–	4,000,000	28 April 2016-27 April 2024 *(Note c)*	0.630
Mr. Fei Tai Hung	8 May 2009	900,000	–	–	–	900,000	8 November 2010-7 May 2019 *(Note h)*	0.061
	21 April 2011	10,000,000	–	(10,000,000)	–	–	21 April 2012-20 April 2014 *(Note d)*	0.810
	4 September 2013	8,000,000	–	–	–	8,000,000	4 September 2015-3 September 2023 *(Note c)*	0.450

Category of participants	Date of grant	Number of options: Outstanding as at 1 April 2014	Granted during the period *(Note b)*	Lapsed during the period	Re-classified during the period	Outstanding as at the Latest Practicable Date	Exercise period	Exercise price per option *HK$*
	28 April 2014	–	4,000,000	–	–	4,000,000	28 April 2016-27 April 2024 *(Note c)*	0.630
Mr. Tse Kam Fow	8 May 2009	900,000	–	–	–	900,000	8 November 2010-7 May 2019 *(Note h)*	0.061
	21 April 2011	10,000,000	–	(10,000,000)	–	–	21 April 2012-20 April 2014 *(Note d)*	0.810
	4 September 2013	8,000,000	–	–	–	8,000,000	4 September 2015-3 September 2023 *(Note c)*	0.450
	28 April 2014	–	4,000,000	–	–	4,000,000	28 April 2016-27 April 2024 *(Note c)*	0.630
Employees	21 April 2011	50,300,000	–	(50,300,000)	–	–	21 April 2012-20 April 2014 *(Note d)*	0.810
	21 April 2011	13,400,000	–	(13,400,000)	–	–	21 April 2013-20 April 2014 *(Note i)*	0.810
	4 September 2013	193,300,000	–	(4,900,000) *(Note j)*	8,000,000 *(Note g)*	196,400,000	4 September 2015-3 September 2023 *(Note c)*	0.450
	28 April 2014	–	138,200,000	(500,000) *(Note j)*	(12,000,000) *(Note e)*	125,700,000	28 April 2016-27 April 2024 *(Note c)*	0.630
Others	23 August 2007	7,200,000	–	–	–	7,200,000	23 August 2008-22 August 2017 *(Note f)*	0.230
	21 April 2011	101,000,000	–	(101,000,000)	–	–	21 April 2012-20 April 2014 *(Note d)*	0.810
	4 September 2013	10,000,000	–	–	–	10,000,000	4 September 2015-3 September 2023 *(Note c)*	0.450
	28 April 2014	–	8,000,000	–	–	8,000,000	28 April 2016-27 April 2024 *(Note c)*	0.630
		578,700,000	183,200,000	(270,100,000)	–	491,800,000		
Weighted average exercise price *(HK$)*		0.594	0.630	0.803	–	0.492		

Category of participants	Date of grant	Number of options: Outstanding as at 1 April 2014	Granted during the period *(Note b)*	Lapsed during the period	Re-classified during the period	Outstanding as at the Latest Practicable Date	Exercise period	Exercise price per option
								HK$
Exercisable as at the Latest Practicable Date						21,800,000		0.230
						18,900,000		0.061

Notes:

(a) Number of options refers to the number of underlying shares of FDG covered by the options under both the Old Scheme and the New Scheme.

(b) Options to subscribe for 183,200,000 shares of FDG were granted on 28 April 2014. FDG received an aggregate consideration of HK$95 for the grant of these options. The closing price of the shares of FDG on the trading day immediately before the date on which these options were granted was HK$0.520.

(c) Options granted are subject to a vesting period of 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.

(d) Options granted are subject to a vesting period of one year and are exercisable 12 months after the relevant date of grant. These options lapsed on 21 April 2014 upon the expiry of the exercise period concerned.

(e) Dr. Chen was an employee of FDG prior to his appointment as a director of FDG on 28 May 2014. His outstanding options entitling him to subscribe for a total of 12,000,000 shares of FDG were therefore re-classified from the category of "Employees" to the category of "Directors" since 31 March 2014, being the date for the latest published audited consolidated financial statement of FDG, up to the Latest Practicable Date.

(f) Options granted are subject to a vesting period of 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.

(g) Mr. Xu Donghui resigned as a director of FDG on 28 May 2014 but remained as an employee of FDG. His outstanding options entitling him to subscribe for a total of 8,000,000 shares of FDG were therefore re-classified from the category of "Directors" to the category of "Employees" since 31 March 2014, being the date for the latest published audited consolidated financial statement of FDG, up to the Latest Practicable Date.

(h) Options granted are subject to a vesting period of 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.

(i) Options granted are subject to a vesting period of two years and are exercisable 24 months after the relevant date of grant. These options lapsed on 21 April 2014 upon the expiry of the exercise period concerned.

(j) A total of 5,400,000 unvested options lapsed since 31 March 2014, being the date for the latest published audited consolidated financial statement of FDG, up to the Latest Practicable Date, following the cessation of option holders to be employees of FDG or eligible participants of the Old Scheme or the New Scheme.

(k) The weighted average fair values of the options granted since 31 March 2014, being the date for the latest published audited consolidated financial statement of FDG, up to the Latest Practicable Date, calculated using the Binomial Option-Pricing Model and the inputs into such model were as follows:

	Options granted on 28 April 2014 with vesting period of two years	**Options granted on 28 April 2014 with vesting period of five years**
Weighted average fair value	HK$0.098	HK$0.223
Share price on grant date	HK$0.480	HK$0.480
Exercise price	HK$0.630	HK$0.630
Expected volatility	53.58%	62.26%
Option life	10 years	10 years
Risk-free interest rate	0.37%	1.42%
Expected dividend yield	0%	0%

Expected volatility was determined by using the annualised standard deviations of the continuously compounded rates of return on the share prices of three other comparable companies. The result of the Binomial Option-Pricing Model can be materially affected by changes in these variables and assumptions. Therefore, an option's actual value may differ from the estimated fair value of the options due to limitations of the Binomial Option-Pricing Model.

(l) No options were exercised or cancelled since 31 March 2014, being the date for the latest published audited consolidated financial statement of FDG, up to the Latest Practicable Date.

Save as disclosed above, since 31 March 2014, being the date for the latest published audited consolidated financial statement of FDG, up to the Latest Practicable Date, no options was granted, lapsed, exercised or cancelled under the Old Scheme and the New Scheme.

As at the Latest Practicable Date, FDG had the Existing FDG CBs with a principal amount of HK$400,000,000 which are convertible into 666,666,666 new FDG Shares. There are also outstanding share options which are exercisable into 491,800,000 new FDG Shares under the Old Scheme and the New Scheme.

Save for the Existing FDG CBs and the outstanding share options disclosed above, as at the Latest Practicable Date, there are no outstanding options, warrants and conversion rights affecting shares in FDG.

All the existing issued FDG Shares are fully paid and rank pari passu in all respects including all rights as to dividends, voting and interests in capital, and the FDG Shares arising from the conversion of the Exchange CBs will rank pari passu with the existing issued FDG Shares.

IV. MARKET PRICES OF THE FDG SHARES

FDG Shares

The table below shows the closing prices of the FDG Shares on the Stock Exchange (i) at the end of each of the six calendar months immediately preceding the commencement of the Offer Period and ending on the Latest Practicable Date prior to the posting of the Composite Document; (ii) on 28 August 2014 (being the last trading day immediately preceding the date of the Joint Announcement); and (iii) on the Latest Practicable Date:

Date	**Closing price of FDG Shares** *(HK$)*
Latest Practicable Date	0.420
31 December 2014	0.385
28 November 2014	0.465
31 October 2014	0.55
30 September 2014	0.55
31 August 2014	0.55
31 July 2014	0.50
30 June 2014	0.51
30 May 2014	0.50
28 August 2014	0.55

Note: Trading in the FDG Shares was suspended for the period from 28 August 2014 to 2 November 2014.

During the period commencing six months preceding the commencement of the Offer Period and ending on the Latest Practicable Date prior to the posting of the Composite Document, the highest and lowest closing market prices of the FDG Shares recorded on the Stock Exchange were HK$0.60 on 17 and 18 June 2014 and HK$0.375 on 9, 18, 19 and 23 December 2014, respectively.

V. DIRECTORS' INTERESTS

Save as disclosed below, as at the Latest Practicable Date, none of the FDG Directors and chief executive of FDG or their respective associates had any interests or short positions in the FDG Shares, underlying shares and debentures of FDG or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to FDG and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to FDG and the Stock Exchange:

Name of Directors	Capacity	Number of ordinary shares of FDG	Number of underlying shares (unlisted and physically settled equity derivatives) of FDG	Total number of ordinary shares and underlying shares of FDG	Approximate percentage of issued ordinary share capital of FDG
Mr. Cao	Interest of controlled corporation	2,311,059,998 *(Note a)*	–	2,311,059,998	13.31%
	Interest of controlled corporation	–	340,000,000 *(Notes a and e)*	340,000,000	1.96%
	Beneficial owner	–	10,000,000 *(Notes a and d)*	10,000,000	0.06%
	Beneficial owner	–	6,800,000 *(Notes a and e)*	6,800,000	0.04%
Mr. Miao	Interest of controlled corporation	2,606,301,043 *(Note b)*	–	2,606,301,043	15.02%
	Interest of controlled corporation	164,250,000 *(Note b)*	–	164,250,000	0.95%
	Beneficial owner	–	15,000,000 *(Notes b and d)*	15,000,000	0.09%
Dr. Chen	Interest of controlled corporation	658,125,000 *(Note c)*	–	658,125,000	3.79%
	Beneficial owner	–	12,000,000 *(Notes c and d)*	12,000,000	0.07%
Mr. Lo	Beneficial owner	–	42,800,000 *(Note d)*	42,800,000	0.25%
	Beneficial owner	–	6,579,000 *(Note e)*	6,579,000	0.04%
Mr. Che	Beneficial owner	1,000,000	16,000,000 *(Note d)*	17,000,000	0.10%
Professor Chen Guohua	Beneficial owner	–	10,000,000 *(Note d)*	10,000,000	0.06%
Mr. Chan Yuk Tong	Beneficial owner	–	12,900,000 *(Note d)*	12,900,000	0.07%
Mr. Fei Tai Hung	Beneficial owner	–	12,900,000 *(Note d)*	12,900,000	0.07%
Mr. Tse Kam Fow	Beneficial owner	–	12,900,000 *(Note d)*	12,900,000	0.07%

Notes:

(a) For the purpose of the SFO, Mr. Cao is deemed to be interested in a total of 2,311,059,998 FDG Shares and 356,800,000 underlying shares of FDG, of which (i) 2,311,059,998 FDG Shares are held by Long Hing, which is wholly owned by Mr. Cao and he is also a director of Long Hing; (ii) 340,000,000 underlying shares of FDG in the manner as mentioned in Note (e) below are held by Champion Rise, his wholly-owned investment holding company which he is a director of; (iii) 10,000,000 underlying shares of FDG in his own account and in the manner as mentioned in Note (d) below; and (iv) 6,800,000 underlying shares of FDG in his own account and in the manner as mentioned in Note (e) below.

(b) For the purpose of the SFO, Mr. Miao is deemed to be interested in (i) a total of 2,770,551,043 FDG Shares, of which 2,606,301,043 FDG Shares are held by Union Ever and 164,250,000 FDG Shares are held by Infinity Wealth. Both Union Ever and Infinity Wealth are wholly owned by Mr. Miao and he is also a director of both companies; and (ii) 15,000,000 underlying shares of FDG in his own account and in the manner as mentioned in Note (d) below.

(c) For the purpose of the SFO, Dr. Chen is deemed to be interested in (i) 658,125,000 FDG Shares which are held by Captain Century Limited ("**Capital Century**"). Capital Century is owned as to 60% by Dr. Chen and 40% by Ms. Zhang Lu, his spouse; and (ii) 12,000,000 underlying shares of FDG in his own account and in the manner as mentioned in Note (d) below.

(d) The interests in underlying shares of FDG represent interests in the FDG Options granted to the FDG Directors named above to subscribe for FDG Shares.

(e) The interests in underlying shares of FDG represent interests in the FDG Shares which would be allotted and issued to the respective FDG Director or his wholly-owned company upon conversion of the Exchange CBs that he/it holds at the initial conversion price of HK$0.50 per FDG Share if the Offer proceeds.

Save as disclosed above, at no time during the six months ended immediately preceding the commencement of the Offer Period and the Latest Practicable Date prior to the posting of the Composite Document was FDG or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangements to enable the directors or the chief executives of FDG or their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, FDG or any other body corporate nor had exercised any such right.

Save as disclosed above, none of the FDG Directors or proposed directors of FDG (if any) had any interests or short positions in the FDG Shares or underlying shares of FDG which would fall to be disclosed to FDG pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO.

VI. INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

Save as disclosed below, as at the Latest Practicable Date and so far as was known to the FDG Directors and chief executive of FDG, there were no other persons other than the FDG Directors or chief executive of FDG, who had an interest or a short position in the FDG Shares and underlying shares of FDG as recorded in the register kept by FDG pursuant to Section 336 of the SFO which would fall to be disclosed to FDG under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the FDG Group.

Name of substantial shareholders	Capacity	Number of ordinary shares of FDG	Number of underlying shares (unlisted and physically settled equity derivatives) of FDG	Total number of ordinary shares and underlying shares of FDG	Approximate percentage of issued ordinary share capital of FDG
Union Ever *(Note a)*	Beneficial owner	2,606,301,043	–	2,606,301,043	15.02%
Long Hing *(Note b)*	Beneficial owner	2,311,059,998	–	2,311,059,998	13.31%
CITIC Group Corporation *(Note c)*	Interest of controlled corporations	448,780,000	1,026,116,124	1,474,896,124	8.50%
Silver Ride Group Limited ("**Silver Ride**") *(Note d)*	Beneficial owner	1,033,060,001	–	1,033,060,001	5.95%
Mr. Chen Jian ("**Mr. Chen**") *(Note d)*	Interest of controlled corporation	1,033,060,001	–	1,033,060,001	5.95%
	Beneficial owner	–	7,000,000	7,000,000	0.04%
Mr. Li Ka-shing *(Note e)*	Interest of controlled corporations	977,500,000	–	977,500,000	5.63%

Notes:

(a) Union Ever is wholly owned by Mr. Miao, a director of FDG. The 2,606,301,043 FDG Shares held by Union Ever are deemed to be owned by Mr. Miao. Mr. Miao is also a director of Union Ever.

(b) Long Hing is wholly owned by Mr. Cao, a director of FDG. The 2,311,059,998 FDG Shares held by Long Hing are deemed to be owned by Mr. Cao. Mr. Cao is also a director of Long Hing.

(c) For the purpose of the SFO, CITIC Group Corporation is deemed to be interested in a total of 448,780,000 FDG Shares and 1,026,116,124 underlying shares of FDG, of which (i) 448,780,000 FDG Shares are held by CIAM; (ii) 3,128,000 underlying shares of FDG are held by CIAM and 1,022,988,124 underlying shares of FDG are held by Right Precious. These interests in underlying shares of FDG represent interests in the FDG Shares which would be allotted and issued to the respective companies upon conversion of the Exchange CBs that it holds at the initial conversion price of HK$0.50 per FDG Share if the Offer proceeds.

Right Precious is a wholly-owned subsidiary of CIAM of which CITIC International Financial Holdings Limited owns 40%. CITIC International Financial Holdings Limited is 70.32% owned by China CITIC Bank Corporation Limited which, in turn, is 67.13% owned by CITIC Limited through its wholly-owned subsidiary, CITIC Corporation Limited. CITIC Group Corporation owns 77.90% of CITIC Limited through its wholly-owned subsidiaries, CITIC Polaris Limited and CITIC Glory Limited.

(d) Silver Ride is wholly owned by Mr. Chen, a director of certain subsidiaries of FDG. The 1,033,060,001 FDG Shares held by Silver Ride are deemed to be owned by Mr. Chen. Mr. Chen was also interested in a total of 7,000,000 underlying shares of FDG which represent interests in the options granted to him on 4 September 2013 at a total consideration of HK$1 to subscribe for 7,000,000 FDG Shares at an exercise price of HK$0.45 per FDG Share (subject to adjustments). 50% of these options is exercisable from 4 September 2015 to 3 September 2023 while the remaining 50% of these options is exercisable from 4 September 2018 to 3 September 2023.

(e) For the purpose of the SFO, Mr. Li Ka-shing is deemed to be interested in a total of 977,500,000 FDG Shares, of which 127,500,000 FDG Shares are held by CEF Holdings Limited ("**CEF**"), 141,660,000 FDG Shares are held by Lion Cosmos Limited ("**Lion Cosmos**") and 708,340,000 FDG Shares are held by Li Ka Shing (Canada) Foundation ("**LKSCF**").

Li Ka-Shing Unity Holdings Limited ("**Unity Holdco**"), of which Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor are respectively interested in one-third and two-third of the entire issued share capital, owns the entire issued share capital of Li Ka-Shing Unity Trustee Company Limited ("**TUT1**"). TUT1 as trustee of The Li Ka-Shing Unity Trust ("**UT1**"), together with certain companies which TUT1 as trustee of UT1 is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings, holds more than one-third of the issued share capital of Cheung Kong (Holdings) Limited ("**CKH**"). CEF is owned as to 50% by CKH.

In addition, Unity Holdco also owns the entire issued share capital of Li Ka-Shing Unity Trustee Corporation Limited ("**TDT1**") as trustee of The Li Ka-Shing Unity Discretionary Trust ("**DT1**") and Li Ka-Shing Unity Trustcorp Limited ("**TDT2**") as trustee of another discretionary trust ("**DT2**"). Each of TDT1 and TDT2 holds units in UT1. By virtue of the SFO, Mr. Li Ka-shing, being the settlor of DT1 and DT2, may be regarded as a founder of DT1 and DT2.

Lion Cosmos is a wholly-owned subsidiary of Li Ka Shing (Overseas) Foundation ("**LKSOF**"). By virtue of the terms of the constituent documents of LKSOF and LKSCF, Mr. Li Ka-shing may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of LKSOF and LKSCF respectively.

As at the Latest Practicable Date, save as disclosed above, so far as was known to the FDG Directors, no other person (other than the FDG Directors or chief executive of FDG) had, or was deemed or taken to have an interest or a short position in the FDG Shares and/or underlying shares of FDG which would fall to be disclosed to FDG under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, FDG had not been notified and was not aware of any other persons who had an interest or a short position in the FDG Shares and underlying shares of FDG as recorded in the register required to be kept by FDG pursuant to Section 336 of the SFO as at the Latest Practicable Date.

VII. INTERESTS IN THE OFFEREE COMPANY AND THE OFFEROR AND ARRANGEMENTS IN CONNECTION WITH THE OFFER

As at the Latest Practicable Date:

(1) the Offeror does not hold any Offeree Shares;

(2) Mr. Miao and Mr. Che are directors of the Offeror; relevant details of the number of shares owned or controlled by each of them, together with their respective associates, in FDG and/or the Offeree Company are set out in the tables entitled "EFFECT OF THE SHAREHOLDING IN FDG HELD BY OFFEROR'S CONCERT PARTIES AS IDENTIFIED BY THE OFFEROR" and "EFFECT ON SHAREHOLDING OF THE OFFEREE COMPANY", respectively, in the "LETTER FROM VMS SECURITIES LIMITED" of this Composite Document. None of them have any shareholding in the Offeror;

(3) as identified by the Offeror, Mr. Cao, Mr. Miao, Dr. Chen, Mr. Che, Mr. Lo and VMS Securities and their respective associates are the persons acting in concert with the Offeror for the purpose of the Offer; relevant details of the number of shares owned or controlled by each of them, together with their respective associates, in FDG and/or the Offeree Company are set out in the tables entitled "EFFECT OF THE SHAREHOLDING IN FDG HELD BY OFFEROR'S CONCERT PARTIES AS IDENTIFIED BY THE OFFEROR" and "EFFECT ON SHAREHOLDING OF THE OFFEREE COMPANY", respectively, in the "LETTER FROM VMS SECURITIES LIMITED" of this Composite Document. None of them have any shareholding in the Offeror;

(4) apart from the Irrevocable Undertakings to Accept of which the respective Offeree Shareholders are set out in the section entitled "ACCEPTANCE CONDITION AND IRREVOCABLE UNDERTAKINGS TO ACCEPT" in the "LETTER FROM VMS SECURITIES LIMITED", no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or any person acting in concert with it; relevant details of the number of shares owned or controlled by each of them, together with its associates, in FDG and/or the Offeree Company are set out in the tables entitled "EFFECT OF THE SHAREHOLDING IN FDG HELD BY OFFEROR'S CONCERT PARTIES AS IDENTIFIED BY THE OFFEROR" and "EFFECT ON SHAREHOLDING OF THE OFFEREE COMPANY", respectively, in the "LETTER FROM VMS SECURITIES LIMITED" of this Composite Document. None of them have any shareholding in the Offeror;

(5) Mr. Cao, who is a director and a substantial shareholder owning 13.31% shareholding of FDG, is a concert party of the Offeror. He acquired 1,150,000 Offeree Shares for cash, within the six months immediately preceding the commencement of the Offer Period, for his own account and for investment purposes. His last acquisition was made on 5 June 2014. The highest price he paid was HK$1.13 per Offeree Share;

(6) Silvanus Enterprises is a concert party of the Offeror and had sold 25,200,000 Offeree Shares at HK$1.00 per Offeree Share on 19 June 2014;

(7) Mr. Lo, who is a director of FDG, is a concert party of the Offeror. He has exercised 1,900,000 Options into Offeree Shares at the exercise price of $1.00 per Offeree Share on 23 December 2014. The relevant Options were granted on 15 April 2013 with exercise period from 15 April 2014 to 14 April 2016. HK$1.00 was paid by Mr. Lo for accepting such Options;

(8) there was no relevant security (as defined in Note 4 to Rule 22 of the Takeovers Code including shares, warrants, options, derivatives or convertible securities) in the Offeror or the Offeree Company in which the Offeror or any party acting in concert with it (as identified by the Offeror) borrowed or lent;

(9) there exist no agreements or arrangements to which the Offeror is a party and which relate to circumstances in which the Offeror may or may not invoke or seek to invoke a Pre-Condition or condition to the Offer;

(10) there was no agreement, arrangement or understanding (including any compensation arrangement) that exists between the Offeror or any person acting in concert with it (as identified by the Offeror) and any directors, recent directors, shareholders or recent shareholders of the Offeree Company having any connection with or dependence upon the Offer;

(11) the emoluments of the directors of the Offeror will not be affected by the acquisition of the Offeree Company or by any other associated transaction;

(12) each of the Offeror or its parties in concert, has not entered into any agreement, arrangement or understanding pursuant to which any securities to be acquired by the Offeror in pursuance of the Offer will be transferred, charged or pledged to any other persons; and

(13) save as disclosed above, there is no party whose shareholdings are required by paragraph 4 of Schedule 1 of the Takeovers Code to be disclosed, including a party who has no shareholdings, has dealt for value in the shares in question during the period beginning six months prior to the commencement of the Offer Period and ending with the Latest Practicable Date prior to the posting of the Composite Document.

VIII. LITIGATION

FDG and two of its subsidiaries are currently involved in several litigations with Mr. Winston Chung (formerly known as Chung Hing Ka) ("**Mr. Chung**") and the companies which are controlled and/or owned by him (together with Mr. Chung, the "**Chung Parties**"). The summaries of litigations are as follows:

(1) FDG and two of its subsidiaries have instituted legal proceedings against the Chung Parties in the High Court of Hong Kong (the "**HK Court**") for, inter alia, breaches of various agreements in relation to the acquisition completed by the FDG Group on 25 May 2010. The Chung Parties has made a counterclaim based on certain documents;

(2) The Chung Parties filed a lawsuit against a subsidiary of FDG in the HK Court and alleged that FDG's subsidiary is not entitled to use certain patents; and

(3) The Chung Parties filed a lawsuit against a subsidiary of FDG in the Shenzhen Intermediate Court of the PRC for breaches of various agreements in relation to the production of battery products.

In these litigations, the allegations and defenses of the Chung Parties are primarily based on certain documents (the "**Questioned Documents**") which the FDG Group denied that they are the versions executed by the FDG Group and the Chung Parties. The FDG Group has strong reasons to believe that the Questioned Documents are fraudulently altered and/or completely fabricated.

On 27 February 2013, the HK Court made an order for bankruptcy against Mr. Chung (the "**Bankruptcy**"). As a result, all litigations involving Mr. Chung have been stayed. The FDG Group is currently awaiting the trustee (the "**Trustee**") in Mr. Chung's bankruptcy to wind up his estates and take over the litigations involving Mr. Chung. Despite Mr. Chung was adjudged bankrupt over a year, Mr. Chung neither submitted a substantive statement of affairs, an annual report of his earnings and acquisitions nor delivered any substantial property to the Trustee as required by the Bankruptcy Ordinance. On 4 September 2014, the HK Court issued an arrest warrant against Mr. Chung.

Based on legal advice, the FDG Directors are of the view that the allegations and defenses of the Chung Parties are frivolous, vexatious and based on unsubstantiated and invalid grounds, and the FDG Directors do not believe it is probable that the courts will find against them.

Save as disclosed above, as at the Latest Practicable Date, no member of the FDG Group was engaged in any litigation or arbitration proceedings of material importance and there was no litigation or claim of material importance known to the FDG Directors to be pending or threatened against any member of the FDG Group.

IX. MATERIAL CONTRACTS

The following contracts have been entered into by the FDG Group (not being contracts entered into in the ordinary course of business) within two years immediately preceding the commencement of the Offer Period and up to the Latest Practicable Date and are or may be material:

(1) the Sale and Purchase Agreement;

(2) the deed of undertaking dated 31 October 2014 and supplemented by a supplemental deed dated 30 December 2014 entered into among Right Precious, CIAM, FDG and the Offeror, pursuant to which Right Precious and CIAM provided an Irrevocable Undertaking to Accept in respect of the 300,878,860 Offeree Shares and 920,000 Offeree Shares that they hold respectively in exchange for the Exchange CBs;

(3) the deed of undertaking dated 31 October 2014 and supplemented by a supplemental deed dated 30 December 2014 entered into among Champion Rise, Mr. Cao, FDG and the Offeror, pursuant to which Champion Rise and Mr. Cao provided an Irrevocable Undertaking to Accept in respect of the 100,000,000 Offeree Shares and 2,000,000 Offeree Shares that they hold respectively in exchange for the Exchange CBs;

(4) the deed of undertaking dated 31 October 2014 and supplemented by a supplemental deed dated 30 December 2014 entered into among Fame Depot, CIFL, FDG and the Offeror, pursuant to which Fame Depot provided an Irrevocable Undertaking to Accept in respect of the 35,000,000 Offeree Shares that it holds in exchange for the Exchange CBs;

(5) the deed of undertaking dated 31 October 2014 and supplemented by a supplemental deed dated 30 December 2014 entered into among Silvanus Enterprises, Ms. Chong Sok Un (莊舜而), FDG and the Offeror, pursuant to which Silvanus Enterprises provided an Irrevocable Undertaking to Accept in respect of the 62,940,000 Offeree Shares that it holds in exchange for the Exchange CBs;

(6) the deed of undertaking dated 31 October 2014 and supplemented by a supplemental deed dated 30 December 2014 entered into among Mr. Lo, FDG and the Offeror, pursuant to which Mr. Lo provided an Irrevocable Undertaking to Accept in respect all the 1,935,000 Offeree Shares that he holds in exchange for the Exchange CBs;

(7) the agreement dated 11 May 2014 entered into between FDG and SEV in relation to (i) the subscription by FDG of the series AA notes for a total subscription price of US$2,000,000; (ii) the conditional subscription by FDG of the series E preferred shares for a total subscription amount of US$10,000,000; (iii) the conditional subscription by FDG of the common shares in a post-qualified merger

holding company for a total subscription amount of US$30,000,000; (iv) an exclusive battery supply contract; and (v) a memorandum of understanding in relation to the supply of electric vehicle components;

(8) the conditional sale and purchase agreement dated 15 April 2014 entered into among Preferred Market, Mr. Kam Chi Yip（金子頁）and Mr. Huang Jianmeng（黃健明）in relation to the acquisition of the entire issued share capital of Giant Industry Holdings Limited at the consideration of HK$190 million to be settled by the issue of 380,000,000 new FDG Shares at the price at HK$0.50 per FDG Share;

(9) the convertible bonds agreement dated 20 March 2014 in relation to the Existing FDG CBs entered into between FDG and VMS Investment Group Limited for the subscription of convertible bonds with a principal amount of HK$400 million;

(10) the placing agreement dated 20 March 2014 entered into between FDG and Guotai Junan Securities (Hong Kong) Limited for the placing of a maximum of 1,400,000,000 new FDG Shares at a price of HK$0.50 per FDG Share;

(11) the conditional sale and purchase agreement dated 19 December 2013 entered into among Preferred Market, the vendors (collectively, (1) Captain Century Limited, (2) Designer Touch Limited, (3) Infinity Wealth International Limited, (4) Super Sleek Limited, (5) Super Engine Limited, (6) Ms. Lam Chiu Che（林招治）, and (7) Ms. Chong Sok Un（莊舜而）, FDG and the vendors' guarantors (collectively, (1) Dr. Chen, (2) Mr. Chen Cheng（陳騁）, (3) Mr. Miao, (4) Mr. Wang Chengying（汪成應）, and (5) Mr. Wu Yangnian（吳陽年）). The consideration of the above acquisition was HK$608,400,000 which was settled by the issue of 1,901,250,000 new FDG Shares at the price of HK$0.32 per FDG Share;

(12) the call option deed dated 19 December 2013 entered into among Preferred Market, FDG, CIAM BVI and the Offeree Company;

(13) the subscription agreement dated 19 September 2013 for the subscription of 220,000,000 new FDG Shares at a price of HK$0.294 per FDG Share entered into between FDG and CIAM; and

(14) the five subscription agreements, all of which are dated 23 April 2013, for the subscription of a total of 1,200,000,000 new FDG Shares at a price of HK$0.22 per FDG Share entered into between FDG and five independent parties, respectively (namely Jade Time Investments Limited, LKSCF, Lion Cosmos, CIAM and Mr. Lo Ka Shui) respectively.

X. EXPERT'S QUALIFICATIONS AND CONSENT

The following are the qualifications of the experts who were engaged by FDG / the Offeror and have been named in the Composite Document or have given opinion or letter contained in the Composite Document:

Name	Qualifications
Asset Appraisal Limited	Appraiser
VMS Securities	a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

As at the Latest Practicable Date, each of Asset Appraisal Limited and VMS Securities has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion therein of its letter and/or references to its name, in the form and context in which it appears.

As at the Latest Practicable Date, VMS Securities and its associate hold 38,560,000 FDG Shares and the Existing FDG CBs.

As at the Latest Practicable Date, Asset Appraisal Limited did not have any shareholding in any member of the FDG Group and did not have the right (whether legally enforceable or not) to subscribe for securities or to nominate persons to subscribe for shares in any member of the FDG Group.

As at the Latest Practicable Date, Asset Appraisal Limited and VMS Securities did not have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the FDG Group, or which are proposed to be acquired or disposed of by or leased to any member of the FDG Group since 31 March 2013, being the date to which the latest published audited consolidated financial statements of FDG were made up.

XI. MISCELLANEOUS

The principal members of the Offeror' concert parties consist of (i) the directors of the Offeror; (ii) FDG and its directors and their Close Relatives; (iii) Silvanus Enterprises; and (iv) VMS Securities. The name and addresses of the principal members are as follows:

(1) As at the Latest Practicable Date, the board of directors of the Offeror comprises Mr. Miao and Mr. Che.

(2) The registered office of the Offeror is at P. O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

(3) The correspondence address of the Offeror and the directors of the Offeror, is Rooms 3001-3005, 30th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

(4) As at the Latest Practicable Date, the board of directors of FDG comprises Mr. Cao (Chairman and Chief Executive Officer), Mr. Miao (Deputy Chairman), Dr. Chen (Chief Operating Officer), Mr. Lo and Mr. Che (Vice President) as executive directors; Professor Chen Guohua as non-executive director; and Mr. Chan Yuk Tong, Mr. Fei Tai Hung and Mr. Tse Kam Fow as independent non-executive directors.

(5) The company secretary of FDG is Ms. Tam Lai Kwan Terry, who holds a Bachelor's Degree in Arts from The University of Hong Kong and is an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom.

(6) The registered office of FDG is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

(7) FDG's principal place of business in Hong Kong and the correspondence address of the FDG Directors is at Rooms 3001-3005, 30th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

(8) Silvanus Enterprises is ultimately controlled by Ms. Chong Sok Un (莊舜而). Its director comprises Ms. Chong Sok Un. The registered office of Silvanus Enterprises is at Akara Bldg., 24 De Castro Street, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands.

(9) VMS Securities is ultimately controlled by Ms. Viola Mak. Its directors comprise Ms. Chan Chi Yin Stefanie and Mr. Keith William Jacobsen. The registered office and the corresponding address of VMS Securities is at Suites 4112-4114, 41/F, Jardine House, 1 Connaught Place, Central, Hong Kong.

(10) The branch share registrar and transfer office and the Exchange CB registrar and transfer agent of FDG in Hong Kong is Union Registrars at A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.

(11) The English text of this Composite Document and the accompanying Form(s) of Acceptance shall prevail over the Chinese text in case of any inconsistency.

XII. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) at the principal place of business of FDG in Hong Kong at Rooms 3001-3005, 30th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong during normal business hours from 9:00 a.m. to 5:30 p.m. on any business day; (ii) on the website of SFC at www.sfc.hk; and (iii) on the website of FDG at http://www.fdgev.com/, from the time the Composite Document is published and up to the Final Closing Date or the date on which the Offer is withdrawn or lapsed whichever is earliest:

(1) the Memorandum and Articles of Association of the Offeror;

(2) the Bye-laws of FDG;

(3) the annual reports of FDG for the two years ended 31 March 2013 and 2014;

(4) the interim report of FDG for the six months ended 30 September 2014;

(5) the material contracts referred to in the section headed "MATERIAL CONTRACTS" of this appendix;

(6) the full set of the report in relation to the estimates of value of the Exchange CBs prepared by Asset Appraisal Limited, summary of which as set out in Appendix IV to this Composite Document;

(7) the comfort letter from VMS Securities on the valuer's valuation of the Exchange CBs prepared by Asset Appraisal Limited as set out in Appendix V.1 to this Composite Document;

(8) the letter from VMS Securities dated 30 January 2015, the text of which is set out from pages 10 to 39 of this Composite Document;

(9) the detailed terms and conditions of the Exchange CBs; and

(10) the written consents referred to in the paragraph headed "EXPERT'S QUALIFICATIONS AND CONSENT" in this appendix.

I. RESPONSIBILITY STATEMENT

This Composite Document includes particulars given in compliance with the Listing Rules and the Takeovers Code for the purposes of giving information with regard to the Offer and the Offeree Group. The directors of the Offeree Company jointly and severally accept full responsibility for the accuracy of the information (other than that in respect of FDG, the Offeror, directors of the Offeror and FDG, their respective associates and parties acting in concert with any of them except for Mr. Lo) contained in this Composite Document and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions (other than those expressed by FDG, the Offeror, directors of the Offeror and FDG, their respective associates and parties acting in concert with any of them except for Mr. Lo) expressed in this Composite Document have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

II. CORPORATE INFORMATION ON THE OFFEREE GROUP

Offeree Company is a company incorporated in Bermuda with limited liability and has been listed on the Main Board of the Stock Exchange since 1986. The Offeree Group is principally engaged in direct investments, including financing, securities trading and asset investment. The registered office of Offeree Company is at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda. The principal place of business of Offeree Company in Hong Kong is at 23rd Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

III. SHARE CAPITAL AND SHARE OPTIONS

As at the Latest Practicable Date, the authorised share capital of the Offeree Company was HK$2,500,000,000 divided into 2,500,000,000 Offeree Shares and the issued share capital of the Offeree Company was HK$938,283,217 divided into 938,283,217 Offeree Shares.

As at the Latest Practicable Date, the Offeree Company had outstanding Options which are exercisable into 5,700,000 new Offeree Shares under the Share Option Scheme adopted by the Offeree Company on 12 October 2007.

Details of movements in the number of share options granted under the Share Option Scheme (since 31 December 2013, being the date for the latest published audited consolidated financial statement of the Offeree Company, up to the Latest Practicable Date) are set out below:

				Number of share options		
Name of grantee	Date of grant	Exercise period	Exercise price of the share options	As at 31 December 2013	Granted/ (lapsed)/ (exercised)	Outstanding as at the Latest Practicable Date
Dou Jianzhong	9 September 2009	9 September 2011 to 8 September 2014	1.79	1,250,000	(1,250,000)	–
	15 April 2013	15 April 2014 to 14 April 2016	1.00	1,250,000	(1,250,000)	–

Name of grantee	Date of grant	Exercise period	Exercise price of the share options	Number of share options: As at 31 December 2013	Granted/ (lapsed)/ (exercised)	Outstanding as at the Latest Practicable Date
Mr. Lo	9 September 2009	9 September 2011 to 8 September 2014	1.79	1,900,000	(1,900,000)	–
	15 April 2013	15 April 2014 to 14 April 2016	1.00	1,900,000	(1,900,000)	–
Huang Bin	9 September 2009	9 September 2011 to 8 September 2014	1.79	400,000	(400,000)	–
Hung Chi Yuen Andrew	9 September 2009	9 September 2011 to 8 September 2014	1.79	200,000	(200,000)	–
	15 April 2013	15 April 2014 to 14 April 2016	1.00	200,000	–	200,000
Lu Zhicheng	9 September 2009	9 September 2011 to 8 September 2014	1.79	200,000	(200,000)	–
	15 April 2013	15 April 2014 to 14 April 2016	1.00	200,000	–	200,000
Sit Fung Shuen Victor	9 September 2009	9 September 2011 to 8 September 2014	1.79	200,000	(200,000)	–
	15 April 2013	15 April 2014 to 14 April 2016	1.00	200,000	–	200,000
Toh Hock Ghim	9 September 2009	9 September 2011 to 8 September 2014	1.79	200,000	(200,000)	–
	15 April 2013	15 April 2014 to 14 April 2016	1.00	200,000	–	200,000
Wong Yau Kar David	9 September 2009	9 September 2011 to 8 September 2014	1.79	200,000	(200,000)	–
	15 April 2013	15 April 2014 to 14 April 2016	1.00	200,000	–	200,000
Employees of the Offeree Group	9 September 2009	9 September 2011 to 8 September 2014	1.79	5,565,000	(5,565,000)	–
	15 April 2013	18 April 2013 to 8 September 2014	1.79	1,200,000	(1,200,000)	–
	15 April 2013	15 April 2014 to 14 April 2016	1.00	4,500,000	–	4,500,000
Other participants	9 September 2009	9 September 2011 to 8 September 2014	1.79	1,600,000	(1,600,000)	–
	15 April 2013	15 April 2014 to 14 April 2016	1.00	200,000	–	200,000
Total				21,765,000	(16,065,000)	5,700,000

Offeree Shares in the number of 3,150,000 have been issued upon exercise of the Options by Mr. Lo and Mr. Dou Jianzhong since 31 December 2013, being the date for the latest published audited consolidated financial statement of the Offeree Company, up to the Latest Practicable Date. Other than the increase in the authorised share capital of the Offeree

Company from HK$750,000,000 to HK$2,500,000,000 by the creation of 1,750,000,000 new Offeree Shares at HK$1.00 each which was approved by the Offeree Shareholders at the special general meeting of the Offeree Company on 13 November 2013, there was no re-organisation of the share capital of the Offeree Company during the two financial years preceding the commencement of the Offer Period.

Save for the outstanding Options disclosed above, as at the Latest Practicable Date, there are no outstanding securities, options, derivatives, warrants and other convertible securities or rights affecting shares in the Offeree Company.

All the existing issued Offeree Shares are fully paid and rank pari passu in all respect including all rights as to dividends, voting and interests in capital, and the Offeree Shares arising from the conversion of the Options will rank pari passu with the existing issued Offeree Shares.

IV. DIRECTORS' INTERESTS

Save as disclosed below, as at the Latest Practicable Date, none of the directors of the Offeree Company and chief executive of the Offeree Company had any interests or short positions in the shares, underlying shares and debentures of the Offeree Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Offeree Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of SFO); or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Offeree Company and the Stock Exchange:

Name of Directors	**Capacity**	**Number of ordinary shares of Offeree Company (under personal interest)**	**Number of underlying shares (unlisted and physically settled equity derivatives) of Offeree Company** *(Note a)*	**Total number of ordinary shares and underlying shares of Offeree Company**	**Approximate percentage of issued ordinary share capital of Offeree Company** *(Note b)*
Dou Jianzhong	Beneficial owner	1,250,000	–	1,250,000	0.13%
Mr. Lo *(Note c)*	Beneficial owner	1,935,000	–	1,935,000	0.21%
Hung Chi Yuen Andrew	Beneficial owner	–	200,000	200,000	0.02%
Lu Zhicheng	Beneficial owner	–	200,000	200,000	0.02%

Name of Directors	Capacity	Number of ordinary shares of Offeree Company (under personal interest)	Number of underlying shares (unlisted and physically settled equity derivatives) of Offeree Company *(Note a)*	Total number of ordinary shares and underlying shares of Offeree Company	Approximate percentage of issued ordinary share capital of Offeree Company *(Note b)*
Sit Fung Shuen Victor	Beneficial owner	–	200,000	200,000	0.02%
Toh Hock Ghim	Beneficial owner	–	200,000	200,000	0.02%
Wong Yau Kar David	Beneficial owner	–	200,000	200,000	0.02%

Notes:

(a) These interests represented the interest in underlying shares of the Offeree Company in respect of the Options granted by the Offeree Company under the Share Option Scheme to these directors of the Offeree Company as beneficial owners.

(b) The percentages are calculated based on the total number of issued shares of the Offeree Company of 938,283,217 as at the Latest Practicable Date.

(c) Mr. Lo has undertaken to accept the Offer in respect of all Offeree Shares that he holds in exchange for the Exchange CBs.

The Offeror intends to nominate Mr. Cao and Mr. Che as executive directors and Mr. Miao as a non-executive director to the board of the Offeree Company. As at the Latest Practicable Date, the shareholding in the Offeree Company and FDG of the above proposed directors and their respective associates are disclosed in the sections entitled "EFFECT ON SHAREHOLDING OF THE OFFEREE COMPANY" and "EFFECT ON THE SHAREHOLDING IN FDG HELD BY OFFEROR'S CONCERT PARTIES AS IDENTIFIED BY THE OFFEROR" in the "LETTER FROM VMS SECURITIES LIMITED" of this Composite Document, respectively.

As at the Latest Practicable Date, Mr. Lo has given an Irrevocable Undertaking to Accept in respect of his 1,935,000 Offeree Shares. The Irrevocable Undertaking to Accept given by the proposed directors and their respective associates of the Offeree Company are disclosed in the section "ACCEPTANCE CONDITION AND IRREVOCABLE UNDERTAKINGS TO ACCEPT" in the "LETTER FROM VMS SECURITIES LIMITED" of this Composite Document. Save as disclosed above, no director and proposed director and their respective associates of the Offeree Company has irrevocably committed himself, herself or itself to accept or reject the Offer.

Save as disclosed above, none of the directors or proposed directors of the Offeree Company had any interests or short positions in the Offeree Shares or underlying shares of the Offeree Company which would fall to be disclosed to the Offeree Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, at no time during the six months ended immediately preceding the commencement of the Offer Period and the Latest Practicable Date was the Offeree Company or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangements to enable the directors or the chief executives of the Offeree Company or their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Offeree Company or any other body corporate nor had exercised any such right.

V. INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

Save as disclosed below, as at the Latest Practicable Date and so far as was known to the directors and chief executive of the Offeree Company, there were no other persons other than the directors or chief executive of the Offeree Company, who had an interest or short position in the Offeree Shares and underlying shares of the Offeree Company as recorded in the register kept by the Offeree Company pursuant to Section 336 of the SFO which would fall to be disclosed to the Offeree Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Offeree Group.

Name of substantial shareholders	Capacity	Number of ordinary shares of the Offeree Company	Number of underlying shares of the Offeree Company	Total number of ordinary shares and underlying shares of the Offeree Company	Approximate percentage of issued ordinary share capital of the Offeree Company *(Note a)*
Right Precious	Beneficial owner *(Note c)*	300,878,860	–	300,878,860	32.07%
CIAM	Beneficial owner *(Note c)*	920,000	–	920,000	0.10%
	Interest held by controlled corporation *(Notes b, c)*	300,878,860	–	300,878,860	32.07%
CITIC International Financial Holdings Limited ("**CIFH**")	Interest held by controlled corporation *(Notes b, c)*	301,798,860	–	301,798,860	32.17%
China CITIC Bank Corporation Limited ("**CNCB**")	Interest held by controlled corporation *(Notes b, c)*	301,798,860	–	301,798,860	32.17%
CITIC Corporation Limited	Interest held by controlled corporation *(Notes b, c)*	301,798,860	–	301,798,860	32.17%
CITIC Limited	Interest held by controlled corporation *(Notes b,c)*	301,798,860	–	301,798,860	32.17%

Name of substantial shareholders	Capacity	Number of ordinary shares of the Offeree Company	Number of underlying shares of the Offeree Company	Total number of ordinary shares and underlying shares of the Offeree Company	Approximate percentage of issued ordinary share capital of the Offeree Company *(Note a)*
CITIC Polaris Limited	Interest held by controlled corporation *(Notes b,c)*	301,798,860	–	301,798,860	32.17%
CITIC Group Corporation ("**CITIC Group**")	Interest held by controlled corporation *(Notes b, c)*	301,798,860	–	301,798,860	32.17%
Champion Rise International Limited	Beneficial owner *(Note c)*	100,000,000	–	100,000,000	10.66%
Cao Zhong	Beneficial owner *(Note c)*	2,000,000	–	2,000,000	0.21%
	Interest held by controlled corporation *(Note c)*	100,000,000	–	100,000,000	10.66%
Galaxy Bridge International Limited	Beneficial owner	94,500,000	–	94,500,000	10.07%
Song Kejin	Interest held by controlled corporation	94,500,000	–	94,500,000	10.07%
Alpha Excel Investments Limited	Beneficial owner	70,000,000	–	70,000,000	7.46%
Shan Chang	Interest held by controlled corporation	70,000,000	–	70,000,000	7.46%
Silvanus Enterprises	Beneficial owner *(Note c)*	62,940,000	–	62,940,000	6.71%
Chong Sok Un	Interest held by controlled corporation *(Note c)*	62,940,000	–	62,940,000	6.71%
Preferred Market	Beneficial owner *(Note d)*	–	66,466,165	66,466,165	7.08%
Offeror	Beneficial owner *(Note e)*	–	503,673,860	503,673,860	53.68%
FDG	Interest held by controlled corporation	–	570,140,025	570,140,025	60.76%

Notes:

(a) The percentages are calculated based on the total number of issued shares of the Offeree Company of 938,283,217 as at the Latest Practicable Date.

(b) Right Precious is a wholly-owned subsidiary of CIAM. By virtue of the SFO, CIAM, CIFH, CNCB, CITIC Corporation Limited, CITIC Limited, CITIC Polaris Limited and CITIC Group are deemed to be interested in 301,798,860 Offeree Shares. CIFH owns 40% of CIAM, and CIFH is 70.32% owned by CNCB which, in turn is 67.13% owned by CITIC Corporation Limited, a wholly-owned subsidiary of CITIC Limited, which is in turn 77.90% owned by CITIC Group Corporation, among which 48% is held through CITIC Polaris Limited.

(c) Right Precious, CIAM, Champion Rise, Mr. Cao and Silvanus Enterprises have provided the Irrevocable Undertakings to Accept in respective of their holdings of the Offeree Shares.

(d) The underlying shares refer to the 66,466,165 new Offeree Shares which shall be issued by the Offeree Company to Preferred Market, a wholly-owned subsidiary of FDG if the Call Option is exercised. As at the Latest Practicable Date, the Call Option has not been exercised by the Offeree Company. Such Call Option shall be cancelled at the completion of the Agnita Transaction.

(e) The underlying shares refer to the number of Offeree Shares which the owners have irrevocably undertaken the Offeror to accept the Offer in respect of all the Offeree Shares they hold under the Irrevocable Undertakings to Accept.

In addition, Fame Depot, a wholly-owned subsidiary of CIFL, has also provided the Irrevocable Undertaking to Accept to accept the Offer in respect of its holding of the Offeree Shares. As at the Latest Practicable Date, Fame Depot is interested in 35,000,000 Offeree Shares (approximately 3.73% of the issued share capital of the Offeree Company).

VI. MARKET PRICES OF THE OFFEREE SHARES

Offeree Shares

The table below shows the closing prices of the Offeree Shares as quoted on the Stock Exchange (i) at the end of each of the six calendar months immediately preceding the commencement of the Offer Period and ending on the Latest Practicable Date prior to the posting of the Composite Document; (ii) on 20 August 2014 (being the last trading day immediately preceding the date of the Joint Announcement); and (iii) on the Latest Practicable Date:

Date	**Closing price of Offeree Shares** *(HK$)*
Latest Practicable Date	1.44
31 December 2014	1.32
28 November 2014	1.40
31 October 2014	1.21
30 September 2014	1.21
31 August 2014	1.21
31 July 2014	1.01
30 June 2014	1.00
30 May 2014	1.08
20 August 2014	1.21

Note: Trading in the Offeree Shares was suspended for the period from 21 August 2014 to 2 November 2014.

During the period commencing six months preceding the commencement of the Offer Period and ending on the Latest Practicable Date prior to the posting of the Composite Document, the highest and lowest closing market prices of the Offeree Shares quoted on the Stock Exchange during the relevant period were HK$1.58 on 11 November 2014 and HK$0.96 on 9 June 2014, respectively.

VII. SHAREHOLDINGS AND DEALINGS

As at the Latest Practicable Date,

(1) the Offeree Company did not have any interest in the shares of FDG and the Offeror, derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into FDG Shares or the shares of the Offeror;

(2) save for Mr. Lo who owned FDG Options convertible into 42,800,000 FDG Shares and save as disclosed under the section entitled "DIRECTORS' INTERESTS" in this Appendix subject to the Offer and exchangeable into the Exchange CBs, none of the directors of the Offeree Company were interested in

FDG Shares and shares of the Offeror, derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into FDG Shares or the shares of the Offeror;

(3) save as disclosed under the section entitled "DIRECTORS' INTERESTS" in this Appendix, none of the directors of the Offeree Company are interested in the Offeree Shares, derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Offeree Shares;

(4) no securities, derivatives, options, warrants and conversion rights or other similar rights which were convertible or exchangeable into shares of the Offeree Company or the Offeror or FDG were owned or controlled by a subsidiary of the Offeree Company or by a pension fund of any member of Offeree Group, or by an adviser to the Offeree Company as specified in class (2) of the definition of associate under the Takeovers Code but excluding exempt principal traders;

(5) no shareholding in the Offeree Company or in the Offeror or in FDG was owned or controlled by a person who has an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeree Company or any person who was an associate of the Offeree Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code;

(6) no shareholding in the Offeree Company or in the Offeror or in FDG was managed on a discretionary basis by fund managers (other than exempted fund managers) connected with the Offeree Company;

(7) save as disclosed under the section headed "DIRECTORS' INTERESTS" in this Appendix, none of the directors of the Offeree Company were interested in the Offeree Shares which are subject to be acquired by the Offeror under the Offer; and

(8) none of the directors of Offeree Company or the Offeree Company had borrowed or lent any shares, convertible securities, warrants, options or derivatives of the Offeree Company, the Offeror and FDG.

During the relevant period, being the period beginning six months prior to the Offer Period and ending with the Latest Practicable Date prior to the posting of this Composite Document:

(1) other than (a) the issue and allotment of 1,900,000 Offeree Shares to Mr. Lo on 23 December 2014 upon the exercise of 1,900,000 Options by Mr. Lo at the exercise price of HK$1.00 per Offeree Share and (b) the issue and allotment of 1,250,000 Offeree Shares to Mr. Dou Jianzhong on 23 December 2014 upon the exercise of 1,250,000 Options by Mr. Dou at the exercise price of HK$1.00 per Offeree Share, none of the directors of the Offeree Company had dealt for value in the Offeree Shares or any convertible securities, warrants, options or derivatives in respect of any Offeree Shares;

(2) save for Mr. Lo who was granted FDG Options convertible into 4,000,000 FDG Shares at the exercise price of HK$0.63 per FDG Share on 28 April 2014, neither the Offeree Company nor any of the directors of the Offeree Company had dealt for value in the shares of the Offeror or any convertible securities, warrants, options or derivatives in respect of any shares of the Offeror; and

(3) the Offeree Company had not dealt for value in the shares of FDG and the Offeror, derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into FDG Shares or the shares of the Offeror;

During the Offer Period and ending with the Latest Practicable Date prior to the posting of this Composite Document:

(1) the subsidiaries of the Offeree Company, the pension funds of any member of Offeree Group and the advisers to the Offeree Company as specified in class (2) of the definition of the associate under the Takeovers Code but excluding exempt principal traders had not dealt for value in the shares of the Offeree Company or FDG or the Offeror, derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into the Offeree Shares or FDG Shares or the shares of the Offeror;

(2) no person who has an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeree Company or any person who was an associate of the Offeree Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code had dealt for value in the shares of the Offeree Company or FDG or the Offeror, derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into the Offeree Shares or FDG Shares or the shares of the Offeror; and

(3) no discretionary basis by fund managers (other than exempted fund managers) connected with the Offeree Company had dealt for value in the shares of the Offeree Company or FDG or the Offeror, derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into the Offeree Shares or FDG Shares or the shares of the Offeror.

VIII. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, there were no service contracts with the Offeree Company or any of its subsidiaries or associated companies in force for the directors of the Offeree Company (i) which (including both continuous and fixed terms contracts) had been entered into or amended within six months before the commencement of the Offer Period; (ii) which are continuous contracts with a notice period of 12 months or more; or (iii) which are fixed term contracts with more than 12 months to run irrespective of the notice period.

IX. ARRANGEMENT AFFECTING DIRECTORS OF THE OFFEREE COMPANY

As at the Latest Practicable Date, none of the directors of the Offeree Company had been given any benefit as compensation for loss of office or otherwise in connection with the Offer.

Save for the Irrevocable Undertaking to Accept given by Mr. Lo in respect of his 1,935,000 Offeree Shares, as at the Latest Practicable Date, there was no agreement or arrangement between any directors of the Offeree Company and any other person which is conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer.

Save for the Irrevocable Undertaking to Accept given by Mr. Lo in respect of his 1,935,000 Offeree Shares, no material contracts had been entered into by the Offeror or FDG in which any director of the Offeree Company had a material personal interest.

X. LITIGATION

As at the Latest Practicable Date, no member of the Offeree Group was engaged in any litigation or claims of material importance and no litigation or claim of material importance was known to the directors of the Offeree Company to be pending or threatened by or against any member of the Offeree Group.

XI. MATERIAL CONTRACTS

The following contracts were entered into by the Offeree Group (not being contracts entered into in the ordinary course of business) within two years immediately preceding the commencement of the Offer Period and up to the Latest Practicable Date prior to the posting of the Composite Document and are or may be material:

(1) the Sale and Purchase Agreement;

(2) the Agnita Loan Agreement and the Agnita Supplemental Loan Agreements;

(3) the subscription agreement between 事安投資諮詢(深圳)有限公司 (CIAM Investment Consulting Limited*, formerly known as 逸百年投資諮詢(深圳)有限公司 (YBN Investment Consulting Limited*)), an indirect wholly-owned subsidiary of the Offeree Company and Tianjin MTEC dated 22 January 2014, pursuant to which 事安投資諮詢(深圳)有限公司 agreed to invest RMB15 million (equivalent to approximately HK$19.1 million) in cash into Tianjin MTEC to subscribe for 20% of the enlarged equity interest in Tianjin MTEC;

(4) the services agreement dated 30 December 2013 entered into between the Offeree Company and CIAM in connection with the provision of business development and management services by CIAM to the Offeree Group and the expected maximum aggregate annual value for the services for each of the three years ending 31 December 2016 is HK$5.5 million;

* *For identification purposes only*

(5) the service agreement dated 30 December 2013 entered into between the Offeree Company and CIAM in connection with the provision of investment and asset management services by the Offeree Group to CIAM and the expected maximum aggregate annual value for the services for each of the three years ending 31 December 2016 is HK$5.5 million;

(6) an option deed dated 19 December 2013 entered into among CIAM BVI, Preferred Market, the Offeree Company as the guarantor of CIAM BVI and FDG as the guarantor of Preferred Market, pursuant to which Preferred Market agreed to grant the Call Option at nil consideration;

(7) the agreement dated 29 May 2013 (as amended by the supplemental agreement dated 20 August 2013) in relation to the acquisition of 41.5% of the issued share capital of Agnita and a shareholder's loan of approximately HK$175 million advance to Agnita (the "**2013 Agnita Acquisition Agreement**") at the consideration of approximately HK$363.1 million;

(8) the supplemental agreement dated 20 August 2013 to the 2013 Agnita Acquisition Agreement;

(9) the agreement dated 29 May 2013 entered into among the Offeree Company, Champion Rise and Mr. Cao in connection with the subscription of 100,000,000 new Offeree Shares at the subscription price of HK$1.25 per Offeree Share;

(10) the agreement dated 29 May 2013 entered into among the Offeree Company, Alpha Excel Investments Limited and Mr. Shan Chang in connection with the subscription of 70,000,000 new Offeree Shares at the subscription price of HK$1.25 per Offeree Share; and

(11) the agreement dated 29 May 2013 entered into among the Offeree Company, Oriental Stage Limited and Ms. Wong Ling Ling in connection with the subscription of 30,000,000 new Offeree Shares at the subscription price of HK$1.25 per Offeree Share.

XII. EXPERTS' QUALIFICATION AND CONSENT

The following are the qualifications of the experts who were engaged by the Offeree Company and have been named in the Composite Document and have given opinion and letters contained in the Composite Document:

Name	**Qualifications**
KPMG	certified public accountants
Somerley	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, each of KPMG and Somerley has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion herein of its letter, recommendation or opinion and references to its name in the form and context in which it is included.

As at the Latest Practicable Date, KPMG and Somerley did not have any shareholding in any member of the Offeree Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Offeree Group.

As at the Latest Practicable Date, KPMG and Somerley did not have any interest, direct or indirect, in any assets, which have been acquired or disposed of by or leased to any member of the Offeree Group, or which are proposed to be acquired or disposed of by or leased to any member of the Offeree Group since 31 December 2013, being the date to which the latest published audited consolidated financial statements of the Offeree Company were made up.

XIII. MISCELLANEOUS

(1) The registered office of the Offeree Company is at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

(2) The head office and principal place of business of the Offeree Company is at 23rd Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

(3) The Hong Kong branch share registrar and transfer office of the Offeree Company is Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(4) The company secretary of the Offeree Company is Ms. Wong Yuen Ching Kyna, who is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

(5) The English text of this Composite Document and the accompanying Form(s) of Acceptance shall prevail over the Chinese text in case of any inconsistency.

XIV. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) at the principal place of business of the Offeree Company in Hong Kong at 23rd Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong during normal business hours from 9:00 a.m. to 5:30 p.m. on any business day; (ii) on the website of SFC at www.sfc.hk; and (iii) on the website of the Offeree Company at www.ciamgroup.com, from the time of the Composite Document is published and up to the Final Closing Date on the date on which the Offer is withdrawn or lapsed whichever is earliest:

(1) the Bye-laws of the Offeree Company;

(2) the annual reports of the Offeree Company for the two years ended 31 December 2012 and 2013;

(3) the interim report of the Offeree Company for the six months ended 30 June 2014;

(4) the material contracts referred to in the section entitled "MATERIAL CONTRACTS" of this appendix;

(5) the letter from the board of the Offeree Company, the text of which is set out on page 40 to 46 of this Composite Document;

(6) the letter from the Offeree Company Independent Board Committee, the text of which is set out on page 47 to 48 of this Composite Document;

(7) the letter of advice from Somerley, the text of which is set out on page 49 to 92 of this Composite Document;

(8) the letter from KPMG on the January 2015 Profit Warning, the text of which is set out on pages 298 to 299 of this Composite Document;

(9) the letter from Somerley on the January 2015 Profit Warning, the text of which is set out on pages 300 to 301 of this Composite Document; and

(10) the written consents referred to in the section entitled "EXPERTS' QUALIFICATION AND CONSENT" in this appendix.