HYBRID KINETIC GROUP LIMITED
正道集團有限公司

(Stock Code: 01188)

2014 ANNUAL REPORT

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Dr Yeung Yung *(Chairman)*
Dr Huang Chunhua *(Deputy Chairman)*
Dr Wang Chuantao *(Chief Executive Officer)*
Mr Hui Wing Sang, Wilson *(Deputy Chairman)*
Mr Liu Stephen Quan
Dr Zhu Shengliang
Mr Xu Jianguo
Mr Li Zhengshan
Mr Ting Kwok Kit, Johnny
(appointed on 3 November 2014)
Mr Chen Xiao *(appointed on 3 November 2014)*

Non-executive Director
Dr Xia Tingkang, Tim

Independent Non-Executive Directors
Mr Wong Lee Hing
Dr Song Jian
Dr Zhu Guobin
Mr Cheng Tat Wa
Dr Li Jianyong
Mr Chan Sin Hang

COMPANY SECRETARY

Mr Ting Kwok Kit, Johnny

AUDITOR

BDO Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

PRINCIPAL BANKERS

East West Bank
(U.S. branch)
9550 Flair Drive
E1Monte CA91731

HSBC

PRINCIPAL OFFICE

Suites 1407-8, 14/F.
Great Eagle Centre
23 Harbour Road, Wanchai
Hong Kong

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

HONG KONG LEGAL ADVISOR

Chiu & Partners
40th Floor, Jardine House
1 Connaught Place
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Management (Bermuda) Ltd.
Canon's Court
22 Victoria Street
Hamilton, HM 12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor
Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Chairman's Statement

Dear Shareholders,

It has always been our business objective to provide new energy vehicles on large scale in a sustainable manner since 2008. Our Group has committed significant resources towards attaining this objective in the last several years. We have visited quite a number of global leading producers of lithium batteries and kept tracking technological developments in lithium batteries. We have realized that, the current state of development (including technological and cost levels) of lithium batteries may not be sufficient to support the manufacture and sale of new energy passenger vehicles in large scale (which means at least half a million of such vehicles are to be manufactured in order to achieve economies of scale and reduce production cost of vehicles to affordable levels by consumers). Hence we refocused our interest in electric commercial vehicles, especially electric transit buses.

Public transit buses have fixed routes and daily consumption of electricity is fairly predictable. Our next step is to look for battery technology that fits our sustainable and large scale business model. Among all existing types of lithium batteries, only lithium titanate ("LTO") batteries have long enough life cycle to meet a typical bus life of 10 years (even with multiple fast charging each day). However, when compared with other types of lithium batteries, LTO batteries are not only much more expensive but also more difficult to produce due to the hydroscopic nature of lithium titanate materials. We have not only secure suitable suppliers with the capacity to manufacture LTO batteries at large scale but also manage to design prototype electric buses that promote the use of LTO batteries with fast charging features. After numerous statistics simulations, we have decided to adopt a finance-leasing model to resolve public transit bus operators' concerns over battery degradation as this affects the driving of a bus during its life and the issue of making significant upfront payment to buy such buses. This business model allows our Group to provide, through finance lease, electric buses to bus operators upon their making nil or minimal upfront payment and the balance of outstanding amount will be settled by instalments.

With confidence in LTO battery's extremely long cycle life, we will provide 10-year warranty for our LTO battery packs and insurance cover will be taken out. In 2014, we have built two prototype electric buses and presented them in roadshows in a few cities in China. It was a huge success and draw unrivaled interest in both our products and new business model.

I am pleased to inform our shareholders that we have largely laid a foundation from which we will soon launch our electric buses in a meaningful scale. We have secured large scale exclusive supply of high quality LTO batteries from XALT Energy in Michigan, USA which will commence large scale production of LTO batteries for our Group in the second half of 2015. We have secured or are in the process of securing strategic relationships with the world's leading suppliers of highly efficient electric motors and electric drivetrain systems. We would provide up to 1,500 electric buses to Baoding Municipal Government in China for public transport in 2015 and expand the Group's production capacity of key automobile components in Baoding under a strategic framework agreement. Large quantity of electric buses are expected to be made available by our Group through the finance-leasing model for use by public bus transit operators. I believe that the most difficult period for our Group is over and we are now in a very exciting period to see our Group to become a global leading supplier of electric buses and our shareholders be well rewarded for their support and patience with us.

Chairman's Statement

I would, once again, express my sincere gratitude to all shareholders, directors and employees of our Group for your patience and support.

Yeung Yung
Chairman

Hong Kong, 31 March 2015

Biographical Details of Directors and Company Secretary

Below are the biographical details of the Directors and the Company Secretary as at the date of this annual report.

EXECUTIVE DIRECTORS

Dr YEUNG Yung（仰融）, aged 57, was appointed a Director of the Company in November 1998, and is the Chairman of the Group, the chairman of the nomination committee and a member of the remuneration committee of the Board. Dr Yeung is also a substantial shareholder of the Company. Dr Yeung holds a PhD Degree in Economics from the China's Southwest University of Finance & Economics. Dr Yeung was elected as a director of the John Hopkins University Center – Nanjing University Centre for Chinese and American Studies（中美文化交流中心理事）. Dr Yeung was the chairman, chief executive officer and president of Brilliance China Automotive Holdings Limited and also the chairman and president of Shenyang Jinbei Passenger Vehicle Manufacture Co., Ltd. from 1992 to 2002. Dr Yeung is a well-known, highly successful automotive industrialist with over 18 years' experience in the automobile industry as well as a pioneering international financier from China. Dr Yeung is also a substantial shareholder of the Company.

Dr HUANG Chunhua（黃春華）, aged 51, was appointed a Director of the Company in June 2010, and is the Deputy Chairman of the Group. Dr Huang holds a Bachelor of Economics Degree from the Wuhan University in China, an MBA and PhD in Marketing (focus on corporate strategy) from the University of Strathclyde in Scotland. Dr Huang is also the vice-chairman of Hybrid Kinetic Motors Corporation ("HKMC"), a wholly-owned subsidiary of the Company and a director of certain subsidiaries of the Company. Dr Huang had been the vice-chairman of the Company between November 2002 and October 2007 and its chief financial officer between August 2000 and September 2004. He is an independent non-executive director of China Rare Earth Holdings Limited (listed in Hong Kong). He was among the first generation China equity analysts and had in-depth knowledge about China's automotive and the transport infrastructure sectors, as well as red chip conglomerates. Dr Huang was a pioneering financier for China's first wave of private companies going public in Hong Kong during 1999 and 2001.

Dr WANG Chuantao（王川濤）, aged 61, was appointed a Director of the Company in April 2009, and is the Chief Executive Officer of the Group. Dr Wang has more than 30 years' experience in the field of manufacturing engineering. He is an internationally recognized leading technologist and business leader in the development and implementation of advanced stamping using computer-aided engineering technology and production systems for digital die manufacturing and stamping for large scale automotive applications and had been the Chief Die Engineer and Technical Fellow in General Motors Corp in Michigan, the US before he joined the Group. He is armed with interdisciplinary education, diverse and in-depth knowledge and management experience in the automotive industry. He received his doctorate in industrial systems and engineering and his Master's Degree in materials science and engineering from The Ohio State University, Columbus, Ohio, the US and his Bachelor's Degree and Master's Degree in mechanical engineering from Chongqing University, Chongqing, the PRC. Dr Wang is also the chief executive officer of HKMC.

Biographical Details of Directors and Company Secretary

Mr HUI Wing Sang, Wilson（許永生）, aged 47, was appointed a Director of the Company in September 2007. He is also the deputy chairman of the Group and one of the authorized representatives of the Company. Mr Hui holds a Master's Degree in Business Administration from the University of Surrey and a Master's Degree in Professional Accounting and Information Systems from the City University of Hong Kong. He has been an associate member of Hong Kong Institute of Chartered Secretaries (HKICS) since 1996 and Hong Kong Institute of Certified Public Accountants (HKICPA) since 1999. Mr Hui possesses more than 20 years of experience in accounting, finance and corporate management.

Mr LIU Stephen Quan（劉泉）, aged 60, was appointed a Director of the Company in October 2007. Mr Liu holds a Master's Degree in business, economics and finance from the China Europe International Business School (CEIBS). Mr Liu has extensive knowledge and experience in the management of supply chain business. He has been in the supply chain industry for more than 20 years and was one of the founders of several industrial companies and investment companies in China and the US.

Dr ZHU Shengliang（朱勝良）, aged 64, was appointed a Director of the Company in May 2008. Dr Zhu holds a PhD Degree in Economics from the Southwestern University of Finance and Economics. Dr Zhu is currently the chairman of Ningbo Meilide Consulting Co., Limited, a subsidiary of the Company. Dr Zhu possesses extensive experience in finance and corporate management. He took senior managerial roles in several companies, including Shanghai Shenhua Holdings Co., Ltd., a PRC-listed company.

Mr XU Jianguo（徐建國）, aged 47, was appointed a Director of the Company in June 2010. Mr Xu holds a Master's Degree in mechanical engineering from the Shanghai Jiaotong University in the PRC. He is currently the vice-president of the global sourcing division in HKMC, a wholly-owned subsidiary of the Company. Mr Xu has 20 years' experience in the field of mechanical engineering and automotive industries. He was one of the key experts who developed Chinese Computer aided engineering industry in 1990s. Mr Xu has extensive experience in product development, engineering management, product planning, purchasing and supplier management. Mr Xu was involved in multiple projects for certain well-known auto makers in Asia and Europe and has extensive expertise in automotive development procedure. Mr Xu has in-depth understanding in the global automotive industry, in particular the Chinese automotive industry.

Mr LI Zhengshan（李正山）, aged 45, was appointed a Director of the Company in June 2010. Mr Li holds a Master of Arts Degree in English language and literature from the Shanghai International Studies University. He has been the Executive Assistant to Dr Yeung Yung, the Chairman of the Company since 2003 and the deputy general manager of the PRC investment division of the Company. He is currently a director of certain subsidiaries of the Company. He is responsible for corporate coordination and business development of the Group in China.

Mr TING Kwok Kit, Johnny（丁國傑）, aged 54, was appointed a director of the Company in November 2014, and is the company secretary and the chief financial officer of the Company. Mr Ting has been acting as the company secretary and the chief accounting officer of the Company since 17 August 2012 prior to his appointments as executive Director and the chief financial officer of the Group. He is also one of the authorized representatives of the Company. He had previously served as the independent non-executive Director from 19 November 2007 to 31 May 2011. Mr Ting holds a Bachelor's Degree in Economics from the University of Victoria of Canada and a MBA from the City University of Hong Kong. Mr Ting is a fellow member of the Association of Chartered Certified Accountants and a member of the Certified General Accountants Association of Canada. He is also a fellow member of the Hong Kong Institute of Chartered Secretaries. Mr Ting has more than 15 years' experience in accounting, finance and corporate management.

Biographical Details of Directors and Company Secretary

Mr CHEN Xiao（陳曉）, aged 43, was appointed a director of the Company in November 2014. Mr Chen has joined the Group since April 2008. He has been one of the senior management of Group and has been assuming the roles of general manager or deputy manager or director (as the case may be) of certain subsidiaries of the Company. Mr Chen is primarily responsible for identifying, evaluating, participating in commercial negotiations and financial planning for the implementation of potential projects for the Group in the PRC. Mr Chen was graduated from the Shanghai University of Finance and Economics（上海財經大學）in 1994, majoring in Investment, Economics and Financial Management（投資經濟管理）. He has extensive experience in the areas of securities investment, corporate finance, capital management and merger and acquisition in the PRC.

NON-EXECUTIVE DIRECTOR

Dr XIA Tingkang, Tim（夏廷康）, aged 59, was appointed a non-executive Director of the Company in June 2010. Dr Xia holds a Bachelor's Degree from Peking University, the PRC, a PhD from The Ohio State University, the US and a Juris Degree from the Columbia University School of Law, the US. Dr Xia is currently a senior partner of an international law firm, Morris Manning & Martin, LLP, and a registered U.S. patent attorney. Prior to his legal career, he was a physicist specializing in supercomputing, large scale computer simulation of complex fluids, super-thin-films of polymers, and Josephson junction superconducting arrays, electromagnetic properties of high temperature superconductors, and physics of granular metals. Dr Xia also counsels clients of international corporate law.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr WONG Lee Hing（王利興）, aged 46, was appointed an independent non-executive Director of the Company in October 2008. He is also the chairman of the remuneration committee and a member of the audit committee and the nomination committee of the Board. Mr Wong holds a Bachelor's Degree in Manufacturing Engineering and a Postgraduate Certificate in Business Administration from the City University of Hong Kong. Mr Wong possesses more than 10 years' experience in the production industry and information technology management. He is currently a director of an electronic trading company.

Dr SONG Jian（宋健）, aged 57, was appointed an independent non-executive Director of the Company in May 2010. Dr Song holds a Doctorate's and Bachelor's Degrees in Tsinghua University. He is currently a professor of Automotive Engineering Department in Tsinghua University. He is also the Executive Vice-President of the Tsinghua Automotive Engineering Institute, the Vice-Director of the National Laboratory in Automotive Safety and Energy and an expert consultant to the Beijing Government. Dr Song was formerly the Deputy Dean of the Automotive Engineering Department at Tsinghua University.

Mr CHENG Tat Wa（鄭達華）, aged 50, was appointed an independent non-executive Director of the Company in August 2012. He is also the chairman of the audit committee and a member of the nomination committee and the remuneration committee of the Board. Mr Cheng holds a Master's Degree in international accounting from City University of Hong Kong and a LLB (HONS) from Northumbria University. Mr Cheng is a fellow member of the Association of Chartered Certified Accountants. He is an associate member of the Institute of Chartered Secretaries and Administrators of Canada and a member of the Certified General Accountants Association of Canada. He is also a member of the Institute of Internal Auditors. Mr Cheng has more than 15 years of extensive experience in the business accounting fields.

Biographical Details of Directors and Company Secretary

Dr ZHU Guobin (朱國斌), aged 53, was appointed a non-executive Director in July 2010 and re-designated as an independent non-executive Director of the Company on 31 December 2012. Dr Zhu holds a Bachelor's Degree in history, a Master's Degree in history and a Master's Degree in law from the Renmin University of China, a Master's degree in law from the University of Hong Kong and a PhD in law and a HDR (Diplôme d'Habilitation à Diriger des Recherches) from the University of Aix-Marseilles in France. Dr Zhu is currently a professor of law in the School of Law in the City University of Hong Kong. He is a also a guest professor at Shandong University, Southern-Central China and Wuhan University School of Law in the PRC. He is a council member of the Chinese Association of Constitutional Law and a member of International Association of Constitutional Law and French Society of Comparative in Legislation, and an associate member of the International Academy of Comparative Law.

Dr Zhu is a Director of The Legal Education Fund Limited, and also a council member of Hubei Province Overseas Friendship Association.

Dr LI Jianyong (李建勇), aged 57, was appointed an independent non-executive Director of the Company in December 2012. Dr Li holds a Doctoral Degree in economics from the Southwestern University of Finance and Economics (西南財經大學). Dr Li obtained the accreditation and qualification of sponsor representative* (保薦代表人) from the Securities Association of China (中國證券業協會) in 2007. Dr Li had served various senior positions in GF Securities Company Limited (廣發證券股份有限公司). Dr Li was also appointed as the vice-chairman of the Securities Association of China in 2007. Dr Li has extensive experience in the securities and investment field in the PRC. Dr Li is currently a professor of the Chinese Finance Research Institute of the Southwestern University of Finance and Economics.

Mr CHAN Sin Hang (陳善衡), aged 30, was appointed an independent non-executive Director of the Company in December 2012. He is also a member of the audit committee of the Board. Mr Chan holds a Bachelor's Degree in business (accounting) from the Australian Catholic University. Mr Chan is a full member of the CPA Australia. He is also a member of HKICPA since March 2013. Mr Chan had been an auditor in CPA firms in Hong Kong, and a chief financial officer and a company secretary of a financial services company based in Hong Kong and China. Mr Chan has more than 5 years of experience in the accounting field, and is currently a chief accountant of a Hong Kong company. He is currently a director of a PRC consultant company.

COMPANY SECRETARY

The company secretary of the Company is Mr Ting Kwok Kit, Johnny, an executive director of the Company. Please refer to the biographical details of Mr Ting as disclosed above.

* *For identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS AND OTHER INFORMATION

Overview

The principal business of the Group during the Year included the environmental automobile and related business (comprising the lithium-ion power battery business, the environmental automobile business, the New Energy Project and the high-tech electric motors vehicles business) and the natural resources business.

During the Year, the Group operated the lithium-ion power battery business through the Company's wholly owned subsidiary, Zhejiang GBS Energy Co., Ltd.（浙江佳貝思綠色能源有限公司）("GBS"). As the performance of the lithium-ion battery business had fallen short of expectation over the years, the Group had been looking for opportunity to downsize and, if possible, dispose of the business. In August 2014, the Group contracted to dispose of its 75% equity interest in GBS (the "GBS Disposal").

Since the development and manufacturing of lithium-ion power battery represented the major source of income of the Group's business during the Year and a legally-binding agreement for the GBS Disposal was entered into by the Group, the Board considered that the GBS Disposal was highly probable as at 31 December 2014. Accordingly, the Group reclassified, in accordance with HKFRS 5, the income and expenses of GBS for the years ended 31 December 2013 and 2014 as discontinued operations in the Group's consolidated statement of comprehensive income and the assets and liabilities of GBS as at 31 December 2014 as assets/liabilities of a disposal company classified as held for sale in the Group's consolidated statement of financial position. Further details regarding the discontinued operations and assets/liabilities of a disposal company classified as held for sale are set out in notes 12.1 and 12.2 to the financial statements for the Year.

The Group's turnover and loss attributable to shareholders for the Year were nil (2013: nil) and HK$415.2 million (2013: HK$179.09 million) respectively. The loss was mainly attributable to general operating expenses and loss for the Year from discontinued operations.

The general operating expenses from continuing operations for the Year increased to HK$413.88 million (2013: HK$173.65 million) which consisted of share-based compensation of HK$195.76 million (2013: HK$94.28 million), research and development expense of HK$96.39 million (2013: HK$0.54 million), employee salary and benefit expenses of HK$43.77 million (2013: HK$38.11 million) and depreciation expenses of HK$5.28 million (2013: HK$5.63 million).

The loss for the Year from discontinued operations was HK$25.41 million as compared to HK$16.50 million in 2013.

(a) Environmental automobile and related business

Lithium-ion power Battery Business

During the Year, the Group operated the lithium-ion power battery business through the Company's wholly owned subsidiary, GBS.

GBS was acquired by the Group in October 2010 pursuant to the acquisition agreement dated 18 April 2010 (as supplemented) (the "GBS Acquisition Agreement") from Headland Co., Limited ("Headland"), Ms Wenren Hongyan（聞人紅雁）("WHY") and Mr Wenren Hongquan（聞人紅權）("WHQ") together (the "GBS Vendors"). The consideration of RMB180 million paid by the Group under the GBS Acquisition Agreement was settled partly in cash and partly by the allotment and issue of an aggregate of 457,324,692 shares in the Company (the "Consideration Shares") as consideration shares, credited as fully paid, to the GBS Vendors. As security for the attainment of certain profits guarantee by the GBS Vendors, a total of 200,000,000 Consideration Shares (the "Retained Shares") were then retained by the Group pursuant to the terms of the GBS Acquisition Agreement.

Since the first half of 2011, the operating environment of the business carried on by GBS has been testing and falling short of the Group's expectation. This was due partly to the global economic downturn, and the situation was aggravated by the mounting auto incidents in the PRC and the faulty electric vehicle batteries recalled by certain battery manufacturer which had raised safety concerns, cast doubts on the quality of lithium-ion battery and related products and shaken confidence of consumers and potential customers generally. Such prevailing operating conditions have caused the continuing loss in GBS's automobile battery business amidst uncertain prospect. The profits guarantee given by the GBS Vendors was not fulfilled and the Group had rights under the GBS Acquisition Agreement to sell and dispose of the Retained Shares to recoup shortfall in the amount of the profits guaranteed to the extent possible.

As GBS had been contributing accumulated losses to the Group over the years and the GBS Vendors had expressed interest in acquiring a majority stake in, and continuing the operation of, GBS, the Group had on 18 August 2014 entered into a share transfer agreement (the "GBS Share Transfer Agreement") with the GBS Vendors for the disposal (the "GBS Disposal") of 75% equity interest in GBS to the GBS Vendors. It was contractually agreed under the GBS Share Transfer Agreement that the GBS Disposal by the Group should be made in return for the net proceeds from the disposal of an aggregate of 257,324,692 Shares (the "Subject Shares") owned by the GBS Vendors (as to 123,901,839 Subject Shares held by Headland, 87,361,733 Subject Shares held by WHY and 46,061,120 Shares held by WHQ). The settlement of the consideration for the GBS Disposal was therefore, in substance, in the form of cash but on a deferred basis. The GBS Disposal was approved by the shareholders of the Company at the special general meeting held on 5 January 2015, and was completed on 10 January 2015. The net proceeds ultimately derived by the Group from the GBS Disposal were approximately HK$43.1 million. For details of the GBS Disposal (including but not limited to the mechanism of determining the consideration for the GBS Disposal and the related placing arrangements for obtaining the proceeds of the GBS Disposal), please refer to the announcements dated 10 October and 12 December 2014, the circular dated 16 December 2014, and the subsequent announcements dated 11 and 14 January 2015 of the Company.

The GBS Disposal has released the Group from further subsidizing substantially this business and allows the Group to reallocate and deploy its resources to other more promising business segments of the Group.

As disclosed above, the Group has reclassified the income and expenses of GBS for the years ended 31 December 2013 and 2014 as discontinued operations in the Group's consolidated statement of comprehensive income in accordance with HKFRS 5. For 2014, the turnover and the loss for the Year from discontinued operations were approximately HK$72.17 million and HK$25.41 million respectively whereas the turnover was HK$52.18 million and loss from discontinued operations was HK$16.50 million in 2013. The loss from discontinued operations for the Year was mainly attributable to the loss recognised on the re-measurement to fair value less costs to sell on the assets that classified as held for sale of HK$14.08 million (2013: Nil), cost of inventories recognized as expenses of HK$57.85 million (2013: HK$33.67 million) and general operating expenses of HK$22.64 million (2013: HK$16.21 million).

New Energy Project

The Group has been engaging in the promotion and development of a new energy project (which involved the construction of production facilities for the production of key new energy automobile components including battery materials, super batteries, electric control systems and electrolyte for use in new energy automobiles) (the "New Energy Project") through a project company (namely, 連雲港正道新能源有限公司 (Hybrid Kinetic (Lianyuangang) New Energy Limited, Inc.* (the "Project Company")) established on 29 March 2013 and based in 連雲港經濟技術開發區 (Lianyungang Economic and Technological Development Zone*) ("LETDZ").

The Project Company has an operating period of 20 years from the date of its establishment. As at 31 December 2014, the total investment amount of the Project Company was US$81,000,000 (equivalent to approximately HK$631,800,000). The total registered capital of the Project Company was US$27,000,000 (equivalent to approximately HK$210,600,000), as to US$21,000,000 (equivalent to approximately HK$163,800,000) agreed to be contributed by the Group and as to US$6,000,000 (equivalent to approximately HK$46,800,000) by 江蘇新海連發展集團有限公司 (Jiangsu NewHeadLine Development Group Co., Ltd.*), representing approximately 77.78% and 22.22% of the total registered capital of the Project Company.

The New Energy Project is an important development in the LETDZ as it is expected to bring positive economic and social benefits to the LETDZ. The government officials of the LETDZ are enthusiastic and have been supportive to the Project Company in facilitating the development of the New Energy Project.

During the Year, the Project Company had completed the production facilities with an area of approximately 5,300 square meters (comprising a production centre of approximately 3,300 square meters and the remaining area is allocated for office, a laboratory, an inspection centre and other uses). The Project Company is expected to commence trial or initial production in mid-2015.

In order to comply with the environmental laws and regulations and to facilitate trial or initial production of the New Energy Project, a consultant was engaged to develop certain know-how, technology related to the production and manufacturing of nanographene and battery materials for the Project Company. The Group has identified, and will set in motion the application of, a proven technology for the production of single and few-layer graphene（單層石墨烯）. With the completion of the construction of production facilities of the Project Company, the Project Company's capability and production capacity to commence trial or initial production of single and few-layer grapheme will be greatly enhanced.

During the Year, the turnover was nil (2013: nil) and loss of the Project Company under the advanced batteries material business segment in the Group's financial statement amounted to HK$12.84 million (2013: HK$4.85 million). The loss was mainly due to the impairment of goodwill and change in fair value of derivative financial asset in the Year.

High-Tech Electric Motors Vehicles

This is a new business segment for the Year. The Group engages in the design, production and sales of high-tech electric motor vehicles using advanced battery. In 2014, this segment recorded no turnover and the loss was HK$99.56 million which was mainly attributable to the research and development expenses in electric bus amounted to approximately HK$96.39 million.

With the Group's research and development capability, the Group successfully designed two prototype buses for public transport, which are ready to be launched in the market and had been well received at road shows in certain cities in the PRC.

In the Year, the Group successfully secured a substantial order for electric buses from an independent dealer engaged in transportation solutions in PRC. The electric buses were contracted to be used for designated municipalities and transportation authorities. The delivery of the electric buses, which are in stages, has commenced and will become a new income stream for the Group.

In order to compete with other companies manufacturing electric buses in China, the Group has used its best endeavours to improve the quality of electric bus. The Group entered into a collaboration agreement with Dandong Huanghai Automobile Company Limited*（丹東黃海汽車有限責任公司）("Dandong Automobile") on the joint development of a series of auto products for the purpose of designing and developing two prototypes of 12-metre lightweight monocoque electric bus suitable for public transportation. The collaboration allows both the Group and Dangdong Automobile to complement each other in their respective resource advantage. The Board is of the view that the project, if successful, will present a wealth of attractive business opportunities to both the Group and Dangdong Automobile.

The Group also entered into a supply agreement with Xalt Energy MI, LLC for the supply of new generation high-power rapid charging lithium titanate (LTO) battery cells specified and tailored to the Group's production of high-performance rapid charging electric bus. A LTO battery is an advanced battery which makes fast charging possible and provides large currents when needed, which is a perfect fit for electric bus application so that the electric bus can be fully charges during intervals between trips. In addition, LTO battery has much longer life cycle and can work under severe weather conditions and has much lower self-discharging rate than lithium-ion battery. Under the supply agreement, the Group is entitled to obtain an exclusive right to purchase LTO battery cells if the minimum volume of order as committed by the Group is fulfilled. The Board considers the Group's development of electric buses, if equipped with Xalt LTO battery cells, are expected to entail massive market potentials as well as business and investment opportunities for the Group. Corresponding to the supply volume, the Group plans to start production of electric buses in 2015, with the escalating output capacity of 2,000 units in 2015, 5,000 units in 2016 and 10,000 units in 2017.

Further, identifying and securing a quality supplier for the Group's automotive innovations and products is essential to the building of a solid reputation for quality hybrid electric vehicle solutions for the Group and to enhance the competitiveness in the electric bus market in China.

Environmental Automobile Business

The Group engages in the research and development of environmental automobile primarily through its U.S. subsidiary, Hybrid Kinetic Motors Corp. For the Year, this business segment recorded a loss of approximately HK$1.27 million (2013: HK$14.09 million). The loss was mainly attributable to general operating expenses.

With its research and development capacity, the Group has pursued the business adventure in the design, production and sales of electric buses in China under a new segment of high-tech electric motor vehicles. Given the growing demand for high-tech, clean and sustainable automobiles, the Group will continue its effort in exploring other type of environmental automobile including passenger vehicles (cars, suv) and other commercial vehicles (taxi, delivery van).

(b) Natural resources business

The Group carries on its natural resources business mainly through Jilin Shengshi Mining Ltd. (吉林晟世礦業有限公司), a subsidiary of the Company. For the Year, this business segment recorded no turnover (2013: Nil), and a loss of HK$20.41 million (2013: HK$9.82 million) which was mainly attributable to impairment of other receivables and general operating expenses incurred during the Year.

The development strategy for the Group's natural resources business had been subject to constant review and evaluation by the Group during the Year.

PROSPECTS

There has been substantial development in the technology of rechargeable battery in recent years. The Board considers that significant advance in battery architecture and the exploration and development of highly advanced new battery materials could be breakthrough for both the automobile battery business and the environmental automobile business of the Group, and will make dedicated efforts and allocate resources towards this direction.

The participation of the Group, through its investment in the Project Company in the development of the New Energy Project, and completion of the construction of production facilities by the Project Company for producing key new energy automobile components (including battery materials, super batteries, electric control systems, electrolyte and in particular, single layer grapheme (單層石墨烯), an ideal material for super batteries) which will greatly enhance the Group's capability and production capacity for the manufacture of more advanced and competitive new energy automobile components are considered by the Board as an important milestone for the Group in the development of its environmental automobile and related business.

The demand for high-tech, clean and sustainable transportation has been growing under the global trend of urbanization and proactive impositions of environmental regulations. Given the positive response in respect of the electric buses designed by the Group, the Board is optimistic that the Group's business venture in the development of electric buses will entail massive market potentials as well as business and investment opportunities for the Group.

As regards the natural resources business, while the Group will try optimize its development potential, the Group will not preclude the possibility of changing its business plan for this line of business so as to best align with the overall and long-term goals of the Group.

MATERIAL ACQUISITION OR DISPOSAL

Other than the entering into by the Group of the GBS Share Transfer Agreement in August 2014 in respect of the GBS Disposal (which was completed on 10 January 2015), the Group did not have material acquisition or disposal during the Year.

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

During the Year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

FUND RAISING ACTIVITIES AND USE OF PROCEEDS DURING THE YEAR

During the Year, the Company had undertaken the following fund raising activities:

Event	Net proceeds raised and intended use of net proceeds	Amount utilized as at 31 December 2014 and actual use of net proceeds
(a) Subscription of a total of 1,979,750,000 new shares in the Company at HK$0.10 each completed on 8 May 2014 (the details of which are disclosed in the Company's announcements dated 17 April 2014 and 8 May 2014)	About HK$197,475,000, as to (i) about HK$125,000,000 to pursue suitable acquisition and/or investment opportunities that either supplement the existing businesses, or fit into the long term strategy, of the Group; and (ii) the remaining net proceeds of about HK$72,475,000, and to the extent that the net proceeds as stated in (i) above are not applied for acquisition and/or investment purposes, they would be utilized to fund the general working capital of the Group.	Fully utilized, as to about HK$125 million was utilized to invest in high-tech motor vehicles and the balance was utilized to fund the general working capital of the Group (which were in line with the intended use of such net proceeds as previously disclosed by the Company).
(b) Subscription of a total of 1,780,235,000 new shares in the Company at HK$0.16 each completed on 16 December 2014 (the details of which are disclosed in the Company's announcements dated 2 December 2014 and 16 December 2014)	About HK$284,437,000, as to (i) about 80% (about HK$227,549,600) to pursue acquisition and/or investment opportunities in the research and development, manufacture and/or promotion of high-tech motor vehicles in the PRC; and (ii) as to the remaining net proceeds, and to the extent that the net proceeds as stated in (i) above are not applied for acquisition and/or investment purposes, they would be utilized to fund the general working capital of the Group.	Partially utilized, as to about HK$185 million was utilized to invest in high-tech motor vehicles and as to about HK$2 million was utilized to fund the general working capital of the Group (which were in line with the intended use of such net proceeds as previously disclosed by the Company).

LIQUIDITY AND FINANCIAL RESOURCES

As of 31 December 2014, the total equity of the Group amounted to approximately HK$612.4 million (31 December 2013: HK$641.3 million). The gearing ratio of the Group as of 31 December 2014 measured in term of total liabilities divided by shareholders' equity was approximately 18.52% (31 December 2013: 31.27%). As of 31 December 2014, net current assets of the Group were approximately HK$483.4 million (31 December 2013: HK$555.9 million). The pledged bank deposits were approximately HK$0.8 million (31 December 2013: HK$0.8 million) while the cash and cash equivalents amounted to HK$202.1 million (31 December 2013: HK$147.9 million). The short-term investments was approximately HK$11.3 million (31 December 2013: HK$8.9 million) and structured bank deposits was approximately HK$100.9 million (31 December 2013: nil). The Group also had outstanding borrowings of approximately HK$0.2 million (31 December 2013: HK$7.8 million) stated in note 35 to the financial statements.

PLEDGE OF THE GROUP'S ASSETS

As of 31 December 2014, the Group had pledged its bank deposits of HK$0.8 million (31 December 2013: HK$0.8 million) to the Group's bankers to secure general banking facilities granted to the Group.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

During the Year, almost all of the income and expenditure of the Group were denominated in Renminbi, Hong Kong dollar and/or United States dollars, and the Group had no significant exposure to foreign exchange fluctuations and therefore, had not taken any financial instruments for hedging purpose.

HUMAN RESOURCES AND REMUNERATION POLICIES

The Group had a total of approximately 85 employees as at 31 December 2014 (2013: 163 employees). Total staff costs, including directors' emoluments, of the Group were approximately HK$179,030,000 (2013: HK$102,731,000). It has been the Group's policy to ensure that the remuneration levels of the Directors and its employees are reviewed and rewarded on a performance-related basis within the general framework of the Group's salary and bonus system. Share options may also be granted to the Directors and employees of the Group.

OTHER INFORMATION AND EVENTS AFTER THE REPORTING PERIOD

GBS Disposal

On 10 January 2015 (as disclosed in the Company's announcement dated 11 January 2015), the Group completed the GBS Disposal, which constituted a very substantial disposal and connected transaction of the Company, pursuant to the GBS Share Transfer Agreement disclosed under the paragraph headed *"Environmental Automobile and Related Business – Lithium-ion power Battery Business"* above.

Disposal of the Subject Shares and the Retained Shares

As disclosed in the Company's announcement dated 12 December 2014 and circular dated 16 December 2014, a placing agent was engaged for the disposal by way of placing of the Subject Shares following completion of the GBS Disposal and the Retained Shares retained by the Group as the profits guaranteed under the GBS Acquisition Agreement were not fulfilled. As disclosed in the Company's announcement dated 14 January 2015, the Subject Shares and the Retained Shares were successfully placed by the placing agent to four individual placees at HK$0.172 each on 12 January 2015 with net proceeds of approximately HK$76,600,000 derived from the placing (as to approximately HK$43,100,000 and HK$33,500,000 respectively from the Subject Shares and the Retained Shares).

Subscription of new shares in the Company

As announced by the Company on 3 February 2015, the subscriptions by 23 independent subscribers of an aggregate of 697,946,951 new shares in the Company at the subscription price of HK$0.175 each pursuant to 23 subscription agreements entered into with the Company on 23 January 2015 were completed. The net proceeds raised from the subscriptions amounted to approximately HK$121,740,716. The Company intends to use the net proceeds to pursue acquisition and/or investment opportunities in the research and development, manufacture and/or operation of high-tech motor vehicles in the PRC.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as its own code of conduct governing securities transactions by the Directors. All Directors, after specific enquiries by the Company, confirmed to the Company their compliance with the required standards set out in the Model Code during the Year.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company had reviewed and discussed with the management of the Company regarding the consolidated financial statements of the Group for the Year.

Directors' Report

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out in the annual report on page 134. The summary does not form part of the audited financial statements.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the shareholders of the Company by reason of their holding of the Company's securities.

COMPOSITION OF THE BOARD

The Directors during the Year and up to the date of this Directors' report are:

Executive Directors:
Dr Yeung Yung *(Chairman)*
Dr Huang Chunhua *(Deputy Chairman)*
Dr Wang Chuantao *(Chief Executive Officer)*
Mr Hui Wing Sang, Wilson *(Deputy Chairman)*
Mr Liu Stephen Quan
Dr Zhu Shengliang
Mr Xu Jianguo
Mr Li Zhengshan
Mr Ting Kwok Kit, Johnny *(appointed on 3 November 2014)*
Mr Chen Xiao *(appointed on 3 November 2014)*
Dr Jang Bor Zeng Bohr *(resigned on 31 October 2014)*
Dr Zhamu Aruna *(resigned on 31 October 2014)*

Non-executive Director:
Dr Xia Tingkang, Tim

Independent Non-Executive Directors:
Mr Wong Lee Hing
Dr Song Jian
Dr Zhu Guobin
Mr Cheng Tat Wa
Dr Li Jianyong
Mr Chan Sin Hang

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 31 December 2014, so far as is known to any director(s) or chief executive of the Company, the following parties (other than the directors or chief executive of the Company) were recorded in the register kept by the Company under section 336 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company, as being directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the Company:

Name	Nature of interest	Number of Shares	Percentage (Note 4)
Sun East LLC	Beneficial owner (Note 1)	2,673,071,189	18.84%
Yeung Yung	Interest of controlled corporation (Note 2)	2,673,071,189	18.84%
	Beneficial owner (Note 3)	10,000,000	0.07%
		2,683,071,189	18.91%

Notes:

1. Sun East LLC is owned as to 35% by Dr Yeung Yung (shared commonly with his spouse under the laws of California, the US) and 65% by Mr Ma Manwai (alias Ma Manwai, Philip) and Mr Jimmy Wang (alias Wang Jian) as co-trustees for certain trusts established for the benefit of the children of Dr Yeung Yung on 30 December 2002. Dr Yeung Yung (as well as his spouse) was deemed to be interested in these 2,673,071,189 Shares held by Sun East LLC under Part XV of the SFO.

2. These 2,673,071,189 Shares are the same parcel of Shares held by Sun East LLC in which Dr Yeung Yung (as well as his spouse) is deemed interested under Part XV of the SFO.

3. These 10,000,000 Shares are directly held by Dr Yeung Yung, in which his spouse is deemed interested under Part XV of the SFO.

4. The percentage of shareholding is calculated on the basis of 14,187,144,756 Shares in issue as at 31 December 2014 and does not take into account any Shares which may fall to be allotted and issued upon exercise of any subscription rights attaching to any share options granted by the Company.

Save as disclosed above, no person, other than those Directors whose interests are set out in the section "Directors' and chief executive's interests and short positions" below, had registered an interest or short positions in the share capital or underlying shares of the Company that was required to be recorded under Section 336 of SFO.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS

As at 31 December 2014, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules were as follow:

(1) Long positions in the ordinary share (each a "Share") of HK$0.10 each in the Company

Name of Director	Number of Shares	Capacity	Approximate percentage of shareholding (Note 1)
Yeung Yung	2,673,071,189 (Note 2)	Controlled corporation	
	10,000,000	Beneficial owner	
	2,683,071,189 (Note 3)		18.91%
Liu Stephen Quan	281,760,000 (Note 4)	Founder of trust Interest of children under 18	1.99%
Zhu Shengliang	5,333,883	Beneficial owner	0.04%
Hui Wing Sang, Wilson	2,904,000	Beneficial owner	0.02%
Li Zhengshan	8,700,000	Beneficial owner	0.06%

Notes:

(1) The percentage of shareholding is calculated on the basis of 14,187,144,756 Shares in issue as at 31 December 2014 and did not take into account any Shares which may fall to be allotted and issued upon exercise of any subscription rights attaching to any share options granted by the Company.

(2) These Shares are held by Sun East LLC. Sun East LLC is a limited liability company incorporated in California, the US, which is owned as to (i) 35% by Dr Yeung Yung (shared commonly with his spouse under the laws of California, the US) and 65% by Mr Ma Manwai (alias Ma Manwai, Philip) and Mr Jimmy Wang (alias Wang Jian) as co-trustees for certain trusts established for the benefit of the children of Dr Yeung Yung on 30 December 2002. Dr Yeung Yung (as well as his spouse) was deemed to be interested in the Shares held by Sun East LLC by virtue of Part XV of the SFO.

(3) The spouse of Dr Yeung Yung is deemed to be interested in the Shares beneficially held by Dr Yeung Yung by virtue of Part XV of the SFO.

(4) These Shares were indirectly owned by certain trusts of which Mr Liu Stephen Quan were the founder. The children of Mr Liu were eligible beneficiaries of the trusts. Mr Liu was deemed to be interested in these Shares by virtue of Part XV of the SFO.

(2) Interests in share options of the Company

Name of Director	Date of grant	Exercisable period	Exercise price (HK$)	Number of underlying Shares subject to outstanding Options	Approximate percentage of shareholding (Note)
Yeung Yung	9 August 2005	29 August 2005 to 8 August 2015	0.102	11,140,000	
	6 February 2008	6 February 2008 to 5 February 2018	0.114	27,000,000	
	6 September 2013	6 September 2013 to 5 September 2023	0.108	10,000,000	
	20 November 2014	20 November 2014 to 19 November 2024	0.201	10,000,000	
				58,140,000	0.41%

Name of Director	Date of grant	Exercisable period	Exercise price (HK$)	Number of underlying Shares subject to outstanding Options	Approximate percentage of shareholding (Note)
Huang Chunhua	6 September 2013	6 September 2013 to 5 September 2023	0.108	65,000,000	
	20 November 2014	20 November 2014 to 19 November 2024	0.201	50,000,000	
				115,000,000	0.81%
Wang Chuantao	6 September 2013	6 September 2013 to 5 September 2023	0.108	30,000,000	
	20 November 2014	20 November 2014 to 19 November 2024	0.201	30,000,000	
				60,000,000	0.42%
Liu Stephen Quan	6 September 2013	6 September 2013 to 5 September 2023	0.108	10,000,000	
	20 November 2014	20 November 2014 to 19 November 2024	0.201	10,000,000	
				20,000,000	0.14%
Hui Wing Sang, Wilson	6 February 2008	6 February 2008 to 5 February 2018	0.114	27,000,000	
	6 September 2013	6 September 2013 to 5 September 2023	0.108	60,000,000	
	20 November 2014	20 November 2014 to 19 November 2024	0.201	50,000,000	
				137,000,000	0.97%

Name of Director	Date of grant	Exercisable period	Exercise price (HK$)	Number of underlying Shares subject to outstanding Options	Approximate percentage of shareholding (Note)
Zhu Shengliang	9 August 2005	29 August 2005 to 8 August 2015	0.102	16,710,000	
	6 September 2013	6 September 2013 to 5 September 2023	0.108	20,000,000	
	20 November 2014	20 November 2014 to 19 November 2014	0.201	20,000,000	
				56,710,000	0.40%
Xu Jianguo	6 September 2013	6 September 2013 to 5 September 2023	0.108	30,000,000	
	20 November 2014	20 November 2014 to 19 November 2024	0.201	50,000,000	
				80,000,000	0.56%
Li Zhengshan	9 August 2005	29 August 2005 to 8 August 2015	0.102	5,570,000	
	6 February 2008	6 February 2008 to 5 February 2018	0.114	5,000,000	
	6 September 2013	6 September 2013 to 5 September 2023	0.108	25,000,000	
	20 November 2014	20 November 2014 to 19 November 2024	0.201	50,000,000	
				85,570,000	0.60%
Ting Kwok Kit, Johnny	6 September 2013	6 September 2013 to 5 September 2023	0.108	35,000,000	
	20 November 2014	20 November 2014 to 19 November 2024	0.201	25,000,000	
				60,000,000	0.42%

Name of Director	Date of grant	Exercisable period	Exercise price (HK$)	Number of underlying Shares subject to outstanding Options	Approximate percentage of shareholding (Note)
Chen Xiao	6 September 2013	6 September 2013 to 5 September 2023	0.108	25,000,000	
	20 November 2014	20 November 2014 to 19 November 2024	0.201	50,000,000	
				75,000,000	0.53%
Xia TingKang, Tim	6 September 2013	6 September 2013 to 5 September 2023	0.108	10,000,000	
	20 November 2014	20 November 2014 to 19 November 2024	0.201	10,000,000	
				20,000,000	0.14%
Song Jian	6 September 2013	6 September 2013 to 5 September 2023	0.108	10,000,000	
	20 November 2014	20 November 2014 to 19 November 2024	0.201	10,000,000	
				20,000,000	0.14%
Zhu Guobin	6 September 2013	6 September 2013 to 5 September 2023	0.108	10,000,000	
	20 November 2014	20 November 2014 to 19 November 2024	0.201	10,000,000	
				20,000,000	0.14%
Li Jianyong	6 September 2013	6 September 2013 to 5 September 2023	0.108	10,000,000	
	20 November 2014	20 November 2014 to 19 November 2024	0.201	20,000,000	
				30,000,000	0.21%

Name of Director	Date of grant	Exercisable period	Exercise price (HK$)	Number of underlying Shares subject to outstanding Options	Approximate percentage of shareholding (Note)
Wong Lee Hing	29 July 2014	29 July 2014 to 28 July 2024	0.1136	10,000,000	
	20 November 2014	20 November 2014 to 19 November 2024	0.201	2,000,000	
				12,000,000	0.08%
Cheng Tat Wa	29 July 2014	29 July 2014 to 28 July 2024	0.1136	5,000,000	
	20 November 2014	20 November 2014 to 19 November 2024	0.201	5,000,000	
				10,000,000	0.07%
Chan Sin Hang	20 November 2014	20 November 2014 to 19 November 2024	0.201	5,000,000	0.04%

Note:

The percentage of shareholding is calculated on the basis of 14,187,144,756 Shares in issue as at 31 December 2014.

Save as disclosed above, none of the Directors or the chief executive of the Company had or were deemed to have any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 31 December 2014.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Old Scheme") on 12 June 2003, which was expired on 11 June 2013. The share option scheme currently in force was adopted on 13 June 2013 (the "Scheme") pursuant to an ordinary resolution passed by the shareholders of the Company at the annual general meeting of the Company held on 13 June 2013.

The following share options were outstanding during the period from 1 January to 31 December 2014 (the "Period"):

Name/Category of Participant	As at 1 January 2014	Reclassification during the Period	Share options granted	Share options lapsed/ cancelled during the Period	Share options exercised	As at 31 December 2014	Date of grant	Exercise price	Exercise period
Director									
Yeung Yung	11,140,000	–	–	–	–	11,140,000	Note 1	Note 1	Note 1
	27,000,000	–	–	–	–	27,000,000	Note 2	Note 2	Note 2
	10,000,000	–	–	–	–	10,000,000	Note 4	Note 4	Note 4
	–	–	10,000,000	–	–	10,000,000	Note 6	Note 6	Note 6
Huang Chunhua	65,000,000	–	–	–	–	65,000,000	Note 4	Note 4	Note 4
	–	–	50,000,000	–	–	50,000,000	Note 6	Note 6	Note 6
Wang Chuantao	30,000,000	–	–	–	–	30,000,000	Note 4	Note 4	Note 4
	–	–	30,000,000	–	–	30,000,000	Note 6	Note 6	Note 6
Hui Wing Sang, Wilson	27,000,000	–	–	–	–	27,000,000	Note 2	Note 2	Note 2
	60,000,000	–	–	–	–	60,000,000	Note 4	Note 4	Note 4
	–	–	50,000,000	–	–	50,000,000	Note 6	Note 6	Note 6
Liu Stephen Quan	10,000,000	–	–	–	–	10,000,000	Note 4	Note 4	Note 4
	–	–	10,000,000	–	–	10,000,000	Note 6	Note 6	Note 6
Zhu Shengliang	16,710,000	–	–	–	–	16,710,000	Note 1	Note 1	Note 1
	20,000,000	–	–	–	–	20,000,000	Note 4	Note 4	Note 4
	–	–	20,000,000	–	–	20,000,000	Note 6	Note 6	Note 6
Xu Jianguo	30,000,000	–	–	–	–	30,000,000	Note 4	Note 4	Note 4
	–	–	50,000,000	–	–	50,000,000	Note 6	Note 6	Note 6
Li Zhengshan	5,570,000	–	–	–	–	5,570,000	Note 1	Note 1	Note 1
	5,000,000	–	–	–	–	5,000,000	Note 2	Note 2	Note 2
	25,000,000	–	–	–	–	25,000,000	Note 4	Note 4	Note 4
	–	–	50,000,000	–	–	50,000,000	Note 6	Note 6	Note 6
Ting Kwok Kit, Johnny	–	35,000,000	–	–	–	35,000,000	Note 4	Note 4	Note 4
	–	–	25,000,000	–	–	25,000,000	Note 6	Note 6	Note 6
Chen Xiao	–	25,000,000	–	–	–	25,000,000	Note 4	Note 4	Note 4
	–	–	50,000,000	–	–	50,000,000	Note 6	Note 6	Note 6
Xia Tingkang, Tim	10,000,000	–	–	–	–	10,000,000	Note 4	Note 4	Note 4
	–	–	10,000,000	–	–	10,000,000	Note 6	Note 6	Note 6
Wong Lee Hing	–	–	10,000,000	–	–	10,000,000	Note 5	Note 5	Note 5
	–	–	2,000,000	–	–	2,000,000	Note 6	Note 6	Note 6
Song Jian	10,000,000	–	–	–	–	10,000,000	Note 4	Note 4	Note 4
	–	–	10,000,000	–	–	10,000,000	Note 6	Note 6	Note 6
Cheng Tat Wa	–	–	5,000,000	–	–	5,000,000	Note 5	Note 5	Note 5
	–	–	5,000,000	–	–	5,000,000	Note 6	Note 6	Note 6

Name/Category of Participant	As at 1 January 2014	Reclassification during the Period	Share options granted	Share options lapsed/ cancelled during the Period	Share options exercised	As at 31 December 2014	Date of grant	Exercise price	Exercise period
Zhu Guobin	10,000,000	–	–	–	–	10,000,000	Note 4	Note 4	Note 4
	–	–	10,000,000	–	–	10,000,000	Note 6	Note 6	Note 6
Li Jianyong	10,000,000	–	–	–	–	10,000,000	Note 4	Note 4	Note 4
	–	–	20,000,000	–	–	20,000,000	Note 6	Note 6	Note 6
Chan Sin Hang	–	–	5,000,000	–	(5,000,000)	–	Note 5	Note 5	Note 5
	–	–	5,000,000	–	–	5,000,000	Note 6	Note 6	Note 6
Jang Bor Zeng Bohr	66,000,000	–	–	(66,000,000)	–	–	Note 3	Note 3	Note 3
Zhamu Aruna	34,000,000	–	–	(34,000,000)	–	–	Note 3	Note 3	Note 3
Sub Total:	482,420,000	60,000,000	427,000,000	(100,000,000)	(5,000,000)	864,420,000			
Employee (in aggregate)	15,250,000	–	–	–	–	15,250,000	Note 1	Note 1	Note 1
	31,400,000	–	–	–	–	31,400,000	Note 2	Note 2	Note 2
	325,000,000	(60,000,000)	–	–	–	265,000,000	Note 4	Note 4	Note 4
	–	–	7,000,000	–	–	7,000,000	Note 5	Note 5	Note 5
	–	–	355,000,000	–	–	355,000,000	Note 6	Note 6	Note 6
Sub Total:	371,650,000	(60,000,000)	362,000,000	–	–	673,650,000			
Other eligible persons: (in aggregate)	15,000,000	–	–	–	–	15,000,000	Note 2	Note 2	Note 2
	423,000,000	–	–	–	(11,000,000)	412,000,000	Note 4	Note 4	Note 4
	–	–	14,000,000	–	–	14,000,000	Note 5	Note 5	Note 5
	–	–	436,000,000	–	–	436,000,000	Note 6	Note 6	Note 6
Sub Total:	438,000,000	–	450,000,000	–	(11,000,000)	877,000,000			
Total:	1,292,070,000	–	1,239,000,000	(100,000,000)	(16,000,000)	2,415,070,000			

Notes:

1. These share options were granted on 9 August 2005 and are exercisable at a subscription price of HK$0.102 per share at any time during the period of 10 years from 29 August 2005 to 8 August 2015.

2. These share options were granted on 6 February 2008 and are exercisable at a subscription price of HK$0.114 per share at any time during the period of 10 years from 6 February 2008 to 5 February 2018.

3. These share options were granted on 4 December 2012 and exercisable at a subscription price of HK$0.12 per share at any time during the period of 8 years from 1 January 2015 to 3 December 2022.

4. These share options were granted on 6 September 2013 and are exercisable at a subscription price of HK$0.108 per share at any time during the period of 10 years from 6 September 2013 to 5 September 2023.

5. These share options were granted on 29 July 2014 and are exercisable at a subscription price of HK$0.1136 per share at any time during the period of 10 years from 29 July 2014 to 28 July 2024. The closing price of the Shares on the day immediately before the date of grant (28 July 2014) was HK$0.113 per share.

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the share option granted is measured based on binomial option valuation model.

	Measurement date 29 July 2014
Fair value	HK$0.0871
Exercise price	HK$0.1136
Expected volatility	73.7760%
Expected life of the Share Options	10 years
Risk-free interest rate	1.9550%
Expected dividend yield	0%

In the valuation, it has applied the following assumptions:

1. Risk-free rate was based on 10-Year Hong Kong Exchange Fund Notes yield as at the valuation date (that is, 29 July 2014);

2. Expected dividend yield is based on historical dividend trend and expected future dividend policy determined by the Company; and

3. Expected volatility was determined by using 520-week historical volatility of the Company's share price provided by the Bloomberg.

6. These share options were granted on 20 November 2014 and are exercisable at a subscription price of HK$0.201 per share at any time during the period of 10 years from 20 November 2014 to 19 November 2024. The closing price of the Shares on the day immediately before the date of grant (19 November 2014) was HK$0.205 per share.

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the share option granted is measured based on binomial option valuation model.

	Measurement date 20 November 2014
Fair value	HK$0.1577
Exercise price	HK$0.2010
Expected volatility	74.9368%
Expected life of the Share Options	10 years
Risk-free interest rate	1.8610%
Expected dividend yield	0%

In the valuation, it has applied the following assumptions:

1. Risk-free rate was based on 10-Year Hong Kong Exchange Fund Notes yield as at the valuation date (that is, 20 November 2014);

2. Expected dividend yield is based on historical dividend trend and expected future dividend policy determined by the Company; and

3. Expected volatility was determined by using 520-week historical volatility of the Company's share price provided by the Bloomberg.

The principal terms of the Scheme, which is currently in force, are briefly summarised below:

1)	Purpose of the Scheme	As incentives and rewards to eligible participants for their contribution or potential contribution to the Group
2)	Participants of the Scheme	a) any employee (whether full time or part time, including any executive Director but excluding any non-executive Director) of the Company, any of its subsidiaries, or any entity (the "Invested Entity") in which any member of the Group holds any equity interest; b) any non-executive Directors (including independent non-executive Directors), any of the subsidiaries of the Company or any Invested Entity; c) any supplier of goods or services to any member of the Group or any Invested Entity; d) any customer of the Group or any Invested Entity; e) any person or entity that provides research, development or other technological support to the Group or any Invested Entity; f) any shareholder of any member of the Group other than the Company or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; g) any advisor (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and h) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group.
3)	Maximum number of shares available for issue under the Scheme	The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme (and any other share option scheme adopted by the Group) must not in aggregate exceed 30% of the share capital of the Company in issue from time to time.
4)	Maximum entitlement of each participant under the Scheme	In any 12-month period, shall not exceed 1% of the shares in issue

5)	The period within which the shares must be taken up under an option	The Board may in its absolute discretion determine save that such period shall not expire later than 10 years from the date of grant
6)	The minimum period for which an option must be held before it can be exercised	Unless otherwise determined by the Board, no minimum period
7)	The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid	Upon acceptance of the option, the grantee shall inform the Company together with HK$1 by way of consideration for the grant within 21 days from the date of offer
8)	The basis of determining the exercise price	The exercise price is determined by the Board and being not less than the highest of: a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of shares on the date of offer for grant which must be a business day; or b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of shares for the 5 business days immediately preceding the date of offer for grant which must be a business day; or c) the nominal value thereof
9)	The remaining life of the Scheme	The Scheme remains in force until 12 June 2023

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Year and up to the date of the annual report, no Directors are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract with the Company or any of its subsidiaries, which is not determinable by the employer within one year without payment of compensation, other than statutory compensations.

MAJOR CUSTOMERS AND SUPPLIERS

Turnover
The percentage of the Group's revenue (included continuing and discontinued operations) attributable to the five largest customers for the Year is as follows:

– The largest customer	29%
– The five largest customers in aggregate	70%

Purchases
The percentage of the Group's purchase (included continuing and discontinued operations) attributable to the five largest suppliers for the Year is as follows:

– The largest supplier	15%
– The five largest suppliers in aggregate	62%

As far as the Directors are aware, none of the Directors, their associates or any shareholder of the Company (who to the Directors' knowledge was interested in or owned more than 5 per cent. of the Company's share capital) had any interest in the customers or suppliers referred to above.

CONNECTED TRANSACTIONS

None of the "Related Party Transactions"as disclosed in Note 40 to the consolidated financial statements for the Year constituted discloseable non-exempted connected transaction or non-exempted continuing connected transaction under the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Directors, the Company had maintained the prescribed level of public float as required under the Listing Rules during the Year and up to the date of this report.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group and the Company during the Year are set out in note 19 to the financial statements.

RESERVES

Movements in reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity on pages 50 to 51 and note 39 to the financial statements respectively.

ANALYSIS OF BORROWINGS AND INTEREST CAPITALISED

The particulars of the Group's borrowings as at the end of the Year are set out in note 35 to the financial statements. No interest was capitalised by the Group during the Year.

SHARE CAPITAL

Movements in share capital of the Company are shown in note 37 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws or the laws of Bermuda.

DIVIDENDS

The Directors do not recommend the payment of a dividend for the Year and the Company did not declare any interim dividend during the Year.

AUDITOR

The consolidated financial statements for the Year were audited by BDO Limited which would retire at the conclusion of the forthcoming annual general meeting of the Company (the "AGM"), and being eligible, offer themselves for re-appointment.

A resolution will be proposed at the forthcoming AGM to re-appoint BDO Limited as auditor of the Company.

On behalf of the Board

Yeung Yung
Chairman

Hong Kong, 31 March 2015

* For identification purpose only

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The board (the "Board") of directors (the "Directors") of the Company (together with its subsidiaries, the "Group") is committed to maintaining high standards of corporate governance to ensure better transparency and protection of the overall interests of the Company and its shareholders and to enhance corporate value and accountability. The Company wishes to highlight that the Board will continue to devote efforts in ensuring effective leadership and control of the Company and the transparency and accountability of all operations.

Throughout the year ended 31 December 2014 (the "Year"), the Company had applied the principles and complied with the code provisions (the "Code Provisions") set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

BOARD OF DIRECTORS

Board

The Board is accountable to the shareholders of the Company for leadership and control of the Company and is collectively responsible for promoting the success of the Company and its businesses by directing and supervising the Company's affairs. The Board focuses on overall corporate strategies and policies with emphasis on the business growth and financial performance of the Group.

The Board has determined that certain matters such as strategic planning, significant transactions, and budget should be retained for the Board's approval. It has formalized the functions reserved to the Board to achieve a clear division of responsibilities between the Board and the senior management of the Group. The Board has delegated its responsibilities to the senior management to deal with day-to-day operations and reviewed those arrangements on a periodic basis. The senior management has frequently reported back to the Board and obtained prior approval before making decisions for key matters or entering into any commitments on behalf of the Company.

The Board is also responsible for performing the corporate governance functions of the Company with clear written terms of reference. The Board has reviewed this corporate governance report in the discharge of its corporate governance functions and to ensure compliance with the Listing Rules.

Corporate Governance Report

In order to maximize the effectiveness of the Board and to encourage active participation and contribution from Board members, the Board has established three Committees (namely the Audit Committee, the Nomination Committee and the Remuneration Committee) (the "Committee(s)"), each with specific written terms of reference to assist in the execution of their duties. The terms of reference of each of the Committees are reviewed and amended (if necessary) from time to time, as are the Committees' structure, duties and composition so as to best suit the needs of, and foster corporate governance excellence in, the Company.

The Company Secretary and the external auditor engaged by the Company shall attend the annual general meeting (the "AGM") of the Company and, as far as possible, all other meetings of the Board and the committees of the Board to answer questions and advise on corporate governance, statutory compliance, accounting and financial matters. The Company Secretary is an employee of the Company and is appointed by the Board. All Directors have access to the Company Secretary who is responsible for facilitating the Board's processes, liaison among members of the Board and the Group's compliance with the continuing obligations under the Listing Rules, the Codes on Takeovers and Mergers and Share Buy-backs, the Companies Ordinance, the Securities and Futures Ordinance and other laws, rules and regulations applicable to the Group. During the Year, the Company Secretary had undertaken at least 15 hours of relevant professional training annually to update his skills and knowledge.

All Directors are encouraged to propose and include items in the agenda of each of the meetings of the Board and the Committees for full discussion and deliberation. The Company Secretary is delegated with the responsibility to prepare the agenda and, where appropriate, take into account any matters proposed by any Director/Committee member for inclusion in the agenda.

The Board meets regularly and at least four Board meetings are scheduled annually at approximately quarterly intervals. Ad-hoc meetings are convened whenever necessary.

During the Year, nine Board meetings were held, due notice of these meetings were given to or, depending on the circumstances, urgency and/or importance of the matters, agreed to be shortened or waived by all the Directors. Even though the Directors often stay/travel in different time zones, they endeavour to make themselves available for, and participate in the meetings to the extent possible via teleconferencing mechanisms or other electronic means.

Minutes of the Board/committee meetings are recorded in details for the matters considered by the participants of such meetings and decisions reached, including concerns raised by Directors and/or dissenting views expressed. The meeting minutes are circulated to the Directors or committee members within a reasonable period of time after the meetings are held and taken as the true records of the proceedings of such meetings. They are kept by the Company Secretary and are open for inspection at any reasonable time upon reasonable notice being served by any Director. All Directors are entitled to have access to Board papers and related materials at least 3 days before the intended date of a Board or Board committee meeting unless there are restrictions on disclosure due to legal and regulatory requirements or other justifiable grounds.

Directors are provided with complete, adequate explanation and information to enable them to make an informed decision or assessment of the Group's performance, position and prospects and to discharge their duties and responsibilities on a timely basis. To enable the Directors to properly discharge their duties, they are given access to independent professional advisers, when necessary, at the expense of the Company.

Whenever a member of the Board or member of a committee of the Board has cause to believe that a matter to be voted upon would involve him in a conflict or possible conflict of interest, he is required to disclose the conflict of interest and is not allowed to participate in the final deliberation or decision and will abstain from voting on such matter.

Board composition

During the Year, the Board comprised the following members (who remained in office as at 31 December 2014 unless otherwise specified below):

Name

Executive Directors

Dr Yeung Yung *(Chairman)*
Dr Huang Chunhua *(Deputy Chairman)*
Dr Wang Chuantao *(Chief Executive Officer)*
Mr Hui Wing Sang, Wilson *(Deputy Chairman)*
Mr Liu Stephen Quan
Dr Zhu Shengliang
Mr Xu Jianguo
Mr Li Zhengshan
Mr Ting Kwok Kit, Johnny *(appointed on 3 November 2014)*
Mr Chen Xiao *(appointed on 3 November 2014)*
Dr Jang Bor Zeng Bohr *(resigned on 31 October 2014)*
Dr Zhamu Aruna *(resigned on 31 October 2014)*

Non-executive Director

Dr Xia Tingkang, Tim

Independent Non-Executive Directors

Mr Wong Lee Hing
Dr Song Jian
Dr Zhu Guobin
Mr Cheng Tat Wa
Dr Li Jianyong
Mr Chan Sin Hang

The biographies and other information of the current Directors are set out in the "Biographical Details of Directors and Company Secretary" of this annual report. There is no financial, business, family or other material/relevant relationship among the Directors.

Under bye-law 87(1) of the bye-laws of the Company (the "Bye-laws"), at each AGM, one-third of the Directors for the time being (or, if their number is not three or a multiple of three (3)), then the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Accordingly, the Directors are subject to the free and absolute choice of the shareholders for re-election at the annual general meetings. Whereas under bye-law 86(2) of the Bye-laws, any Director appointed by the Board to fill a casual vacancy or as an addition to the existing Board should hold office until the next following general meeting of the Company.

Corporate Governance Report

By virtue of Bye-law 87(1) of the Bye-laws, (1) Mr Hui Wing Sang, Wilson; (2) Mr Xu Jianguo; (3) Dr Xia Tingkang, Tim; (4) Mr Wong Lee Hing; and (5) Mr Zhu Guobin would retire. Each of them, being eligible, will offer himself for re-election at the forthcoming annual general meeting of the Company (the "2015 AGM").

By virtue of Bye-law 86(2) of the Bye-laws, the office of (1) Mr Ting Kwok Kit, Johnny and (2) Mr Chen Xiao would end at the forthcoming 2015 Annual General Meeting. Each of them, being eligible, will offer himself for re-election at the Annual General Meeting.

The skills and expertise among the existing Directors are well-balanced with a mixture of core competencies in areas such as accounting and finance, legal, business and management, marketing strategies, business development, and scientific backgrounds.

The independent non-executive Directors (the "INEDs") meet the requirements of independence under the Listing Rules so that there is a sufficient element of independence in the Board to exercise independent judgments. The Board considers that all of the INEDs are independent and the confirmation of independence pursuant to Rule 3.13 of the Listing Rules had been obtained from each of them as required by the Listing Rules.

The INEDs have the same duties of care and skill and fiduciary duties as the executive Directors.

The functions of INEDs include, but not limited to:

- Participating in Board meetings to bring an independent judgment to bear on issues of corporate strategy, corporate performance, accountability, resources, key appointments and standard of conducts;
- Taking the lead where potential conflicts of interests arise;
- Serving as member of and actively participating on matters delegated by the Board to the committee(s) established by the Board, if invited;
- Attending general meetings of the Company and developing a balanced understanding of the views of shareholders; and
- Scrutinizing the Group's performance in achieving agreed corporate goals and objectives and monitoring the reporting of performance.

Chairman, Deputy Chairmen and CEO

As at 31 December 2014, the Chairman of the Company was Dr Yeung Yung. The Deputy Chairmen of the Company were Dr Huang Chunhua and Mr Hui Wing Sang, Wilson, and the Chief Executive Officer ("CEO") of the Company was Dr Wang Chuantao.

The Chairman of the Company provides leadership to the Board so that the Board works effectively and discharges its responsibilities and that all key and appropriate issues are discussed by the Board in a timely manner.

Corporate Governance Report

The Deputy Chairmen of the Company assist the Chairman of the Company in carrying out his duties.

The position of CEO is vested with executive responsibilities over the business directions and operational decisions of the management and performance of the Group.

The Chairman of the Company also seeks to ensure that all Directors are properly briefed on issues raised at Board meetings and receive adequate and reliable information in a timely manner.

Appointment, Re-election, Retirement and Removal

It is the Board's responsibility to select and appoint individuals with integrity, experience and calibre to act as directors of the Company. The Board reviews the profiles of the candidates and seek recommendations from the Nomination Committee of the Board on the appointment, re-election, retirement and removal of directors.

All Directors are subject to rotation at least once in every three years as required by the Bye-laws. Each Director is briefed and updated to ensure that he has a proper understanding of the operations and business of the Group and that he acquaints himself with the common law duties and responsibilities of acting as a director for a listed company and familiarise himself/herself with the applicable laws and regulations (including without limitation, the Listing Rules, the Companies Ordinance, the Securities and Futures Ordinance, and the governance policies of the Company).

Each of the non-executive Directors (including INEDs) is appointed for an initial term of not more than two years commencing from his date of appointment and is renewable successively for a term of one year until terminated by either party by giving not less than one month's prior written notice to the other and is subject to retirement by rotation and re-election by shareholders at annual general meeting in accordance with the Bye-laws. Every Director shall ensure that he can contribute sufficient time and effort to the corporate affairs of the Company once he/she accepts the appointment.

Committees

The Board has established the Audit Committee, the Nomination Committee and the Remuneration Committee with specific terms of reference (which are of no less exacting terms than those set out in the CG Code) to enable each of the Committees to discharge its functions properly.

Audit Committee

The Audit Committee is responsible for reviewing financial statements and internal control system of the Group. It also provides advice on the financial and accounting policies of the Group.

As at 31 December 2014, the Audit Committee comprised three independent non-executive Directors (namely Mr Wong Lee Hing, Mr Cheng Tat Wa and Mr Chan Sin Hang), and the chairman of the Audit Committee as at the date of this report was Mr Cheng Tat Wa.

Two meetings of the Audit Committee were held for the year ended 31 December 2014. The individual attendance of each member is set out below:

Name of Member	Number of meetings attended
Mr Wong Lee Hing	2/2
Mr Cheng Tat Wa	2/2
Mr Chan Sin Hang	2/2

During the Year, the Audit Committee performed the following work:

- Reviewed with the management the unaudited interim financial statement for the six months ended 30 June 2014
- Reviewed with the management the internal control system of the Company and its effectiveness
- Reviewed and discussed with the management regarding the financial statements for the year ended 31 December 2014
- Carried out such other duties as set out in the Corporate Governance Code which included the review of the independence and objectivity of the external auditor, the nature and scope of the audit and reporting obligations, as well as the terms of their engagement. The Audit Committee was satisfied with the outcome of their review, and the Board shared the same views of the Audit Committee.

The Company Secretary keeps the minutes of Audit Committee. Draft and final versions have been sent to all members of the Audit Committee within a reasonable time after the meeting for their comments and records respectively. The term of reference of the Audit Committee is available from the Company Secretary on request.

Directors’ Responsibility for the Consolidated Financial Statements

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements for the Year, which give a true and fair view of the state of affairs of the Company and the Group’s results and cash flows for the year then ended and were properly prepared on a going concern basis in accordance with the applicable statutory requirements and accounting standards. The Directors were not aware of any material uncertainties which may affect the Company’s business or cast significant doubt upon the Company’s ability to continue as a going concern.

In addition, the external auditor has stated their reporting responsibility in the independent auditor’s report of the consolidated financial statements for the Year.

Auditors’ Remuneration

For the year ended 31 December 2014, the Company had paid an audit fee of HK$1.28 million in relation to audit services and had paid HK$0.5 million in relation to non-audit services (which mainly included professional fees in relation to a notifiable transaction and review of the compilation of the interim financial information). The auditor’s remunerations were approved by the audit committee and endorsed by the Board.

Remuneration Committee

The Company has set up the Remuneration Committee to ensure that there are formal and transparent procedures for formulating policies on the remuneration of the Directors and senior management. As at 31 December 2014, the Remuneration Committee comprised Dr Yeung Yung (an executive Director and the Chairman of the Board) and two independent non-executive Directors, namely, Mr Wong Lee Hing and Mr Cheng Tat Wa. Mr Wong Lee Hing was the Chairman of the Remuneration Committee.

During the Year, the Remuneration Committee had made recommendations to the Board regarding the Company's remuneration policy and the formulation and review of the remuneration package of all Directors and senior management of the Company for determination by the Board and considered and dealt with matters relating to appointment, retirement and re-election of Directors.

No Director is involved in deciding his own remuneration.

Name of Member	Number of meetings attended
Dr Yeung Yung	3/3
Mr Wong Lee Hing	3/3
Mr Cheng Tat Wa	3/3

Nomination Committee

The Company has a Nomination Committee to ensure that there are fair and transparent procedures for the appointment, re-election and removal of directors to the Board. As at 31 December 2014, the Nomination Committee comprised Mr Wong Lee Hing and Mr Cheng Tat Wa, both being independent non-executive Directors, and Dr Yeung Yung, being the Chairman of the Board and an executive Director, was the Chairman of the Nomination Committee.

Name of Member	Number of meetings attended
Dr Yeung Yung	2/2
Mr Wong Lee Hing	2/2
Mr Cheng Tat Wa	2/2

During the Year, the Nomination Committee carried out the process of selecting and recommending to the Board candidates for directorship with reference to diversity policy of the Company, including the candidate's professional knowledge, industry experience, personal ethics, integrity and skills, evaluated the Board's composition, assess the independence of independent non-executive Directors and recommended the re-appointment of retiring Directors for shareholders' approval at the forthcoming 2015 Annual General Meeting.

Attendance Records of Board/General Meetings

Details of the attendance of individual Director at general meetings (including annual general meeting) and Board meetings during the Year are set out below:

Name of Member	Number of general meetings attended	Number of Board meetings attended
Executive Directors		
Dr Yeung Yung *(Chairman)*	2/2	7/9
Dr Huang Chunhua *(Deputy Chairman)*	2/2	3/9
Dr Wang Chuantao *(Chief Executive Officer)*	2/2	6/9
Mr Hui Wing Sang, Wilson *(Deputy Chairman)*	2/2	9/9
Mr Liu Stephen Quan	0/2	4/9
Dr Zhu Shengliang	0/2	5/9
Mr Xu Jianguo	1/2	8/9
Mr Li Zhengshan	0/2	7/9
Mr Ting Kwok Kit, Johnny *(appointed on 3 November 2014)*	0/2	3/9(a)
Mr Chen Xiao *(appointed on 3 November 2014)*	0/2	1/9(b)
Dr Jang Bor Zeng Bohr *(resigned on 31 October 2014)*	0/2	2/9(c)
Dr Zhamu Aruna *(resigned on 31 October 2014)*	0/2	2/9(d)
Non-executive Director		
Dr Xia Tingkang, Tim	2/2	6/9
Independent Non-Executive Directors		
Mr Wong Lee Hing	2/2	8/9
Dr Song Jian	2/2	4/9
Dr Zhu Guobin	2/2	8/9
Mr Cheng Tat Wa	2/2	9/9
Dr Li Jianyong	0/2	5/9
Mr Chan Sin Hang	2/2	9/9

(a) No general meeting and only three board meetings were held since Mr Ting Kwok Kit, Johnny was appointed as Director on 3 November 2014. For the sake of completeness and since Mr Ting was (and still is) the company secretary of the Company during the Year, he attended all the six board meetings held prior to his appointment as Director in his capacity as the company secretary of the Company.

(b) No general meeting and only three board meetings were held since Mr Chen Xiao was appointed as Director on 3 November 2014.

(c) Dr Jang Bor Zeng Bohr resigned on 31 October 2014 and attended 2 meetings before his resignation in the Year.

(d) Dr Zhamu Aruna resigned on 31 October 2014 and attended 2 meetings before his resignation in the Year.

Continuous Professional Development

During the Year, all Directors were provided by the Company with materials (including but not limited to updates on Listing Rules and guidelines on Directors' Duties) to ensure that their contribution to the Board remains informed and relevant. The Company also encouraged all Directors to participate from time to time courses which they consider relevant at the expense of the Company so as to develop and refresh their knowledge and skills for better fulfillment of their duties as directors of a listed issuer.

SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by Directors. All Directors, after specific enquiries by the Company, confirmed to the Company their compliance with the required standard set out in the Model Code throughout the Year.

CHANGES IN CONSTITUTIONAL DOCUMENTS

During the Year, there were no changes in the Company's constitutional documents.

SHAREHOLDERS' RIGHTS AND COMMUNICATION

The Company is committed to (i) protecting the rights of Shareholders and ensuring that each Shareholder is treated equally and fairly; and (ii) reinforcing the trust placed in the Company by the Shareholders by remaining open and transparent, which objective the Company believes is the hallmark of a high quality company.

The Company attaches great importance to communication with the Shareholders. A number of means are used to promote greater understanding and dialogue with the Shareholders and the investing public.

The means of access includes without limitation the despatch to Shareholders and/or release by the Company of the various corporate communication of the Company (such as interim and annual reports, circulars, notices, financial reports, press releases and other business information) via the website of the Stock Exchange and the website of the Company (http://hk1188.etnet.com.hk).

Shareholders are encouraged by the Company to attend general meetings of the Company where the Chairman of the Company and other members of the Board and (if appropriate) the auditors of the Company, are available to answer questions.

The following procedures are in place by which Shareholders may (a) convene a special general meeting (the "SGM"); (b) make proposals at Shareholders' meeting; and (c) send enquiries to the Board to achieve the above purposes.

(a) Procedures by which Shareholders can convene a SGM

Pursuant to section 74 of the Companies Act 1981 of Bermuda (the "Companies Act"), a Shareholder or Shareholders holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company may requisition the Directors to forthwith proceed duly to convene a SGM by depositing a written requisition at the registered office of the Company. Bye-law 58 of the Company's Bye-laws provide for this right as well.

The written requisition must state the purposes of the meeting (including the resolutions to be considered at the meeting), signed by the requisitionists, deposited at the registered office of the Company at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and may consist of several documents in like form each signed by one or more requisitionists.

If the Directors do not within twenty-one days from the date of the deposit of the requisition proceed duly to convene a SGM, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a SGM, but any SGM so convened shall not be held after the expiration of three months from the date of deposit of the requisition.

A SGM so convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Directors.

(b) Procedures for making proposals at Shareholders' meetings

Sections 79 and 80 of the Companies Act allow certain Shareholder(s) to requisition the Company to move a resolution at an annual general meeting (the "AGM") of the Company or circulate a statement at any general meeting of the Company. Under section 79 of the Companies Act, at the expense of the requisitionists unless the Company otherwise resolves, it shall be the duty of the Company on the requisition in writing by such number of Shareholders:

(i) to give to the Shareholders entitled to receive notice of the next AGM notice of any resolution which may properly be moved and is intended to be moved at that meeting;

(ii) to circulate to the Shareholders entitled to have notice of any general meeting sent to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting;

(iii) the number of Shareholders necessary to make the above-mentioned requisitions to the Company shall be:

- either any number of Shareholders representing not less than one-twentieth of the total voting rights of all the Shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates; or

- not less than one hundred Shareholders.

Notice of any such intended resolution shall be given, and any such statement shall be circulated, to Shareholders entitled to have notice of the meeting sent to them by serving a copy of the resolution or statement on each such Shareholder in any manner permitted for service of notice of the meeting, and notice of any such resolution shall be given to any other Shareholder by giving notice of the general effect of the resolution in any manner permitted for giving him notice of meeting of the Company, provided that the copy shall be served, or notice of the effect of the resolution shall be given, as the case may be, in the same manner and, so far as practicable, at the same time as notice of the meeting and, where it is not practicable for it to be served or given at that time, it shall be served or given as soon as practicable thereafter.

Section 80 of the Companies Act sets out the conditions to be met before the Company is bound to give any notice of resolution or to circulate any statement. Pursuant to section 80 of the Companies Act, the Company shall not be bound to give notice of any resolution or to circulate any statement as mentioned above unless:

(i) a copy of the requisition signed by the requisitionists, or two or more copies which between them contain the signatures of all the requisitionists, is deposited at the registered office of the Company:

- in the case of a requisition requiring notice of a resolution, not less than six weeks before the meeting; and

- in the case of any other requisition, not less than one week before the meeting;

(ii) there is deposited or tendered with the requisition a sum reasonably sufficient to meet the Company's expense in giving effect to the procedures regarding the giving of notice of resolution and/or circulation of statement),

Provided that if, after a copy of the requisition requiring notice of a resolution has been deposited at the registered office of the Company, an AGM is called for a date six weeks or less after the copy has been deposited, the copy though not deposited within the above-mentioned time shall be deemed to have been properly deposited for the purposes thereof.

(c) Procedures for sending enquiries to the Board

Shareholders are encouraged to communicate with the Company for any enquiries in relation to the affairs of the Group. Shareholders may contact the Company in writing or by telephone or facsimile:

Address	:	Principal office of the Company in Hong Kong – Suites 1407-8, 14/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong
Telephone	:	+(852) 2530 9218
Facsimile	:	+(852) 2525 2002
Attention	:	Board of Directors/Company Secretary

Independent Auditor's Report

BDO

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111 Connaught Road Central
Hong Kong

香港干諾道中111號
永安中心25樓

To the shareholders of Hybrid Kinetic Group Limited
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Hybrid Kinetic Group Limited (the "Company") and its subsidiaries (together "the Group") set out on pages 45 to 133, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Chiu Wing Cheung Ringo
Practising Certificate Number P04434
Hong Kong

31 March 2015

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Continuing operations			
Revenue	7	–	–
Cost of sales		–	–
Gross profit		–	–
Other income	8	4,446	4,151
Distribution costs		–	(430)
General operating expenses		(413,876)	(173,648)
Change in fair value of other financial asset	44	14,000	–
Finance costs	9	–	–
Loss before income tax	10	(395,430)	(169,927)
Income tax expense	11	(6)	–
Loss for the year from continuing operations		(395,436)	(169,927)
Discontinued operations			
Loss for the year from discontinued operations	12.1	(25,406)	(16,499)
Loss for the year		(420,842)	(186,426)
Other comprehensive income	13		
Item that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of financial statements of foreign subsidiaries		3,326	1,493
Other comprehensive income for the year		3,326	1,493
Total comprehensive income for the year		(417,516)	(184,933)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Loss for the year attributable to:			
Owners of the Company	14	**(415,156)**	(179,086)
Non-controlling interests		**(5,686)**	(7,340)
		(420,842)	(186,426)
Total comprehensive income for the year attributable to:			
Owners of the Company		**(412,842)**	(177,593)
Non-controlling interests		**(4,674)**	(7,340)
		(417,516)	(184,933)
Loss per share attributable to owners of the Company	16		
From continuing and discontinued operations			
Loss per share – basic		**HK(3.53) cents**	HK(1.79) cents
Loss per share – diluted		**N/A**	N/A
From continuing operations			
Loss per share – basic		**HK(3.31) cents**	HK(1.62) cents
Loss per share – diluted		**N/A**	N/A
From discontinued operations			
Loss per share – basic		**HK(0.22) cent**	HK(0.17) cent
Loss per share – diluted		**N/A**	N/A

Consolidated Statement of Financial Position

As at 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	19	**23,062**	40,781
Goodwill	22	**–**	11,900
Intangible assets	23	**–**	26,837
Prepayments and deposits	24	**94,454**	–
Other investment	21	**11,479**	9,815
		128,995	89,333
Current assets			
Inventories	25	**–**	44,164
Trade receivables	26	**–**	28,392
Bills receivable		**–**	989
Prepayments, deposits and other receivables	27	**131,857**	337,438
Amount due from a non-controlling shareholder of a subsidiary	34	**2,624**	54,239
Other financial asset	44	**–**	24,000
Derivative financial asset	21	**4,326**	13,260
Short-term investments	28	**11,346**	8,876
Structured bank deposits	29	**100,856**	–
Pledged bank deposits	30	**807**	807
Cash and cash equivalents	30	**202,071**	147,996
		453,887	660,161
Assets of a disposal company classified as held for sale	12.2	**136,433**	–
		590,320	660,161
Current liabilities			
Trade payables	31	**134**	32,349
Accruals and other payables	32	**42,876**	49,611
Borrowings	35	**207**	7,815
Bills payable		**–**	12,680
Tax payable		**4**	1,747
		43,221	104,202
Liabilities of a disposal company classified as held for sale	12.2	**63,681**	–
		106,902	104,202
Net current assets		**483,418**	555,959
Total assets less current liabilities		**612,413**	645,292

Consolidated Statement of Financial Position

As at 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current liabilities			
Deferred tax liabilities	36	–	4,005
Net assets		**612,413**	641,287
EQUITY			
Equity attributable to owners of the Company			
Share capital	37	**1,418,714**	1,041,116
Reserves	39	**(841,574)**	(695,075)
		577,140	346,041
Non-controlling interests		**35,273**	295,246
Total equity		**612,413**	641,287

On behalf of the Board

Yeung Yung *Director*	**Hui Wing Sang, Wilson** *Director*

Statement of Financial Position

As at 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	19	**74**	93
Interests in subsidiaries	20	**8,665**	8,665
		8,739	8,758
Current assets			
Amounts due from subsidiaries	20	**559,382**	276,964
Prepayments, deposits and other receivables	27	**3,896**	1,820
Cash and cash equivalents		**54,387**	3,534
		617,665	282,318
Current liabilities			
Accruals and other payables		**15,796**	11,264
		15,796	11,264
Net current assets		**601,869**	271,054
Net assets		**610,608**	279,812
EQUITY			
Share capital	37	**1,418,714**	1,041,116
Reserves	39	**(808,106)**	(761,304)
Total equity		**610,608**	279,812

On behalf of the Board

Yeung Yung
Director

Hui Wing Sang, Wilson
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Equity attributable to owners of the Company						Non-controlling interests	Total equity
	Share capital HK$'000	Share premium HK$'000	Translation reserve HK$'000	Equity compensation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	HK$'000	HK$'000
At 1 January 2013	877,216	620,832	6,061	78,170	(1,316,319)	265,960	(1,791)	264,169
Transaction with owners								
Subscription of new shares	163,800	–	–	–	–	163,800	–	163,800
Share issuance expenses	–	(510)	–	–	–	(510)	–	(510)
Proceeds from shares issued under share option schemes	100	96	–	(88)	–	108	–	108
Recognition of equity settled share-based compensation (note 38)	–	–	–	94,276	–	94,276	–	94,276
Capital contribution from non-controlling interests	–	–	–	–	–	–	303,960	303,960
Acquisition of a subsidiary (note 43.1)	–	–	–	–	–	–	(3)	(3)
Disposal of a subsidiary (note 43.2)	–	–	–	–	–	–	420	420
Total transactions with owners	163,900	(414)	–	94,188	–	257,674	304,377	562,051
Loss for the year	–	–	–	–	(179,086)	(179,086)	(7,340)	(186,426)
Other comprehensive income								
Exchange differences on translation of financial statements of subsidiaries	–	–	1,493	–	–	1,493	–	1,493
Total comprehensive income	–	–	1,493	–	(179,086)	(177,593)	(7,340)	(184,933)
At 31 December 2013	**1,041,116**	**620,418**	**7,554**	**172,358**	**(1,495,405)**	**346,041**	**295,246**	**641,287**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Equity attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital HK$'000	Share premium HK$'000	Translation reserve HK$'000	Equity compensation reserve HK$'000	Other reserves HK$'000	Accumulated losses HK$'000	Total HK$'000	HK$'000	HK$'000
At 1 January 2014	1,041,116	620,418	7,554	172,358	–	(1,495,405)	346,041	295,246	641,287
Transaction with owners									
Subscription of new shares	375,998	106,814	–	–	–	–	482,812	–	482,812
Share issuance expenses	–	(892)	–	–	–	–	(892)	–	(892)
Recognition of equity settled share-based compensation (note 38)	–	–	–	195,756	–	–	195,756	–	195,756
Proceeds from shares issued under share option schemes	1,600	1,555	–	(1,399)	–	–	1,756	–	1,756
Additional interests in a subsidiary acquired by the Group	–	–	–	–	2,509	–	2,509	(2,509)	–
Capital reduction from non-controlling interests	–	–	–	–	–	–	–	(252,790)	(252,790)
Settlement of contingent share consideration receivable (note 44)	–	–	–	–	(38,000)	–	(38,000)	–	(38,000)
Total transactions with owners	377,598	107,477	–	194,357	(35,491)	–	643,941	(255,299)	388,642
Loss for the year	–	–	–	–	–	(415,156)	(415,156)	(5,686)	(420,842)
Other comprehensive income									
Exchange differences on translation of financial statements of subsidiaries	–	–	2,314	–	–	–	2,314	1,012	3,326
Total comprehensive income	–	–	2,314	–	–	(415,156)	(412,842)	(4,674)	(417,516)
At 31 December 2014	**1,418,714**	**727,895**	**9,868**	**366,715**	**(35,491)**	**(1,910,561)**	**577,140**	**35,273**	**612,413**

Consolidated statement of cash flows

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Cash flows from operating activities of continuing and discontinued operations			
Loss before income tax			
Continuing operations		**(395,430)**	(185,717)
Discontinued operations		**(11,998)**	(354)
Total		**(407,428)**	(186,071)
Adjustments for:			
Gain on disposal of subsidiaries	43.2	**–**	(859)
Share-based compensation		**195,756**	94,276
Interest income		**(478)**	(1,069)
Imputed interest income on long-term non-interest bearing deposits		**(1,680)**	(1,957)
Interest expense		**1,239**	2,301
Depreciation of property, plant and equipment		**10,882**	11,051
Amortisation of intangible assets		**4,480**	4,453
Fair value loss on derivative financial asset		**8,934**	235
Impairment of goodwill		**1,271**	15,791
Impairment of property, plant and equipment		**–**	4,235
Impairment of intangible assets		**–**	1,446
Impairment of trade receivables		**885**	1,244
Impairment of other receivables		**18,449**	–
Gain on disposal of property, plant and equipment		**(727)**	(369)
Provision for inventories		**–**	1,847
Change in fair value of other financial asset	44	**(14,000)**	–
Operating loss before working capital changes		**(182,417)**	(53,446)
Decrease/(increase) in inventories		**9,585**	(8,158)
Increase in trade receivables		**(10,821)**	(14,205)
Decrease/(increase) in bills receivable		**761**	(989)
Decrease/(increase) in other receivables, prepayments and deposits		**188,081**	(219,600)
Increase in trade payables		**1,725**	3,417
Decrease in accruals and other payables		**(664)**	(22,729)
Decrease in bills payable		**(8,898)**	(9,759)
Cash used in operations		**(2,648)**	(325,469)
Interest paid		**(1,239)**	(2,301)
Income tax paid		**(446)**	–
Net cash used in operating activities		**(4,333)**	(327,770)

Consolidated statement of cash flows

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Cash flows from investing activities of continuing and discontinued operations			
Acquisition of a subsidiary (net of cash and cash equivalents acquired)	43.1	–	30,148
Net cash inflow from disposal of subsidiaries		–	25,655
Purchase of property, plant and equipment		**(26,808)**	(6,631)
Purchase of other investments		–	(7,770)
Increase in short-term investments		**(2,470)**	(8,876)
Settlement from/(advance to) a non-controlling shareholder of a subsidiary		**28,343**	(54,239)
Interest received		**478**	1,069
Prepayment for acquisition of property, plant and equipment		**(35,047)**	–
Proceeds from disposal of property, plant and equipment		**3,307**	2,483
Prepayment for investment in a subsidiary		**(46,800)**	–
Increase in structured bank deposits		**(100,856)**	–
Increase in pledged bank deposits		**(1,891)**	–
Net cash used in investing activities		**(181,744)**	(18,161)
Cash flows from financing activities of continuing and discontinued operations			
Proceeds from issuance of share capital		**482,812**	163,800
Share issue expenses		**(892)**	(510)
Proceeds from shares issued under share options scheme		**1,756**	108
Capital contribution by non-controlling interests		–	303,960
Capital reduction from non-controlling interests		**(252,790)**	–
Proceeds from borrowings		**15,461**	5,135
Repayment of borrowings		**(7,815)**	–
Net cash generated from financing activities		**238,532**	472,493
Net increase in cash and cash equivalents		**52,455**	126,562
Cash and cash equivalents at 1 January		**147,996**	21,006
Effect of exchange rate fluctuation		**3,544**	428
Cash and cash equivalents at 31 December		**203,995**	147,996
Analysis of balances of cash and cash equivalents			
Cash and bank balances		**202,071**	147,996
Cash and bank balances classified as assets of a disposal company classified as held for sale (note 12.2)		**1,924**	–
		203,995	147,996

1. GENERAL INFORMATION

Hybrid Kinetic Group Limited is an exempted company with limited liability incorporated in Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and, its principal place of business is Suites 1407-8, 14th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activities of the of the Company and its subsidiaries (together referred to as the "Group") were:

– natural resources business;

– development of hybrid vehicles;

– development of advanced batteries materials; and

– development of high-tech electric motor vehicles.

The Group's wholly-owned subsidiary, namely Zhejiang GBS Energy Co., Ltd. ("GBS"), is principally engaged in development and manufacturing of lithium-ion power battery. Since the second half of 2014, the Group's management has commenced a plan to dispose of its business in development and manufacturing of lithium-ion power battery. In August 2014, the Group has entered into a share transfer agreement in respect of the disposal of its 75% equity interest in GBS. The disposal of 75% equity interest in GBS constituted a very substantial disposal and connected transaction under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and is subject to approval from the Company's independent shareholders, details of which have been set out in the Company's circular dated 16 December 2014.

It was resolved in the special general meeting held on 5 January 2015 that the disposal of 75% equity interest in GBS had already obtained the approval from the Company's independent shareholders by way of poll. The disposal of 75% equity interest in GBS is completed in January 2015 and the Group ceased to have control in GBS thereafter.

1. GENERAL INFORMATION *(Continued)*

The Group's management considers that the disposal of 75% equity interest in GBS is highly probable as at 31 December 2014. In accordance with Hong Kong Financial Reporting Standard ("HKFRS") 5, the Group has reclassified:

(a) the income and expenses of GBS for the years ended 31 December 2014 and 2013 as discontinued operations in the Group's consolidated statement of comprehensive income; and

(b) the assets and liabilities of GBS as at 31 December 2014 as assets/liabilities of a disposal company classified as held for sale in the Group's consolidated statement of financial position.

Development and manufacturing of lithium-ion power battery represent separate major lines of the Group's businesses, and the operations and cash flows of which can be clearly distinguished from the rest of the Group. Further details regarding the discontinued operations and assets/liabilities of a disposal company classified as held for sale are set out in notes 12.1 and 12.2.

The financial statements for the year ended 31 December 2014 were approved and authorised for issue by the board of directors on 31 March 2015.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

2.1 In the current year, the Group has applied for the first time the following new standards, amendments and interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2014:

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets

Except as explained below, the adoption of the new/revised standards and interpretations has no significant impact on the Group's financial statements.

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement. The amendments are applied retrospectively.

The adoption of the amendments has no impact on the financial statements as the Group does not have any offsetting arrangements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.1 *(Continued)*

Amendments to HKAS 36 – Recoverable Amount Disclosures

The amendments limit the requirements to disclose the recoverable amount of an asset or cash generating unit ("CGU") to those periods in which an impairment loss has been recognised or reversed, and expand the disclosures where the recoverable amount of impaired assets or CGUs has been determined based on fair value less costs of disposal. The amendments are applied retrospectively.

The disclosures about the impairment of goodwill as set out in note 22 have been modified accordingly.

2.2 New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 1	Disclosure Initiative[3]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]
HKFRS 9 (2014)	Financial Instruments[5]
HKFRS 15	Revenue from Contracts with Customers[4]
HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle[2]
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle[1]
HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle[3]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 January 2016
4 Effective for annual periods beginning on or after 1 January 2017
5 Effective for annual periods beginning on or after 1 January 2018

Amendments to HKAS 27 – Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.2 New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

HKFRS 9 (2014) – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to each performance obligation
Step 5: Recognise revenue when each performance obligation is satisfied

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.2 New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

HKFRS 15 – Revenue from Contracts with Customers *(Continued)*

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors anticipate that more disclosures would be made but not yet in a position to state whether these new/revised HKFRSs would have material impact on the Group's financial statements.

2.3 New Companies Ordinance provisions relating to the disclosure requirements of financial statements

The provisions of the new Companies Ordinance, Cap. 622, in relation to the disclosure requirements of financial statements will apply to the Group in its first financial year beginning on or after 3 March 2014 (i.e. the financial year ending 31 December 2015).

The directors consider that there will be no impact on the Group's financial position or results, however the new Companies Ordinance, Cap. 622, would have impacts on the presentation and disclosures in the consolidated financial statements. The statement of financial position of the Company will be presented in the notes rather than in a separate statement and the related notes need not be included, while generally the disclosures will be simplified.

3. BASIS OF PREPARATION

3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Listing Rules.

3.2 Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for financial instruments at fair value through profit or loss are stated at fair values. The measurement bases are fully described in the accounting policies as set out in note 4.

3.3 Functional and presentation currency

The financial statements are presented in Hong Kong Dollars ("HK$"), which is also the functional currency of the Company and all values are rounded to the nearest thousand ("HK$'000") unless otherwise stated.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interest that represent present ownership interest in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Contingent consideration balances arising from business combinations whose acquisition dates preceded 1 January 2010 (i.e. the date the Group first applied HKFRS 3 (2008)) have been accounted for in accordance with the transition requirements in the standard. Such balances are not adjusted upon first application of the standard. Subsequent revisions to estimates of such consideration are treated as adjustments to the cost of these business combinations and are recognised as part of goodwill.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.1 Business combination and basis of consolidation *(Continued)*

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interest that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus the non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

4.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.3 Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

4.4 Foreign currency translation

The financial statements are presented in Hong Kong Dollars ("HK$"), which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in the profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.4 Foreign currency translation *(Continued)*

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rates at the reporting date. Income and expenses have been converted into Hong Kong dollars at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the translation reserve in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 have been treated as assets and liabilities of the foreign operation and translated into Hong Kong dollars at the closing rates. Goodwill arising on the acquisitions of foreign operations before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

When a foreign operation is sold, such exchange differences are reclassified from equity to profit or loss as part of the gain or loss on sale.

4.5 Property, plant and equipment

Property, plant and equipment, other than construction in progress ("CIP"), are stated at cost less accumulated depreciation and accumulated impairment losses.

Buildings held under leasing agreements are depreciated over their expected useful lives of 15 to 40 years or over the term of lease, whichever is shorter.

Depreciation on other assets is provided to write off the cost less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold improvements, fixture and fittings	Over the terms of the leases or estimated useful lives, ranging from 5 years to 10 years, whichever is shorter
Furniture and equipment	20%
Machineries	10% to 20%
Motor vehicles	10% to 25%

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.5 Property, plant and equipment *(Continued)*

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

4.6 Intangible assets (other than goodwill) and research and development activities

Intangible assets (other than goodwill)

Acquired intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives. Amortisation commences when the intangible assets are available for use. The following estimated useful lives are applied:

Patents	5 to 10 years

Intangible assets with indefinite useful lives are carried at cost less any subsequent impairment losses.

Intangible assets, with finite and indefinite useful lives, are tested for impairment as described in note 4.16.

Research and development costs

Costs associated with research activities are expensed in profit or loss as they occur. Costs that are directly attributable to development activities are recognised as intangible assets provided they meet the following recognition requirements:

(i) demonstration of technical feasibility of the prospective product for internal use or sale;

(ii) there is intention to complete the intangible asset and use or sell it;

(iii) the Group's ability to use or sell the intangible asset is demonstrated;

(iv) the intangible asset will generate probable economic benefits through internal use or sale;

(v) sufficient technical, financial and other resources are available for completion; and

(vi) the expenditure attributable to the intangible asset can be reliably measured.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.6 Intangible assets (other than goodwill) and research and development activities *(Continued)*

Research and development costs *(Continued)*

Direct costs include employee costs incurred on development activities along with an appropriate portion of relevant overheads. The costs of development of internally generated software, products or knowhow that meet the above recognition criteria are recognised as intangible assets. They are subject to the same subsequent measurement method as acquired intangible assets.

All other development costs are expensed as incurred.

4.7 Financial assets

The Group's accounting policies for financial assets other than investments in subsidiaries are set out below.

Financial assets are classified into the following categories:

– Loans and receivables

– Financial assets at fair value through profit or loss

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.7 Financial assets *(Continued)*

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

(ii) Financial assets at fair value through profit or loss

These assets include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which is managed and its performance evaluated on a fair value basis according to a documented management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.7 Financial assets *(Continued)*

Impairment of financial assets

At each reporting date, financial assets are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets 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.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If any such evidence exists, the impairment loss is measured and recognised as follows:

(i) *Financial assets carried at amortised cost*

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.7 Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

(ii) Financial assets carried at cost

The amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

For financial assets other than loans and receivables that are stated at amortised cost, impairment losses are written off against the corresponding assets directly. Where the recovery of loans and receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of loans and receivables is remote, the amount considered irrecoverable is written off against loans and receivables directly and any amounts held in the allowance account in respect of that receivable 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.

4.8 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using weighted average method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

4.9 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows presentation, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.10 Financial liabilities

The Group's financial liabilities include trade payables, bills payable, accruals and other payables and borrowings. They are included in line items in the statement of financial position as trade payables, bills payable, accruals and other payables and borrowings.

Financial liabilities are recognised when the Group becomes a party to the contractual provision of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (see note 4.19).

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the profit or loss.

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

4.11 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.12 Leases

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.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Operating lease charges as the lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

4.13 Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation 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.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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 uncertain future events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.13 Provisions, contingent liabilities and contingent assets *(Continued)*

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

Probable inflow of economic benefit to the Group that do not yet meet the recognition criteria of an asset are considered as contingent assets.

4.14 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

4.15 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services, net of rebates and discounts. 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 as follows:

Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

Interest income is recognised on a time-proportion basis using the effective interest method.

Services fees are recognised in the accounting period in which the services are rendered.

Subsidy income is recognised when the right to receive payment is established.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.16 Impairment of non-financial assets

Goodwill arising on acquisition of subsidiaries, property, plant and equipment, interests in subsidiaries and intangible assets are subject to impairment testing.

Goodwill and intangible assets with indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, 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 assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.17 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The Group operates a defined contribution retirement benefit plan under the Mandatory Provident Fund Schemes Ordinance, for all of its eligible employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries.

The employees of the Group's subsidiaries which operate in the People's Republic of China (the "PRC") are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute certain percentage of its payroll costs to the central pension scheme.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligation under these plans is limited to the fixed percentage contributions payable.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

4.18 Share-based employee compensation

All share-based payment arrangements granted after 7 November 2002 and had not vested on 1 January 2005 are recognised in the financial statements. The Group operates equity-settled share-based compensation plans for remuneration of its employees and exchange for services acquired from the service providers.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the equity instruments awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

For share options granted to service providers in exchange for services acquired, they are measured at the fair value of the services received. Their fair values of the services are recognised as expense immediately, unless the services qualify for recognition as assets. Corresponding adjustments have been made to equity.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.18 Share-based employee compensation *(Continued)*

All share-based compensation is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the share options granted vest immediately unless the compensation qualifies for recognition as asset, with a corresponding increase in equity compensation reserve in equity. If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates.

At the time when the share options are exercised, the amount previously recognised in equity compensation reserve will be transferred to share premium. After the vesting date, when the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in equity compensation reserve will continue to be held in equity compensation reserve.

4.19 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expenses when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset 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 being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

4.20 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.20 Accounting for income taxes *(Continued)*

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.20 Accounting for income taxes *(Continued)*

Current tax assets and current tax liabilities are presented in net if, and only if,

a. the Group has the legally enforceable right to set off the recognised amounts; and

b. intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

a. the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

b. the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

   i. the same taxable entity; or

   ii. different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

4.21 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major products and service lines.

The Group has identified the following reportable segments:

(i) natural resources business;

(ii) development of hybrid vehicles;

(iii) development of advanced batteries materials; and

(iv) development of high-tech electric motor vehicles.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.21 Segment reporting *(Continued)*

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in the financial statements prepared under HKFRSs, except that;

- expenses related to share-based payments;
- income tax;
- corporate income and expenses which are not directly attributable to the business activities of any operating segment;

are not included in arriving at the operating results of the operating segment.

Segment assets include all assets. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarter.

Segment liabilities exclude corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to the segment. These include borrowings, tax payable and deferred tax liabilities.

No asymmetrical allocations have been applied to reportable segments.

4.22 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale when:

- they are available for immediate sale;
- management is committed to a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- a sale is expected to complete within 12 months from the date of classification.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.22 Non-current assets held for sale and disposal groups *(Continued)*

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and

- fair value less costs to sell.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated.

4.23 Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of comprehensive income, which comprises:

- the post-tax profit or loss of the discontinued operation; and

- the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal groups constituting the discontinued operation.

4.24 Government grants

Government grants are recognised 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 revenue 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.25 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 key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(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 the employees of 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 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 and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Depreciation and amortisation

The Group depreciates the property, plant and equipment and amortises the intangible assets (other than goodwill) in accordance with the accounting policies stated in notes 4.5 to 4.6. The estimated useful lives reflect the directors' estimates of the periods that the Group intends to derive future economic benefits from the use of these assets.

Impairment of loans and receivables

The Group estimates impairment losses for bad and doubtful debts resulting from the inability of the debtors to make the required payments. The Group bases the estimates on the ageing of the receivable balances, debtors' credit-worthiness, and historical write-off experience. If the financial condition of the debtors were to deteriorate, actual write-offs would be higher than those estimated.

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 4.3. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations required the use of estimates. When value-in-use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Indefinite life intangible assets are tested for impairment annually and at other times when such indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value-in-use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows.

Share-based compensation

The fair value of share options granted is calculated using binomial option valuation model and based on the Group's management's significant inputs into calculation, including estimated lives of share option granted, exercise restriction and behavioural consideration, the volatility of share price and weighted average share price of the share options granted. Furthermore, the calculation assumes no future dividends.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

Provision for inventories

In determining the amount of allowance required for obsolete and slow-moving inventories, the Group would evaluate ageing analysis of inventories and compare the carrying value of inventories to their respective net realisable value. A considerable amount of judgement is required in determining such allowance. If conditions which have impact on the net realisable value of inventories deteriorate, additional allowances may be required.

Research and development costs

In accordance with the accounting policy as set out in note 4.6, costs associated with research activities are expensed in profit or loss as they are incurred, while costs that are directly attributable to development activities are recognised as intangible assets provided they meet all the requirements as set out in note 4.6. This requires the management to make judgements to distinguish the research phase and development phase of the projects being undertaken. Research is original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Development is the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use. Determining the amounts to be expensed in profit or loss or to be capitalised required management to make judgement and assumptions regarding the expected progress and outcome of the research and development activities, the future expected cash generation of the assets, discount rates to be applied, and also the expected period of probable future economic benefits. Because of the nature of the Group's research and development activities, the criteria for the recognition of such costs as an asset are generally not met until late in the development stage of the projects. Hence research costs are generally recognised as expenses in the period in which they are incurred.

Fair value measurement

A number of assets included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial assets utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

– Level 1 valuations: Quoted prices in active markets for identical items (unadjusted);

– Level 2 valuations: Observable direct or indirect inputs other than Level 1 inputs; and

– Level 3 valuations: Unobservable inputs (i.e. not derived from market data).

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

Fair value measurement *(Continued)*

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures the following at fair value:

– Derivative financial asset (note 21)

– Other financial asset (note 44)

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

6. SEGMENT INFORMATION

The chief operating decision maker, being the Company's executive directors, has identified the Group's product and service lines as operating segments as follows:

(i) natural resources business;

(ii) development of hybrid vehicles;

(iii) development of advanced batteries materials; and

(iv) development of high-tech electric motor vehicles.

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

As mentioned in note 1, the Group has discontinued its operations of development and manufacturing of lithium-ion power battery and these operations had been presented as discontinued operations in the financial statements and not presented in the segment information. Further details regarding the results of these discontinued operations are set out in note 12.1.

6. SEGMENT INFORMATION *(Continued)*

For the year ended 31 December 2014

	High-tech electric motor vehicles business HK$'000	Advanced batteries materials business HK$'000	Natural resources business HK$'000	Hybrid vehicles business HK$'000	Total HK$'000
Revenue					
Sales to external customers	–	–	–	–	–
Segment results	(99,560)	(12,844)	(20,411)	(1,271)	(134,086)
Unallocated corporate income and expense, net					(65,588)
Share-based compensation					(195,756)
Loss before income tax					(395,430)
Income tax expense					(6)
Loss for the year from continuing operations					(395,436)
Loss for the year from discontinued operations (note 12.1)					(25,406)
Loss for the year					(420,842)
Segment assets	111,133	41,311	8,233	1,010	161,687
Amount due from a non-controlling shareholder of a subsidiary					2,624
Short-term investments					11,346
Structured bank deposits					100,856
Cash and cash equivalents held by the Group's headquarter					173,410
Assets of a disposal company classified as held for sale (note 12.2)					136,433
Unallocated corporate assets					132,959
Total assets					719,315
Segment liabilities	4,548	254	9,084	7,894	21,780
Liabilities of a disposal company classified as held for sale (note 12.2)					63,681
Borrowings					207
Tax payable					4
Unallocated corporate liabilities					21,230
Total liabilities					106,902
Other segment information					
Interest income	70	24	50	–	144
Depreciation	(817)	(77)	–	–	(894)
Impairment of goodwill	–	(1,271)	–	–	(1,271)
Impairment of other receivables	(8)	(21)	(10,792)	–	(10,821)
Research and development expenses	(96,391)	–	–	–	(96,391)
Change in fair value of derivative financial asset	–	(8,934)	–	–	(8,934)
Additions to non-current assets (excluding financial instruments)	53,774	99	–	–	53,873

6. SEGMENT INFORMATION *(Continued)*

For the year ended 31 December 2013

	Advanced batteries materials business HK$'000	Natural resources business HK$'000	Hybrid vehicles business HK$'000	Total HK$'000
Revenue				
Sales to external customers	–	–	–	–
Segment results	(4,853)	(9,823)	(14,092)	(28,768)
Unallocated corporate income and expense, net				(46,883)
Share-based compensation				(94,276)
Loss before income tax				(169,927)
Income tax credit				–
Loss for the year from continuing operations				(169,927)
Loss for the year from discontinued operations (note 12.1)				(16,499)
Loss for the year				(186,426)
Segment assets	355,417	20,285	3,949	379,651
Amount due from a non-controlling shareholder of a subsidiary				54,239
Short-term investments				8,876
Cash and cash equivalents held by the Group's headquarter				13,062
Assets of a disposal company classified as held for sale				185,705
Unallocated corporate assets				107,961
Total assets				749,494
Segment liabilities	210	9,234	7,888	17,332
Liabilities of a disposal company classified as held for sale				53,284
Borrowings				7,815
Tax payable				1,747
Unallocated corporate liabilities				28,029
Total liabilities				108,207
Other segment information				
Interest income	53	–	3	56
Depreciation	(19)	(5)	(1,334)	(1,358)
Impairment of property, plant and equipment	–	–	(3,979)	(3,979)
Impairment of intangible assets	–	–	(1,446)	(1,446)
Research and development expenses	(544)	–	–	(544)
Change in fair value of derivative financial asset	(235)	–	–	(235)
Additions to non-current assets (excluding financial instruments)	751	–	–	751

6. SEGMENT INFORMATION *(Continued)*

The Group's revenue from external customers (including the revenue from operations which has been classified as discontinued operations as set out in note 12.1) and its non-current assets (other than financial instruments) are divided into the following geographical areas:

	Revenue from external customers (including continuing and discontinued operations)		Non-current assets (other than financial assets)	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
– Hong Kong (place of domicile)	**–**	–	**1,807**	93
– the PRC	**26,582**	17,489	**102,379**	73,659
– United States ("US")	**7,861**	11,536	**13,330**	5,766
– Germany	**7,212**	5,959	**–**	–
– Korea	**20,965**	12,543	**–**	–
– Italy	**5,491**	1,455	**–**	–
– Other locations	**4,059**	3,201	**–**	–
Total	**72,170**	52,183	**117,516**	79,518

The geographical location of customers is based on the location of customers. For goodwill and intangible assets, the geographical location is based on the entities' areas of operation. The geographical location of other non-current assets (other than financial instruments) is based on the physical location of the assets.

For the year ended 31 December 2014, revenue from transactions with two customers from the discontinued operations of lithium-ion power batteries (2013: three customers from the discontinued operations of lithium-ion power batteries) which amounted to 10% or more of the Group's revenue (including the revenue from operations which has been classified as discontinued operations as set out in note 12.1) and are as follows:

	2014 HK$'000	2013 HK$'000
Customer A	**20,951**	12,543
Customer B (note 1)	**7,071**	6,555
Customer C (note 1)	**6,323**	11,536
Customer D (note 2)	**10,349**	376

Notes:

1. Revenue from these customers were less than 10% of the Group's revenue (including the revenue from operations which has been classified as discontinued operations as set out in note 12.1) for the year ended 31 December 2014.

2. Revenue from this customer was less than 10% of the Group's revenue (including the revenue from operations which has been classified as discontinued operations as set out in note 12.1) for the year ended 31 December 2013.

The management determines the Group is domiciled in Hong Kong, which is the location of the Group's principal office.

7. REVENUE

Revenue from the Group's principal activities, which is also the Group's turnover, represents total invoiced value of goods supplied. Revenue recognised during the year is as follows:

	Continuing operations		Discontinued operations		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Sales of lithium-ion power batteries	**–**	–	**72,170**	52,183	**72,170**	52,183

8. OTHER INCOME

	Continuing operations		Discontinued operations		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Bank interest income	**215**	155	**263**	914	**478**	1,069
Exchange gain	**1,344**	–	**496**	–	**1,840**	–
Gain on disposal of a subsidiary (note 43.2)	**–**	859	**–**	–	**–**	859
Gain on disposal of property, plant and equipment	**585**	333	**142**	36	**727**	369
Imputed Interest income on long-term non-interest bearing deposits	**1,680**	1,957	**–**	–	**1,680**	1,957
Subsidy income (note)	**–**	–	**16**	1,452	**16**	1,452
Other service income	**466**	847	**–**	172	**466**	1,019
Miscellaneous	**156**	–	**43**	36	**199**	36
	4,446	4,151	**960**	2,610	**5,406**	6,761

Note: Subsidy income mainly comprised unconditional grants for subsidising the Group's research and development expenses.

9. FINANCE COSTS

	Continuing operations		Discontinued operations		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Interest on borrowings repayable within five years:						
Bank loans	**–**	–	**908**	1,043	**908**	1,043
Other loans	**–**	–	**331**	1,258	**331**	1,258
	–	–	**1,239**	2,301	**1,239**	2,301

10. LOSS BEFORE INCOME TAX

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

	Continuing operations		Discontinued operations		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Auditor's remuneration	**1,565**	1,219	**–**	32	**1,565**	1,251
Share-based compensation (note 38)	**195,756**	94,276	**–**	–	**195,756**	94,276
Depreciation of property, plant and equipment	**5,275**	5,632	**5,607**	5,419	**10,882**	11,051
Amortisation of intangible assets	**–**	–	**4,480**	4,453	**4,480**	4,453
Impairment of property, plant and equipment	**–**	4,235	**–**	–	**–**	4,235
Impairment of goodwill (note 22(c))	**1,271**	–	**–**	15,791	**1,271**	15,791
Impairment of intangible assets	**–**	1,446	**–**	–	**–**	1,446
Change in fair value of other financial asset	**(14,000)**	–	**–**	–	**(14,000)**	–
Change in fair value of derivative financial asset	**8,934**	235	**–**	–	**8,934**	235
Impairment of trade receivables	**–**	–	**885**	1,244	**885**	1,244
Impairment of other receivables	**15,001**	–	**3,448**	–	**18,449**	–
Research and development expenses	**96,391**	544	**7,357**	1,036	**103,748**	1,580
Gain on disposal of subsidiaries (note 43.2)	**–**	(859)	**–**	–	**–**	(859)
Gain on disposal of property, plant and equipment	**(585)**	(333)	**(142)**	(36)	**(727)**	(369)
Cost of inventories recognised as expenses, including:	**–**	–	**57,848**	33,665	**57,848**	33,665
– Provision for inventories	**–**	–	**–**	1,847	**–**	1,847
Operating lease charges in respect of land and buildings	**8,078**	8,129	**139**	150	**8,217**	8,279

11. INCOME TAX (CREDIT)/EXPENSE

For the years ended 31 December 2014 and 2013, no provision for Hong Kong profits tax has been made in the financial statements as the Group did not derive any assessable profits for the year in Hong Kong. Taxation on PRC and overseas profits has been calculated on the estimated assessable profit for those years at the rates of taxation prevailing in the countries in which the Group operates. Income tax (credit)/expense for the year was as follows:

	Continuing operations		Discontinued operations		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Current tax – the PRC						
– Tax for the year	**6**	–	**–**	1,019	**6**	1,019
Deferred tax (note 36)	**–**	–	**(668)**	(664)	**(668)**	(664)
Income tax (credit)/expense	**6**	–	**(668)**	355	**(662)**	355

11. INCOME TAX (CREDIT)/EXPENSE *(Continued)*

Reconciliation between income tax (credit)/expense and accounting loss at applicable tax rates:

	2014 **HK$'000**	2013 HK$'000
Loss before income tax		
Continuing operations	**(395,430)**	(169,927)
Discontinued operations	**(11,998)**	(16,144)
	(407,428)	(186,071)
Tax on loss before income tax, calculated at the rates applicable to profit/loss in the tax jurisdictions concerned	**(86,902)**	(32,222)
Tax effect of non-deductible expenses	**89,246**	34,200
Tax effect of non-taxable income	**(1,682)**	(1,623)
Income tax (credit)/expense	**(662)**	355

12. DISCONTINUED OPERATIONS/ASSETS OF A DISPOSAL COMPANY CLASSIFIED AS HELD FOR SALE/LIABILITIES OF A DISPOSAL COMPANY CLASSIFIED AS HELD FOR SALE – GROUP

As mentioned in note 1, the Group's management committed to dispose of 75% equity interest in GBS as at 31 December 2014.

In accordance with HKFRS 5, the Group has reclassified the assets and liabilities of GBS as at 31 December 2014 as assets/liabilities classified as held for sale in the Group's consolidated statement of financial position. In addition, the discontinued operations of development and manufacturing of lithium-ion power battery represent separate major lines of business, and the operations and cash flows of which can be clearly distinguished from the rest of the Group. The Group has also re-presented the disclosures related to these operations that have been discontinued by the reporting date for the comparatives period. Details of the discontinued operations of development and manufacturing of lithium-ion power battery for the years ended 31 December 2014 and 2013 are set out in note 12.1, and details of the assets/liabilities of a disposal company classified as held for sale as at 31 December 2014 are set out in note 12.2.

12. DISCONTINUED OPERATIONS/ASSETS OF A DISPOSAL COMPANY CLASSIFIED AS HELD FOR SALE/LIABILITIES OF A DISPOSAL COMPANY CLASSIFIED AS HELD FOR SALE – GROUP *(Continued)*

12.1 An analysis of the results and cash flows of the discontinued operations for the year ended 31 December 2014, with the comparatives for illustrative purpose, is as follows:

	2014 **HK$'000**	2013 HK$'000
Revenue	**72,170**	52,183
Cost of sales	**(57,848)**	(33,665)
Gross profit	**14,322**	18,518
Other income	**960**	2,610
Distribution costs	**(3,403)**	(2,970)
General operating expenses	**(22,638)**	(16,210)
Impairment of goodwill	**–**	(15,791)
Finance costs	**(1,239)**	(2,301)
Loss before income tax	**(11,998)**	(16,144)
Income tax credit/(expense)	**668**	(355)
Loss after income tax	**(11,330)**	(16,499)
Loss recognised on the re-measurement to fair value less costs to sell of a disposal company classified as held for sale (note)	**(14,076)**	–
Loss for the year from discontinued operations (attributable to owners of the Company)	**(25,406)**	(16,499)
Cash flows used in operating activities	**(2,690)**	(5,138)
Cash flows used in investing activities	**(4,192)**	(916)
Cash flows from financing activities	**7,027**	5,330
Net cash inflows/(outflows)	**145**	(724)

Note: As at 31 December 2014, as mentioned in note 1, the management reclassified the assets and liabilities of GBS as assets/liabilities of a disposal company classified as held for sale. The management re-measured the fair value less costs to sell of a disposal company classified as held for sale. A loss on re-measurement of HK$14,076,000 is recognised in the profit or loss and included in the loss for the year from discontinued operations for the year ended 31 December 2014. The re-measurement loss of HK$10,629,000 is allocated to reduce the goodwill (note 22 (a)) first and the remaining re-measurement loss of HK$1,999,000 (note 19) and HK$1,448,000 (note 23) is allocated to the property, plant and equipment and intangible assets respectively for the year ended 31 December 2014.

12. DISCONTINUED OPERATIONS/ASSETS OF A DISPOSAL COMPANY CLASSIFIED AS HELD FOR SALE/LIABILITIES OF A DISPOSAL COMPANY CLASSIFIED AS HELD FOR SALE – GROUP *(Continued)*

12.2 An analysis of the assets and liabilities of a disposal company classified as held for sale as at 31 December 2014 is as follows:

	2014 HK$'000
Assets of a disposal company classified as held for sale:	
Property, plant and equipment (note 19)	**28,859**
Intangible assets (note 23)	**20,908**
Inventories	**34,579**
Trade receivables	**38,328**
Bills receivable	**228**
Prepayment, deposits and other receivables	**9,716**
Pledged bank deposits	**1,891**
Cash and cash equivalents	**1,924**
	136,433

	2014 HK$'000
Liabilities of a disposal company classified as held for sale:	
Trade payables	**33,940**
Accruals and other payables	**6,071**
Borrowings	**15,254**
Bills payable	**3,782**
Tax payable	**1,297**
Deferred tax liabilities (note 36)	**3,337**
	63,681

13. OTHER COMPREHENSIVE INCOME

The amount of component of other comprehensive income can be summarised as follows:

	2014 HK$'000	2013 HK$'000
Translation reserve:		
Exchange differences on translation of financial statements of foreign subsidiaries	**3,326**	1,493

14. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

Of the consolidated loss for the year of HK$415,156,000 (2013: HK$179,086,000) attributable to owners of the Company, a loss of HK$348,636,000 (2013: HK$228,646,000) has been dealt with in the financial statements of the Company.

15. DIVIDENDS

The directors do not recommend the payment of a dividend for the year ended 31 December 2014 (2013: Nil) and the Company did not declare any interim dividend during the year (2013: Nil).

16. LOSS PER SHARE

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

	2014 **HK$'000**	2013 HK$'000
Loss attributable to owners of the Company for the purpose of basic loss per share		
Continuing operations	**(389,750)**	(162,587)
Discontinued operations	**(25,406)**	(16,499)
Total loss from continuing and discontinued operations	**(415,156)**	(179,086)

	2014 **Number of** **shares** **'000**	2013 Number of shares '000
Weighted average number of shares for the purpose of basic loss per share	**11,770,258**	10,028,710

Diluted loss per share amount for both years' continuing and discontinued operations were not presented because the impact of the exercise of the share options was anti-dilutive. Potential ordinary shares are dilutive when and only when their conversion into ordinary shares would increase loss per share from continuing operations attributable to owners of the Company.

17. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	Continuing operations		Discontinued operations		Consolidated	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Wages and salaries	42,050	36,687	8,158	6,484	50,208	43,171
Pension costs – defined contribution plans	787	422	658	395	1,445	817
Other benefits	929	1,005	669	516	1,598	1,521
Share-based compensation	125,779	57,222	–	–	125,779	57,222
	169,545	95,336	9,485	7,395	179,030	102,731

18. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT EMOLUMENTS

For the year ended 31 December 2014

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Contribution to defined contribution plan HK$'000	Equity-settled share-based payment expenses HK$'000	Total HK$'000
Executive directors					
Dr. Yeung Yung	78	3,491	–	1,577	5,146
Mr. Liu Stephen Quan	80	–	–	1,577	1,657
Mr. Hui Wing Sang, Wilson	80	2,338	17	7,885	10,320
Dr. Zhu Shengliang	80	1,065	39	3,154	4,338
Dr. Wang Chuantao	78	1,416	–	4,731	6,225
Dr. Huang Chunhua	78	2,329	–	7,885	10,292
Mr. Xu Jianguo	78	1,967	–	7,885	9,930
Mr. Li Zhengshan	78	2,130	17	7,885	10,110
Mr. Ting Kwok Kit, Johnny (appointed with effect from 3 November 2014) *	13	934	17	3,943	4,907
Mr. Chen Xiao (appointed with effect from 3 November 2014) *	13	1,038	–	7,885	8,936
Dr. Jang Bor Zeng Bohr (resigned with effect from 31 October 2014)	–	–	–	2,152	2,152
Dr. Zhamu Aruna (resigned with effect from 31 October 2014)	–	–	–	1,108	1,108
Non-executive director					
Dr. Xia Tingkang, Tim	155	–	–	1,577	1,732
Independent non-executive directors					
Mr. Wong Lee Hing	80	–	–	1,186	1,266
Dr. Song Jian	189	–	–	1,577	1,766
Mr. Cheng Tat Wa	80	–	–	1,224	1,304
Dr. Zhu Guobin	156	–	–	1,577	1,733
Dr. Li Jianyong	78	–	–	3,154	3,232
Mr. Chan Sin Hang	78	–	–	1,224	1,302
	1,472	16,708	90	69,186	87,456

18. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT EMOLUMENTS *(Continued)*

For the year ended 31 December 2013

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Contribution to defined contribution plan HK$'000	Equity-settled share-based payment expenses HK$'000	Total HK$'000
Executive directors					
Dr. Yeung Yung	78	3,497	–	876	4,451
Mr. Liu Stephen Quan	80	–	–	876	956
Mr. Hui Wing Sang, Wilson	80	1,560	15	5,256	6,911
Dr. Zhu Shengliang	80	936	15	1,752	2,783
Dr. Wang Chuantao	78	1,554	–	2,628	4,260
Dr. Huang Chunhua	78	1,554	–	5,694	7,326
Dr. Zhang Zhenwei (resigned with effect from 15 May 2013)	–	468	–	–	468
Mr. Xu Jianguo	78	932	–	2,628	3,638
Mr. Li Zhengshan	78	936	15	2,190	3,219
Dr. Jang Bor Zeng Bohr	78	–	–	2,152	2,230
Dr. Zhamu Aruna	78	–	–	1,108	1,186
Non-executive director					
Dr. Xia Tingkang, Tim	155	–	–	876	1,031
Independent non-executive directors					
Mr. Wong Lee Hing	80	–	–	–	80
Dr. Song Jian	193	–	–	876	1,069
Mr. Cheng Tat Wa	80	–	–	–	80
Dr. Zhu Guobin	156	–	–	876	1,032
Dr. Li Jianyong	78	–	–	876	954
Mr. Chan Sin Hang	78	–	–	–	78
	1,606	11,437	45	28,664	41,752

* Mr. Ting Kwok Kit, Johnny and Mr. Chen Xiao were appointed as executive directors of the Company with effect from 3 November 2014. Both of them were employee of the Group before appointment as executive directors. The remunerations as disclosed in the table included all remunerations to Mr. Ting Kwok Kit, Johnny and Mr. Chen Xiao for the whole year ended 31 December 2014.

Five highest paid individuals

For both the years ended 31 December 2014 and 2013, the five highest paid individuals in the Group were all directors whose emoluments are reflected in the analysis presented above.

No emoluments were paid by the Group to any directors and the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2013: Nil).

During the year ended 31 December 2014, there was no arrangement under which the directors waived or agreed to waive their remuneration (2013: Nil).

19. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$'000	Leasehold improvements, fixture and fittings HK$'000	Furniture and equipment HK$'000	Machineries HK$'000	Motor vehicles HK$'000	Total HK$'000
At 31 December 2012						
Cost	2,798	10,886	8,065	46,433	40,726	108,908
Accumulated depreciation and impairment	(186)	(5,948)	(4,868)	(13,616)	(33,744)	(58,362)
Net book amount	2,612	4,938	3,197	32,817	6,982	50,546
Year ended 31 December 2013						
Opening net book amount	2,612	4,938	3,197	32,817	6,982	50,546
Additions	–	151	661	1,356	4,463	6,631
Disposals	–	–	–	(403)	(1,711)	(2,114)
Depreciation	(188)	(1,354)	(903)	(4,429)	(4,177)	(11,051)
Impairment	–	(2,480)	(1,755)	–	–	(4,235)
Exchange realignment	42	24	381	522	35	1,004
Closing net book amount	2,466	1,279	1,581	29,863	5,592	40,781
At 31 December 2013						
Cost	2,845	5,625	5,371	47,977	41,223	103,041
Accumulated depreciation and impairment	(379)	(4,346)	(3,790)	(18,114)	(35,631)	(62,260)
Net book amount	2,466	1,279	1,581	29,863	5,592	40,781
Year ended 31 December 2014						
Opening net book amount	2,466	1,279	1,581	29,863	5,592	40,781
Additions	–	71	264	3,453	23,020	26,808
Disposals	–	–	–	(534)	(2,046)	(2,580)
Depreciation	(189)	(676)	(466)	(4,563)	(4,988)	(10,882)
Re-measurement to assets of a disposal company classified as held for sale	–	–	–	(1,999)	–	(1,999)
Exchange realignment	(13)	(10)	(6)	(172)	(6)	(207)
Reclassify to assets of a disposal company classified as held for sale (note 12.2)	(2,264)	(664)	(192)	(25,621)	(118)	(28,859)
Closing net book amount	–	–	1,181	427	21,454	23,062
At 31 December 2014						
Cost	–	609	4,595	452	58,414	64,070
Accumulated depreciation and impairment	–	(609)	(3,414)	(25)	(36,960)	(41,008)
Net book amount	–	–	1,181	427	21,454	23,062

As at 31 December 2014, as mentioned in note 1, the management reclassified the assets and liabilities of GBS as assets/liabilities of a disposal company classified as held for sale. As mentioned in note 12.1, the management re-measured the fair value less costs to sell of a disposal company classified as held for sale. The re-measurement loss of HK$1,999,000 is allocated to the property, plant and equipment for the year ended 31 December 2014.

19. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Group *(Continued)*

At 31 December 2013, the Group has not yet obtained the title certificates for its leasehold buildings in the PRC with carrying amount of HK$2,466,000. The Group is in the process of obtaining the title certificates from the relevant government authorities. As at 31 December 2014, such leasehold building with carrying amount of HK$2,264,000 was reclassified to assets of a disposal company classified as held for sale.

As at 31 December 2013, in view of the poor financial performance of the hybrid vehicles business, the management considered the recoverable amounts of certain property, plant and equipment under the hybrid vehicles business segment were negligible and it is appropriate to provide impairment loss of HK$4,235,000.

Company

	Furniture and equipment HK$'000	Leasehold improvements, fixture and fittings HK$'000	Total HK$'000
At 31 December 2012			
Cost	363	607	970
Accumulated depreciation and impairment	(235)	(607)	(842)
Net book amount	128	–	128
Year ended 31 December 2013			
Opening net book amount	128	–	128
Additions	13	–	13
Depreciation	(48)	–	(48)
Closing net book amount	93	–	93
At 31 December 2013			
Cost	376	607	983
Accumulated depreciation and impairment	(283)	(607)	(890)
Net book amount	93	–	93
Year ended 31 December 2014			
Opening net book amount	93	–	93
Additions	31	–	31
Depreciation	(50)	–	(50)
Closing net book amount	74	–	74
At 31 December 2014			
Cost	407	607	1,014
Accumulated depreciation and impairment	(333)	(607)	(940)
Net book amount	74	–	74

20. INTERESTS IN SUBSIDIARIES – COMPANY

	2014 HK$'000	2013 HK$'000
Unlisted shares, at cost	196,083	196,083
Less: Provision for impairment	(187,418)	(187,418)
	8,665	8,665
Amounts due from subsidiaries	1,351,406	944,680
Less: Provision for impairment	(792,024)	(667,716)
	559,382	276,964

The amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed repayment terms. In view of poor financial performance of certain subsidiaries, the directors considered that it was appropriate to provide impairment for the investment costs and amounts due from these subsidiaries.

Movement in the provision for impairment of the investment costs in subsidiaries is as follows:

	2014 HK$'000	2013 HK$'000
At 1 January	187,418	187,418
Impairment loss charged to profit or loss	–	–
At 31 December	187,418	187,418

Movement in the provision for impairment of the amounts due from subsidiaries is as follows:

	2014 HK$'000	2013 HK$'000
At 1 January	667,716	555,403
Impairment loss charged to profit or loss	124,308	112,313
At 31 December	792,024	667,716

20. INTERESTS IN SUBSIDIARIES – COMPANY *(Continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2014 are as follows:

Name	Place of incorporation and kind of legal entity	Particulars of issued share capital/ registered capital	Percentage of issued share capital held by the Company %	Principal activities and place of operations
American Compass Inc.	US, limited liability company	Ordinary US$17,000,000	100*	Investment holding, US
Far East Golden Resources Investment Limited	Hong Kong, limited liability company	HK$25,000,000	100*	Investment holding, Hong Kong
吉林晟世礦業有限公司	The PRC, limited liability company	RMB20,067,162	100	Exploration and mining of natural resources, the PRC
Hybrid Kinetic Motors Corporation	US, limited liability company	US$1,000	100	Development of high-tech electric motor vehicles, US (2013: Investment holding, US)
GBS	The PRC, limited liability company	US$5,981,850	100	Manufacture and sales of lithium-ion power batteries, the PRC
HK Battery Technology Inc.	US, limited liability company	Ordinary US$42,763	70.15	Exploration and development of gold mines, US
連雲港正道新能源有限公司 (Lianyungang Hybrid Kinetic New Energy Co., Limited)	The PRC, Sino-foreign equity joint venture enterprise	Registered capital of US$27,000,000 (2013: Registered capital of US$60,000,000) (note a)	77.78 (2013:35)	Development of advanced battery materials, the PRC

* Shares held directly by the Company.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results of the year or formed a substantial portion of the assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

20. INTERESTS IN SUBSIDIARIES – COMPANY *(Continued)*

Notes:

a. Lianyungang Hybrid Kinetic New Energy Co., Limited ("Lianyungang") was established as a Sino-foreign equity joint venture enterprise in the PRC on 29 March 2013 with a total registered capital of US$60,000,000, of which 35% was agreed to be contributed by the Group and the remaining 65% was agreed to be contributed by the remaining shareholders of Lianyungang. Lianyungang is accounted for as subsidiary of the Group because the directors are of the opinion that the Group has the power to cast the majority of votes at meeting of the board of directors in respect of financial and operating policies of Lianyungang. As at 31 December 2013, total paid up capital of Lianyungang was US$47,580,000 and the Group contributed US$8,580,000 as paid up capital in Lianyungang, which is equivalent to approximately 18% of the total paid up capital of Lianyungang.

On 27 January 2014, the Group was informed by Lianyungang that 2 shareholders (the "Outgoing Shareholders") of Lianyungang, which held a total 55% of the registered capital and represented a total registered capital of US$33,000,000 in Lianyungang, had withdrawn from the investment in Lianyungang. On 20 June 2014, the Group announced that the withdrawal of Outgoing Shareholders had been completed. Following the withdrawal, the total registered capital of Lianyungang was US$27,000,000 and the capital to be contributed by the Group was US$21,000,000, representing approximately 77.78% of total registered capital. As at 31 December 2014, total paid up capital of Lianyungang was US$15,080,000 and the Group contributed US$9,080,000 as paid up capital in Lianyungang, which is equivalent to approximately 60.21% of the total paid up capital of Lianyungang.

None of the subsidiaries had any debt securities at 31 December 2014 and 2013 or at any time during the year.

The following table lists out the information relating to Lianyungang, the subsidiary of the Group which has material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company eliminations.

	2014 HK$'000	2013 HK$'000
As at 31 December		
NCI percentage	**39.79%**	82%
Current assets	**96,742**	385,758
Non-current assets	**18,668**	741
Current liabilities	**(4,793)**	(20,526)
Non-current liabilities	**–**	–
Net assets	**110,617**	365,973
Carrying amount of NCI	**44,015**	300,098
For the year ended 31 December		
Revenue	**–**	–
Loss for the year	**(4,274)**	(4,853)
Total comprehensive income	**(6,797)**	(4,911)
Loss allocated to NCI	**(1,701)**	(3,979)
For the year ended 31 December		
Cash flows generated from/(used in) operating activities	**175,526**	(280,091)
Cash flows used in investing activities	**(29,159)**	(698)
Cash flows (used in)/generated from financing activities	**(248,595)**	391,200
Net cash (outflows)/inflows	**(102,228)**	110,441

21. OTHER INVESTMENT/DERIVATIVE FINANCIAL ASSET – GROUP

	2014 HK$'000	2013 HK$'000
Derivative financial asset		
Conversion option, at fair value	**4,326**	13,260

	2014 HK$'000	2013 HK$'000
Other investment		
Unlisted debt instrument, at amortised cost	**11,479**	9,815

In September 2013, the Group entered into a purchase agreement ("Agreement") with Nanotune Technologies Corp. ("Nanotune") to subscribe 2,000,000 shares of Series B Preferred Stock in Nanotune at US$1.5 per share for a cash consideration of US$3,000,000 (equivalent to HK$23,310,000).

Nanotune is an unlisted limited liability company incorporated in US and its shares were not traded in an active market. The Group intends to hold the investment in Nanotune for long term capital appreciation.

Pursuant to the Agreement, the Series B Preferred Stock can be redeemed at any time after the seventh anniversary of the original issue date. The unlisted debt instrument was carried at amortised cost less any identified impairment loss.

Each share of Series B Preferred Stock shall be convertible, at the option of the Group, at any time after the date of issuance of such share, into that number of fully-paid, nonassessable shares of common stock of Nanotune at the conversion price of US$1.5 per share. The conversion option constitutes an embedded derivative, which can be separated from the Group's investment in the debt instrument in Nanotune and accounted for as derivative financial asset. The fair value of the conversion option was separately recognised and measured.

As the conversion option is a financial asset not quoted in an active market, the directors used their judgement in selecting an appropriate valuation technique to assess its fair value. Details of the valuation techniques and significant inputs that have been applied to measure the fair value of the conversion option are set out in note 45(e). For the year ended 31 December 2014, the fair value of the conversion option was determined to be HK$4,326,000 (2013: HK$13,260,000), resulting in fair value loss on the conversion option of HK$8,934,000 (2013: HK$235,000), which has been recognised in the profit or loss for the year.

22. GOODWILL – GROUP

	Lithium-ion power batteries business HK$'000 (note a)	Advanced batteries materials business HK$'000 (note b)	Natural recourses business HK$'000	Hybrid vehicles business HK$'000 (note c)	Total HK$'000
At 31 December 2012					
Gross carrying amount	93,654	–	4,434	12,546	110,634
Accumulated impairment	(67,234)	–	(4,434)	(12,546)	(84,214)
Net carrying amount	26,420	–	–	–	26,420
For the year ended 31 December 2013					
Net carrying amount at beginning of year	26,420	–	–	–	26,420
Acquisition of a subsidiary	–	1,271	–	–	1,271
Impairment losses recognised in the year	(15,791)	–	–	–	(15,791)
Net carrying amount	10,629	1,271	–	–	11,900
At 31 December 2013					
Gross carrying amount	93,654	1,271	4,434	–	99,359
Accumulated impairment	(83,025)	–	(4,434)	–	(87,459)
Net carrying amount	10,629	1,271	–	–	11,900
For the year ended 31 December 2014					
Net carrying amount at beginning of year	10,629	1,271	–	–	11,900
Impairment losses recognised in the year	–	(1,271)	–	–	(1,271)
Re-measurement to assets of a disposal company classified as held for sale	(10,629)	–	–	–	(10,629)
Net carrying amount	–	–	–	–	–
At 31 December 2014					
Gross carrying amount	–	1,271	4,434	–	5,705
Accumulated impairment	–	(1,271)	(4,434)	–	(5,705)
Net carrying amount	–	–	–	–	–

22. GOODWILL – GROUP *(Continued)*

Notes:

(a) Goodwill of HK$93,654,000 arose in 2010 relates to the acquisition of GBS and is allocated to the cash generating unit for manufacturing and distribution of lithium-ion power battery.

For the year ended 31 December 2013

The directors have reviewed the impairment for the goodwill generated from the acquisition of GBS. The recoverable amount of that CGU is determined based on value-in-use calculations. This calculation used cash flow projection based on financial budget approved by management covering a five-year period. Cash flow beyond the five-year period is extrapolated using an estimated weighted average growth rate of 3% which does not exceed the long-term growth rate for the business in which GBS operates. The cash flow is discounted using a discount rate of 15.94%. The discount rate used is pre-tax and reflect specific risks relating to the CGU. The directors are not currently aware of any other probable changes that would necessitate changes in its key estimates.

With reference to the actual performance of the lithium-ion power batteries business and slow-down of prevailing condition of lithium-ion power batteries market, the directors considered the goodwill arising from acquisition of GBS is impaired. Pursuant to the value-in-use calculations, the Group further provided impairment loss of HK$15,791,000 on the goodwill arising from acquisition of GBS for the year ended 31 December 2013 and an aggregate impairment loss of HK$83,025,000 had been recognised as at 31 December 2013.

For the year ended 31 December 2014

As at 31 December 2014, as mentioned in note 1, the management reclassified the assets and liabilities of GBS as assets/liabilities of a disposal company classified as held for sale. As mentioned in note 12.1, the management re-measured the fair value less costs to sell of a disposal company classified as held for sale. The re-measurement loss of HK$10,629,000 is allocated to reduce the goodwill for the year ended 31 December 2014.

22. GOODWILL – GROUP *(Continued)*

Notes: *(Continued)*

(b) Goodwill of HK$1,271,000 arose during the year ended 31 December 2013 relates to the acquisition of Angstron Holdings Corporation ("AHC") (note 43.1) and is allocated to the cash generating unit for development of advanced batteries materials business.

Impairment tests for CGU containing goodwill

	2014 **HK$'000**	2013 HK$'000
Advanced batteries materials business	–	1,271

The recoverable amounts for the CGU were determined based on value-in-use estimation of the CGU by the directors of the Company. The key assumptions for the Group have been determined by the Group's management based on past performance and its expectations for the industry development.

The directors have reviewed the impairment for the goodwill generated from the acquisition of AHC. The recoverable amount of that CGU is determined based on value-in-use calculations. This calculation used cash flow projection based on financial budget approved by management covering a five-year period. Cash flow beyond the five-year period is extrapolated using an estimated weighted average growth rate of 3% which does not exceed the long-term growth rate for the business in which AHC operates. The cash flow is discounted using a discount rate of 19.00%. The discount rate used is pre-tax and reflect specific risks relating to the CGU. The directors are not currently aware of any other probable changes that would necessitate changes in its key estimates.

For the year ended 31 December 2014, with reference to the value-in-use calculations and the actual performance of the advanced batteries materials business during the year, the directors considered there were no reasonable ground, to believe that future economic benefit, could be generated from the development on advanced batteries materials market. Accordingly, the directors considered the goodwill arising from acquisition of AHC was fully impaired, and an impairment loss of HK$1,271,000 was recognised in profit or loss for the year ended 31 December 2014.

The directors considered that the inputs in fair value less costs to sell calculation are similar to the value-in-use calculations and considered that the recoverable amount from either method had no significant difference.

(c) The goodwill related to the acquisition of America's Center Foreign Investment, LLC was the assets related to the hybrid vehicles business. As mentioned in note 43.2, America's Center Foreign Investment, LLC was disposed of as at 31 December 2013.

23. INTANGIBLE ASSETS – GROUP

	Technical know-how HK$'000	Patents HK$'000	Total HK$'000
At 31 December 2012			
Cost	14,057	49,298	63,355
Accumulated amortisation and impairment	(12,611)	(18,011)	(30,622)
Net carrying amount	1,446	31,287	32,733
Year ended 31 December 2013			
Opening net carrying amount	1,446	31,287	32,733
Amortisation	–	(4,453)	(4,453)
Impairment (note)	(1,446)	–	(1,446)
Exchange realignment	–	3	3
Closing net carrying amount	–	26,837	26,837
At 31 December 2013			
Cost	14,057	49,436	63,493
Accumulated amortisation and impairment	(14,057)	(22,599)	(36,656)
Net carrying amount	–	26,837	26,837
Year ended 31 December 2014			
Opening net carrying amount	–	26,837	26,837
Amortisation	–	(4,480)	(4,480)
Re-measurement to assets of a disposal company classified as held for sale (note)	–	(1,448)	(1,448)
Exchange realignment	–	(1)	(1)
Reclassify to assets of a disposal company classified as held for sale (note 12.2)	–	(20,908)	(20,908)
Closing net carrying amount	–	–	–
At 31 December 2014			
Cost	–	–	–
Accumulated amortisation and impairment	–	–	–
Net carrying amount	–	–	–

23. INTANGIBLE ASSETS – GROUP *(Continued)*

Note: The Group assesses whether there are any indicators of impairment for intangible assets at each reporting date.

As mentioned in note 12.1, the management re-measured the fair value less costs to sell of a disposal company classified as held for sale. The re-measurement loss of HK$1,448,000 is allocated to the intangible assets for the year ended 31 December 2014.

As at 31 December 2013, in view of the poor financial performance of the hybrid vehicle business, the Group's management considered that the technical know-how in relation to the development of multi-fuel electric-drive hybrid propulsion system had no expected future economic benefits to the Group and the recoverable amount to be negligible, and therefore it is appropriate to provide impairment of HK$1,446,000 for the technical know-how under the hybrid vehicle business segment.

24. PREPAYMENTS AND DEPOSITS – GROUP

	2014 HK$'000	2013 HK$'000
Prepayment for investment in a subsidiary (note)	**46,800**	–
Prepayment for purchase of property, plant and equipment	**47,654**	–
	94,454	–

Note: For the year ended 31 December 2014, the Group paid HK$46,800,000 for the capital injection of 連雲港正道新能源汽車系統集成有限公司, a wholly-owned subsidiary to be incorporated in the PRC. As at 31 December 2014, the capital verification was in progress. The capital injection to 連雲港正道新能源汽車系統集成有限公司 was completed in January 2015 and the prepayment for investment in subsidiary is recognised as investment cost of 連雲港正道新能源汽車系統集成有限公司 in January 2015.

25. INVENTORIES – GROUP

	2014 HK$'000	2013 HK$'000
Raw materials	**–**	2,113
Work in progress	**–**	12,567
Finished goods	**–**	29,484
	–	44,164

26. TRADE RECEIVABLES – GROUP

	2014 HK$'000	2013 HK$'000
Trade receivables	**–**	33,688
Less: Provision for impairment	**–**	(5,296)
Trade receivables, net	**–**	28,392

26. TRADE RECEIVABLES – GROUP *(Continued)*

The Group normally applies credit terms to its customers according to industry practice together with consideration of their creditability and repayment history. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables.

Impairment losses in respect of trade 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 trade receivables directly. Movement in the provision for impairment of trade receivables is as follows:

	2014 **HK$'000**	2013 HK$'000
At 1 January	**5,296**	10,606
Impairment loss charged to profit or loss	**885**	1,244
Bad debts written off	**–**	(6,849)
Exchange realignment	**117**	295
Reclassify to assets of a disposal company classified as held for sale	**(6,298)**	–
At 31 December	**–**	5,296

At each of the reporting date, the Group's trade receivables were individually and collectively determined to be impaired. The individually impaired receivables are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment provision was recognised. The Group does not hold any collateral over these balances.

The ageing analysis of the trade receivables of the Group based on the invoice date, is as follows:

	2014 **HK$'000**	2013 HK$'000
0 – 30 days	**–**	16,136
31 – 90 days	**–**	1,524
91 – 180 days	**–**	3,262
Over 180 days	**–**	7,470
At 31 December	**–**	28,392

The ageing analysis of trade receivables that are not impaired is as follows:

	2014 **HK$'000**	2013 HK$'000
Neither past due nor impaired	**–**	17,660
1 – 90 days past due	**–**	3,262
Over 90 days past due	**–**	7,470
	–	10,732
	–	28,392

Receivables that were neither past due nor impaired related to customers for whom there was no recent history of default.

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments to suppliers	**8**	903	**–**	–
Other receivables (note b)	**62,306**	59,868	**1,500**	–
Other deposits and prepayments	**43,431**	276,667	**1,447**	1,820
Prepayment for research and development projects	**23,272**	–	**–**	–
Amounts due from directors (note a)	**2,840**	–	**949**	–
	131,857	337,438	**3,896**	1,820

Notes:

(a) Amounts due from directors of the Group and the Company disclosed pursuant to Section 78 of Schedule 11 to the new Hong Kong Companies Ordinance, Cap. 622, with reference to Section 161B of the predecessor Hong Kong Companies Ordinance, Cap. 32 are as follows:

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Balance as at 31 December				
Dr. Yeung Yung	**949**	–	**949**	–
Dr. Zhu Shengliang	**1,891**	–	**–**	–
	2,840	–	**949**	–
Maximum balance outstanding during the year				
Dr. Yeung Yung	**949**	–	**949**	–
Dr. Zhu Shengliang	**1,891**	–	**–**	–

The above amounts due from directors are unsecured, interest-free and repayable on demand.

(b) **Impairment of other receivables**

	Group	
	2014	2013
	HK$'000	HK$'000
Other receivables	**77,307**	59,868
Less: Provision for impairment	**(15,001)**	–
Other receivables, net	**62,306**	59,868

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

Notes: *(Continued)*

(b) Impairment of other receivables *(Continued)*

Impairment losses in respect of 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 other receivables directly.

	2014 HK$'000	2013 HK$'000
At January	–	–
Impairment loss recognised	18,449	–
Reclassify to assets of a disposal company classified as held for sale	(3,448)	–
At 31 December	15,001	–

At 31 December 2014, other receivables of HK$15,001,000 (2013: nil) were individually determined to be impaired. The individually impaired other receivables related to debtors that has defaulted on the principal payments. The Group did not hold any collateral over these balances.

28. SHORT-TERM INVESTMENTS – GROUP

During the years ended 31 December 2014 and 2013, the Group purchased short-term investments from a major bank in the PRC.

As at 31 December 2014, the balance of HK$11,346,000 (2013: HK$8,876,000) was not subject to maturity. The Group is entitled to redeem the investments with the bank at anytime with immediate effect. The estimated return from the short-term investments ranged from 2.7% to 4.0% (2013: ranged from 2.0% to 3.7%) per annum. The accrued and unpaid interest will be received upon redemption of the investment from the bank. The directors of the Company consider that the carrying amount of short-term investments approximate their fair value at end of the reporting period.

29. STRUCTURED BANK DEPOSITS – GROUP

The structured bank deposits were interest-bearing and not quoted in an active market. The principal and interest earned are linked to the investments associated with treasury bills and bonds of certain banks in the PRC. As at 31 December 2014, structured bank deposits of HK$37,821,000 (2013: nil) can be redeemed with the bank at anytime with immediate effect and amount of HK$63,035,000 (2013: nil) was subject to maturity ranged from 30 to 90 days.

30. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS – GROUP

As at 31 December 2014, the Group has pledged bank deposits and cash and cash equivalents denominated in Renminbi ("RMB") and deposited with banks in the PRC amounted to HK$17,629,000 (2013: HK$107,838,000). RMB is not freely convertible into other currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks authorised to conduct foreign exchange business.

31. TRADE PAYABLES – GROUP

The ageing analysis of the trade payables of the Group as at 31 December 2014, based on the invoice date, is as follows:

	2014 **HK$'000**	2013 HK$'000
0 – 180 days	**–**	13,313
Over 180 days	**134**	19,036
	134	32,349

32. ACCRUALS AND OTHER PAYABLES

	2014 **HK$'000**	2013 HK$'000
Deposits received from customers	**4,539**	1,534
Accrued staff costs	**5,730**	1,131
Other payables	**30,353**	43,087
Other accrued expenses	**2,254**	3,859
	42,876	49,611

33. PENSION AND OTHER POST RETIREMENT OBLIGATIONS – GROUP

Included in other payables were current obligations to various retirement benefits schemes (defined contribution plans) for Hong Kong and PRC employees.

	2014 **HK$'000**	2013 HK$'000
Current obligations on:		
– pension – defined contribution plans	**39**	52

There were no forfeited contributions during the year (2013: Nil).

The employees employed by the subsidiaries located in the PRC are members of state-managed retirement benefits schemes operated by the PRC government. The subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits schemes in the respective provinces to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under these schemes.

The Group's Hong Kong employees are covered by the mandatory provident fund, which is managed by an independent trustee. The Group and its Hong Kong employees each makes monthly contributions to the scheme at 5% of the employees' relevant income with the maximum contribution by each of the Group and the employees limited to HK$1,500 (2013: HK$1,250) per month with effect from 1 June 2014.

33. PENSION AND OTHER POST RETIREMENT OBLIGATIONS – GROUP *(Continued)*

The retirement benefit scheme cost charged to the profit or loss represents contributions incurred by the Group. During the year ended 31 December 2014, the Group's contributions were approximately HK$1,445,000 (2013: HK$817,000). There was no (2013: Nil) forfeited contribution used to offset the Group's contribution during the year and there was no material forfeited contribution available as at the reporting date to reduce the Group's contribution payable in future periods.

34. AMOUNT DUE FROM A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY – GROUP

The balance was unsecured, interest-free and has no fixed repayment terms.

35. BORROWINGS – GROUP

	2014 HK$'000	2013 HK$'000
Bank loan repayable within one year	**–**	5,072
Other loans repayable within one year	**207**	2,743
	207	7,815

As at 31 December 2014, other loans are unsecured and repayable on demand.

As at 31 December 2013, other loans are unsecured and repayable on demand. Other loans of HK$2,535,000 were interest bearing at 6% per annum and the remaining balance of HK$208,000 were non-interest bearing.

36. DEFERRED TAX – GROUP

	Revaluation of intangible assets HK'000
At 1 January 2013	4,669
Credited to profit or loss (note 11)	(664)
At 31 December 2013 and 1 January 2014	4,005
Credited to profit or loss (note 11)	(668)
Reclassify to liabilities of a disposal company classified as held for sale (note 12.2)	(3,337)
At 31 December 2014	**–**

Deferred taxation is calculated on temporary differences under the liability method using the taxation rates prevailing in the jurisdictions in which the Group operates.

As at 31 December 2014, the Group had estimated unused tax losses of HK$5,775,000 (2013: HK$5,775,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. These estimated tax losses have no expiry date.

Deferred taxation has not been provided for in the financial statements in respect of temporary differences attributable to accumulated profits of a PRC subsidiary, GBS, amounting to HK$8,536,000 (2013: HK$6,453,000) as the Group is in a position to control the dividend policies of this subsidiary and it is probable that such differences will not reverse in the foreseeable future.

37. SHARE CAPITAL

	2014		2013	
	Number of shares	**Amount HK$'000**	Number of shares	Amount HK$'000
Authorised:				
Ordinary shares of HK$0.10 each	**800,000,000,000**	**80,000,000**	800,000,000,000	80,000,000
Issued and fully paid:				
At 1 January	**10,411,159,756**	**1,041,116**	8,772,159,756	877,216
Shares issued from the share option schemes (note i)	**16,000,000**	**1,600**	1,000,000	100
Subscription of new shares during the year (note ii)	**3,759,985,000**	**375,998**	1,638,000,000	163,800
At 31 December	**14,187,144,756**	**1,418,714**	10,411,159,756	1,041,116

Notes:

(i) During the years ended 31 December 2014 and 2013, the issued share capital of the Company was increased due to the exercise of share options by a director and other eligible persons (2013: an employee) of the Group. Details of the share options exercised during the years are summarised in note 38. The shares issued during the years in relation to share options exercised have the same rights as other ordinary shares of the Company in issue.

(ii) On 17 April 2014, the Company entered into agreements with 31 subscribers pursuant to which the subscribers agreed to subscribe for, an aggregate of 2,079,750,000 new shares at the subscription price of HK$0.10 per subscription share. On 7 May 2014, 2 individual subscribers indicated to the Company of their intention to withdraw their respective subscription agreements, which involved the cancellation of the subscription of an aggregate of 100,000,000 subscription share, by entering into a cancellation agreement with each of the outgoing subscribers. On 8 May 2014, 29 subscribers completed the subscription of aggregate of 1,979,750,000 shares and the gross cash proceeds of HK$197,975,000 have been received by the Company.

On 2 December 2014, the Company entered into agreements with 21 subscribers pursuant to which the subscribers agreed to subscribe for, an aggregate of 1,780,235,000 new shares at the subscription price of HK$0.16 per subscription share. The subscription of shares was completed on 16 December 2014 and the gross cash proceeds of HK$284,837,000 have been received by the Group.

On 23 November 2012, the Group entered into agreements with three subscribers pursuant to which the subscribers agreed to subscribe for, an aggregate of 1,638,000,000 new shares at the subscription price of HK$0.10 per subscription share. The subscription of shares was completed on 26 March 2013 and the gross cash proceeds of HK$163,800,000 have been received by the Group.

38. SHARE-BASED COMPENSATION

On 13 June 2013, the share option scheme adopted by the Company started and a new share option scheme (the "2013 Scheme") was adopted by the Company to comply with the new amendments to the Listing Rules in respect of share option schemes of a listed company.

The 2013 Scheme became effective on 13 June 2013 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The maximum number of shares in respect of which options may be granted must not exceed 10% of the issued share capital of the Company as at the date of adoption of the 2013 Scheme. The offer of a grant may be accepted upon payment of HK$1 per acceptance. The exercisable period of the share options granted is determinable by the board of directors, which commences and ends on a period specified at the date of grant of the share options. The share options are vested at the date of grant and exercisable within the specified exercisable period. The exercise price will be determined by the board of directors, but shall not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of shares on the date of offer for grant which must be a business day; (ii) the average closing price of the Company's share as stated in the Stock Exchange's daily quotations sheets for trade in one or more board lots of shares for the five business days immediately preceding the date of the offer for grant which must be a business day; and (iii) the nominal value of the Company's shares. All share-based employee compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settled the options in cash.

On 12 June 2003, the share option scheme adopted by the Company on 15 March 1995 was terminated and a new share option scheme (the "2003 Scheme") was adopted by the Company to comply with the new amendments to the Listing Rules in respect of share option schemes of a listed company.

The 2003 Scheme became effective on 12 June 2003 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The maximum number of shares in respect of which options may be granted must not exceed 10% of the issued share capital of the Company as at the date of adoption of the 2003 Scheme. The offer of a grant may be accepted upon payment of HK$1 per acceptance. The exercisable period of the share options granted is determinable by the board of directors, which commences and ends on a period specified at the date of grant of the share options. The share options are vested at the date of grant and exercisable within the specified exercisable period. The exercise price will be determined by the board of directors, but shall not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of shares on the date of offer for grant which must be a business day; (ii) the average closing price of the Company's share as stated in the Stock Exchange's daily quotations sheets for trade in one or more board lots of shares for the five business days immediately preceding the date of the offer for grant which must be a business day; and (iii) the nominal value of the Company's shares. All share-based employee compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settled the options in cash. As at 31 December 2013, the 2003 Scheme had expired and 254,070,000 share options were outstanding.

38. SHARE-BASED COMPENSATION *(Continued)*

The movements of the share option schemes of the Company during the year are as follows:

For the year ended 31 December 2014

	Share option type	At 1 January 2014	Granted during the year	Exercised during the year	Cancelled during the year	Reclassification	At 31 December 2014
		Number of share options					
Directors							
Dr. Yeung Yung	2005	11,140,000	–	–	–	–	11,140,000
	2008	27,000,000	–	–	–	–	27,000,000
	2013	10,000,000	–	–	–	–	10,000,000
	2014 (b)	–	10,000,000	–	–	–	10,000,000
Mr. Liu Stephen Quan	2013	10,000,000	–	–	–	–	10,000,000
	2014 (b)	–	10,000,000	–	–	–	10,000,000
Mr. Hui Wing Sang, Wilson	2008	27,000,000	–	–	–	–	27,000,000
	2013	60,000,000	–	–	–	–	60,000,000
	2014 (b)	–	50,000,000	–	–	–	50,000,000
Dr. Zhu Shengliang	2005	16,710,000	–	–	–	–	16,710,000
	2013	20,000,000	–	–	–	–	20,000,000
	2014 (b)	–	20,000,000	–	–	–	20,000,000
Dr. Wang Chuantao	2013	30,000,000	–	–	–	–	30,000,000
	2014 (b)	–	30,000,000	–	–	–	30,000,000
Mr. Xu Jianguo	2013	30,000,000	–	–	–	–	30,000,000
	2014 (b)	–	50,000,000	–	–	–	50,000,000
Mr. Li Zhengshan	2005	5,570,000	–	–	–	–	5,570,000
	2008	5,000,000	–	–	–	–	5,000,000
	2013	25,000,000	–	–	–	–	25,000,000
	2014 (b)	–	50,000,000	–	–	–	50,000,000
Dr. Huang Chunhua	2013	65,000,000	–	–	–	–	65,000,000
	2014 (b)	–	50,000,000	–	–	–	50,000,000
Dr. Xia Tingkang, Tim	2013	10,000,000	–	–	–	–	10,000,000
	2014 (b)	–	10,000,000	–	–	–	10,000,000
Dr. Zhu Guobin	2013	10,000,000	–	–	–	–	10,000,000
	2014 (b)	–	10,000,000	–	–	–	10,000,000
Dr. Jang Bor Zeng Bohr	2012 (b)	66,000,000	–	–	(66,000,000)	–	–
Dr. Zhamn Aruna	2012 (b)	34,000,000	–	–	(34,000,000)	–	–
Dr. Song Jian	2013	10,000,000	–	–	–	–	10,000,000
	2014 (b)	–	10,000,000	–	–	–	10,000,000
Dr. Li Jianyong	2013	10,000,000	–	–	–	–	10,000,000
	2014 (b)	–	20,000,000	–	–	–	20,000,000
Mr. Chan Sin Hang	2014 (a)	–	5,000,000	(5,000,000)	–	–	–
	2014 (b)	–	5,000,000	–	–	–	5,000,000
Mr. Cheng Tat Wa	2014 (a)	–	5,000,000	–	–	–	5,000,000
	2014 (b)	–	5,000,000	–	–	–	5,000,000
Mr. Ting Kwok Kit, Johnny	2013	–	–	–	–	35,000,000	35,000,000
	2014 (b)	–	25,000,000	–	–	–	25,000,000
		482,420,000	365,000,000	(5,000,000)	(100,000,000)	35,000,000	777,420,000

38. SHARE-BASED COMPENSATION *(Continued)*

The movements of the share option schemes of the Company during the year are as follows:

For the year ended 31 December 2014 *(Continued)*

	Share option type	At 1 January 2014	Granted during the year	Exercised during the year	Cancelled during the year	Reclassification	At 31 December 2014
		Number of share options					
Directors *(Continued)*							
Mr. Wong Lee Hing	2014 (a)	–	10,000,000	–	–	–	10,000,000
	2014 (b)	–	2,000,000	–	–	–	2,000,000
Mr. Chen Xiao	2013	–	–	–	–	25,000,000	25,000,000
	2014 (b)	–	50,000,000	–	–	–	50,000,000
		–	62,000,000	–	–	25,000,000	87,000,000
Total for directors		482,420,000	427,000,000	(5,000,000)	(100,000,000)	60,000,000	864,420,000
Employees							
In aggregate	2005	15,250,000	–	–	–	–	15,250,000
	2008	31,400,000	–	–	–	–	31,400,000
	2013	325,000,000	–	–	–	(60,000,000)	265,000,000
	2014 (a)	–	7,000,000	–	–	–	7,000,000
	2014 (b)	–	355,000,000	–	–	–	355,000,000
		371,650,000	362,000,000	–	–	(60,000,000)	673,650,000
Other eligible persons							
In aggregate	2008	15,000,000	–	–	–	–	15,000,000
	2013	423,000,000	–	(11,000,000)	–	–	412,000,000
	2014 (a)	–	14,000,000	–	–	–	14,000,000
	2014 (b)	–	436,000,000	–	–	–	436,000,000
		438,000,000	450,000,000	(11,000,000)	–	–	877,000,000
TOTAL		1,292,070,000	1,239,000,000	(16,000,000)	(100,000,000)	–	2,415,070,000

38. SHARE-BASED COMPENSATION *(Continued)*

For the year ended 31 December 2013

	Share option type	Number of share options At 1 January 2013	Granted during the year	Exercised during the year	Expired during the year	At 31 December 2013
Directors						
Dr. Yeung Yung	2005	11,140,000	–	–	–	11,140,000
	2008	27,000,000	–	–	–	27,000,000
	2009 (a)	40,000,000	–	–	(40,000,000)	–
	2011 (b)	35,000,000	–	–	(35,000,000)	–
	2013	–	10,000,000	–	–	10,000,000
Mr. Liu Stephen Quan	2011 (b)	10,000,000	–	–	(10,000,000)	–
	2013	–	10,000,000	–	–	10,000,000
Mr. Hui Wing Sang, Wilson	2008	27,000,000	–	–	–	27,000,000
	2009 (a)	21,000,000	–	–	(21,000,000)	–
	2011 (b)	35,000,000	–	–	(35,000,000)	–
	2013	–	60,000,000	–	–	60,000,000
Dr. Zhu Shengliang	2005	16,710,000	–	–	–	16,710,000
	2009 (a)	1,290,000	–	–	(1,290,000)	–
	2009 (b)	10,000,000	–	–	(10,000,000)	–
	2011 (b)	10,000,000	–	–	(10,000,000)	–
	2013	–	20,000,000	–	–	20,000,000
Dr. Wang Chuantao	2009 (a)	15,000,000	–	–	(15,000,000)	–
	2009 (c)	10,000,000	–	–	(10,000,000)	–
	2011 (b)	20,000,000	–	–	(20,000,000)	–
	2013	–	30,000,000	–	–	30,000,000
Mr. Xu Jianguo	2010	5,000,000	–	–	(5,000,000)	–
	2011 (b)	15,000,000	–	–	(15,000,000)	–
	2013	–	30,000,000	–	–	30,000,000
Mr. Li Zhengshan	2005	5,570,000	–	–	–	5,570,000
	2008	5,000,000	–	–	–	5,000,000
	2009 (a)	4,430,000	–	–	(4,430,000)	–
	2011 (b)	15,000,000	–	–	(15,000,000)	–
	2013	–	25,000,000	–	–	25,000,000
Dr. Zhang Zhenwei	2009 (a)	7,500,000	–	–	(7,500,000)	–
	2011 (b)	15,000,000	–	–	(15,000,000)	–
Dr. Huang Chunhua	2009 (a)	20,000,000	–	–	(20,000,000)	–
	2009 (c)	10,000,000	–	–	(10,000,000)	–
	2011 (b)	35,000,000	–	–	(35,000,000)	–
	2013	–	65,000,000	–	–	65,000,000
Dr. Xia Tingkang, Tim	2011 (b)	10,000,000	–	–	(10,000,000)	–
	2013	–	10,000,000	–	–	10,000,000
Dr. Zhu Guobin	2011 (b)	10,000,000	–	–	(10,000,000)	–
	2013	–	10,000,000	–	–	10,000,000
Dr. Jang Bor Zeng Bohr	2012 (b)	66,000,000	–	–	–	66,000,000
Dr. Zhamn Aruna	2012 (b)	34,000,000	–	–	–	34,000,000
Dr. Song Jian	2013	–	10,000,000	–	–	10,000,000
Dr. Li Jianyong	2013	–	10,000,000	–	–	10,000,000
		546,640,000	290,000,000	–	(354,220,000)	482,420,000

38. SHARE-BASED COMPENSATION *(Continued)*

For the year ended 31 December 2013 *(Continued)*

	Share option type	At 1 January 2013	Granted during the year	Exercised during the year	Expired during the year	At 31 December 2013
		Number of share options				
Employees						
In aggregate	2005	15,250,000	–	–	–	15,250,000
	2008	31,400,000	–	–	–	31,400,000
	2009 (a)	82,702,000	–	–	(82,702,000)	–
	2009 (b)	24,000,000	–	–	(24,000,000)	–
	2009 (c)	44,000,000	–	–	(44,000,000)	–
	2010	51,000,000	–	–	(51,000,000)	–
	2011 (b)	190,500,000	–	–	(190,500,000)	–
	2011 (c)	3,000,000	–	–	(3,000,000)	–
	2013	–	326,000,000	(1,000,000)	–	325,000,000
		441,852,000	326,000,000	(1,000,000)	(395,202,000)	371,650,000
Other eligible persons						
In aggregate	2008	15,000,000	–	–	–	15,000,000
	2009 (a)	7,500,000	–	–	(7,500,000)	–
	2011 (a)	40,000,000	–	–	(40,000,000)	–
	2011 (b)	160,000,000	–	–	(160,000,000)	–
	2011 (c)	65,000,000	–	–	(65,000,000)	–
	2012(a)	115,000,000	–	–	(115,000,000)	–
	2013	–	423,000,000	–	–	423,000,000
		402,500,000	423,000,000	–	(387,500,000)	438,000,000
TOTAL		1,390,992,000	1,039,000,000	(1,000,000)	(1,136,922,000)	1,292,070,000

Details of the share options are as follows:

Share option type	Date of grant	Exercisable period	Exercise price
2005	9 August 2005	29 August 2005 to 8 August 2015	HK$0.102*
2008	6 February 2008	6 February 2008 to 5 February 2018	HK$0.114
2009 (a)	24 June 2009	24 June 2009 to 11 June 2013	HK$0.123
2009 (b)	10 July 2009	10 July 2009 to 11 June 2013	HK$0.185
2009 (c)	17 November 2009	17 November 2009 to 11 June 2013	HK$0.295
2010	14 April 2010	15 April 2010 to 11 June 2013	HK$0.368
2011 (a)	12 April 2011	12 April 2011 to 11 June 2013	HK$0.146
2011 (b)	26 May 2011	26 May 2011 to 11 June 2013	HK$0.1338
2011 (c)	7 June 2011	7 June 2011 to 11 June 2013	HK$0.136
2012 (a)	29 June 2012	29 June 2012 to 11 June 2013	HK$0.132
2012 (b)	4 December 2012	1 January 2015 to 3 December 2022	HK$0.120
2013	6 September 2013	6 September 2013 to 5 September 2023	HK$0.108
2014 (a)	29 July 2014	29 July 2014 to 28 July 2024	HK$0.1136
2014 (b)	20 November 2014	20 November 2014 to 19 November 2024	HK$0.2010

* Following the issue of right shares on 1 February 2008, the exercise prices of share options were adjusted from HK$0.114 to HK$0.102. The number of share options was also adjusted as a result of the issue of right shares.

38. SHARE-BASED COMPENSATION *(Continued)*

Share-based compensation expense of HK$195,756,000 (2013: HK$94,276,000) has been included in the profit or loss for the year ended 31 December 2014. It gave rise to an equity compensation reserve. No liabilities were recognised due to equity-settled share-based payment transactions.

The fair values of the share options granted during the years ended 31 December 2014 and 2013 were determined using binomial option valuation model. Significant inputs into the model were as follows:

Share option type	2014 (a)	2014 (b)	2013
Share price	HK$0.1120	HK$0.2010	HK$0.108
Exercise price	HK$0.1136	HK$0.2010	HK$0.108
Expected volatility	73.77%	74.94%	78.53%
Expected option life (year)	10	10	10
Weighted average annual risk fee interest rate	1.96%	1.86%	2.529%
Expected dividend yield	0%	0%	0%

The expected volatility represents the historical volatility of the share price of the ordinary shares of the Company.

Share options and weighted average exercise price are as follows for the reporting periods presented:

	2014		2013	
	Number of share options	**Weighted average exercise price HK$**	Number of share options	Weighted average exercise price HK$
Outstanding at 1 January	**1,292,070,000**	**0.109**	1,390,992,000	0.147
Granted	**1,239,000,000**	**0.198**	1,039,000,000	0.108
Exercised	**(16,000,000)**	**0.110**	(1,000,000)	0.108
Expired/cancelled	**(100,000,000)**	**0.120**	(1,136,922,000)	0.154
Outstanding at 31 December	**2,415,070,000**	**0.161**	1,292,070,000	0.109

During the year ended 31 December 2014, the share options exercised during the year resulted in an equal number of ordinary shares (see note 37) issued. The weighted average share price of these shares at the date of exercise was HK$0.208 (2013: HK$0.12).

The share options outstanding at 31 December 2014 had exercise price of HK$0.102 to HK$0.201 (2013: HK$0.102 to HK$0.120) and a weighted average remaining contractual life of 8.9 years (2013: 8.8 years).

39. RESERVES

Group

	Share premium HK$'000	Translation reserve HK$'000	Equity compensation reserve HK$'000	Other reserves HK$'000	Accumulated losses HK$'000	Total HK$'000
At 31 December 2014	**727,895**	**9,868**	**366,715**	**(35,491)**	**(1,910,561)**	**(841,574)**
At 31 December 2013	620,418	7,554	172,358	–	(1,495,405)	(695,075)

Company

	Share premium HK$'000	Contributed surplus HK$'000	Equity compensation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2013	620,832	94,601	78,170	(1,420,035)	(626,432)
Loss and total comprehensive income for the year	–	–	–	(228,646)	(228,646)
Recognition of equity settled share-based compensation	–	–	94,276	–	94,276
Share issuance expenses	(510)	–	–	–	(510)
Proceeds from shares issued under share options scheme	96	–	(88)	–	8
At 31 December 2013 and 1 January 2014	620,418	94,601	172,358	(1,648,681)	(761,304)
Loss and total comprehensive income for the year	–	–	–	(348,636)	(348,636)
Subscription of new shares	106,814	–	–	–	106,814
Recognition of equity settled share-based compensation	–	–	195,756	–	195,756
Share issuance expenses	(892)	–	–	–	(892)
Proceeds from shares issued under share option schemes	1,555	–	(1,399)	–	156
At 31 December 2014	**727,895**	**94,601**	**366,715**	**(1,997,317)**	**(808,106)**

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of the subsidiaries at the date on which they were acquired by the Company, and the nominal amount of the Company's shares issued for the acquisition at the time of the group reorganisation prior to the listing of the Company's shares in 1995.

39. RESERVES *(Continued)*

Under the applicable laws of Bermuda, the contributed surplus account of a company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

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

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

The translation reserve has been established and dealt with in accordance with the accounting policy adopted for foreign currency translation.

The directors consider that the Company had no reserves available for distribution to shareholders as at 31 December 2014 (2013: Nil).

The equity compensation reserve was made in accordance to the adoption of HKFRS 2.

40. RELATED PARTY TRANSACTIONS

The directors represent the key management of the Group. During the year, the key management personnel compensations amounted to HK$87,456,000 (2013: HK$41,752,000). Further details of the remunerations to the directors of the Company are included in note 18 to the financial statements.

Save as disclosed above and elsewhere in the financial statements, the Group and the Company had no other significant related party transactions during the year (2013: Nil).

41. COMMITMENTS

41.1 Capital commitments

Group	2014 HK$'000	2013 HK$'000
Contracted but not provided for		
Establishment of a subsidiary	**6,304**	6,265
Purchase of property, plant and equipment	**14,750**	1,144
Research and development projects	**17,450**	18,064
	38,504	25,473

The Company has no capital commitments as at 31 December 2014 (2013: Nil).

41.2 Lease commitments

As at 31 December 2014 and 2013, the Group leased certain offices and factory premises under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years (2013: one to three years). None of the leases include contingent rentals. The total future minimum lease payments payable under non-cancellable operating leases in respect of rented premises of the Group are as follows:

Group	2014 HK$'000	2013 HK$'000
Within one year (note)	**8,028**	8,824
After one year but within five years	**4,907**	13,024
	12,935	21,848

The Company had no lease commitments as at 31 December 2014 (2013: Nil).

Note:

As at 31 December 2014, lease commitments of HK$1,531,000 was related to GBS, the disposal company classified as held for sale.

42. BANKING FACILITIES

The general banking facilities granted to the Group were secured by the following:

For the year ended 31 December 2014
The banking facilities are related to the borrowings which was re-classified as liabilities of a disposal company classified as held for sale as at 31 December 2014:

(a) pledge of GBS's bank deposit of HK$1,891,000;

(b) personal guarantee of an officer of GBS of RMB9,900,000;

(c) pledge of a property of an officer of GBS with maximum limit to RMB3,500,000; and

(d) pledge of GBS's machineries with carrying amount of HK$23,627,000.

For the year ended 31 December 2013
(a) personal guarantee of an officer of GBS of RMB9,900,000; and

(b) pledge of a property of an officer of GBS with maximum limit to RMB3,500,000.

43. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

The Group had no acquisition and disposal of subsidiaries for the year ended 31 December 2014.

43.1 On 27 November 2013, the Group entered into a security purchase agreement with a company beneficially owned by Dr. Yeung Yung, a director of the Company, to acquire 1,300 shares of Series A Preferred Stock, par value $0.001 (the "Securities") of AHC. Pursuant to the agreement, the purchase consideration was satisfied by cash of US$120,000 (equivalent to approximately HK$932,000). The Securities are convertible at any time into an aggregate of 126,426,362 shares of AHC's Common Stock which represented 99% of the issued and outstanding voting shares of AHC. The Group had intention to convert the Preferred Stock to Common Stock at the date of acquisition. Following the agreement, the Group owned 99% equity interest in AHC and obtained the control over AHC through the Group's right to nominate the majority members in AHC's board of directors, and AHC becomes subsidiary of the Group. The acquisition of AHC was made with the aim to promote and undertake the development of advanced batteries materials business of the Group.

43. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

43.1 *(Continued)*

The assets and liabilities arising from the acquisition of AHC are as follows:

	Fair values HK$'000	**Carrying amounts** HK$'000
Net liabilities acquired:		
Other receivables	72	72
Cash and cash equivalents	31,080	31,080
Accruals and other payables	(31,494)	(31,494)
Net liabilities	(342)	(342)
Non-controlling interests	3	3
	(339)	(339)

	HK$'000
Net cash inflow arising on acquisition:	
Cash consideration paid	(932)
Cash and cash equivalents acquired	31,080
Net cash inflow from acquisition of a subsidiary	30,148

Details of net liabilities acquired and goodwill are as follows:

	HK$'000
Total purchase consideration	
Cash consideration paid	932
Fair value of net liabilities acquired	339
Goodwill (note 22(b))	1,271

43. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

43.1 *(Continued)*

Goodwill arose in the acquisition of AHC because the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies arising between AHC and the advanced batteries materials business of the Group.

AHC did not contribute revenue but net loss of HK$1,949,000 to the Group for the period from 27 November 2013 to 31 December 2013. If the acquisition of AHC had been completed on 1 January 2013, no revenue would have been contributed to the Group for the year and loss for the year would have been increased by HK$579,000. This pro forma information is for illustrative purposes only and is not necessarily an indication of what have been achieved had the acquisition been completed on 1 January 2013, nor is it intended to be a projection of future results.

The goodwill arising on this acquisition is not expected to be deductible for tax proposes.

43.2 In July 2013, the Group entered into an agreement with one of the shareholders of its subsidiary ("the Purchaser") to dispose of the Group's 80% equity interests in America's Center Foreign Investment, LLC ("ACFI") at the cash consideration of US$150,000 (equivalent to approximately HK$1,166,000). The disposal of ACFI was completed on 6 July 2013. The net liabilities of ACFI at the date of disposal were as follows:

	Carrying amounts HK$'000
Net liabilities disposed of:	
Other receivables	11
Cash and cash equivalents	529
Amounts due to remaining group	(1,985)
Accruals and other payables	(653)
	(2,098)
Non-controlling interests	420
	(1,678)
Release of translation reserve upon disposal of a subsidiary	–
Written off of amounts due to remaining group	1,985
Gain on disposal of a subsidiary	859
Total consideration	1,166
Satisfied by cash	1,166

43. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

43.2 *(Continued)*

	HK$'000
Net cash inflow arising from disposal of a subsidiary	
Cash consideration	1,166
Cash and cash equivalents disposed of	(529)
Net cash inflow from disposal of a subsidiary	637

ACFI did not contribute revenue but net loss of HK$99,000 to the Group for the period from 1 January 2013 to 6 July 2013 (being the completion date of disposal).

44. OTHER FINANCIAL ASSET – GROUP

	2014 HK$'000	2013 HK$'000
Profit guarantee in relation to the acquisition of GBS	–	24,000

In April 2010, the Group entered into an acquisition agreement (as subsequently supplemented by two supplemental agreements) with independent third parties (the "GBS Vendors") to acquire the entire equity interest of GBS. Pursuant to the agreements, the GBS Vendors have given a profit guarantee (the "Profit Guarantee") to the Group as follows:

(1) for the financial year ending 31 December 2010, the profit before tax of GBS shall not be less than RMB5 million;

(2) for the financial year ending 31 December 2011, the profit before tax of GBS shall not be less than RMB25 million;

(3) for the financial year ending 31 December 2012, the profit before tax of GBS shall not be less than RMB30 million; and

(4) for the financial year ending 31 December 2013, the profit before tax of GBS shall not be less than RMB35 million.

44. OTHER FINANCIAL ASSET – GROUP *(Continued)*

As security for the attainment of the Profit Guarantee, the GBS Vendors have placed 200,000,000 of the Consideration Shares (the "Retained Shares") in a custodian account of the Group.

If the profit before tax of GBS recorded for any of the financial years during the profit guaranteed period is less than the amount of the Profit Guarantee given by the GBS Vendors, the Group shall be at liberty and at such time and in such manner which the directors considered to be in the Group's best interests to instruct the GBS Vendors to dispose of the Retained Shares or any part thereof and compensate the Group the shortfall.

The number of Retained Shares to be sold is determined at a share price of the issued ordinary shares of the Company which is (i) HK$0.358 each (the contract price as stated in the acquisition agreement) or (ii) the same as the closing price on 31 December of the relevant financial year in which the Profit Guarantee is to be achieved, whichever is the higher. Any shortfall in the Profit Guarantee will be compensated on a dollar-for-dollar basis, subject to a cap equivalent to 100% of the net proceeds derived from the disposal of the Retained Shares. The Group is not entitled to claim beyond the capped amount if such capped amount is not sufficient to cover the shortfall in the Profit Guarantee.

During the year ended 31 December 2014, the Company appointed a placing agent and the Company had unconditional right to instruct the placing agent to dispose of the Retained Shares and retain 100% of the net proceeds of disposal of the Retained Shares. As a result, the Group has derecognised the other financial asset at the fair value of HK$38,000,000 and the Retained Shares were accounted for as an equity instrument. Fair value gain on other financial asset up to the date of derecognition of HK$14,000,000 was recognisd in the profit or loss for the year.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Group's risk management is coordinated at its headquarters, in close co-operation with the board of directors, and focuses on actively securing the Group's short to medium term cash flows by minimising the exposure to financial markets. Long term financial investments are managed to generate lasting returns. The most significant financial risks to which the Group is exposed to are described below.

(a) Interest rate risk

The Group's exposure to interest rate risk for changes in interest rates relates primarily to the Group's floating interest rates bank balances and deposits, short-term investments and structured bank deposits. The Group does not actively engage in derivative financial instruments to hedge its interest rate risk.

It is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's loss after tax and accumulated losses as below.

	2014	2013
Increase of 50 basis points in interest rate	**Loss for the year decreases HK$1,575,000**	Loss for the year decreases HK$719,000
Decrease of 50 basis points in interest rate	**Loss for the year increases HK$1,575,000**	Loss for the year increases HK$719,000

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the reporting date and had been applied to the exposure to interest rate risk for financial instruments in existence for the whole year. The 50 basis points increase or decrease represents management's assessment of reasonably possible change in interest rates over the period until the next annual reporting date. The same basis of analysis was also performed at 31 December 2013.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other major financial assets, which comprise short-term investments, structured bank deposits and cash and cash equivalents, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Credit risk on short-term investments, structured bank deposits and cash and cash equivalents is mitigated as the balances were deposited in banks of high credit ratings.

Since the Group trades only with recognised and creditworthy third parties, for trade debtors, the management considered there is no requirement for collateral.

(c) Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group mainly operates in Hong Kong, US and the PRC with most of the transactions denominated and settled in HK$, US$ and RMB. No foreign currency risk has been identified for the US and PRC subsidiaries' financial assets and liabilities denominated in US$ and RMB, which are the functional currencies of the US and PRC subsidiaries to which these transactions relate. The Group currently does not have a foreign currency hedging policy.

(d) Liquidity risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long term financial liabilities as well as cash outflows due in day-to-day business. Liquidity needs are monitored on a day-to-day basis. Long-term liquidity needs for a 360-day lookout period are identified monthly.

The Group maintains mainly cash to meet its liquidity requirements for up to 30-day periods. Funding for long term liquidity needs is additionally secured by an adequate amount of committed credit facilities.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(d) Liquidity risk *(Continued)*

As at 31 December 2014 and 2013, the Group's financial liabilities have contractual maturities which are summarised below:

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Repayable on demand HK$'000	Within one year HK$'000
At 31 December 2014				
Trade payables	**134**	**134**	**–**	**134**
Other payables	**30,353**	**30,353**	**30,353**	**–**
Borrowings	**207**	**207**	**207**	**–**
	30,694	**30,694**	**30,560**	**134**
At 31 December 2013				
Trade payables	32,349	32,349	–	32,349
Other payables	43,087	43,087	43,087	–
Borrowings	7,815	8,151	2,804	5,347
Bills payable	12,680	12,680	–	12,680
	95,931	96,276	45,891	50,376

The Group's policy is to regularly monitor current and expected liquidity requirement to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer terms.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(e) Fair value

The directors consider that the fair values of each class of the financial assets and financial liabilities approximate to their carry amounts.

Fair value hierarchy

The following table presents the fair value of the Group's financial assets 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: Quoted prices in active markets for identical items (unadjusted);

– Level 2 valuations: Observable direct or indirect inputs other than Level 1 inputs; and

– Level 3 valuations: Unobservable inputs (i.e. not derived from market data).

The directors use their judgement in selecting an appropriate valuation technique to perform valuations for the derivative financial asset (2013: other financial asset and derivative financial asset) which are categorised into Level 3 (2013: Level 2 and Level 3) of the fair value hierarchy respectively.

	The Group Fair value measurement as at 31 December 2014			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Fair value as at 31 December 2014 HK$'000
Recurring fair value measurement				
Financial assets:				
Derivative financial asset	–	–	4,326	4,326

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(e) Fair value *(Continued)*

Fair value hierarchy *(Continued)*

	The Group			
	Fair value measurement as at 31 December 2013			
	Level 1	Level 2	Level 3	Fair value as at 31 December 2013
	HK$'000	HK$'000	HK$'000	HK$'000
Recurring fair value measurement				
Financial assets:				
Other financial asset	–	24,000	–	24,000
Derivative financial asset	–	–	13,260	13,260

During the years ended 31 December 2014 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. There were no changes in valuation techniques during the year.

Information about Level 2 fair value measurements

The fair value of other financial asset as at 31 December 2013 represented the fair value of the profit guarantee from GBS Vendors, with reference to the 100% net proceeds from disposal of 200,000,000 ordinary shares of the Company as at 31 December 2013. As mentioned in note 44, during the year ended 31 December 2014, other financial asset was de-recognised and fair value of the other financial asset was measured with reference to the 100% net proceeds from disposal of 200,000,000 ordinary shares of the Company at the derecognition date, and subsequently carried at cost under the Group's equity.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(e) Fair value *(Continued)*

Information about Level 3 fair value measurements

The fair value of derivative financial asset is determined using binomial option valuation model and the significant unobservable input used in the fair value measurement is the expected volatility. The fair value measurement is positively correlated to the expected volatility. As at 31 December 2014, it is estimated that with all other variables held constant, an increase/decrease in the expected volatility by 5% would have decreased/increased the Group's loss by HK$237,000 and HK$235,000 respectively (2013: HK$338,000).

Significant unobservable inputs were as follow:

	2014	2013
Spot price	**US$0.67 per share**	US$1.5 per share
Exercise price	**US$1.5 per share**	US$1.5 per share
Risk-free rate	**1.770%**	2.364%
Expected option life	**5.72 years**	6.72 years
Expected volatility	**51.410%**	56.126%
Expected dividend yield	**0%**	0%

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

	2014 HK$'000	2013 HK$'000
Derivative financial asset:		
At 1 January	**13,260**	–
Payment for purchase	**–**	23,310
Recognised as debt instrument	**–**	(9,815)
Changes in fair value recognised in profit or loss during the period (included in general operating expenses)	**(8,934)**	(235)
At 31 December	**4,326**	13,260

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(f) Equity price risk

As at 31 December 2013, the Group was exposed to equity price risk arising from using the share price of the Company's issued ordinary share capital as input to measure the fair value of the profit guarantee classified under other financial asset. As mentioned in note 44, during the year ended 31 December 2014, other financial asset was de-recognised as financial asset and then recognised as equity instrument. There was no equity price risk as at 31 December 2014 as the equity instrument is subsequently carried at cost.

It is estimated that a general increase/decrease of 30% of the share price of the Company's issued ordinary share capital, with all other variables held constant, would decrease/increase the Group's loss after tax and accumulated losses as below.

	2014	2013
Increase of 30% of the share price of the Company's issued ordinary shares	**N/A**	Loss for the year decreases HK$7,200,000
Decrease of 30% of the share price of the Company's issued ordinary shares	**N/A**	Loss for the year increases HK$7,200,000

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(g) Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities as recognised at 31 December 2014 and 2013 may be categorised as follows. See notes 4.7 and 4.10 for explanations about how the category of financial instruments affects their subsequent measurement.

(i) Financial assets

	2014 **HK$'000**	2013 HK$'000
Other financial asset	**–**	24,000
Derivative financial asset	**4,326**	13,260
Loans and receivables:		
Trade receivables	**–**	28,392
Bills receivable	**–**	989
Other receivables	**62,306**	59,868
Amounts due from directors	**2,840**	–
Other investment	**11,479**	9,815
Amount due from a non-controlling shareholder of a subsidiary	**2,624**	54,239
Short-term investments	**11,346**	8,876
Structured bank deposits	**100,856**	–
Pledged bank deposits	**807**	807
Cash and cash equivalents	**202,071**	147,996
	394,329	310,982
	398,655	348,242

(ii) Financial liabilities

	2014 **HK$'000**	2013 HK$'000
Financial liabilities at amortised cost:		
Trade payables	**134**	32,349
Other payables	**30,353**	43,087
Borrowings	**207**	7,815
Bills payable	**–**	12,680
	30,694	95,931

46. CAPITAL MANAGEMENT

The Group's capital management objectives are:

(i) to ensure the Group's ability to continue as a going concern; and

(ii) to provide an adequate return to shareholders.

In order to maintain or adjust the capital structure, the Group may return capital to shareholders or issue new shares to reduce debt level.

The gearing ratio at the reporting date was as follows:

	2014 HK$'000	2013 HK$'000
Total liabilities	**106,902**	108,207
Shareholder's equity	**577,140**	346,041
Gearing ratio	**18.52%**	31.27%

47. SIGNIFICANT NON-CASH TRANSACTIONS

During the year ended 31 December 2014, the Group has the following significant non-cash transactions:

(i) the Group has transferred other receivables of HK$12,607,000 as prepayment for acquisition of property, plant and equipment; and

(ii) the Group has transferred an amount due from a non-controlling shareholder of a subsidiary of HK$23,272,000 as prepayment for research and development projects.

48. POST REPORTING DATE EVENTS

In addition to those disclosed in these financial statements, the Group had the followings events after 31 December 2014:

(i) As mentioned in note 1, the Group committed to dispose of 75% equity interest in GBS as at 31 December 2014. The disposal was completed on 10 January 2015. Upon completion of the disposal, GBS ceased to be subsidiary of the Company and the Group has become entitled to collect the consideration receivable under the share transfer agreement by conducting the sale and disposal of the consideration (the "Subject Shares"), which is represented by an aggregate of 257,324,692 ordinary shares of HK$0.10 each in the Company held by the purchasers of GBS. Details of the disposal were set out in the Company's circular dated 16 December 2014 and announcement dated 11 January 2015.

(ii) On 14 January 2015, the Company announced that the Retained Shares and Subject Shares, of an aggregate of 457,324,692 ordinary shares of HK$0.10 each in the Company, were placed in full by the placing agent to 4 individual placees at HK$0.172 each on 12 January 2015. The net proceeds from the placing comprised approximately HK$43,100,000, which was derived from the disposal of the Subject Shares and represented the monetary consideration received by the Group for the disposal of 75% equity interest in GBS, and approximately HK$33,500,000 which was derived from the disposal of the Retained Shares. To the best of the directors' knowledge, information and belief having made all reasonable enquiries, the placees are independent of, and not connected to the Company and/or its connected persons. Details of the placing of shares were set out in the Company's announcement dated 14 January 2015.

(iii) On 23 January 2015, the Company entered into agreements ("Subscription Agreements") with 23 subscribers (the "Subscribers") pursuant to which the Company has conditionally agreed to allot and issue, and the Subscribers have conditionally agreed to subscribe an aggregate of 697,946,951 new shares at the subscription price of HK$0.175 per share for an aggregate amount of approximately HK$122,141,000. The subscription of shares was completed on 3 February 2015. Details of the subscription of new shares were set out in the Company's announcements dated 23 January 2015 and 3 February 2015.

Financial Summary

For the year ended 31 December 2014

	2010 HK$'000	2011 HK$'000	2012 HK$'000	2013 HK$'000	**2014** **HK$'000**
Revenue (including continuing and discontinued operations)	28,608	70,440	43,068	52,183	**72,170**
Loss before taxation (including continuing and discontinued operations)	(253,681)	(193,293)	(109,333)	(186,071)	**(407,428)**
Income tax (expense)/credit (including continuing and discontinued operations)	70	(292)	496	(355)	**662**
Loss for the year (including continuing and discontinued operations)	(253,611)	(193,585)	(108,837)	(186,426)	**(420,842)**
Loss attribute to owners of the Company	(251,471)	(191,178)	(103,414)	(179,086)	**(415,156)**
Non-controlling interests	(2,140)	(2,407)	(5,423)	(7,340)	**(5,686)**
	(253,611)	(193,585)	(108,837)	(186,426)	**(420,842)**
Assets and liabilities					
Total assets	490,658	352,823	365,068	749,494	**719,315**
Total liabilities	77,896	98,658	100,899	108,207	**106,902**
	412,762	254,165	264,169	641,287	**612,413**
Equity attribute to owners of the Company	381,133	224,494	265,960	346,041	**577,140**
Non-controlling interests	31,629	29,671	(1,791)	295,246	**35,273**
	412,762	254,165	264,169	641,287	**612,413**