

FIRST INTERIM REPORT 2015

**GREEN**  
and **GROWTH**



CIAM Group Limited

事安集團有限公司

HKSE 0378



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## Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2015

The board of directors (the “Board”) of CIAM Group Limited (the “Company”) presents the unaudited consolidated interim financial report of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2015 together with the comparative figures for the corresponding period in 2014 as follows:

	Note	Six months ended 30 June	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
<b>Revenue</b>			
Net (loss)/gain on held-for-trading investments		(403)	64
Net loss on financial assets at fair value through profit or loss		(1)	(1,025)
Interest and investment income		19,018	10,121
		<b>18,614</b>	9,160
Other net income		13	195
Administrative expenses		(13,574)	(14,490)
<b>Profit/(loss) from operations before impairment</b>		<b>5,053</b>	(5,135)
Impairment loss on loan and other receivables	11	(8,379)	(8,251)
Impairment loss on interest in an associate	8	(163,604)	–
Gain on disposal of non-current assets held-for-sale	8	1,404	–
Share of loss of an associate	8	(1,310)	(11,491)
Share of profits less losses of joint ventures		465	1,210
<b>Loss before tax</b>	5	<b>(166,371)</b>	(23,667)
Income tax	6	–	–
<b>Loss for the period</b>		<b>(166,371)</b>	(23,667)
<b>Other comprehensive income for the period (after tax and reclassification adjustments):</b>			
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
– Reclassification adjustment upon disposal of non-current assets held-for-sale	8	(1,404)	–
– Exchange differences on translation of financial statements of foreign operations		3,063	(8,111)
		<b>1,659</b>	(8,111)
<b>Total comprehensive income for the period</b>		<b>(164,712)</b>	(31,778)

	Note	Six months ended 30 June	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
<b>Loss for the period attributable to:</b>			
– Equity shareholders of the Company		<b>(166,371)</b>	(23,657)
– Non-controlling interests		–	(10)
		<b>(166,371)</b>	(23,667)
<b>Other comprehensive income for the period attributable to:</b>			
– Equity shareholders of the Company		<b>1,659</b>	(8,111)
– Non-controlling interests		–	–
		<b>1,659</b>	(8,111)
<b>Total comprehensive income for the period attributable to:</b>			
– Equity shareholders of the Company		<b>(164,712)</b>	(31,768)
– Non-controlling interests		–	(10)
		<b>(164,712)</b>	(31,778)
		<b>HK cents</b>	HK cents
<b>Loss per share</b>			
Basic and diluted	7	<b>(17.73)</b>	(2.53)

The notes on pages 8 to 33 form part of this interim financial report.

## Consolidated Statement of Financial Position

At 30 June 2015

	Note	At 30 June 2015 HK\$'000 (Unaudited)	At 31 December 2014 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment		34	648
Interest in associates	8	–	535,599
Interest in joint ventures	9	110,466	108,219
Financial assets at fair value through profit or loss	10	47,303	47,007
Loan and other receivables	11	459	475
Investment in a secured bond	12	370,000	–
Other non-current assets		1,104	1,104
		<b>529,366</b>	693,052
<b>Current assets</b>			
Financial assets at fair value through profit or loss	10	10,239	12,810
Loan and other receivables	11	91,527	81,563
Loan to an associate	8	–	150,000
Deposit in a securities account	13	320,059	–
Cash and cash equivalents	14	186,220	366,684
		<b>608,045</b>	611,057

	Note	At 30 June 2015 HK\$'000 (Unaudited)	At 31 December 2014 HK\$'000 (Audited)
<b>Current liabilities</b>			
Accruals and other payables	15	10,100	11,952
Amount due to a substantial shareholder		–	205
Current taxation		4,424	4,353
		14,524	16,510
<b>Net current assets</b>		<b>593,521</b>	594,547
<b>NET ASSETS</b>		<b>1,122,887</b>	1,287,599
<b>CAPITAL AND RESERVES</b>			
Total equity attributable to equity shareholders of the Company			
Share capital	16(b)	938,283	938,283
Reserves	16(c)	184,604	349,316
<b>TOTAL EQUITY</b>		<b>1,122,887</b>	1,287,599

The notes on pages 8 to 33 form part of this interim financial report.

# Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015 – unaudited

	Attributable to equity shareholders of the Company							Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000 Note 16(c)(i)	Contributed surplus HK\$'000 Note 16(c)(ii)	Exchange reserve HK\$'000 Note 16(c)(iii)	Share option reserve HK\$'000 Note 16(c)(iv)	Other reserve HK\$'000 Note 16(c)(v)	Accumulated losses HK\$'000			
<b>Balance at 1 January 2015</b>	938,283	342,072	82,445	21,169	1,693	5,777	(103,840)	1,287,599	-	1,287,599
<b>Changes in equity for the six months ended 30 June 2015:</b>										
Loss for the period	-	-	-	-	-	-	(166,371)	(166,371)	-	(166,371)
Other comprehensive income	-	-	-	1,659	-	-	-	1,659	-	1,659
Total comprehensive income for the period	-	-	-	1,659	-	-	(166,371)	(164,712)	-	(164,712)
Cancellation of share option (note 16(e))	-	-	-	-	(1,693)	-	1,693	-	-	-
<b>Balance at 30 June 2015</b>	<b>938,283</b>	<b>342,072</b>	<b>82,445</b>	<b>22,828</b>	<b>-</b>	<b>5,777</b>	<b>(268,518)</b>	<b>1,122,887</b>	<b>-</b>	<b>1,122,887</b>
<b>Balance at 1 January 2014</b>	935,133	341,137	82,445	25,326	8,912	5,763	(62,256)	1,336,460	40	1,336,500
<b>Changes in equity for the six months ended 30 June 2014:</b>										
Loss for the period	-	-	-	-	-	-	(23,657)	(23,657)	(10)	(23,667)
Other comprehensive income	-	-	-	(8,111)	-	-	-	(8,111)	-	(8,111)
Total comprehensive income for the period	-	-	-	(8,111)	-	-	(23,657)	(31,768)	(10)	(31,778)
Equity settled share-based transactions (note 16(e)) – amortisation for the period	-	-	-	-	767	-	-	767	-	767
<b>Balance at 30 June 2014 and 1 July 2014</b>	<b>935,133</b>	<b>341,137</b>	<b>82,445</b>	<b>17,215</b>	<b>9,679</b>	<b>5,763</b>	<b>(85,913)</b>	<b>1,305,459</b>	<b>30</b>	<b>1,305,489</b>
<b>Changes in equity for the six months ended 31 December 2014:</b>										
Loss for the period	-	-	-	-	-	-	(24,978)	(24,978)	3	(24,975)
Other comprehensive income	-	-	-	3,954	-	-	-	3,954	-	3,954
Total comprehensive income for the period	-	-	-	3,954	-	-	(24,978)	(21,024)	3	(21,021)
Shares issued under share option scheme	3,150	935	-	-	(935)	-	-	3,150	-	3,150
Equity settled share-based transactions – transfer to accumulated losses upon lapsed	-	-	-	-	(7,051)	-	7,051	-	-	-
Acquisition of interest from non-controlling shareholders	-	-	-	-	-	14	-	14	(33)	(19)
<b>Balance at 31 December 2014</b>	<b>938,283</b>	<b>342,072</b>	<b>82,445</b>	<b>21,169</b>	<b>1,693</b>	<b>5,777</b>	<b>(103,840)</b>	<b>1,287,599</b>	<b>-</b>	<b>1,287,599</b>

The notes on pages 8 to 33 form part of this interim financial report.

## Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

	Note	Six months ended 30 June	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited) (Restated)
<b>Net cash used in operating activities</b>		<b>(13,556)</b>	(15,784)
<b>Investing activities</b>			
Increase in deposit in a securities account		<b>(320,059)</b>	–
Payment for purchase of financial assets at fair value through profit or loss		–	(19,308)
Proceeds from disposal of financial assets at fair value through profit or loss		<b>2,163</b>	17,717
Proceeds from disposal of interest in an associate	8	<b>150,000</b>	–
Proceeds from disposal of property, plant and equipment		<b>600</b>	–
Purchase of property, plant and equipment		<b>(35)</b>	–
<b>Net cash used in investing activities</b>		<b>(167,331)</b>	(1,591)
Net decrease in cash and cash equivalents		<b>(180,887)</b>	(17,375)
Cash and cash equivalents at 1 January		<b>366,684</b>	399,621
Effect of foreign exchange rate changes		<b>423</b>	(530)
Cash and cash equivalents at 30 June	14	<b>186,220</b>	381,716

The notes on pages 8 to 33 form part of this interim financial report.

# Notes to the Unaudited Interim Financial Report

## 1. Changes of Financial Year End Date

Pursuant to a resolution of the Board of the Company dated 20 April 2015, the Company's financial year end date was changed from 31 December to 31 March in order to align with that of its ultimate holding company, FDG Electric Vehicles Limited ("FDG"), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 729). The next audited annual report of the Group will cover a financial period of 15 months from 1 January 2015 to 31 March 2016. Accordingly, the current financial period cover the six months ended 30 June 2015 and the comparative figures cover the six months ended 30 June 2014.

## 2. Basis of Preparation

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

The unaudited interim financial report has been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the coming annual financial statements. Details of these changes in accounting policies are set out in note 3.

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

## 2. Basis of Preparation (continued)

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

The financial information relating to the financial year ended 31 December 2014 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2014 are available at the Company's principal place of business. The auditors have expressed an unqualified opinion on those financial statements in their report dated 27 March 2015.

## 3. Changes in Accounting Policies

The HKICPA has issued a number of amendments to Hong Kong Financial Reporting Standards ("HKFRSs") that are first effective for the current accounting period of the Group:

- *Annual Improvements to HKFRSs 2010-2012 Cycle*
- *Annual Improvements to HKFRSs 2011-2013 Cycle*

None of these amendments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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

## 4. Segment Reporting

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

### (a) Segment results

Information regarding the Group's reportable segment as provided to the Group's senior executive management for the purpose of resource allocation and assessment of segment performance for the six months ended 30 June 2015 and 2014 is set out below:

	Direct Investments		Total	
	Six months ended 30 June		Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
<b>Revenue</b>	<b>18,614</b>	9,160	<b>18,614</b>	9,160
<b>Segment results</b>	<b>16,826</b>	7,686	<b>16,826</b>	7,686
Impairment loss on loan and other receivables	(8,379)	(8,251)	(8,379)	(8,251)
Impairment loss on interest in an associate	(163,604)	–	(163,604)	–
Gain on disposal of non-current assets held-for-sale	1,404	–	1,404	–
Share of loss of an associate	(1,310)	(11,491)	(1,310)	(11,491)
Share of profits less losses of joint ventures	465	1,210	465	1,210
Unallocated corporate income			13	1,494
Central administrative costs and directors' remuneration			(11,786)	(14,315)
<b>Loss before tax</b>			<b>(166,371)</b>	(23,667)

## 4. Segment Reporting (continued)

### (a) Segment results (continued)

Except interest and investment income of HK\$10,056,000 (six months ended 30 June 2014: Nil) was attributable to the interest accrued for the secured bond issued by FDG (note 12), the ultimate holding company of the Company, all of the segment revenue reported above is from external customers.

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

### (b) Segment assets and liabilities

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

	<b>At 30 June 2015 HK\$'000 (Unaudited)</b>	At 31 December 2014 HK\$'000 (Audited)
<b>Segment assets</b>		
Direct investments	<b>627,760</b>	932,469
Total segment assets	<b>627,760</b>	932,469
Deposit in a securities account	<b>320,059</b>	–
Cash and cash equivalents	<b>186,220</b>	366,684
Unallocated assets	<b>3,372</b>	4,956
Consolidated assets	<b>1,137,411</b>	1,304,109
<b>Segment liabilities</b>		
Direct investments	–	–
Total segment liabilities	–	–
Unallocated liabilities	<b>14,524</b>	16,510
Consolidated liabilities	<b>14,524</b>	16,510

## 4. Segment Reporting (continued)

### (b) Segment assets and liabilities (continued)

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

- All assets are allocated to reportable segment other than property, plant and equipment, other non-current assets, deposit in a securities account, cash and cash equivalents and the unallocated prepayments, deposits and other receivables; and
- No liabilities are allocated to reportable segment as liabilities are centrally managed by Group's management.

### (c) Seasonality of operations

The Group's operations are not subject to significant seasonal factors.

## 5. Loss Before Tax

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

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Gain on disposal of property, plant and equipment	<b>(16)</b>	–
Staff costs	<b>3,722</b>	5,853
Directors' remuneration	<b>4,270</b>	2,506
Depreciation of property, plant and equipment	<b>61</b>	188
Operating lease charges in respect of property rentals	<b>804</b>	1,949

Note: Except directors' remuneration, above amounts represented the net amount after expenses reimbursement arrangement under the Inter-companies Services and Cost Allocation Agreements (the "Services Agreements") signed between the Company and CITIC International Assets Management Limited ("CIAM"), a substantial shareholder of the Company before the voluntary conditional offer as set out in note 8, on 30 December 2013 and 28 November 2011. The Services Agreements were terminated on 31 March 2015.

## 6. Income Tax

No provision for the Hong Kong Profits Tax nor the People's Republic of China (the "PRC") income tax have been made for the six months ended 30 June 2015 and 2014 as the Group does not have any assessable profits in Hong Kong or PRC for both periods.

## 7. Loss per Share

### (a) Basic loss per share

The basic loss per share is calculated based on the loss attributable to ordinary equity shareholders of the Company of HK\$166,371,000 (six months ended 30 June 2014: HK\$23,657,000) and the weighted average number of 938,283,217 (six months ended 30 June 2014: 935,133,217) ordinary shares in issue during this interim period.

### (b) Diluted loss per share

Diluted loss per share for the six months ended 30 June 2015 and 2014 was equal to the basic loss per share as the potential ordinary shares outstanding during both periods had no dilutive effect on the basic loss per share for each period.

## 8. Interest in Associates and Loan to an Associate

	<b>At 30 June 2015 HK\$'000 (Unaudited)</b>	At 31 December 2014 HK\$'000 (Audited)
Share of net assets attribute to equity shareholders of an associate	–	77,308
Goodwill	–	458,291
	–	535,599
Loan to an associate	–	150,000
	–	685,599

## 8. Interest in Associates and Loan to an Associate (continued)

Details of an associate as at 30 June 2015 is as follows:

Name of associate	Form of business structure	Place of incorporation and operation	Issued and paid up share capital	Proportion of ownership interest			Principal activity
				Group's effective interest	Held by the Company	Held by a subsidiary	
天津銘度科技有限公司 ("Tianjin MTEC")	Incorporated	The PRC	RMB12,500,000	20%	–	20%	Development, manufacturing and sales of electric bikes driving units

Interest in Tianjin MTEC is exempted from applying the equity method and is recognised as a financial asset at fair value through profit or loss (note 10).

### Disposal of Interest in an Associate and Loan to an Associate

Pursuant to the conditional sale and purchase agreement dated 31 October 2014 and supplemented by the subsequent letter agreements dated 29 December 2014 and 27 January 2015 (collectively the "Agnita Acquisition Agreements"), entered into among CIAM Investment (BVI) Limited ("CBVI"), a wholly-owned subsidiary of the Company, with Preferred Market Limited ("Preferred Market"), a wholly-owned subsidiary of FDG, CBVI conditionally agreed (i) to sell to Preferred Market and Preferred Market conditionally agreed to purchase from CBVI 41.50% of the issued share capital of Agnita Limited ("Agnita"), an associate of the Group, and all rights and benefits of the shareholder's loan in the principal amount of HK\$150,000,000 extended to Agnita by CBVI; and (ii) the cancellation of the call option for 8.50% of issued share capital of Agnita, granted to CBVI by Preferred Market (collectively the "Agnita Transaction"), at a total consideration of HK\$520,000,000, which was settled by HK\$150,000,000 in cash and the balance of HK\$370,000,000 by the issue of the FDG 3-year secured bond with 8% coupon per annum to the Company. One of the conditions precedent under the Agnita Acquisition Agreements for the Agnita Transaction is the proposed voluntary conditional offer to acquire all the issued shares of the Company and to cancel the share options granted by the Company under the share option scheme of the Company (the "Offer") by FDG has to become unconditional as to acceptances.

## 8. Interest in Associates and Loan to an Associate (continued)

### Disposal of Interest in an Associate and Loan to an Associate (continued)

The Offer was closed on 23 February 2015, with valid acceptances in respect of approximately 89.54% of the issued capital share of the Company being received by FDG. Since then, the Company was of the view that the carrying amounts of the interest in and loan to Agnita would be recovered principally through the Agnita Transaction and as a result, the interest in and loan to Agnita were reclassified as non-current assets held-for-sale and an impairment loss of HK\$163,604,000 was recognised.

All remaining conditions precedent under the Agnita Acquisition Agreements were satisfied and completion of the Agnita Transaction took place on 27 February 2015. A gain on disposal of HK\$1,404,000, mainly representing the release of exchange differences arising from the translation of the financial statements of Agnita, was recognised to profit or loss. Agnita ceased to be an associate of the Group.

The Agnita Transaction was summarised as follows:

	<b>Interest in an associate</b> HK\$'000	<b>Loan to an associate</b> HK\$'000	<b>Total</b> HK\$'000
Proceeds of disposal	370,000	150,000	520,000
Less: Net assets disposed of:			
Carrying amount at 1 January 2015	535,599	150,000	685,599
Share of loss of an associate	(1,310)	–	(1,310)
Share of other comprehensive income of an associate	(685)	–	(685)
	533,604	150,000	683,604
Impairment loss on interest in an associate	(163,604)	–	(163,604)
	370,000	150,000	520,000
Gain on disposal of non-current assets held- for-sale arising from releasing of cumulative exchange differences from equity to profit or loss	1,404	–	1,404

## 9. Interest in Joint Ventures

	<b>At 30 June 2015 HK\$'000 (Unaudited)</b>	At 31 December 2014 HK\$'000 (Audited)
Share of net assets	<b>110,466</b>	108,219

Details of the principal joint venture as at 30 June 2015, which is accounted for using the equity method in the consolidated financial statements, are as follows:

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

## 10. Financial Assets at Fair Value Through Profit or Loss

	<b>At 30 June 2015 HK\$'000 (Unaudited)</b>	At 31 December 2014 HK\$'000 (Audited)
<b>Non-current</b>		
<i>Securities designated at fair value through profit or loss:</i>		
Unlisted debt securities with embedded options	<b>28,281</b>	28,296
Unlisted equity securities	<b>19,022</b>	18,711
	<b>47,303</b>	47,007
<b>Current</b>		
<i>Held-for-trading investments:</i>		
Listed equity securities		
– in Hong Kong	–	2,168
– outside Hong Kong	–	218
Unlisted funds	<b>10,239</b>	10,424
	<b>10,239</b>	12,810

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

As at 30 June 2015, the Group's unlisted equity investment amounting to a fair value of HK\$19,022,000 (31 December 2014: HK\$18,711,000) was an investment in an associate, Tianjin MTEC (note 8). This investment was exempted from applying the equity method and was recognised as a financial asset at fair value through profit or loss.

## 11. Loan and Other Receivables

### (a) Loan and other receivables less impairment allowances

	<b>At 30 June 2015 HK\$'000 (Unaudited)</b>	At 31 December 2014 HK\$'000 (Audited)
Property investments	491	506
Manufacturing	114,449	114,410
Mining	60,890	61,142
Gross loan receivables (Note)	<b>175,830</b>	176,058
Prepayments, deposits and other receivables	<b>95,248</b>	76,067
Individually assessed impairment allowances (note 11(b))	<b>271,078</b> <b>(179,092)</b>	252,125 (170,087)
	<b>91,986</b>	82,038
<b>Presented by:</b>		
Non-current assets	459	475
Current assets	<b>91,527</b>	81,563
	<b>91,986</b>	82,038

Note: Included in the balance was a loan of HK\$60,890,000 (31 December 2014: HK\$61,142,000) granted by a licensed bank incorporated in the PRC on behalf of the Group to an external customer under entrusted arrangements which the Group bears the risk and reward. The loan was secured by a mining right of an iron ore mine in the PRC.

All of the prepayments, deposits and other receivables classified as current assets are expected to be recovered or recognised in profit or loss within one year.

## 11. Loan and Other Receivables (continued)

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

	<b>At 30 June 2015 HK\$'000 (Unaudited)</b>	At 31 December 2014 HK\$'000 (Audited)
At 1 January	<b>170,087</b>	153,959
Impairment loss charged to profit or loss during the period/year (Note (i))	<b>8,379</b>	16,621
Exchange differences	<b>626</b>	(493)
At 30 June / 31 December (Note (ii), note 11(a))	<b>179,092</b>	170,087

Notes:

- (i) The carrying value (loan principal plus accrued consultancy fee and interests, net of impairment) of an entrusted loan to a mining company as at 30 June 2015 amounted to HK\$79,205,000 (31 December 2014: HK\$79,146,000). Based on the impairment assessment performed by the management, an individually assessed impairment allowance of HK\$8,379,000 was additionally provided for the six months ended 30 June 2015. As at 30 June 2015, accumulated impairment allowances amounted to HK\$44,551,000 (31 December 2014: HK\$35,591,000).
- (ii) The carrying value (loan principal plus accrued interests) of a loan to a manufacturing company as at 30 June 2015 amounted to HK\$134,541,000 (31 December 2014: HK\$134,496,000) was fully impaired.

## 12. Investment in a Secured Bond

During the six months ended 30 June 2015, a secured bond with an aggregate principal amount of HK\$370,000,000 was issued by FDG to the Company as part of the consideration for the acquisition of 41.50% of the issued share capital of Agnita with details set out in note 8. The secured bond carries a coupon rate of 8% per annum with a maturity term of three years, and is secured by 41.50% of the issued share capital of Agnita.

### 13. Deposit in a Securities Account

The amount represented deposit placed in a securities account which is restricted as to withdrawal under a borrowing arrangement entered into by the ultimate holding company of the Company.

### 14. Cash and Cash Equivalentents

	<b>At 30 June 2015 HK\$'000 (Unaudited)</b>	At 31 December 2014 HK\$'000 (Audited)
Deposits placed with financial institutions	<b>3,504</b>	1,331
Bank balances and cash	<b>182,716</b>	365,353
	<b>186,220</b>	366,684

### 15. Accruals and Other Payables

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

### 16. Capital, Reserves and Dividends

(a) Dividends

No dividend has been paid or declared during the period in respect of previous financial year. The Board does not recommend the payment of a dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

## 16. Capital, Reserves and Dividends (continued)

### (b) Share capital

#### (i) Authorised and issued share capital

	Number of shares	Amount HK\$'000
<i>Ordinary shares of HK\$1 each</i>		
<b>Authorised:</b>		
At 1 January 2014, 31 December 2014 and 30 June 2015	2,500,000,000	2,500,000
<b>Issued and fully paid:</b>		
At 1 January 2014	935,133,217	935,133
Shares issued under share option scheme (note 16(b)(ii))	3,150,000	3,150
At 31 December 2014 and 30 June 2015	938,283,217	938,283

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

#### (ii) Shares issued under share option scheme

On 23 December 2014, 3,150,000 share options were exercised at the exercise price of HK\$1.00 per ordinary share, resulting in the issue of 3,150,000 ordinary shares for a total consideration of HK\$3,150,000 of which full amount was credited to share capital. HK\$935,000 has been transferred from the share option reserve to the share premium account in accordance with the Group's accounting policy.

## 16. Capital, Reserves and Dividends (continued)

### (c) Nature and purpose of reserves

#### (i) Share premium

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

#### (ii) Contributed surplus

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

#### (iii) Exchange reserve

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

#### (iv) Share option reserve

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

#### (v) Other reserve

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

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

## 16. Capital, Reserves and Dividends (continued)

### (d) Distributability of reserves

At 30 June 2015 and 31 December 2014, the Company has no reserves available for distribution to equity shareholders of the Company.

### (e) Equity settled share-based transactions

The Company adopted a share option scheme (the “Scheme”) on 12 October 2007, pursuant to which options will be granted to eligible persons (including the directors, eligible employees and other participants of the Company) for the purpose of providing incentives or rewards to them. A consideration of HK\$1.00 is payable within 28 days from the date of grant of the share option on acceptance of the Offer of options and each option entitles the holder the right to subscribe for one share of HK\$1.00 each of the Company. On 9 September 2009, 29,810,000 options were granted by the Company. 50% of these options had a vesting period of one year and had expired on 8 September 2012; remaining 50% of these options had a vesting period of two years with exercisable period ended on 8 September 2014. On 15 April 2013, a total of 10,050,000 new options (the “New Options”) were granted, among which, 1,200,000 options were granted with no vesting period and exercisable immediately upon acceptance of the Offer until 8 September 2014 and all 1,200,000 options were lapsed, while the other 8,850,000 options had a vesting period of one year and were exercisable from 15 April 2014 to 14 April 2016. The fair value of the New Options granted under the Scheme was HK\$2,733,000. On 23 December 2014, a total of 3,150,000 options were exercised. On 23 February 2015, a total of 5,700,000 options were cancelled in exchange for the convertible bonds issued by FDG during the Offer as set out in note 8 and HK\$1,693,000 has been transferred from share option reserve to accumulated losses. As at 30 June 2015, there were no outstanding share options granted by the Company (31 December 2014: 5,700,000).

No expenses were recognised in the Group’s financial statements for the six months ended 30 June 2015 as a result of granting share options (six months ended 30 June 2014: HK\$767,000).

## 17. Fair Value Measurement of Financial Instruments

### (a) Financial instruments measured at fair value

#### (i) Fair value hierarchy

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

- Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

The Group has a team performing valuations for the financial instruments, including unlisted debt securities with embedded options and unlisted equity securities which are categorised into Level 3 of the fair value hierarchy. The team reports directly to the management. A valuation report with analysis of changes in fair value measurement is prepared by the team at each financial reporting date, and is reviewed and approved by the management. Discussion of the valuation process and results with the management is held twice a year, to coincide with the reporting dates.

## 17. Fair Value Measurement of Financial Instruments (continued)

(a) Financial instruments measured at fair value (continued)

(i) Fair value hierarchy (continued)

As at 30 June 2015

	Level 1 HK\$'000 (Unaudited)	Level 2 HK\$'000 (Unaudited)	Level 3 HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<b>Held-for-trading investments:</b>				
– Unlisted funds	–	10,239	–	10,239
<b>Financial assets at fair value through profit or loss:</b>				
– Unlisted debt securities with embedded options	–	–	28,281	28,281
– Unlisted equity securities	–	–	19,022	19,022
	–	10,239	47,303	57,542

As at 31 December 2014

	Level 1 HK\$'000 (Audited)	Level 2 HK\$'000 (Audited)	Level 3 HK\$'000 (Audited)	Total HK\$'000 (Audited)
<b>Held-for-trading investments:</b>				
– Listed equity securities	2,386	–	–	2,386
– Unlisted funds	–	10,424	–	10,424
<b>Financial assets at fair value through profit or loss:</b>				
– Unlisted debt securities with embedded options	–	–	28,296	28,296
– Unlisted equity securities	–	–	18,711	18,711
	2,386	10,424	47,007	59,817

## 17. Fair Value Measurement of Financial Instruments (continued)

### (a) Financial instruments measured at fair value (continued)

#### (i) Fair value hierarchy (continued)

During the six months ended 30 June 2015 and twelve months ended 31 December 2014, there were no transfer between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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

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

#### (iii) Information about Level 3 fair value measurements

The fair value of unlisted debt securities with embedded options and unlisted equity securities are estimated on the basis of an analysis of the investee's financial position and results, risk profile, prospects and other factors, adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 30 June 2015, if the discount for lack of marketability had been 5% higher/lower, with all other variables held constant, the Group's loss after tax for the period would have been HK\$1,926,000 higher/lower respectively (six months ended 30 June 2014: HK\$1,502,000 higher/lower).

## 17. Fair Value Measurement of Financial Instruments (continued)

### (a) Financial instruments measured at fair value (continued)

#### (iii) Information about Level 3 fair value measurements (continued)

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

	<b>At 30 June 2015 HK\$'000 (Unaudited)</b>	At 31 December 2014 HK\$'000 (Audited)
<b>Unlisted debt securities with embedded options:</b>		
At 1 January	<b>28,296</b>	28,295
Changes in fair value recognised in profit or loss during the period/year	–	1
Exchange differences	<b>(15)</b>	–
At 30 June / 31 December	<b>28,281</b>	28,296
Total (loss)/gain for the period/year included in profit or loss for assets held at the end of the reporting period/year	<b>(15)</b>	1
<b>Unlisted equity securities:</b>		
At 1 January	<b>18,711</b>	–
Payment for purchase	–	19,308
Exchange differences	<b>311</b>	(597)
At 30 June / 31 December	<b>19,022</b>	18,711
Total gain/(loss) for the period/year included in other comprehensive income for assets held at the end of the reporting period/year	<b>311</b>	(597)

## 17. Fair Value Measurement of Financial Instruments (continued)

(a) Financial instruments measured at fair value (continued)

(iii) Information about Level 3 fair value measurements (continued)

The gain or loss arising from the remeasurement of the unlisted debt securities with embedded options are presented in “net loss on financial assets at fair value through profit or loss” in the consolidated statement of comprehensive income.

The gain or loss arising from the remeasurement (excluding exchange differences) of the unlisted equity securities are presented in “net loss on financial assets at fair value through profit or loss” in the consolidated statement of comprehensive income. Exchange adjustments of the unlisted equity securities is presented in “exchange differences on translation of financial statements of foreign operations” in the consolidated statement of comprehensive income.

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

All of the carrying amounts of the Group’s financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2015 and 31 December 2014 respectively.

## 18. Capital Commitments

As at 30 June 2015, there were no contracted capital commitment outstanding for investments (31 December 2014: Nil).

## 19. Major Related Party Transactions

### (a) Transactions with related companies

In addition to the transactions and balances disclosed elsewhere in the condensed consolidated interim financial report and notes thereon, the Group entered into the following transactions with related companies during the six months ended 30 June 2015:

	Note	Six months ended 30 June	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Gain on disposal of non-current assets held-for-sale (note 8)		1,404	–
Expenses reimbursed from CIAM	(i)	781	916
Expenses reimbursed to CIAM	(i)	(2,404)	(7,388)
Investment income from an ultimate holding company	(ii)	10,056	–
Rental expenses paid to a fellow subsidiary	(iii)	(240)	–
Consultancy fee paid to a fellow subsidiary	(iii)	(80)	–
Expenses reimbursed to a fellow subsidiary	(iii)	(186)	–

The directors of the Company consider the above transactions were entered in the normal course of the Group's business.

Notes:

- (i) The amounts represented expenses reimbursed from/(to) CIAM under the Service Agreements as mentioned in note 5. CIAM ceased to be a substantial shareholder of the Company on February 2015 after the Offer as set out in note 8.
- (ii) The amount represented interest income recognised for the secured fixed rate bond issued by FDG (note 12) during the six months ended 30 June 2015.
- (iii) The amounts represented rental expenses, consultancy fee and other expenses reimbursed to a fellow subsidiary, which is a wholly-owned subsidiary of FDG.

## 19. Major Related Party Transactions (continued)

### (b) Balances with related companies

		<b>At 30 June 2015 HK\$'000 (Unaudited)</b>	At 31 December 2014 HK\$'000 (Audited)
	Note		
Secured bond issued by the ultimate holding company (note 12)		<b>370,000</b>	–
Amount due from the ultimate holding company	(i)	<b>10,056</b>	–
Amount due to a substantial shareholder	(ii)	–	205
Loan to an associate	(ii)	–	150,000

Note:

- (i) The amount represented interest income receivable from the secured fixed rate bond issued by FDG (note 12) which is expected to be settled in February 2016.
- (ii) The amounts were non-interest bearing, unsecured and were expected to be settled within one year.

## 19. Major Related Party Transactions (continued)

### (c) Key management personnel compensation

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

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Salaries and other short-term employee benefits	4,270	4,908

The amounts represented the net amount after expenses reimbursement arrangement under the Services Agreements as mentioned in note 5.

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

## 20. Major Non-Cash Transaction

In February 2015, the Group disposed 41.50% of the issued share capital of Agnita and all rights and benefits of the shareholder's loan extended to Agnita (note 8). Of the total consideration of HK\$520,000,000, HK\$370,000,000 was settled by the issue of FDG 3-year secured bond with 8% coupon per annum. The secured bond was recorded as "investment in a secured bond" under non-current assets as at 30 June 2015.

## 21. Non-adjusting Events After the Reporting Period

- (a) On 20 April 2015, Cherrylink Investments Limited (“Cherrylink”), a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with Union Grace Holdings Limited (“Union Grace”), an indirect wholly-owned subsidiary of FDG, pursuant to which Cherrylink conditionally agreed to purchase and Union Grace conditionally agreed to sell 25% of the issued share capital of Synergy Dragon Limited (“SDL”), an indirect wholly-owned subsidiary of FDG. In accordance with the terms and conditions thereof, the consideration for the transaction is HK\$750,000,000, which shall be satisfied by convertible bonds with 8% coupon per annum to be issued by the Company to Union Grace (or its nominee) on the completion date. SDL and its subsidiaries are principally engaged in research and development, production and sales of lithium-ion batteries and its related products. The transaction was duly passed at the special general meeting of the Company on 27 July 2015 and completed on 4 August 2015.
- (b) On 7 July 2015, Kingspark Group Limited (“Kingspark”), a wholly-owned subsidiary of the Company, entered into a memorandum of understanding with SKC Co., Ltd. (“SKC Korea”) and SK China Company Limited (“SK China”) (SKC Korea and SK China collectively as the “Sellers”), pursuant to which Kingspark intended to purchase and the Sellers intended to sell 100% equity interest in Premier Property Management Limited (the “Target Company”) at a total consideration of not less than HK\$700,000,000 but not more than HK\$800,000,000. The Target Company is the sole legal and beneficial owner of 愛思開(重慶)鋰電材料有限公司 (SK (Chongqing) Lithium Battery Material Company Limited\*) (the “PRC Subsidiary”), which is a foreign enterprise established in Chongqing. The PRC Subsidiary mainly manufactures cathode materials for nickel-cobalt-manganese lithium-ion batteries with an annual production capacity of 2,400 tonnes.

## 21. Non-adjusting Events After the Reporting Period (continued)

- (c) On 23 July 2015, the Company entered into a placing and top-up subscription agreement with Sinopoly Strategic Investment Limited (“Sinopoly”), the direct holding company of the Company, and a placing agent, pursuant to which (i) Sinopoly has appointed the placing agent and the placing agent has agreed to act for Sinopoly, on a best-efforts basis, to procure placees who are independent of and not connected to the Group to purchase up to 35,000,000 existing shares of the Company held by Sinopoly at HK\$7.73 per share (the “Placing”) and (ii) Sinopoly has conditionally agreed to subscribe for the new shares issued by the Company following completion of the Placing at HK\$7.73 per share (the “Top-up Subscription”). The number of new shares of the Company to be subscribed by Sinopoly in the Top-up Subscription shall be equal to the number of existing shares of the Company to be placed by the placing agent in the Placing.

The Placing was completed on 28 July 2015 and a total of 35,000,000 shares of the Company held by Sinopoly were placed. Following the completion of the Placing, the Top-up Subscription was completed on 5 August 2015. A total of 35,000,000 new shares of the Company have been allotted and issued to Sinopoly.

# Independent Review Report



Review report to the board of directors of

**CIAM Group Limited**

*(Incorporated in Bermuda with limited liability)*

## Introduction

We have reviewed the interim financial report set out on pages 2 to 33 which comprises the consolidated statement of financial position of CIAM Group Limited (the “Company”) and its subsidiaries as of 30 June 2015 and the related consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2015 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

### **KPMG**

*Certified Public Accountants*

8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

28 August 2015

## Management Discussion and Analysis

During the six months period ended 30 June 2015, CIAM Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) continued the investment focus in “Green Focus”.

### Business environment in the first half of 2015

The global economy was still struggling for the first half of 2015 since financial crisis. Threats from the People’s Republic of China (the “PRC”) to Eurozone restrained the recovery of the world economy. The PRC real gross domestic product growth of 7 percent on an annualised basis in the first quarter of 2015 was the smallest increase since 2009. The PRC government is in the middle of re-engineering a major realignment of its economy from investment and export driven to domestic consumption driven.

While the PRC government since mid-2014 have emphasised a “new normal” of slower but more sustainable economy growth for the PRC, the “Energy Conservation and Emission Reduction” policy remains one of the national strategies under the PRC’s 12th Five Years Plan. The PRC government has promised to take “more forceful” measures in the next five years to protect the environment and promote green development. By keeping on the focus to invest in green industries, the Group is well positioned to benefit from the PRC government’s favourable policies.

### Investment in “Green” industry

The Group holds a 45% equity interest in 華能壽光風力發電有限公司, it generated electricity of approximately 38 million kWh and a revenue of approximately RMB22 million during the period under review, which is lower than the same period last year. As the wind resources and government subsidy remained low in 2015, the profit contributed during the period was narrowed to approximately RMB0.4 million.

Regarding the Group’s investment in UPC Renewables China Holdings Ltd. (“UPC”), the management and the major shareholders of UPC are exploring and evaluating options including liquidating assets for redeeming the Series B preference shares held by investors including the Group.

The Group holds a 20% equity interest in 天津銘度科技有限公司 (“Tianjin MTEC”), a developer of electric bike driving units in the PRC. Tianjin MTEC is at the early development stage with stage one production line in place and indicative orders from customers. Tianjin MTEC may require additional funding from investors in the future. The Group is working together with its management to counter challenges along the way.

On 4 August 2015, the Group completed the acquisition of 25% equity interest in Synergy Dragon Limited (“SDL”). SDL holds Sinopoly Battery Limited, an integrated high-tech enterprise which specialises in production, sale and research and development of high capacity lithium-ion battery and its related products. The board of directors of the Company considers that the acquisition of SDL is in line with the “Green and Growth” investment philosophy of the Company since lithium-ion battery is the key component of an electric vehicle which enable electric vehicle to reduce the carbon dioxide emission, strengthen the Group’s position in the new energy transportation industry chain, further diversity the Group’s investment portfolio and lower the portfolio risk and thereby enhancing the growth potential of the Group and return to the shareholders of the Company. The details of transaction are set out in the “Major acquisition and disposal” section.

On 7 July 2015, Kingspark Group Limited, a wholly-owned subsidiary of the Company, entered into a memorandum of understanding with SK China Company Limited and SKC Co., Ltd. (collectively as the “Sellers”), to acquire 100% equity interest in Premier Property Management Limited (“Premier Property”) at a consideration of not less than HK\$700,000,000 but not more than HK\$800,000,000. Premier Property is the sole legal and beneficial owner of 愛思開(重慶)鋰電材料有限公司 (SK (Chongqing) Lithium Battery Material Company Limited\*), which mainly manufactures cathode materials for nickel-cobalt-manganese lithium-ion batteries. Details of the proposed transaction are contained in the announcement of the Company dated 7 July 2015. The proposed transaction is subject to signing of formal agreements and further announcement relating to progress of the proposed transaction will be made by the Company in due course.

## Other investment

Regarding the overdue loan with principal amount of RMB50.0 million (the “Loan”) extended to a mining company in Yunnan (the “Borrower”) in October 2010 for a term of two years, an interest of approximately RMB15.0 million and a consultancy fee of RMB15.0 million were accrued during the term of the Loan respectively. The Loan had a carrying value, including loan principal and accrued consultancy fee and interests but net of impairment, of RMB62.5 million (equivalent to HK\$79.2 million) as at 30 June 2015. During the period under review, as the commodity price remained low and the business conditions of the Borrower remained difficult, the Borrower was unable to honor the repayment schedule under the loan restructuring agreement except that a repayment of RMB1.0 million was received during the first quarter of 2015. The management will continue to monitor the operations of the Borrower to expedite repayment and review options available to settle the Loan. After taking into consideration the latest business development of the Borrower, execution risk and the timing of recovery from different options available to the Group, an individually assessed impairment allowance amounted to RMB6.6 million (equivalent to HK\$8.4 million) was additionally provided for during the period under review. Nevertheless, the Loan with a carrying value of HK\$79.2 million, is reasonably below the fair value of the collateral of RMB246 million (equivalent to HK\$312 million) based on the latest valuation report issued by a qualified independent appraiser.

## Interim financial results

During the period under review, the Group’s loss attributable to equity shareholders of the Company amounted to HK\$166.4 million (six months ended 30 June 2014: HK\$23.7 million) and loss per share was 17.73 HK cents (six months ended 30 June 2014: 2.53 HK cents).

The loss attributable to equity shareholders of the Company was mainly due to impairment loss on interest in an associate, Agnita Limited (“Agnita”). As indicated in the annual report 2014 of the Company and detailed at note 8 of this interim report, the equity interest in and loan to Agnita was reclassified as non-current assets held-for-sale during the period under review and the disposal was completed on 27 February 2015. An impairment loss of HK\$163.6 million and a gain on disposal of HK\$1.4 million were recognised respectively. A share of loss from Agnita before reclassified as non-current assets held-for-sale of HK\$1.3 million was recognised for the period (six months ended 30 June 2014: HK\$11.5 million).

Out of the interest and investment income of HK\$19.0 million, HK\$8.4 million was penalty interest accrued for the Loan during the period as discussed in the above section. Although the collateral value of the Loan is well over the carrying amount of the Loan and the Group assessed and considered that there is no recoverability issue on the carrying value of the Loan, the Group provided an impairment amounted to HK\$8.4 million during the period under review. The interest and investment income of HK\$10.1 million mainly attributable to the interest accrued for the secured bond issued by FDG Electric Vehicles Limited (“FDG”) to the Company for its acquisition of Agnita at 27 February 2015.

During the period under review, the Group’s held-for-trading securities investments that are measured at fair value recorded a net loss of HK\$200,000 (six months ended 30 June 2014: a net gain of HK\$64,000). The loss on disposal of the Group’s securities investments were HK\$203,000 (six months ended 30 June 2014: Nil).

During the period, with the completion of the voluntary conditional offer (the “Offer”) contemplated by FDG in 23 February 2015 and FDG become the controlling shareholder of the Company. The Inter-companies Services and Cost Allocation Agreements entered on 30 December 2013 by the Company and CITIC International Assets Management Limited (“CIAM”), the former substantial shareholder of the Company, was terminated. The administrative expenses of HK\$13.6 million, an reduced of HK\$0.9 million comparing with the correspondent period of HK\$14.5 million, was mainly attributable to reduced staff costs and rental expenses.

## Financial position

As at 30 June 2015, the Group’s net assets attributable to equity shareholders of the Company amounted to HK\$1,122.9 million (31 December 2014: HK\$1,287.6 million). Net assets attributable to equity shareholders of the Company per share were HK\$1.20 (31 December 2014: HK\$1.37). The Group’s total assets of HK\$1,137.4 million mainly consisted of equity investment in joint ventures of HK\$110.5 million, the FDG 3-year secured bond of HK\$370.0 million, deposit in a securities account of HK\$320.1 million and cash and cash equivalents of HK\$186.2 million.

Use of cash and cash equivalents for the current period under review is as follows:

	HK\$'million
Cash available as at 31 December 2014	367
Proceeds from Agnita Transaction	150
Realisation of securities investments	2
Deposit in a securities account	(320)
General working capital	(13)
Cash available as at 30 June 2015	186

## Currency and interest rate risk exposure

As at 30 June 2015, the Group had no material exposure to interest rate risk. Regarding the Group's investments denominated in and exposure to Renminbi, the management continues to closely monitor the fluctuation of Renminbi/HKD exchange rate to ensure appropriate and timely hedging action is taken when necessary.

## Major acquisition and disposal

During the period under review and up to the date of this interim report, the following transactions were carried out which were considered as major acquisition and disposal of the Company:

### Disposal of 41.5% interests and shareholder's loan in Agnita Limited

On 2 November 2014, it was announced that a sale and purchase agreement was entered into between CIAM Investment (BVI) Limited ("CIAM BVI", a direct wholly owned subsidiary of the Company) and Preferred Market Limited ("Preferred Market", an indirect wholly owned subsidiary of FDG) dated 31 October 2014 in relation to: (i) the disposal of 41.5% of the issued share capital of Agnita and all rights and benefits in the shareholder's loan in the principal amount of HK\$150,000,000 extended by CIAM BVI to Agnita, and (ii) cancel the call option previously granted by Preferred Market to CIAM BVI in respect of 8.5% of Agnita's issued share capital at a consideration of HK\$520,000,000, which would be settled by HK\$150,000,000 in cash and the balance of HK\$370,000,000 by the issuance of 8% non-convertible bonds with a tenor of three years to be issued by FDG to the Company (collectively the "Agnita Transaction").

At the Special General Meeting of the Company held on 23 December 2014, an ordinary resolution was passed by the independent shareholders of the Company to approve the Agnita Transaction, completion of which took place on 27 February 2015 following the close of the offer (the “Offer”) made by Sinopoly Strategic Investment Limited (a wholly-owned subsidiary of FDG) to acquire all the issued shares and share options of the Company on 23 February 2015. Agnita then ceased to be an associate of the Company and the Company became a subsidiary of FDG.

During the period under review, a loss of approximately HK\$163,604,000 was recognised at the time the Offer had become unconditional as to acceptance on 3 February 2015 and a gain on disposal of HK\$1,404,000 was recognised on completion date of the Agnita Transaction.

Details of the Agnita Transaction are set out in the joint announcements of the Company and FDG dated 2 November 2014 and 27 February 2015 respectively, the circular of the Company dated 5 December 2014 and the composite document issued jointly by the Company and FDG dated 30 January 2015.

### Acquisition of 25% interests in Synergy Dragon Limited

On 20 April 2015, the Company and FDG jointly announced that Cherrylink Investments Limited (“Cherrylink”, a wholly owned subsidiary of the Company, as purchaser) and Union Grace Holdings Limited (“Union Grace”, an indirect wholly-owned subsidiary of FDG, as vendor) entered into a sale and purchase agreement (the “Sale and Purchase Agreement”) pursuant to which Cherrylink conditionally agreed to purchase and Union Grace conditionally agreed to sell 25 shares (the “Sale Shares”) in Synergy Dragon Limited (“Synergy Dragon”, a wholly owned subsidiary of Union Grace), which represent 25% of the issued shares of Synergy Dragon (the “Acquisition”). The consideration for the Sale Shares was HK\$750,000,000, which was satisfied by 8% coupon per annum convertible bonds with an aggregate principal amount of HK\$750,000,000 issued by the Company to Union Grace upon completion of the Sale and Purchase Agreement. The convertible bonds are convertible into shares in the Company at the initial conversion price of HK\$1.70 per share.

Synergy Dragon is an investment holding company. Its wholly-owned subsidiary, Sinopoly Battery Limited (being an indirect wholly-owned subsidiary of FDG before completion of the Sale and Purchase Agreement), is an integrated high-tech enterprise which specializes in production, sales and research and development of high capacity lithium-ion battery and its related products. The Acquisition was therefore in line with the “Green and Growth” investment philosophy of the Company which will strengthen the Group’s position in the new energy transportation industry chain and will further diversify its current investment portfolio.

At the Special General Meeting of the Company held on 27 July 2015, an ordinary resolution was passed by the independent shareholders of the Company to approve the Sale and Purchase Agreement and the transactions contemplated thereunder, completion of which took place on 4 August 2015.

Following completion of the Sale and Purchase Agreement, the issued shares of Synergy Dragon will be owned as to 25% by Cherrylink and as to 75% by Union Grace. Synergy Dragon has been accounted for as an associated company of the Company and has become a non wholly-owned subsidiary of FDG.

Details of the Sale and Purchase Agreement are set out in the joint announcement of the Company and FDG dated 20 April 2015 and the circular of the Company dated 5 July 2015.

Save as disclosed above, the Group had no material acquisition or disposal during the six months ended 30 June 2015 and up to the date of this interim report.

## Events after the reporting period

On 23 July 2015, Sinopoly Strategic Investment Limited (a substantial shareholder of the Company, being the “Vendor”), the Company and Guotai Junan Securities (Hong Kong) Limited (the “Placing Agent”) entered into a placing and top-up subscription agreement pursuant to which (i) the Placing Agent agreed to procure the placing of up to 35,000,000 shares of the Company held by the Vendor at the placing price of HK\$7.73 per share (the “Placing”), and (ii) the Vendor agreed to subscribe for up to 35,000,000 new shares of the Company at the subscription price of HK\$7.73 per share (the “Top-up Subscription”). The Placing was completed on 28 July 2015 and the Top-up Subscription was completed on 5 August 2015.

The net proceeds received from the Top-Up Subscription are intended to be used for (i) the payment of part of the cash consideration for the proposed acquisition by the Company of a cathode materials for nickel-cobalt-manganese battery manufacturer subject to the consummation of the acquisition, and/or (ii) the general working capital of the Company.

Details of the Placing and Top-up Subscription are set out in the announcement of the Company dated 23 July 2015.

## Contingent liabilities and pledge of assets

As at 30 June 2015, the Group had no contingent liabilities identified and no assets were pledged (31 December 2014: Nil).

## Capital commitments

As at 30 June 2015, there was no contracted capital commitment outstanding for investments (31 December 2014: Nil).

## Human resources

There were no material changes in human resources structure and compensation approach during the six months ended 30 June 2015. Except as at 31 March 2015, the Group terminated the Inter-companies Services and Cost Allocation Agreement signed between the Company and CIAM and ceased to leverage the human resources of CIAM on midback office support. A new team has been deployed to carry on with the business of the Group.

Regarding the share option scheme of the Company, all the outstanding share options as at 31 December 2014 issued under the share option scheme were cancelled in exchange for the convertible bond or shares issued by FDG during the period under review as the Offer contemplated by FDG was closed and completed in February 2015. The share option scheme adopted by the Company in October 2007 remains valid. Other than the above, no share option was granted, exercised, cancelled or lapsed by the share option scheme during the six months ended 30 June 2015.

## Way forward

Despite the persistent competitive environment, the Group has continued to focus on its business fundamentals and strive to mitigate business risks. The Group has entered into a memorandum of understanding in July 2015 for the acquisition of a company and its subsidiary which are principally engaged in the manufacturing of the cathode materials for nickel-cobalt-manganese battery. Upon completion of the acquisition, it will allow the Group to further expand its business scope to battery-related business and further diversify its business risks.

With the completion of the Offer contemplated by FDG in February 2015 and FDG becoming the controlling shareholder of the Group thereafter, the Group will continue to review its current business portfolio, operations and strategies in order to maximise the synergies anticipated with FDG, as well as enhance business performance and value to its shareholders.

## Supplementary Information

### Directors' and chief executive's interests and short positions in shares, underlying shares and debentures

As at 30 June 2015, the interests or short positions of the directors and the chief executive of the Company and their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), or as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

#### Long position in the shares of the Company

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

#### Long positions in the shares and underlying shares of FDG Electric Vehicles Limited ("FDG"), an associated corporation of the Company

Name of director/ chief executive	Capacity	Number of shares held	Number of underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital (Note 7)
Dou Jianzhong	Beneficial owner	–	4,250,000 (Note 5)	4,250,000	0.02%
Cao Zhong	Interest of controlled corporations	2,311,059,998 (Note 1)	340,000,000 (Notes 1 & 5)	2,651,059,998	14.61%
	Beneficial owner	–	16,800,000 (Notes 1, 5 & 6)	16,800,000	0.09%

Name of director/ chief executive	Capacity	Number of shares held	Number of underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital (Note 7)
Lo Wing Yat	Beneficial owner	–	49,379,000 (Notes 2, 5 & 6)	49,379,000	0.27%
Miao Zhenguo	Interest of controlled corporations	2,770,551,043 (Note 3)	–	2,770,551,043	15.26%
	Beneficial owner	–	15,000,000 (Note 3 & 6)	15,000,000	0.08%
Jaime Che	Beneficial owner	1,000,000	16,000,000 (Note 6)	17,000,000	0.09%
Chen Yanping (appointed on 7 July 2015)	Interest of controlled corporations	658,125,000 (Note 4)	–	658,125,000	3.63%
	Beneficial owner	–	12,000,000 (Note 4 & 6)	12,000,000	0.07%
Hung Chi Yuen Andrew	Beneficial owner	–	280,000 (Note 5)	280,000	0%
Sit Fung Shuen Victor	Beneficial owner	–	280,000 (Note 5)	280,000	0%
Toh Hock Ghim	Beneficial owner	–	280,000 (Note 5)	280,000	0%

Notes:

1. Mr. Cao Zhong is interested or deemed to be interested in a total of 2,667,859,998 shares of FDG including: (i) 2,311,059,998 shares held by Long Hing International Limited which is wholly owned by Mr. Cao who is a director; (ii) 340,000,000 shares upon conversion of the convertible bonds<sup>(note 5)</sup> held by Champion Rise International Limited which is wholly owned by Mr. Cao who is a director; and (iii) 16,800,000 underlying shares including 10,000,000 share options<sup>(note 6)</sup> and 6,800,000 FDG shares upon conversion of the convertible bonds<sup>(note 5)</sup>.
2. Mr. Lo Wing Yat is interested in a total of 49,379,000 underlying shares of FDG including: (i) 42,800,000 share options<sup>(note 6)</sup>; and (ii) 6,579,000 shares upon conversion of the convertible bonds<sup>(note 5)</sup>.
3. Mr. Miao Zhenguo is interested or deemed to be interested in a total of 2,785,551,043 shares of FDG including: (i) 2,606,301,043 shares held by Union Ever Holdings Limited which is wholly owned by Mr. Miao who is a director; (ii) 164,250,000 shares held by Infinity Wealth International Limited which is wholly owned by Mr. Miao who is a director; and (iii) 15,000,000 share options<sup>(note 6)</sup>.
4. Dr. Chen Yanping is interested or deemed to be interested in a total of 670,125,000 shares of FDG including: (i) 658,125,000 shares held by Captain Century Limited which is owned as to 60% by Dr. Chen and 40% by his spouse, Ms. Zhang Lu; and (ii) 12,000,000 share options<sup>(note 6)</sup>.
5. The interests in underlying shares of FDG represent interests in FDG shares which will be allotted and issued to the relevant director or his wholly-owned company upon conversion of the zero coupon convertible bonds issued by FDG due 2018 that he/it holds at the initial conversion price of HK\$0.50 per share of FDG.
6. The interests in underlying shares of FDG represent interests in options granted to the directors named above by FDG to subscribe for shares of FDG.
7. These percentages are calculated on the basis of 18,151,330,734 shares of FDG as at 30 June 2015.

Save as disclosed above, as at 30 June 2015, none of the directors or chief executive of the Company or their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## Share option scheme

The Company operates a share option scheme (the “Scheme”), which was approved and adopted by the shareholders at the special general meeting of the Company on 12 October 2007 for the primary purpose of providing incentives or rewards to Directors, eligible employees and other participants for their contribution to the Company and its subsidiaries (collectively the “Group”). The Scheme will remain in force for 10 years from the date of its adoption, unless otherwise cancelled or amended.

Under the Scheme, the board of Directors (the “Board”) of the Company may, at their absolute discretion, grant options to the following classes of participants to subscribe for shares of the Company subject to the terms and conditions stipulated therein:

- (i) any employees or proposed employees (whether full-time or part-time and including any executive directors), consultants or advisers of or to the Company, any of its subsidiaries or any entity (the “Invested Entity”) in which the Group holds an equity interest;
- (ii) any non-executive directors (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;
- (iii) any suppliers of goods or services to any members of the Group or any Invested Entity;
- (iv) any customers of the Group or any Invested Entity;
- (v) any person or entities that provides research, development, or other technological support to the Group or any Invested Entity; and
- (vi) any shareholders of any members of the Group or any Invested Entity, or any holders of any securities issued by any members of the Group or any Invested Entity.

The total number of shares which may be issued upon exercise of all share options to be granted under the Scheme must not in aggregate exceed 10% of the total number of shares of the Company in issue as at the date of approval of the Scheme. As at 30 June 2015, there were no share options of the Company granted and yet to be exercised. The total number of shares issued and to be issued upon exercise of all share options granted to each participant in any 12-month period shall not exceed 1% of the shares of the Company then in issue. Any further grant of share options in excess of this limit is subject to shareholders’ approval at a general meeting.

The period within which a share option may be exercised under the Scheme will be determined by the Board at its absolute discretion, such that it shall end in any event not later than 10 years from the date of grant of the share option (the “Offer Date”) subject to the provisions for early termination.

The exercise price in respect of the share option shall be at the discretion of the Board, save that it must be at least the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the Offer Date, (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the Offer Date; and (iii) the nominal value of the Company's share. A consideration of HK\$1.00 is payable within 28 days from the Offer Date on acceptance of each offer of share options.

Details of the share options movements during the six months ended 30 June 2015 are as follows:

Name or category of participant	Date of grant	Vesting period	Exercise period	Exercise price HK\$	Number of shares under the share options		
					Outstanding at 1.1.2015	Movement during the period (Note (i))	Outstanding at 30.6.2015
<b>Directors</b>							
Hung Chi Yuen Andrew	15.4.2013	(Note (ii))	15.4.2014 to 14.4.2016	1.00	200,000	(200,000)	-
Sit Fung Shuen Victor	15.4.2013	(Note (ii))	15.4.2014 to 14.4.2016	1.00	200,000	(200,000)	-
Toh Hock Ghim	15.4.2013	(Note (ii))	15.4.2014 to 14.4.2016	1.00	200,000	(200,000)	-
Lu Zhicheng (resigned on 9 March 2015)	15.4.2013	(Note (ii))	15.4.2014 to 14.4.2016	1.00	200,000	(200,000)	-
Wong Yau Kar David (resigned on 9 March 2015)	15.4.2013	(Note (ii))	15.4.2014 to 14.4.2016	1.00	200,000	(200,000)	-
<b>Employees</b>	15.4.2013	(Note (ii))	15.4.2014 to 14.4.2016	1.00	4,500,000	(4,500,000)	-
<b>Other participants</b>	15.4.2013	(Note (ii))	15.4.2014 to 14.4.2016	1.00	200,000	(200,000)	-
<b>Total</b>					5,700,000	(5,700,000)	-

Notes:

- (i) The share options were cancelled upon the acceptance of the Offer by all the optionholders. Details of the Offer were set out in the composite document issued jointly by FDG and the Company dated 30 January 2015.
- (ii) The share options are subject to a vesting period of one year from the date of grant and will be exercised for a period of two years thereafter.

Expenses recognised in the Group's financial statements as a result of granting share options for the six months ended 30 June 2015 was nil (six months ended 30 June 2014: HK\$767,000).

## Substantial shareholders' interests and short positions in shares and underlying shares of the company

As at 30 June 2015, the persons, other than the directors or chief executives of the Company, who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of substantial shareholders	Capacity	Number of shares held	Number of underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital (Note 3)
Sinopoly Strategic Investment Limited	Beneficial owner	690,106,498	–	690,106,498	73.55%
Union Grace Holdings Limited	Beneficial owner	–	441,176,470 (Note 1)	441,176,470	47.02%
FDG	Interest held by controlled corporations (Note 2)	690,106,498	441,176,470	1,131,282,968	120.57%

Notes:

- The interests in the underlying shares of the Company represent interests in the Company's shares which will be allotted and issued to Union Grace Holdings Limited upon conversion of the convertible bonds issued by the Company at the initial conversion price of HK\$1.70 per share.
- FDG is deemed or taken to be interested in (i) 690,106,498 shares held by Sinopoly Strategic Investment Limited which is a direct wholly owned subsidiary of FDG; and (ii) 441,176,470 underlying shares held by Union Grace Holdings Limited which is an indirect wholly owned subsidiary of FDG.
- These percentages are calculated on the basis of 938,283,217 shares of the Company as at 30 June 2015.

Save as disclosed above, the Company had not been notified and is not aware of any other persons who had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 30 June 2015.

## Purchase, sale or redemption of the company's listed securities

During the six months ended 30 June 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## Corporate governance practices

The Company has complied with all the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2015, save for the deviations as described below:

Pursuant to code provision A.4.1 of the CG Code, non-executive director should be appointed for a specific term, subject to re-election. The Non-executive Director of the Company is not appointed for a specific term. Instead, same as for all other Directors of the Company, the Non-executive Director is subject to retirement by rotation at least once every three years and is eligible for re-election at the annual general meetings in accordance with the Bye-laws of the Company. The Board believes that subjecting the Non-executive Director to retirement by rotation and re-election achieves the intended aims of the CG Code. Due to the same rationale, there is no formal letter of appointment governing the terms of appointment of the Directors who are all subject to the same terms under the Bye-laws of the Company.

Pursuant to code provision F.1.1 of the CG Code, the company secretary should be an employee of the Company. The Company Secretary of the Company is an employee of the Company's substantial shareholder and serves as the company secretary of this substantial shareholder and its group of companies underneath. She participates in daily operation of the Company with full support and assistance from the professionally qualified staff members of the Company in discharging her duties as company secretary.

## Model code for securities transactions by directors

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by the Directors of the Company. In response to specific enquiry by the Company, all Directors confirmed that they have fully complied with the required standard as set out in the aforesaid Model Code throughout the six months ended 30 June 2015.

## Change in information of director

Pursuant to Rule 13.51(B) of the Listing Rules, the change in information of director of the Company subsequent to the date of the 2014 Annual Report of the Company is as follows:

Mr. Dou Jianzhong retired as non-executive director of China CITIC Bank Corporation Limited and executive director and Vice President of CITIC Limited in May 2015, the shares of both companies are listed on The Stock Exchange of Hong Kong Limited. Mr. Dou also retired as an executive director of CITIC Group Corporation, the executive director and Vice President of CITIC Corporation Limited and the Chairman of CITIC Holdings Limited in May 2015, and as a director of CITIC Capital Holdings Limited in August 2015.

## Disclosure under rules 13.13 and 13.20 of the listing rules

Pursuant to the loan agreement dated 19 December 2013 entered into between CIAM Investment (BVI) Limited ("CIAM Investment"), a wholly-owned subsidiary of the Company, and Agnita, CIAM Investment has provided an interest-free loan in the principal amount of HK\$150,000,000 (the "Loan") to Agnita. The term of the Loan is nine months from the date of drawdown of the Loan. Agnita repaid CIAM Investment in full in cash on 27 February 2015. Details of the Loan have been disclosed in the Company's announcement dated 19 December 2013.

Save as disclosed above, as at 30 June 2015, the Group had no other outstanding loan which constituted an advance to an entity discloseable under Rules 13.13 and 13.20 of the Listing Rules as the transaction amount of the loan exceeded 8% under the asset ratio as defined under Rule 14.07 of the Listing Rules.

## Review of interim financial report

The interim financial report is unaudited but has been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity” issued by the Hong Kong Institute of Certified Public Accountants, and the Company’s Audit Committee, which comprises three Independent Non-executive Directors of the Company.

By the order of the Board

**CIAM Group Limited**

**Dou Jianzhong**

*Chairman*

Hong Kong, 28 August 2015

*As of the date of this report, the Board comprises Mr. Dou Jianzhong (Chairman), Mr. Cao Zhong (Executive Vice-chairman), Mr. Lo Wing Yat (Executive Vice-chairman and Chief Executive Officer), Mr. Miao Zhenguo (Executive Director), Mr. Jaime Che (Executive Director), Dr. Chen Yanping (Non-executive Director), Mr. Hung Chi Yuen Andrew (Independent Non-executive Director), Mr. Sit Fung Shuen Victor (Independent Non-executive Director) and Mr. Toh Hock Ghim (Independent Non-executive Director).*

*Website of the Company: <http://www.ciamgroup.com>*