FDG KINETIC

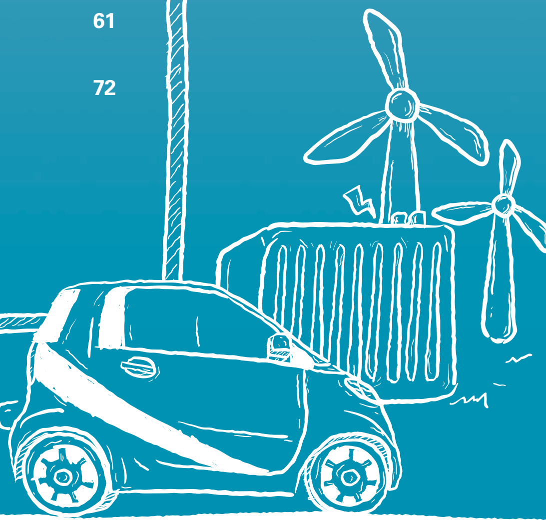
FDG Kinetic Limited
五龍動力有限公司

HKSE 0378

GREEN & GROWTH

SECOND INTERIM REPORT **2015**

CONTENTS



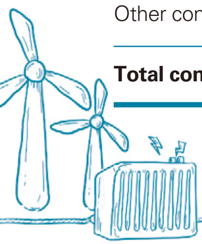
This interim report is printed on Elemental Chlorine Free (ECF) paper.

Consolidated Statement of Comprehensive Income

For the twelve months ended 31 December 2015

The board of directors (the "Board") of FDG Kinetic Limited (the "Company") presents the unaudited consolidated second interim financial report of the Company and its subsidiaries (collectively referred to as the "Group") for the twelve months ended 31 December 2015 together with the comparative figures for the twelve months ended 31 December 2014 as follows:

		Twelve months ended 31 December	
	Note	**2015 HK$'000 (Unaudited)**	2014 HK$'000 (Audited)
Revenue	6	**60,984**	19,580
Less: Cost of sales		**(14,740)**	–
		46,244	19,580
Other income		**549**	238
Selling and distribution costs		**(672)**	–
General and administrative expenses		**(38,425)**	(27,171)
Finance costs	7	**(43,297)**	–
Gain on disposal of subsidiaries	8	**7,263**	–
Gain on disposal of non-current assets held-for-sale	15	**1,404**	–
Impairment losses on interest in associates	15	**(1,856,717)**	–
Impairment losses on loan and other receivables	18	**(23,604)**	(16,621)
Share of profits less losses of associates		**10,281**	(22,494)
Share of profits less losses of joint ventures		**494**	(2,174)
Loss before tax	9	**(1,896,480)**	(48,642)
Income tax credit	10	**570**	–
Loss for the period		**(1,895,910)**	(48,642)
Other comprehensive income for the period (after tax and reclassification adjustments):			
Items that may be reclassified subsequently to profit or loss:			
— Reclassification adjustment upon disposal of non-current assets held-for-sale	15	**(1,404)**	–
— Exchange differences on translation of financial statements of foreign operations		**(24,569)**	(4,157)
Other comprehensive income for the period		**(25,973)**	(4,157)
Total comprehensive income for the period		**(1,921,883)**	(52,799)



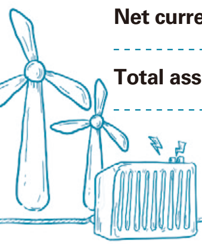
	Note	Twelve months ended 31 December **2015** **HK$'000** **(Unaudited)**	 2014 HK$'000 (Audited)
Loss for the period attributable to:			
— Equity shareholders of the Company		**(1,895,910)**	(48,635)
— Non-controlling interests		**–**	(7)
		(1,895,910)	(48,642)
Other comprehensive income for the period attributable to:			
— Equity shareholders of the Company		**(25,973)**	(4,157)
— Non-controlling interests		**–**	–
		(25,973)	(4,157)
Total comprehensive income for the period attributable to:			
— Equity shareholders of the Company		**(1,921,883)**	(52,792)
— Non-controlling interests		**–**	(7)
		(1,921,883)	(52,799)
		HK cents	HK cents (Restated)
Loss per share			
Basic and diluted	11	**(39.42)**	(1.04)

The notes on pages 10 to 58 form part of this interim financial report.

Consolidated Statement of Financial Position

At 31 December 2015

	Note	At 31 December 2015 HK$'000 (Unaudited)	 2014 HK$'000 (Audited)
Non-current assets			
Goodwill	12	**485,021**	–
Intangible assets	13	**104,134**	–
Property, plant and equipment	14	**212,421**	648
Interests in leasehold land held for own use under operating lease	14	**18,978**	–
Interest in an associate	15	**751,158**	535,599
Interest in joint ventures	16	**104,039**	108,219
Financial assets at fair value through profit or loss	17	**46,185**	47,007
Loan and other receivables	18	**442**	475
Investment in a secured bond	19	**370,000**	–
Other non-current assets		**367**	1,104
		2,092,745	693,052
Current assets			
Inventories	20	**43,378**	–
Financial assets at fair value through profit or loss	17	**54,861**	12,810
Loan and other receivables	18	**142,798**	81,563
Trade and bills receivables	21	**24,636**	–
Loan to an associate	15	**40,980**	150,000
Pledged bank deposits	22	**7,577**	–
Cash and cash equivalents	22	**295,982**	366,684
		610,212	611,057
Current liabilities			
Bank loans and other borrowings	23	**44,486**	–
Trade and bills payables	24	**64,579**	–
Accruals and other payables		**55,569**	11,952
Amount due to a substantial shareholder		**–**	205
Current taxation		**4,165**	4,353
		168,799	16,510
Net current assets		**441,413**	594,547
Total assets less current liabilities		**2,534,158**	1,287,599



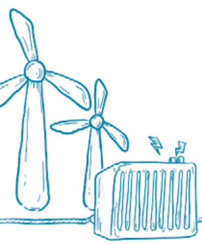
	Note	At 31 December	
		2015	2014
		HK$'000	HK$'000
		(Unaudited)	(Audited)
Non-current liabilities			
Bank loans	23	**64,383**	–
Liability component of convertible bonds	25	**592,592**	–
Deferred tax liabilities	29	**23,707**	–
		680,682	–
NET ASSETS		**1,853,476**	1,287,599
CAPITAL AND RESERVES			
Total equity attributable to equity shareholders of the Company			
Issued capital	26	**1,027,129**	938,283
Reserves	26	**826,347**	349,316
TOTAL EQUITY		**1,853,476**	1,287,599

The notes on pages 10 to 58 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the twelve months ended 31 December 2015 – unaudited

	Attributable to equity shareholders of the Company										
	Share capital HK$'000 note 26(b)(i)	Share premium HK$'000 note 26(c)(i)	Contributed surplus HK$'000 note 26(c)(ii)	Exchange reserve HK$'000 note 26(c)(iii)	Equity component of convertible bonds HK$'000 note 25	Share option reserve HK$'000 note 26(c)(iv)	Other reserve HK$'000 note 26(c)(v)	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2015	938,283	342,072	82,445	21,169	–	1,693	5,777	(103,840)	1,287,599	–	1,287,599
Changes in equity for the twelve months ended 31 December 2015:											
Loss for the period	–	–	–	–	–	–	–	(1,895,910)	(1,895,910)	–	(1,895,910)
Other comprehensive income	–	–	–	(25,973)	–	–	–	–	(25,973)	–	(25,973)
Total comprehensive income for the period	–	–	–	(25,973)	–	–	–	(1,895,910)	(1,921,883)	–	(1,921,883)
Issue of new shares											
– through top-up placing	35,000	229,191	–	–	–	–	–	–	264,191	–	264,191
– pursuant to acquisition of subsidiaries	53,846	301,538	–	–	–	–	–	–	355,384	–	355,384
Issue of convertible bonds	–	–	–	–	1,868,185	–	–	–	1,868,185	–	1,868,185
Release of other reserve upon disposal of a subsidiary	–	–	–	–	–	–	1,085	(1,085)	–	–	–
Cancellation of the share options	–	–	–	–	–	(1,693)	–	1,693	–	–	–
Balance at 31 December 2015	**1,027,129**	**872,801**	**82,445**	**(4,804)**	**1,868,185**	**–**	**6,862**	**(1,999,142)**	**1,853,476**	**–**	**1,853,476**



	Attributable to equity shareholders of the Company										
	Share capital HK$'000 note 26(b)(i)	Share premium HK$'000 note 26(c)(i)	Contributed surplus HK$'000 note 26(c)(ii)	Exchange reserve HK$'000 note 26(c)(iii)	Equity component of convertible bonds HK$'000 note 25	Share option reserve HK$'000 note 26(c)(iv)	Other reserve HK$'000 note 26(c)(v)	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2014	935,133	341,137	82,445	25,326	–	8,912	5,763	(62,256)	1,336,460	40	1,336,500
Changes in equity for the twelve months ended 31 December 2014:											
Loss for the period	–	–	–	–	–	–	–	(48,635)	(48,635)	(7)	(48,642)
Other comprehensive income	–	–	–	(4,157)	–	–	–	–	(4,157)	–	(4,157)
Total comprehensive income for the period	–	–	–	(4,157)	–	–	–	(48,635)	(52,792)	(7)	(52,799)
Shares issued under share option scheme	3,150	935	–	–	–	(935)	–	–	3,150	–	3,150
Equity settled share-based transactions											
– amortisation for the period	–	–	–	–	–	767	–	–	767	–	767
– transfer to accumulated losses upon lapsed	–	–	–	–	–	(7,051)	–	7,051	–	–	–
Acquisition of interest from non-controlling shareholders	–	–	–	–	–	–	14	–	14	(33)	(19)
Balance at 31 December 2014	938,283	342,072	82,445	21,169	–	1,693	5,777	(103,840)	1,287,599	–	1,287,599

The notes on pages 10 to 58 form part of this interim financial report.

Condensed Consolidated Statement of Cash Flows

For the twelve months ended 31 December 2015

	Note	Twelve months ended 31 December 2015 HK$'000 (Unaudited)	Twelve months ended 31 December 2014 HK$'000 (Audited) (Restated)
Net cash used in operating activities		**(78,016)**	(33,976)
Investing activities			
Proceeds from disposal of property, plant and equipment		**600**	–
Payment for purchase of property, plant and equipment		**(289)**	–
Payment for purchase of financial assets at fair value through profit or loss		**(44,500)**	–
Investment in an associate		**–**	(19,308)
Proceeds from disposal of financial assets at fair value through profit or loss		**2,163**	17,716
Proceeds from disposal of subsidiaries	8	**8,000**	–
Proceeds from disposal of interest in an associate	15	**150,000**	–
Payment for acquisition of interest from non-controlling shareholders		**–**	(19)
Net cash outflows on acquisition of subsidiaries	28	**(369,944)**	–
Net cash used in investing activities		**(253,970)**	(1,611)
Financing activities			
Repayment to non-controlling shareholder		**–**	(31)
Proceeds from shares issued through top-up placing		**264,191**	–
Proceeds from shares issued under share options scheme		**–**	3,150
Repayment of bank loans		**(2,387)**	–
Net cash generated from financing activities		**261,804**	3,119

	Note	Twelve months ended 31 December **2015** **HK$'000** **(Unaudited)**	 2014 HK$'000 (Audited) (Restated)
Net decrease in cash and cash equivalents		**(70,182)**	(32,468)
Cash and cash equivalents at 1 January		**366,684**	399,621
Effect of foreign exchange rate changes		**(520)**	(469)
Cash and cash equivalents at 31 December	22	**295,982**	366,684

The notes on pages 10 to 58 form part of this interim financial report.

Notes to the Unaudited Second Interim Financial Report

1. Changes of Company Name

Pursuant to a special resolution passed on 15 December 2015 and with the approval of the Registrar of Companies in Bermuda on 17 December 2015 and the Registrar of Companies in Hong Kong on 13 January 2016, the name of the Company was changed from CIAM Group Limited to FDG Kinetic Limited.

2. 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 twelve months ended 31 December 2015 and the comparative figures cover the twelve months ended 31 December 2014.

3. Basis of Preparation

This 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 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.

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 any changes in accounting policies are set out in note 4. As a result of the acquisition of several subsidiaries and expansion of the Group's business segments, the Group has adopted certain principal accounting policies for the first time in 2015 as set out in note 5.

3. Basis of Preparation (continued)

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the preceding annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board is included in pages 59 to 60 of this interim report.

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 consolidated 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.

4. Changes in Accounting Policies

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

– *Amendments to HKAS 19, Defined Benefit Plans: Employee Contributions*

– *Annual Improvements to HKFRSs 2010-2012 Cycle*

– *Annual Improvements to HKFRSs 2011-2013 Cycle*

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

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

5. Principal Accounting Policies

The interim financial report should be read in conjunction with the preceding annual financial statements for existing accounting policies. In addition to those accounting policies adopted by the Group in the 2014 annual financial statements, the Group has adopted the following accounting policies for the first time:

(a) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit ("CGU"), or groups of CGU, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 5(c)).

On the disposal of a CGU during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(b) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 5(c)). Other development expenditure is recognised as an expense in the period in which it is incurred.

5. Principal Accounting Policies (continued)

(b) Intangible assets (other than goodwill) (continued)

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 5(c)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

– Technical Know-hows	7 years

The period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite useful lives as set out above.

(c) Impairment of assets

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities and other current and non-current receivables that are carried at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

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

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

5. Principal Accounting Policies (continued)

(c) Impairment of assets (continued)

(i) Impairment of investments in debt and equity securities and other receivables (continued)

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

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

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

– For investments in associates and joint ventures accounted for under the equity method in the consolidated financial statements, the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 5(c)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 5(c)(ii).

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial assets' original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

5. Principal Accounting Policies (continued)

(c) Impairment of assets (continued)

(i) Impairment of investments in debt and equity securities and other receivables (continued)

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

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

(ii) Impairment of other assets

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

– intangible assets;

– goodwill;

– property, plant and equipment;

– interests in leasehold land held for own use under operating lease; and

– investments in subsidiaries, associates and joint ventures in the Company's statement of financial position.

5. Principal Accounting Policies (continued)

(c) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

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

5. Principal Accounting Policies (continued)

(c) Impairment of assets (continued)

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 5(c)(i) and (ii)).

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

(d) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(e) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 5(c)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

5. Principal Accounting Policies (continued)

(e) Trade and other receivables (continued)

Loan and other receivables include loans made under an entrusted arrangement granted by a licensed bank incorporated in the People's Republic of China (the "PRC") on behalf of the Group to one of its external PRC customer which the Group bears the risks and rewards.

(f) Convertible bonds

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible bonds is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component of the convertible bonds is subsequently carried at amortised cost. The interest expenses recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the bond is converted or redeemed.

If the bond is converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, the capital reserve is released directly to retained profits.

(g) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are carried at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

5. Principal Accounting Policies (continued)

(h) Trade and other payables

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

(i) Revenue recognition

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

Sales of goods

Sales of goods is recognised when the goods are delivered, at the customers' premises which is taken to be the point in time when the customer has accepted the goods and related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(j) Interests in leasehold land held for own use under operating lease

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. To the extent the allocation of the lease payments can be made reliably, interests in leasehold land that is accounted for as an operating lease is presented as interests in leasehold land held for own use under operating lease and included in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Buildings held for own use situated on leasehold land under operating lease are depreciated on a straight-line basis over the shorter of the unexpired term of lease and their estimated useful lives.

6. Revenue and Segment Information

Revenue, which is also the Group's turnover, represents the aggregate of income from direct investments, which includes loan financing, securities trading and asset investment and gross proceeds from sales of cathode materials for nickel-cobalt-manganese ("NCM") lithium-ion batteries.

	Twelve months ended 31 December	
	2015	2014
	HK$'000	HK$'000
	(Unaudited)	(Audited)
Net loss on held-for-trading investments	**(281)**	(169)
Net loss on financial assets at fair value through profit or loss	**(1)**	(1,010)
Interest and investment income	**46,973**	20,759
Sales of cathode materials for NCM lithium-ion batteries	**14,293**	–
Total	**60,984**	19,580

(a) Segment information

The Board considers that the Group manages its businesses by divisions, which are organised into business units based on their products and services, and has the reportable operating segment as follows:

(i) direct investments segment, which includes loan financing, securities trading and asset investment; and

(ii) cathode materials production segment includes research and development, manufacture and sales of cathode materials for NCM lithium-ion batteries representing a new business segment which was acquired in October 2015.

The reportable segments are identified 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.

6. Revenue and Segment Information (continued)

(a) Segment information (continued)

	Direct Investments Twelve months ended 31 December		Cathode Materials Production Twelve months ended 31 December		Total Twelve months ended 31 December	
	2015 HK$'000 (Unaudited)	2014 HK$'000 (Audited)	**2015 HK$'000 (Unaudited)**	2014 HK$'000 (Audited)	**2015 HK$'000 (Unaudited)**	2014 HK$'000 (Audited)
Reportable segment revenue	**46,685**	19,580	**14,299**	–	**60,984**	19,580
Reportable segment results	**(298)**	10,140	**(9,728)**	–	**(10,026)**	10,140
Impairment losses on interest in associates	**(1,856,717)**	–	**–**	–	**(1,856,717)**	–
Gain on disposal of non-current assets held-for-sale	**1,404**	–	**–**	–	**1,404**	–
Gain on disposal of subsidiaries	**7,263**	–	**–**	–	**7,263**	–
Impairment losses on loan and other receivables	**(23,604)**	(16,621)	**–**	–	**(23,604)**	(16,621)
Share of profits less losses of associates	**10,281**	(22,494)	**–**	–	**10,281**	(22,494)
Share of profits less losses of joint ventures	**494**	(2,174)	**–**	–	**494**	(2,174)
Unallocated corporate income					**16**	4,096
Central administrative costs and directors' remuneration					**(25,591)**	(21,589)
Loss before taxation					**(1,896,480)**	(48,642)

6. Revenue and Segment Information (continued)

(a) Segment information (continued)

Except for the interest and investment income of HK$24,978,000 which was attributable to the interest accrued for the secured bond issued by FDG (note 19), the ultimate holding company of the Company, interest income of HK$980,000 from an associate and interest income of HK$84,000 from a joint venture of FDG (twelve months ended 31 December 2014: Nil), all of the segment revenue reported above is from external customers.

Segment results represent profit or loss 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:

	At 31 December	
	2015	2014
	HK$'000	HK$'000
	(Unaudited)	(Audited)
Segment assets		
Direct investments	**1,480,233**	932,469
Cathode materials production	**929,276**	–
Total segment assets	**2,409,509**	932,469
Unallocated assets	**293,448**	371,640
Consolidated assets	**2,702,957**	1,304,109
Segment liabilities		
Direct investments	**636,066**	–
Cathode materials production	**209,762**	–
Total segment liabilities	**845,828**	–
Unallocated liabilities	**3,653**	16,510
Consolidated liabilities	**849,481**	16,510

6. Revenue and Segment Information (continued)

(b) Segment assets and liabilities (continued)

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

(i) All assets are allocated to reportable segments other than the unallocated assets; and

(ii) All liabilities are allocated to reportable segments other than those unallocated liabilities which are centrally managed by Group's management.

(c) Seasonality of operations

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

7. Finance Costs

	Twelve months ended 31 December	
	2015 HK$'000 (Unaudited)	2014 HK$'000 (Audited)
Interest expenses on convertible bonds (note 25)	**42,321**	–
Interest on bank loans and other borrowings wholly repayable within five years	**976**	–
Total interest expenses on financial liabilities not at fair value through profit or loss	**43,297**	–

8. Gain on Disposal of Subsidiaries

During the twelve months ended 31 December 2015, the Group has disposed of its interests in two subsidiaries that hold club memberships with total consideration of HK$8,000,000 and recognised a gain on disposal of subsidiaries of approximately HK$7,263,000 in the consolidated statement of comprehensive income.

9. Loss Before Tax

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

	Twelve months ended 31 December	
	2015	2014
	HK$'000	HK$'000
	(Unaudited)	(Audited)
Gain on disposal of property, plant and equipment (Note)	**(16)**	–
Staff costs (Note)	**8,014**	18,537
Directors' remuneration	**10,511**	5,577
Amortisation of intangible assets	**2,568**	–
Amortisation of interests in leasehold land held for own use under operating lease	**68**	–
Depreciation of property, plant and equipment (Note)	**3,295**	345
Operating lease charges in respect of property rentals (Note)	**1,284**	3,528

Note: The 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 15(a), on 30 December 2013 and 28 November 2011. The Services Agreements were terminated on 31 March 2015.

10. Income Tax Credit

	Twelve months ended 31 December	
	2015	2014
	HK$'000	HK$'000
	(Unaudited)	(Audited)
Current tax	**–**	–
Deferred taxation	**(570)**	–
Total tax credit for the period	**(570)**	–

10. Income Tax Credit (continued)

No provision for the Hong Kong Profits Tax nor the PRC income tax have been made for the twelve months ended 31 December 2015 and 2014 as the Group does not have any assessable profits in Hong Kong or PRC for both periods.

The deferred taxation that has been credited to the consolidated statement of comprehensive income arose from origination and reversal of temporary differences.

11. Loss Per Share

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of approximately HK$1,895,910,000 (twelve months ended 31 December 2014: approximately HK$48,635,000) and the weighted average number of 4,810,062,028 ordinary shares (twelve months ended 31 December 2014: 4,676,054,440 (restated)) in issue during the period under review after taking into account the effect of the Share Subdivision (as mentioned in note 26(b)(i)(1)). Comparative figures have been restated on the assumption that the Share Subdivision has been effective in prior year.

	Twelve months ended 31 December	
	2015 Weighted average number of ordinary shares	2014 Weighted average number of ordinary shares (Restated)
Issued ordinary shares at 1 January	**938,283,217**	4,675,666,085
Effect of issue of shares under share option scheme (note 26(b)(ii))	**–**	388,355
Effect of issue of shares through top-up placing (note 26(b)(i)(2))	**14,287,671**	–
Effect of Share Subdivision (note 26(b)(i)(1))	**3,810,283,553**	–
Effect of issue of shares pursuant to acquisition transaction (note 28)	**47,207,587**	–
Weighted average number of ordinary shares at 31 December	**4,810,062,028**	4,676,054,440

11. Loss per Share (continued)

(b) Diluted loss per share

Diluted loss per share for the twelve months ended 31 December 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.

12. Goodwill

Goodwill is allocated to the Group's CGU identified according to operating segment as follows:

	Allocated to cathode materials production HK$'000
Cost	
At 1 January 2014, 31 December 2014 and 1 January 2015	–
Acquisition of subsidiaries (note 28)	485,021
At 31 December 2015	**485,021**
Accumulated impairment losses	
At 1 January 2014, 31 December 2014 and 1 January 2015	–
Impairment loss during the period	–
At 31 December 2015	**–**
Carrying amount	
At 31 December 2015	**485,021**
At 31 December 2014	–

13. Intangible Assets

	Technical Know-hows HK$'000
Cost	
At 1 January 2014, 31 December 2014 and 1 January 2015	–
Addition through acquisition of subsidiaries (note 28)	106,983
Exchange adjustments	(281)
At 31 December 2015	**106,702**
Accumulated amortisation	
At 1 January 2014, 31 December 2014 and 1 January 2015	–
Charge for the period	2,568
Exchange adjustments	–
At 31 December 2015	**2,568**
Net book value	
At 31 December 2015	**104,134**
At 31 December 2014	–

14. Property, Plant and Equipment and Interests in Leasehold Land Held for Own Use under Operating Lease

	Buildings held for own use HK$'000	Leasehold improvements HK$'000	Furniture, machinery and equipment HK$'000	Motor vehicles HK$'000	Sub-total HK$'000	Interests in leasehold land held for own use under operating lease HK$'000	Total HK$'000
Cost							
At 1 January 2015	–	3,735	3,619	2,251	9,605	–	9,605
Acquisition of subsidiaries (note 28)	115,559	–	104,464	–	220,023	19,411	239,434
Additions during the period	–	–	289	–	289	–	289
Disposals	–	(3,735)	(3,619)	(2,251)	(9,605)	–	(9,605)
Exchange adjustments	(2,556)	–	(2,319)	–	(4,875)	(366)	(5,241)
At 31 December 2015	**113,003**	**–**	**102,434**	**–**	**215,437**	**19,045**	**234,482**
At 1 January 2014	–	3,735	3,632	2,251	9,618	–	9,618
Exchange adjustments	–	–	(13)	–	(13)	–	(13)
At 31 December 2014	–	3,735	3,619	2,251	9,605	–	9,605
Accumulated depreciation							
At 1 January 2015	–	3,735	2,971	2,251	8,957	–	8,957
Charge for the period (Note)	968	–	2,159	–	3,127	68	3,195
Disposals	–	(3,735)	(3,035)	(2,251)	(9,021)	–	(9,021)
Exchange adjustments	(13)	–	(34)	–	(47)	(1)	(48)
At 31 December 2015	**955**	**–**	**2,061**	**–**	**3,016**	**67**	**3,083**
At 1 January 2014	–	3,735	2,700	2,251	8,686	–	8,686
Charge for the period (Note)	–	–	283	–	283	–	283
Exchange adjustments	–	–	(12)	–	(12)	–	(12)
At 31 December 2014	–	3,735	2,971	2,251	8,957	–	8,957

14. Property, Plant and Equipment and Interests in Leasehold Land Held for Own Use under Operating Lease (continued)

	Buildings held for own use HK$'000	Leasehold improvements HK$'000	Furniture, machinery and equipment HK$'000	Motor vehicles HK$'000	Sub-total HK$'000	Interests in leasehold land held for own use under operating lease HK$'000	Total HK$'000
Net book value							
At 31 December 2015	**112,048**	**-**	**100,373**	**-**	**212,421**	**18,978**	**231,399**
At 31 December 2014	-	-	648	-	648	-	648

Note: For the twelve month ended 31 December 2015 and 2014, these amounts represented the gross amount before expenses reimbursement arrangement under the Services Agreements.

The Group leases its leasehold land under operating lease arrangements. The lease is negotiated for terms of 50 years. Certain land and buildings held for own use with total aggregated amount of HK$131,026,000 (2014: Nil) were pledged as securities for the Group's banking facilities (note 23) as at 31 December 2015.

15. Interest in an Associate and Loan to an Associate

	At 31 December	
	2015	2014
	HK$'000	HK$'000
	(Unaudited)	(Audited)
Share of net assets attributable to equity shareholders of an associate	**585,666**	77,308
Goodwill	**165,492**	458,291
	751,158	535,599
Loan to an associate	**40,980**	150,000
	792,138	685,599

The following list contains the particulars of associates as at 31 December 2015, all of which are unlisted corporate entities:

Name of associate	Form of business structure	Place of incorporation and operations	Issued and paid up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activity
天津銘度科技有限公司 ("Tianjin MTEC")	Incorporated	The PRC	RMB12,500,000	20%	–	20%	Development, manufacturing and sale of electric bike driving units
Synergy Dragon Limited	Incorporated	British Virgin Islands	US$100	25%	–	25%	Research and development, production and sales of lithium-ion batteries and its related products

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 17).

Interest in Synergy Dragon Limited is accounted for using the equity method in the consolidated financial statements.

15. Interest in an Associate and Loan to an Associate (continued)

(a) 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 Disposal 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 (note 19) with 8% coupon per annum to the Company. One of the conditions precedent under the Agnita Disposal 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.

The Offer was closed on 23 February 2015, with valid acceptances in respect of approximately 89.54% of the issued share capital 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 approximately HK$163,604,000 was recognised.

All remaining conditions precedent under the Agnita Disposal Agreements were satisfied and completion of the Agnita Transaction took place on 27 February 2015. A gain on disposal of approximately 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.

15. Interest in an Associate and Loan to an Associate (continued)

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

The Agnita Transaction was summarised as follows:

	Interest in an associate HK$'000	**Loan to an associate** HK$'000	**Total** HK$'000
Proceeds from 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

15. Interest in an Associate and Loan to an Associate (continued)

(b) Acquisition of Interest in an Associate

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 (the "SDL Acquisition"). In accordance with the terms and conditions thereof, the consideration for the SDL Acquisition is HK$750,000,000, which shall be satisfied by convertible bonds with 8% coupon per annum to be issued by the Company (the "HK$750M Convertible Bonds") (note 25) 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 SDL Acquisition was duly passed at the special general meeting of the Company on 27 July 2015 and completed on 4 August 2015 (the "Completion Date").

Upon completion of the SDL Acquisition on the Completion Date, an initial recognition of the fair value of the HK$750M Convertible Bonds was approximately HK$2,443,113,000 based on a valuation report prepared by an external valuer. The fair value of the HK$750M Convertible Bonds as the consideration was recognised as the cost of interest in SDL.

The recoverable amount of the Group's interest in SDL of approximately HK$750,000,000 is determined based on value-in-use calculations. These calculations use cash flow projections based on financial forecast approved by the management. The cash flows are discounted using the pre-tax discount rate of 18.56%, which reflect specific risks relating to the relevant segments.

In addition to the impairment loss of approximately HK$163,604,000 as stated in note 15(a), an impairment loss of approximately HK$1,693,113,000 representing the excess of the Group's carrying amount of interest in SDL over its recoverable amount was recognised for the period ended 31 December 2015. The total impairment losses on interest in associates of approximately HK$1,856,717,000 were recognised during the period.

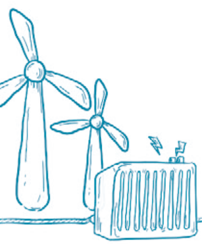
16. Interest in Joint Ventures

	At 31 December	
	2015	2014
	HK$'000	HK$'000
	(Unaudited)	(Audited)
Share of net assets	**104,039**	108,219

Details of the Group's interest in principal joint venture as at 31 December 2015, which is accounted for using the equity method in the consolidated financial statements, are as follows:

				Proportion of ownership interest			
Name of joint venture	**Form of business structure**	**Place of incorporation and operation**	**Issued and paid up share capital**	**Group's effective interest**	**Held by the Company**	**Held by a subsidiary**	**Principal activity**
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

華能壽光風力發電有限公司 is an unlisted corporate entity whose quoted market price is not available.



17. Financial Assets at Fair Value Through Profit or Loss

	At 31 December	
	2015	2014
	HK$'000	HK$'000
	(Unaudited)	(Audited)
Non-current		
Securities designated at fair value through profit or loss:		
Unlisted debt securities with embedded options	**28,281**	28,296
Unlisted equity securities	**17,904**	18,711
	46,185	47,007
Current		
Held-for-trading investments:		
Listed equity securities		
– in Hong Kong	**45,500**	2,168
– outside Hong Kong	**–**	218
Unlisted funds	**9,361**	10,424
	54,861	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 31 December 2015, the Group's unlisted equity investment amounting to a fair value of approximately HK$17,904,000 (31 December 2014: approximately HK$18,711,000) was an investment in an associate, Tianjin MTEC (note 15). This investment was exempted from applying the equity method and was recognised as a financial asset at fair value through profit or loss.

18. Loan and Other Receivables

(a) Loan and other receivables less impairment allowances

	At 31 December 2015 HK$'000 (Unaudited)	At 31 December 2014 HK$'000 (Audited)
Property investments	**475**	506
Manufacturing	**114,449**	114,410
Mining (Note (i))	**57,313**	61,142
Others (Note (ii))	**20,075**	–
Gross loan receivables	**192,312**	176,058
Prepayments, deposits and other receivables	**143,130**	76,067
Total loan and other receivables	**335,442**	252,125
Individually assessed impairment allowances (note 18(b))	**(192,202)**	(170,087)
	143,240	82,038
Presented by:		
Non-current assets	**442**	475
Current assets	**142,798**	81,563
	143,240	82,038

Notes:

(i) It was a loan 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"). The Loan was secured by a mining right of an iron ore mine in the PRC. On 17 December 2015, the Group appointed CIAM as its exclusive agent in collecting and handling the Loan and its outstanding accrued interest (included in the above prepayments, deposits and other receivables) for twenty four calendar months from 17 December 2015 (the "Contract Period"). The Group also has the right to exercise a put option to sell the Loan to CIAM at RMB56,000,000 less any amount recovered from the Loan during the Contract Period.

(ii) Subsequent to 31 December 2015, the Group has:

(1) the interest receivable of a loan of approximately HK$352,000 was defaulted in payments; and

(2) a loan with principal amount of HK$10,000,000 was settled partially and the remaining amount of approximately HK$9,722,000 was extended for one month from the maturity date.

The Group seeks to maintain tight control and actively monitors these related loans in order to minimise credit risk.

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

18. Loan and Other Receivables (continued)

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

	At 31 December	
	2015	2014
	HK$'000	HK$'000
	(Unaudited)	(Audited)
At 1 January	**170,087**	153,959
Impairment loss charged to profit or loss during the period (Note (i))	**23,604**	16,621
Exchange differences	**(1,489)**	(493)
At 31 December (Note (ii), note 18(a))	**192,202**	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 31 December 2015 amounted to approximately HK$66,842,000 (31 December 2014: approximately HK$79,146,000). Based on the impairment assessment performed by the management, an individually assessed impairment allowance of approximately HK$23,604,000 was additionally provided for the twelve months ended 31 December 2015. As at 31 December 2015, accumulated impairment allowances amounted to approximately HK$57,661,000 (31 December 2014: approximately HK$35,591,000).

(ii) The carrying value (loan principal plus accrued interests) of a loan to a manufacturing company as at 31 December 2015 amounted to approximately HK$134,541,000 (31 December 2014: approximately HK$134,496,000) was fully impaired.

19. Investment in a Secured Bond

During the twelve months ended 31 December 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 15(a). 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.

20. Inventories

	At 31 December	
	2015	2014
	HK$'000	HK$'000
	(Unaudited)	(Audited)
Raw materials	**16,634**	–
Finished goods	**19,250**	–
Goods in transit	**7,494**	–
	43,378	–

21. Trade and Bills Receivables

	At 31 December	
	2015	2014
	HK$'000	HK$'000
	(Unaudited)	(Audited)
Trade receivables	**21,795**	–
Bills receivable	**2,841**	–
	24,636	–

21. Trade and Bills Receivables (continued)

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

	At 31 December	
	2015	2014
	HK$'000	HK$'000
	(Unaudited)	(Audited)
Within 1 month	**7,190**	–
Between 1 and 3 months	**9,181**	–
Over 3 months	**8,265**	–
	24,636	–

Trading terms with customers are either on a cash basis or on credit. For those customers who trade on credit, a credit period generally ranging from 30 days to 120 days is allowed. Credit limits are set for customers. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. Overdue balances are regularly reviewed by the senior management. The carrying amounts of the receivables approximate their fair values.

22. Pledged Bank Deposits and Cash and Cash Equivalents

	At 31 December	
	2015	2014
	HK$'000	HK$'000
	(Unaudited)	(Audited)
Deposits placed with other financial institutions	**5,618**	1,331
Bank balances and cash	**297,941**	365,353
	303,559	366,684
Less: Pledged bank deposits for bills payable	**(7,577)**	–
Cash and cash equivalents	**295,982**	366,684

23. Bank Loans and Other Borrowings

	At 31 December	
	2015	2014
	HK$'000	HK$'000
	(Unaudited)	(Audited)
Secured bank loans (Note)		
– repayable within one year	**11,936**	–
– repayable after one year but within two years	**25,662**	–
– repayable after two years but within five years	**38,721**	–
Unsecured other borrowings repayable within one year	**32,550**	–
	108,869	–
Presented by:		
Current liabilities	**44,486**	–
Non-current liabilities	**64,383**	–
	108,869	–

Note: At 31 December 2015, the banking facilities of the Group of approximately HK$82,358,000 (equivalent to RMB69,000,000) were secured by mortgages over certain land and buildings with an aggregate carrying value of approximately HK$131,026,000.

24. Trade and Bills Payables

	At 31 December	
	2015	2014
	HK$'000	HK$'000
	(Unaudited)	(Audited)
Trade payables	**26,694**	–
Bills payable	**37,885**	–
	64,579	–

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

	At 31 December	
	2015	2014
	HK$'000	HK$'000
	(Unaudited)	(Audited)
Within 1 month	**29,098**	–
Between 1 and 3 months	**12,654**	–
Over 3 months	**22,827**	–
	64,579	–

The carrying amounts of trade and bills payables approximate their fair values. As at 31 December 2015, bills payable of approximately HK$37,885,000 (31 December 2014: Nil) were secured by bank deposits, which had an aggregate carrying value of approximately HK$7,577,000 (31 December 2014: Nil) (note 22).

25. Convertible Bonds

On 4 August 2015, the Company issued the HK$750M Convertible Bonds to a fellow subsidiary pursuant to the SDL Acquisition with details set out in note 15(b). The HK$750M Convertible Bonds are interest bearing at 8% per annum, with a maturity date on the third anniversary on the date of their issue (i.e. 4 August 2018) and entitle the holder to convert them, in whole or in part, into ordinary shares of the Company at a conversion price of HK$1.70 per share (subject to adjustments) at any time on or after the issue date of the HK$750M Convertible Bonds up to the maturity date.

At initial recognition, the liability component of the HK$750M Convertible Bonds is measured as the present value of the future interest and principal payments, discounted at the market rate for equivalent non-convertible bonds that do not have a conversion option. The equity component was the residual amount after deducting the fair values of the liability component from the consideration received for the HK$750M Convertible Bonds. The effective interest rate of the liability component of the HK$750M Convertible Bonds is 18.89% per annum. The valuations of the HK$750M Convertible Bonds were prepared by an independent firm of professional qualified valuer.

The HK$750M Convertible Bonds have been split into the liability and equity components as follows:

	Liability component HK$'000 (Unaudited)	**Equity component HK$'000 (Unaudited)**	**Total HK$'000 (Unaudited)**
Issued during the period	574,928	1,868,185	2,443,113
Add: Interest expenses (note 7)	42,321	–	42,321
Less: Interest payable	(24,657)	–	(24,657)
At 31 December 2015	**592,592**	**1,868,185**	**2,460,777**

26. Capital, Reserves and Dividends

(a) Dividends

No dividend had 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 twelve months ended 31 December 2015 (twelve months ended 31 December 2014: Nil).

(b) Share capital

(i) Authorised and issued share capital

	Number of shares	**Amount** HK$'000
Ordinary shares of HK$0.20 each (31 December 2014: HK$1 each)		
Authorised:		
At 1 January 2014, 31 December 2014 and 1 January 2015	2,500,000,000	2,500,000
Subdivision of share capital (note 26(b)(i)(1))	10,000,000,000	–
At 31 December 2015	**12,500,000,000**	**2,500,000**
Issued and fully paid:		
At 1 January 2014	935,133,217	935,133
Issue of shares under share option scheme (note 26(b)(ii))	3,150,000	3,150
At 31 December 2014 and 1 January 2015	938,283,217	938,283
Issue of shares through top-up placing (note 26(b)(i)(2))	35,000,000	35,000
Subdivision of share capital (note 26(b)(i)(1))	3,893,132,868	–
Issue of shares pursuant to acquisition of subsidiaries (note 28)	269,230,770	53,846
At 31 December 2015	**5,135,646,855**	**1,027,129**

26. Capital, Reserves and Dividends (continued)

(b) Share capital (continued)

(i) Authorised and issued share capital (continued)

Notes:

(1) On 14 September 2015, each of the existing issued and unissued shares of par value of HK$1.00 each in the share capital of the Company were subdivided into five subdivided shares of par value of HK$0.20 each (the "Share Subdivision"). The Share Subdivision was approved by the shareholders of the Company at the special general meeting held on 11 September 2015 and became effective on 14 September 2015.

(2) A top-up placing of 35,000,000 new ordinary shares of the Company was completed on 5 August 2015.

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.

(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.

26. Capital, Reserves and Dividends (continued)

(c) Nature and purpose of reserves (continued)

(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 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.

(d) Distributability of reserves

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

26. Capital, Reserves and Dividends (continued)

(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 ("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 15(a) and HK$1,693,000 has been transferred from share option reserve to accumulated losses. As at 31 December 2015, there were no outstanding share options granted by the Company (31 December 2014: 5,700,000 options).

No expenses were recognised in the Group's financial statements for the twelve months ended 31 December 2015 as a result of granting share options (twelve months ended 31 December 2014: HK$767,000).

27. 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 calendar year, to coincide with the reporting dates.

27. Fair Value Measurement of Financial Instruments (continued)

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

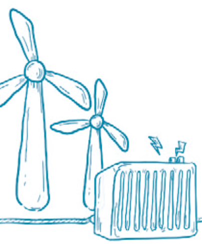
(i) Fair value hierarchy (continued)

As at 31 December 2015

	Level 1 HK$'000 (Unaudited)	Level 2 HK$'000 (Unaudited)	Level 3 HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
Held-for-trading investments:				
– Listed equity securities	**45,500**	**–**	**–**	**45,500**
– Unlisted funds	**–**	**9,361**	**–**	**9,361**
Financial assets at fair value through profit or loss:				
– Unlisted debt securities with embedded options	**–**	**–**	**28,281**	**28,281**
– Unlisted equity securities	**–**	**–**	**17,904**	**17,904**
	45,500	**9,361**	**46,185**	**101,046**

As at 31 December 2014

	Level 1 HK$'000 (Audited)	Level 2 HK$'000 (Audited)	Level 3 HK$'000 (Audited)	Total HK$'000 (Audited)
Held-for-trading investments:				
– Listed equity securities	2,386	–	–	2,386
– Unlisted funds	–	10,424	–	10,424
Financial assets at fair value through profit or loss:				
– 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



27. Fair Value Measurement of Financial Instruments (continued)

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

(i) Fair value hierarchy (continued)

During the twelve months ended 31 December 2015 and 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 31 December 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 twelve months ended 31 December 2015 would have been HK$2,309,000 higher/lower respectively (twelve months ended 31 December 2014: HK$2,350,000 higher/lower).

27. 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:

	2015 HK$'000 (Unaudited)	2014 HK$'000 (Audited)
Unlisted debt securities with embedded options:		
At 1 January	**28,296**	28,295
Changes in fair value recognised in profit or loss during the period	**–**	1
Exchange adjustments	**(15)**	–
At 31 December	**28,281**	28,296
Total (loss)/gain for the period included in profit or loss for assets held at the end of the reporting period	**(15)**	1
Unlisted equity securities:		
At 1 January	**18,711**	–
Payment for purchase	**–**	19,308
Exchange adjustments	**(807)**	(597)
At 31 December	**17,904**	18,711
Total loss for the period included in other comprehensive income for assets held at the end of the reporting period	**(807)**	(597)

27. 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 "revenue" in the consolidated statement of comprehensive income.

The gain or loss arising from the remeasurement (excluding exchange adjustments) of the unlisted equity securities are presented in "revenue" 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 31 December 2015 and 2014 respectively.

28. Acquisition of Subsidiaries

On 5 September 2015, Kingspark Group Limited ("Kingspark"), a wholly-owned subsidiary of the Company, entered into a sales and purchase agreement 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 conditionally agreed to purchase and the Sellers conditionally agreed to sell 100% equity interest in Premier Property Management Limited ("PPM") and its subsidiary (the "PPM Group") for a cash consideration of HK$372,000,000 and a share consideration by the issuance of new shares of the Company (the "Acquisition"). The Acquisition transaction was completed on 29 October 2015 (the "Completion Date"). PPM 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*), currently named as 五龍動力（重慶）鋰電材料有限公司 (FDG Kinetic (Chongqing) Lithium-ion Battery Material Company Limited*) (the "PRC Subsidiary"), which is a foreign enterprise established in Chongqing. The PRC Subsidiary mainly manufactures cathode materials for NCM lithium-ion batteries with an annual production capacity of 2,400 tonnes.

28. Acquisition of Subsidiaries (continued)

The fair values of the identifiable assets and liabilities of the PPM Group at the Completion Date were as follows:

	Fair value recognised on the PPM Group HK$'000
Intangible assets (note 13)	106,983
Property, plant and equipment (note 14)	220,023
Interests in leasehold land held for own use under operating lease (note 14)	19,411
Inventories	35,419
Trade and bills receivables	20,543
Other receivables	29,316
Pledged bank deposits	6,739
Cash and cash equivalents	2,056
Trade and bills payables	(52,494)
Bank loans and other borrowings	(113,037)
Accruals and other payables	(8,319)
Deferred tax liabilities (note 29)	(24,277)
Total identifiable net assets at fair value	242,363
Goodwill arising from the acquisition of the PPM Group (note 12)	485,021
	727,384

	HK$'000
Net consideration was satisfied by:	
Cash consideration	372,000
Share consideration at fair value (Note)	355,384
	727,384

Note: The share consideration was satisfied by an issuance of 269,230,770 ordinary shares of the Company with par value of HK$0.20 each. The fair value of each consideration share was calculated at HK$1.32, being the closing market price of the Company's ordinary share on the Completion Date.

The Group incurred transaction costs of approximately HK$1,490,000 for the Acquisition. These transaction costs have been expensed and are included in the general and administrative expenses in the consolidated statement of comprehensive income for the twelve months ended 31 December 2015.

28. Acquisition of Subsidiaries (continued)

An analysis of the cash flows in respect of the Acquisition is as follows:

	HK$'000 (Unaudited)
Cash consideration paid and included in cash flows from investing activities	(372,000)
Cash and cash equivalents acquired and included in cash flows from investing activities	2,056
Net cash outflow included in cash flows from investing activities	(369,944)
Transaction costs of the Acquisition included in cash flows from operating activities	(1,490)
	(371,434)

Since the completion of the Acquisition, the PPM Group contributed to the Group's revenue of approximately HK$14,299,000 and caused a loss of approximately HK$9,230,000 to the consolidated statement of comprehensive income for the twelve months ended 31 December 2015.

Had the Acquisition taken place at the beginning of the reporting period, the revenue and the loss for the twelve months ended 31 December 2015 of the Group would have been approximately HK$100,818,000 and approximately HK$1,978,978,000 respectively.

29. Deferred Tax Liabilities

The followings are the deferred tax balances recognised and movements thereon during the period:

	Interests in leasehold land held for own use under operating lease HK$'000 (Unaudited)	Intangible assets HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
At 1 January 2014, 31 December 2014 and 1 January 2015	–	–	–
Arising from acquisition of subsidiaries – fair value adjustments (note 28)	712	23,565	24,277
Credit to profit or loss	(3)	(567)	(570)
At 31 December 2015	**709**	**22,998**	**23,707**

30. Capital Commitments

The Group had no significant capital commitments as at 31 December 2015 (31 December 2014: Nil).

31. Comparative Figures

Certain comparative figures have been reclassified to conform with the financial statements presentation adopted in the current period.

32. Major Related Party Transactions

(a) Transactions with related companies

In addition to the transactions and balances disclosed elsewhere in this consolidated interim financial report and notes thereon, the Group entered into the following transactions with related companies during the twelve months ended 31 December 2015:

	Note	**Twelve months ended 31 December**	
		2015 HK$'000 (Unaudited)	2014 HK$'000 (Audited)
Gain on disposal of non-current assets held-for-sale (note 15(a))		**1,404**	–
Expenses reimbursed from CIAM	(i)	**781**	3,318
Expenses reimbursed to CIAM	(i)	**(2,404)**	(12,933)
Interest income from the ultimate holding company	(ii)	**24,978**	–
Interest income from a joint venture of the ultimate holding company		**84**	–
Interest income from an associate		**980**	–
Rental expenses paid to a fellow subsidiary	(iii)	**(720)**	–
Consultancy fee paid to a fellow subsidiary	(iii)	**(640)**	–
Expenses reimbursed to a fellow subsidiary	(iii)	**(623)**	–
Other income from a shareholder of the Company	(iv)	**510**	–
Consultancy fee paid to a shareholder of the Company	(v)	**(492)**	–
Interest expenses accrued to a fellow subsidiary	(vi)	**(42,321)**	–
Interest expenses accrued to a shareholder of the Company	(vii)	**(228)**	–

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

32. Major Related Party Transactions (continued)

(a) Transactions with related companies (continued)

Notes:

(i) The amounts represented expenses reimbursed from/(to) CIAM under the Services Agreements as mentioned in note 9. CIAM ceased to be a substantial shareholder of the Company in February 2015 after the Offer as set out in note 15(a).

(ii) The amount represented interest income recognised for the secured fixed rate bond issued by FDG (note 19).

(iii) The amounts represented rental expenses, consultancy fee and other expenses reimbursed to a fellow subsidiary, which is a wholly-owned subsidiary of FDG.

(iv) The amounts represented the training service income received from a shareholder of the Company pursuant to the service agreement.

(v) The amounts represented consultancy fee paid to a shareholder of the Company pursuant to a consultancy agreement.

(vi) The amount represented interest expenses accrued for the HK$750M Convertible Bonds (note 25).

(vii) The amount represented interest expense accrued for the other borrowings (note 23).

(b) Balances with related companies

		At 31 December	
	Note	**2015 HK$'000 (Unaudited)**	2014 HK$'000 (Audited)
Secured bond issued by the ultimate holding company (note 19)		**370,000**	–
Liability component of convertible bonds issued to a fellow subsidiary (note 25)		**592,592**	–
Amount due from the ultimate holding company	32(a)(ii)	**24,978**	–
Amount due to a substantial shareholder of the Company	(i)	**–**	205
Amount due from an associate		**40,980**	150,000
Amount due to a shareholder of the Company		**36,064**	–
Amount due to a fellow subsidiary	32(a)(vi)	**24,657**	–
Amount due from a joint venture of the ultimate holding company	(ii)	**2,407**	–

32. Major Related Party Transactions (continued)

(b) Balances with related companies (continued)

Notes:

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

(ii) The amount represented loan receivable from a joint venture of the ultimate holding company.

(c) Key management personnel compensation

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

	Twelve months ended 31 December	
	2015	2014
	HK$'000	HK$'000
	(Unaudited)	(Audited)
Salaries and other short-term employee benefits	**10,511**	11,543

The amounts represented the net amount after expenses reimbursement arrangement under the Services Agreements as mentioned in note 9.

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.

33. Major Non-cash Transactions

(a) In February 2015, the Group disposed of 41.50% of the issued share capital of Agnita and all rights and benefits of the shareholder's loan extended to Agnita (note 15(a)). Of the total consideration of HK$520,000,000, HK$370,000,000 was settled by the issue of FDG 3-year secured bonds with 8% coupon per annum. The secured bond was recorded as "investment in a secured bond" under non-current assets as at 31 December 2015.

(b) On 29 October 2015, the Group completed the acquisition of 100% equity interest of the issued share capital of PPM Group. The acquisition was partly settled by the share consideration by the issuance of new shares of the Company (note 28).

(c) On 4 August 2015, the Group issued the HK$750M Convertible Bonds to Union Grace pursuant to the SDL Acquisition with details set out in note 15(b).

34. Non-Adjusting Events After the Reporting Period

On 16 November 2015, the Company and FDG jointly announced that the Company (as purchaser) entered into the memorandum of understanding (the "MOU") with Advanced Lithium Electrochemistry (Cayman) Co., Ltd. in relation to a proposed merger and acquisition transaction (the "Proposed Transaction") which, if materialised, may constitute a very substantial acquisition of the Company under the Rules Governing the Listing of Securities on the Stock Exchange. The expiry terms of the MOU were extended by a supplemental letter on 29 January 2016. Further announcement in respect of the Proposed Transaction will be made as and when appropriate, if any formal agreement has been signed. Details of the MOU and the Proposed Transaction are set out in the joint announcements of the Company and FDG dated 16 November 2015 and 29 January 2016 respectively.

Independent Review Report

KPMG

Review report to the board of directors of
FDG Kinetic Limited (formerly known as "CIAM Group Limited")
(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 2 to 58 which comprises the consolidated statement of financial position of FDG Kinetic Limited (formerly known as "CIAM Group Limited") (the "Company") and its subsidiaries as of 31 December 2015 and the related consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the twelve 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 31 December 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

29 February 2016

Management Discussion and Analysis

FDG Kinetic Limited ("FDG Kinetic" or the "Company") is a company investing primarily in the energy conservation, environmental protection and clean energy sectors. It is an indirect non-wholly-owned subsidiary of FDG Electric Vehicles Limited ("FDG"). FDG Kinetic holds a 100% equity interest in 愛思開(重慶)鋰電材料有限公司 (SK (Chongqing) Lithium Battery Material Company Limited*) (currently named as 五龍動力(重慶)鋰電材料有限公司 (FDG Kinetic (Chongqing) Lithium-ion Battery Material Company Limited*)), a 25% equity interest in Synergy Dragon Limited, the subsidiary of which is an integrated high-tech enterprise which specialises in production, sales and research and development of high capacity lithium-ion batteries and its related products, and a 45% equity interest in 華能壽光風力發電有限公司 (Huaneng Shouguang Wind Power Co., Ltd.*) which is a wind power electricity equipment developer and operator in the PRC.

Market Overview

The period under review witnessed the structural deceleration in global economic growth. The debt crisis spreading from the United States to Europe and the turmoil in external political environment added to the uncertainties underlying global economic outlook. It is expected that the global economy will sustain its weakness for a certain period of time. In China, under the challenge of the slackened growth in manufacturing, year-on-year GDP growth in the fourth quarter was a mere 6.8%, while year-on-year growth for the full year of 2015 was 6.9% which represented the lowest annual growth rate over the past 25 years.

Despite economic slowdown and various factors of volatility, environmental pollution is still an utmost matter of concern in the whole world. To cope with climate change, global energy shortage and environmental pollution, governments around the globe fully endorse the widespread use of new energy. With the holistic growth in the new energy vehicle industry in 2015, tremendous market opportunities were also presented to the upstream and downstream sectors under the new energy era, ranging from new energy fuels to power batteries and from chargers to whole-vehicle manufacturing.

Business Development

Striving for development in the energy conservation, environmental protection and clean energy sectors, FDG Kinetic intends to further diversify to other types of batteries, including nickel-cobalt-manganese ("NCM") lithium-ion batteries, to consolidate its position in the power battery industry following its acquisition in August 2015 of 25% equity interest in Synergy Dragon Limited, which specialises in the production of lithium ferrous phosphate batteries for use in electric vehicles.

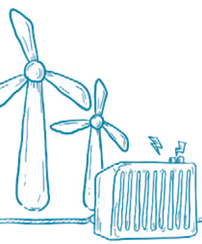
In October 2015, FDG Kinetic completed its acquisition of the entire interests in 愛思開(重慶)鋰電材料有限公司 (SK (Chongqing) Lithium Battery Material Company Limited*) ("SK (Chongqing)"), a subsidiary under the Korea-based SK Group. SK (Chongqing) mainly manufactures cathode materials for NCM lithium-ion batteries for use in electric vehicles, storage systems and communication equipment, with a designed annual production capacity of 2,400 tonnes, which can go up to 9,600 tonnes through capacity expansion. NCM lithium-ion batteries are one of the most common lithium-ion batteries. In view of SK (Chongqing)'s reputation and its sophisticated technology in manufacturing cathode materials for NCM lithium-ion batteries, the acquisition represents an entry path leading the Company to the market of NCM lithium-ion batteries business, diversifying its battery business and enhancing its competitiveness.

In November 2015, FDG Kinetic entered into a memorandum of understanding with Advanced Lithium Electrochemistry (Cayman) Co., Ltd ("ALE") for proposed long-term strategic cooperation. ALE is principally engaged in the business of production, research and development and sales and marketing of cathode materials for lithium ferrous phosphate batteries as well as manufacture, research & development and sales of electric buses, batteries and battery charging/swapping systems, which all falls under the emerging industry of new energy technologies. ALE is one of the largest cathode materials manufacturers in the world. It is also a primary supplier of cathode materials for the battery operation of FDG. The transaction provides Sinopoly Battery Limited, a lithium-ion battery manufacturer within the FDG Group, with steady supply of cathode materials for the manufacturing of lithium-ion batteries.

The management is of the view that the proposed transaction is in line with the "Green and Growth" investment philosophy of the Company, and will further strengthen FDG Kinetic's position in the industry. Negotiations are still in progress between the parties in relation to the proposed transaction, and some material structural changes are being proposed in relation to it. The approach and details of cooperation is/are subject to the signing of a formal agreement. Further announcement in respect of the progress of the proposed transaction will be made by the Company as and when appropriate.

Interim Financial Results

During the period under review, the Group recorded revenue of approximately HK$61.0 million, which is approximately triple times comparing with the revenue of approximately HK$19.6 million of the last corresponding period. Such increase was mainly due to the entering into the new investments and a business segment by the Group during the period under review.



The Group's loss attributable to equity shareholders of the Company during the period ended 31 December 2015, amounted to approximately HK$1,895.9 million (twelve months ended 31 December 2014: approximately HK$48.6 million), such substantial increase in loss during the period under review was mainly due to the following non-cash impairment losses:

(i) an impairment loss on interest in an associate, Agnita Limited ("Agnita"). As indicated in the annual report 2014 of the Company and detailed in note 15, 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 approximately HK$163.6 million and a gain on disposal of approximately HK$1.4 million were recognised respectively. A share of loss from Agnita before reclassified as non-current assets held-for-sale of approximately HK$1.3 million was recognised for the period under review (twelve months ended 31 December 2014: approximately HK$22.5 million); and

(ii) an impairment loss on interest in an associate, Synergy Dragon Limited ("SDL"). As detailed in note 15, the consideration of the acquisition of SDL (the "SDL Acquisition") was settled by the issuance of the convertible bonds of face value of HK$750 million with 8% coupon per annum by the Company (the "Convertible Bonds"). Upon completion of the SDL Acquisition on 4 August 2015, an initial recognition of the fair value of the Convertible Bonds was approximately HK$2,443.1 million based on a valuation report prepared by an external valuer, which was approximately HK$1,693.1 million higher than the face value of the Convertible Bonds. The impairment loss of approximately HK$1,693.1 million represented the excess of carrying amount of the Group's interest in SDL over its recoverable amount. A share of profit from SDL of approximately HK$11.6 million was recognised for the period under review (twelve months ended 31 December 2014: Nil);

Excluding the above non-cash items, the Group's loss attributable to equity shareholders of the Company for the twelve months ended 31 December 2015 would be approximately HK$39.2 million (twelve months ended 31 December 2014: approximately HK$48.6 million).

Out of the interest and investment income of approximately HK$47.0 million during the period under review, approximately HK$15.9 million was penalty interest accrued for the loan to an external customer that secured by a mining right of an iron ore mine in the PRC (the "Loan"). The Group actively took remedial actions during the period under review and entered into a service agreement with an agent to collect the Loan on behalf of the Group. The Group made an impairment amounted to approximately HK$23.6 million on the Loan during the period under review. (Twelve months ended 31 December 2014: approximately HK$16.6 million). The interest and investment income of approximately HK$25.0 million was 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 on 27 February 2015.

During the period under review, the Group's investments measured at fair value recorded a net loss of approximately HK$282,000 (twelve months ended 31 December 2014: approximately HK$1,179,000).

During the period under review, the Group extended its business to sales of cathode materials for nickel-cobalt-manganese lithium-ion batteries through the acquisition of the 100% issued share capital of Premier Property Management Limited and its subsidiary (the "PPM Group"). The acquisition was completed in October 2015. This new business segment contributed the Group's revenue of approximately HK$14.3 million from the sales of cathode materials and contributed a loss before tax of approximately HK$9.7 million to the Group during the period under review.

During the twelve months ended 31 December 2015, the general and administrative expenses amounted to approximately HK$38.4 million, representing an increase of approximately HK$11.2 million as comparing with approximately HK$27.2 million during the twelve months ended 31 December 2014. Such increase was mainly attributable to the increase in the directors' remuneration and the general and administrative expenses incurred for the newly acquired cathode material production business through the acquisition of PPM Group which was partially offset by the decrease in both staff costs and rental expenses incurred in Hong Kong.

During the twelve months ended 31 December 2015, the finance costs amounted to approximately HK$43.3 million (twelve months ended 31 December 2014: Nil) which were arising from the interests on the Convertible Bonds and bank and other borrowings made by the newly acquired PPM Group.

Liquidity and Financial Resources

As at 31 December 2015, the Group's net assets attributable to equity shareholders of the Company amounted to approximately HK$1,853.5 million (31 December 2014: approximately HK$1,287.6 million). Net assets attributable to equity shareholders of the Company per share were approximately HK$0.36 (31 December 2014: restated approximately HK$0.27). The Group's total assets of approximately HK$2,703.0 million (31 December 2014: approximately HK$1,304.1 million) mainly consisted of goodwill of approximately HK$485.0 million (31 December 2014: Nil), intangible assets of approximately HK$104.1 million (31 December 2014: Nil), property, plant and equipment and interests in leasehold land held for own use under operating lease of approximately HK$231.4 million (31 December 2014: approximately HK$0.6 million), interest in an associate of approximately HK$751.2 million (31 December 2014: approximately HK$535.6 million), interest in joint ventures of approximately HK$104.0 million (31 December 2014: approximately HK$108.2 million), the FDG 3-year secured bond of HK$370.0 million (31 December 2014: Nil), loan and other receivables of approximately HK$143.2 million (31 December 2014: approximately HK$82.0 million) and cash and cash equivalents of approximately HK$296.0 million (31 December 2014: approximately HK$366.7 million).

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

	HK$'million
Cash available as at 31 December 2014 and 1 January 2015	367
Proceeds from disposal of subsidiaries and interest in an associate	158
Net purchase of securities investments	(43)
Acquisition of subsidiaries	(370)
Proceeds from issue of shares through top-up placing	264
Repayment of bank loans	(2)
General working capital	(78)
Cash available as at 31 December 2015	296

As at 31 December 2015, the bank loans and other borrowings included (i) bank loans of approximately HK$76.3 million (31 December 2014: Nil), denominated in Renminbi ("RMB"), were secured, interest bearing at floating rates and repayable within five years. Such bank loans were granted under a general banking facilities by a bank in the PRC. The general banking facilities were secured by, inter alia, certain land and buildings with carrying amounts of approximately HK$131.0 million in favour of the lender by way of the fixed charges and floating charges over all the plant and machinery and inventories; and (ii) the other borrowings of approximately HK$32.6 million, denominated in United States dollars, were unsecured, interest bearing at a fixed rate and repayable within one year. The Group's bank loans and other borrowings are mostly event driven, with little seasonality.

As at 31 December 2015, the Group's non-current liabilities comprised mainly the liability component of the convertible bonds of approximately HK$592.6 million (31 December 2014: Nil) and long term portion of bank loans of approximately HK$64.4 million (31 December 2014: Nil).

As at 31 December 2015, the Group's gearing ratio, without taking into account of the liability component of convertible bonds of approximately HK$592.6 million (31 December 2014: Nil), was approximately 5.9% (31 December 2014: Nil) calculated on the basis of bank loans and other borrowings of approximately HK$108.9 million (31 December 2014: Nil) to total equity attributable to owners of the Company of approximately HK$1,853.5 million.

Foreign Exchange Exposure

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

Capital Structure

Issuance of convertible bonds due 2018

On 4 August 2015, the Company has issued 8% coupon per annum convertible bonds due 2018 with an aggregate principal amount of HK$750,000,000 to Union Grace Holdings Limited. The convertible bonds could be converted into 2,205,882,352 shares of the Company (adjusted after share subdivision described below) based on the prevailing conversion price of HK$0.34 per share. Details of this transaction are more described under the section "Material Acquisitions and Disposal" below.

Placing and top-up subscription

On 5 August 2015, a total of 35,000,000 top-up subscription shares have been allotted and issued to Sinopoly Strategic Investment Limited ("Sinopoly Strategic") at the subscription price of HK$7.73 per top-up subscription share in accordance with the terms of the placing and top-up subscription agreement entered into between the Company, Sinopoly Strategic (as vendor), and Guotai Junan Securities (Hong Kong) Limited (the "Placing Agent"). Pursuant to which, the Placing Agent agreed to procure the placing of up to 35,000,000 shares of the Company held by Sinopoly Strategic at the placing price of HK$7.73 per share, and Sinopoly Strategic agreed to subscribe for up to 35,000,000 new shares of the Company at the subscription price of HK$7.73 per share. As a result, the number of shares of the Company in issue increased from 938,283,217 shares to 973,283,217 shares as at 5 August 2015. Details of the placing and top-up subscription agreement are set out in the joint announcement of the Company and FDG dated 23 July 2015.

Share subdivision and change in board lot size

On 14 September 2015, each of the existing issued and unissued shares of par value of HK$1.00 each in the share capital of the Company were subdivided into five (5) subdivided shares of par value of HK$0.20 each (the "Share Subdivision"), and the board lot size for trading in the shares of the Company was changed from 10,000 shares to 2,000 subdivided shares. As a result of the Share Subdivision, the number of shares of the Company in issue increased from 973,283,217 shares of HK$1.00 each to 4,866,416,085 shares of HK$0.20 each. The Share Subdivision was approved by the shareholders of the Company at the special general meeting held on 11 September 2015 and became effective on 14 September 2015. Details of the Share Subdivision and change in board lot size of the shares of the Company are set out in the announcement of the Company dated 10 August 2015 and circular of the Company dated 19 August 2015.

Issuance of consideration shares

On 29 October 2015, a total of 269,230,770 new shares of the Company were issued and allotted to SK China Company Limited and SKC Co., Ltd. (as vendors) as part of the consideration pursuant to the sale and purchase agreement. As a result, the number of shares of the Company in issue increased from 4,866,416,085 shares to 5,135,646,855 shares as at 29 October 2015. Details of this transaction are set out under the section "Material Acquisitions and Disposal" below.

Save as disclosed above, the Group has no debt securities or other capital instruments as at 31 December 2015.

Material Acquisitions and Disposal

During the period under review and up to the date of this second interim results, the following transactions were carried out which were considered as material acquisitions 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 Limited ("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 (adjusted to HK$0.34 per share as a result of the Share Subdivision).

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 have been 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.

Acquisition of 100% interests in Premier Property Management Limited

On 5 September 2015, the Company and FDG jointly announced that Kingspark Group Limited ("Kingspark", a direct wholly-owned subsidiary of the Company, as purchaser), SK China Company Limited (the "First Vendor") and SKC Co., Ltd. (the "Second Vendor") entered into a sale and purchase agreement pursuant to which (i) Kingspark conditionally agreed to purchase and the First Vendor conditionally agreed to sell 39,291,010 shares of Premier Property Management Limited ("Premier Property"), representing approximately 90.91% of the issued shares of Premier Property; and (ii) Kingspark conditionally agreed to purchase and the Second Vendor conditionally agreed to sell 3,929,000 shares of Premier Property, representing approximately 9.09% of the issued shares of Premier Property. The total consideration for the acquisition of the entire issued share capital of Premier Property by Kingspark was HK$722,000,000, which was satisfied by the Company by way of (i) the payment of HK$338,182,608 in cash and the issuance of 244,755,815 shares of the Company to the First Vendor; and (ii) the payment of HK$33,817,392 in cash and the issuance of 24,474,955 shares of the Company to the Second Vendor. Completion of the acquisition took place on 29 October 2015 upon which (i) Premier Property has become an indirect wholly owned subsidiary of the Company; and (ii) the equity interest of the Company held by FDG reduced from approximately 70.91% to approximately 67.19%.

Premier Property and its group of companies are principally engaged in the manufacturing of the cathode materials for nickel-cobalt-manganese lithium-ion battery which is a key component of an electric vehicle. With a "Green and Growth" investment philosophy, the Company considered the electric vehicle battery industry having great potential, and development in the electric vehicle battery related industry will be the future direction for the Company.

Details of the transaction above are set out in the joint announcements of the Company and FDG dated 5 September 2015, 8 September 2015 and 29 October 2015, and note 28 of the second interim financial statements.

Memorandum of understanding between the Company and Advanced Lithium Electrochemistry (Cayman) Co., Ltd.

On 16 November 2015, the Company and FDG jointly announced that the Company (as purchaser) entered into the memorandum of understanding ("MOU") with Advanced Lithium Electrochemistry (Cayman) Co., Ltd ("ALE") in relation to a proposed merger and acquisition transaction (the "Proposed Transaction") which, if materialized, may constitute a very substantial acquisition of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The expiry terms of the MOU were extended by a supplemental letter on 29 January 2016.

The Proposed Transaction may or may not proceed and the final terms of the Proposed Transaction, which are still subject to further negotiations between the parties, and may deviate from those as set out in the MOU. Further announcement in respect of the Proposed Transaction will be made as and when appropriate, if any formal agreement has been signed.

Details of the MOU and the Proposed Transaction are set out in the joint announcements of the Company and FDG dated 16 November 2015 and 29 January 2016 respectively.

Save as disclosed above, the Group had no material acquisition or disposal during the twelve months ended 31 December 2015 and up to the date of this second interim report.

Contingent Liabilities and Pledge of Assets

There were pledged of assets as at 31 December 2015 (31 December 2014: Nil) with details disclosed under the section heading "Liquidity and Financial Resources". In addition, certain bank deposits of approximately HK$7.6 million (31 December 2014: Nil) were pledged for bills payable.

The Group had no significant contingent liabilities as at 31 December 2015 (31 December 2014: Nil).

Capital Commitments

The Group had no significant capital commitments as at 31 December 2015 (31 December 2014: Nil).

Human Resources

There were no material changes in human resources structure and compensation approach during the twelve months ended 31 December 2015. Except as at 31 March 2015, the Group terminated the Intercompanies Services and Cost Allocation Agreement signed between the Company and CITIC International Assets Management Limited ("CIAM") and ceased to leverage the human resources of CIAM on mid-back 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 as the voluntary conditional offer contemplated by FDG during the period under review. 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 twelve months ended 31 December 2015.

Future Outlook

Despite the unstable global economy, the market of new energy industry still enjoys ample room for development around the world, given the rising living standard and environmental awareness. FDG Kinetic will continue to focus on its business foundation under its operational strategy of making progress while maintaining stability. In line with the "Green and Growth" investment philosophy, it will actively explore the application and production technology of different types of power batteries, with a view to becoming a leader in the new energy transportation industry and bringing forth greater return to the shareholders of the Company.

Supplementary Information

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

As at 31 December 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 corporations (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)
Cao Zhong	Interest of controlled corporations	2,311,059,998 (Note 1)	340,000,000 (Notes 1 & 5)	2,651,059,998	13.69%
	Beneficial owner	–	16,800,000 (Notes 1, 5 & 6)	16,800,000	0.09%
Miao Zhenguo	Interest of controlled corporations	1,970,551,043 (Note 2)	–	1,970,551,043	10.17%
	Beneficial owner	–	15,000,000 (Notes 2 & 6)	15,000,000	0.08%

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 3, 5 & 6)	49,379,000	0.25%
Jaime Che	Beneficial owner	1,000,000	16,000,000 (Note 6)	17,000,000	0.09%
Chen Yanping	Interest of controlled corporations	658,125,000 (Note 4)	–	658,125,000	3.40%
	Beneficial owner	–	12,000,000 (Notes 4 & 6)	12,000,000	0.06%
Chen Guohua	Beneficial owner	–	10,000,000 (Note 6)	10,000,000	0.05%
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(note 5) 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(note 6) and 6,800,000 shares upon conversion of the convertible bonds(note 5). On 26 February 2016, 6,800,000 and 340,000,000 shares of FDG were issued and alloted to Mr. Cao and Champion Rise International Limited respectively upon conversion of the convertible bonds(note 5).

2. Mr. Miao Zhenguo is interested or deemed to be interested in a total of 1,985,551,043 shares of FDG including: (i) 1,806,301,043 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[note 6].

3. Mr. Lo Wing Yat is interested in a total of 49,379,000 underlying shares of FDG including: (i) 42,800,000 share options[note 6]; and (ii) 6,579,000 shares upon conversion of the convertible bonds[note 5]. On 26 February 2016, 6,579,000 shares of FDG were issued and alloted to Mr. Lo upon conversion of the convertible bonds[note 5].

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[note 6].

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 19,370,000,734 shares of FDG as at 31 December 2015.

Save as disclosed above, as at 31 December 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.

Details of the share options movements during the twelve months ended 31 December 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 31.12.2015
Directors							
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)	–
Employees	15.4.2013	(Note (ii))	15.4.2014 to 14.4.2016	1.00	4,500,000	(4,500,000)	–
Other participants	15.4.2013	(Note (ii))	15.4.2014 to 14.4.2016	1.00	200,000	(200,000)	–
Total					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.

(iii) The number of shares shown in the table above represented the shares before the Share Subdivision became effective on 14 September 2015.

No share options had been granted by the Company under the Share Option Scheme during the period under review and no expenses were recognized by the Group for the twelve months ended 31 December 2015 (twelve months ended 31 December 2014: HK$767,000).

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

As at 31 December 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 shareholder	Capacity	Number of shares held in long position (L)/ short position (S)	Number of underlying shares held in long position (L)/ short position (S) under equity derivatives	Total	Approximate percentage of issued share capital (Note 6)
Sinopoly Strategic Investment Limited	Beneficial owner	3,450,532,490 (L) 2,640,000,000 (S)	–	3,450,532,490 (L) 2,640,000,000 (S)	67.19% (L) 51.41% (S)
Union Grace Holdings Limited	Beneficial owner	–	2,205,882,352 (L) 2,205,882,352 (S) (Note 1)	2,205,882,352 (L) 2,205,882,352 (S)	42.95% (L) 42.95% (S)
FDG	Interest held by controlled corporations (Note 2)	3,450,532,490 (L) 2,640,000,000 (S)	2,205,882,352 (L) 2,205,882,352 (S)	5,656,414,842 (L) 4,845,882,352 (S)	110.14% (L) 94.35% (S)
SK Holdings Co., Ltd.	Interest held by controlled corporations (Note 3)	269,230,770 (L)	–	269,230,770 (L)	5.24% (L)
Sun Hung Kai Structured Finance Limited	Beneficial owner	–	4,845,882,352 (L)	4,845,882,352 (L)	94.35% (L)
Sun Hung Kai & Co. Limited	Interest held by controlled corporations (Note 4)	–	4,845,882,352 (L)	4,845,882,352 (L)	94.35% (L)
Allied Properties (H.K.) Limited	Interest held by controlled corporations (Note 4)	–	4,845,882,352 (L)	4,845,882,352 (L)	94.35% (L)
Allied Group Limited	Interest held by controlled corporations (Note 4)	–	4,845,882,352 (L)	4,845,882,352 (L)	94.35% (L)

Name of substantial shareholder	Capacity	Number of shares held in long position (L)/ short position (S)	Number of underlying shares held in long position (L)/ short position (S) under equity derivatives	Total	Approximate percentage of issued share capital (Note 6)
Lee Seng Hui	Interest held by controlled corporations (Note 4)	–	4,845,882,352 (L)	4,845,882,352 (L)	94.35% (L)
Lee Su Hwei	Interest held by controlled corporations (Note 4)	–	4,845,882,352 (L)	4,845,882,352 (L)	94.35% (L)
Lee Seng Huang	Interest held by controlled corporations (Note 4)	–	4,845,882,352 (L)	4,845,882,352 (L)	94.35% (L)

Notes:

1. 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 (adjusted to HK$0.34 per share as a result of the Share Subdivision).

2. FDG is deemed or taken to be interested in (i) 3,450,532,490 shares held by Sinopoly Strategic Investment Limited which is a direct wholly owned subsidiary of FDG; and (ii) 2,205,882,352 underlying shares held by Union Grace Holdings Limited which is an indirect wholly owned subsidiary of FDG.

3. SK Holdings Co., Ltd. is deemed or taken to be interested in (i) 24,474,955 shares held by SKC Co., Ltd. which is held as to 41.82% by SK Holdings Co., Ltd.; and (ii) 244,755,815 shares held by SK China Company Limited which is a subsidiary of SK Holdings Co., Ltd.

4. Sun Hung Kai Structured Finance Limited is a wholly-owned subsidiary of Shipshape Investments Limited, a wholly-owned subsidiary of Sun Hung Kai & Co. Limited, which in turn is a non wholly-owned subsidiary of Allied Properties (H.K.) Limited. Allied Properties (H.K.) Limited is a non wholly-owned subsidiary of Allied Group Limited in which Mr. Lee Seng Hui, Ms. Lee Su Hwei and Mr. Lee Seng Huang are the trustees of the Lee and Lee Trust, having 73.90% interest in Allied Group Limited as at 31 December 2015. Accordingly, they are deemed to have the same long position as Sun Hung Kai Structured Finance Limited.

5. The number of shares shown in the table above was adjusted as a result of the Share Subdivision.

6. These percentages are calculated on the basis of 5,135,646,855 shares of the Company as at 31 December 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 31 December 2015.

Purchase, Sale or Redemption of the Company's Listed Securities

During the twelve months ended 31 December 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Corporate Governance

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 twelve months ended 31 December 2015 and up to the date of this second interim report, except 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 Directors of the Company are not appointed for a specific term. Instead, same as for all other Directors of the Company, the Non-executive Directors are subject to retirement by rotation at least once every three years and are eligible for re-election at the annual general meetings in accordance with the Bye-laws of the Company. The board of Directors (the "Board") believes that subjecting the Non-executive Directors 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.

Directors' Securities Transactions

The Company adopted the Model Code as its own code of conduct regarding securities transactions by the Directors of the Company during the period from 1 January 2015 to 27 August 2015. On 28 August 2015, the Company adopted a code for securities transactions by directors (the "Securities Code"), which is largely based on the Model Code. The Securities Code is on terms no less exacting than the required standard set out in the Model Code. All directors of the Company have confirmed, following specific enquiry by the Company, their compliance with the required standard set out in the Model Code and the Securities Code throughout the twelve months ended 31 December 2015.

Changes in Information of Directors

Pursuant to Rule 13.51(B) of the Listing Rules, the changes in information of directors of the Company subsequent to the date of the 2014 Annual Report of the Company are as follows:

- Mr. Cao Zhong has been appointed as the Chairman of the Company and chairman of the Nomination Committee of the Company with effect from 29 October 2015.

- Mr. Miao Zhenguo has been appointed as the Chief Executive Officer of the Company and a member of the Nomination Committee and the Remuneration Committee of the Company with effect from 29 October 2015.

- Mr. Lo Wing Yat (i) has been appointed as the Chief Executive Officer of CITIC International Financial Holdings Limited with effect from 17 August 2015; and (ii) has resigned as the Vice-chairman and Chief Executive Officer of the Company, but remains as an Executive Director of the Company with effect from 29 October 2015.

Review of Second Interim Financial Report

The second 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
FDG Kinetic Limited
Cao Zhong
Chairman

Hong Kong, 29 February 2016

As of the date of this report, the Board comprises Mr. Cao Zhong (Chairman), Mr. Miao Zhenguo (Chief Executive Officer), Mr. Lo Wing Yat (Executive Director), Mr. Jaime Che (Executive Director), Dr. Chen Yanping (Non-executive Director), Professor Chen Guohua (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.fdgkinetic.com