FDG KINETIC

FDG Kinetic Limited
五龍動力有限公司

Stock Code : 0378

GREEN & GROWTH

2015/16 Annual Report

CONTENTS

This annual report is printed on environmentally friendly paper

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive directors:

Mr. Cao Zhong *(Chairman)*
Mr. Sun Ziqiang *(Vice Chairman)*
Mr. Miao Zhenguo *(Chief Executive Officer)*
Mr. Jaime Che

Non-executive directors:

Dr. Chen Yanping
Professor Chen Guohua

Independent non-executive directors:

Mr. Hung Chi Yuen Andrew
Mr. Sit Fung Shuen Victor
Mr. Toh Hock Ghim

AUDIT COMMITTEE

Mr. Hung Chi Yuen Andrew *(Chairman)*
Mr. Sit Fung Shuen Victor
Mr. Toh Hock Ghim

REMUNERATION COMMITTEE

Mr. Toh Hock Ghim *(Chairman)*
Mr. Cao Zhong
Mr. Miao Zhenguo
Mr. Hung Chi Yuen Andrew
Mr. Sit Fung Shuen Victor

NOMINATION COMMITTEE

Mr. Cao Zhong *(Chairman)*
Mr. Miao Zhenguo
Mr. Hung Chi Yuen Andrew
Mr. Sit Fung Shuen Victor
Mr. Toh Hock Ghim

EXECUTIVE COMMITTEE

Mr. Cao Zhong *(Chairman)*
Mr. Miao Zhenguo
Mr. Jaime Che

COMPANY SECRETARY

Ms. Fung Sam Ming Samantha

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 3001-3005, 30th Floor
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR IN BERMUDA

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

378

WEBSITE

www.fdgkinetic.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

I hereby present the annual results of FDG Kinetic Limited ("FKL" or the "Company") for the financial year ended 31 March 2016 on behalf of the board of directors of the Company.

In 2015, with the backdrop of weak global economy, the economy of the People's Republic of China ("PRC") entered into a transition period with an overall slowdown, but thanks to the modest stimulation of government incentive policies, the PRC managed to achieve a 6.9% GDP growth rate in 2015, according to the National Bureau of Statistics of the PRC. Although the macro economy was not satisfactory, the new energy vehicle ("NEV") industry still recorded explosive growth with government supports. According to the Ministry of Industry and Information Technology of the PRC, total production and sales volumes amounted to 378,000 units and 331,100 unites, representing 400% and 340% year-on-year growth respectively. The prosperity of the NEV industry stimulated the growth of the lithium-ion battery industry in the PRC. In the first quarter of 2016, total production volume of power lithium-ion batteries amounted to 7.5 GWh, making an increase of 4.5 times compared to the corresponding quarter last year.

During the period under review, the Company actively seized market opportunities. With the concluded acquisition of the 25% equity interests of Sinopoly Battery Limited ("Sinopoly Battery") in August 2015, the Company has established a platform for its business in lithium-ion battery and its related products. To meet the market development and demand and increase diversification and competitiveness in the battery business, the Company also acquired FDG Kinetic (Chongqing) Lithium Ion Battery Materials Co., Ltd* (used to be called SK (Chongqing) Lithium Ion Battery Materials Co., Ltd*), aiming to aggressively explore and penetrate the Nickel-Cobalt-Manganese ("NCM") lithium-ion battery market in the PRC. Moreover, the Company together with its parent company FDG Electric Vehicles Limited ("FDG", stock code: 729) and Advanced Lithium Electrochemistry (Cayman) Co., Ltd (listed on the Taipei Exchange, "ALEEES", stock code: 5227) agreed on an equity restructuring in April 2016, which will bring additional income stream for the Company and further enhance market competitiveness. After these series of restructurings, the Company has completed its additional expansion from a pure investment company focusing on green energy sector to an integrated company also specializing in research and development ("R&D"), production and sales of lithium-ion batteries besides "Green Energy" investment.

In the future, the PRC's economy expects to grow steadily in the "New Normal". Innovation and optimization of economic structure will be the new economic growth drivers. Against this backdrop, with the increasing consumer awareness towards environmental protections and more stringent national regulations towards energy savings, demand for NEVs is expected to increase further and the lithium-ion battery market will also expand. It is estimated by the industry that the demand for power lithium-ion batteries will exceed 25 GWh in 2016 and exceed 58 GWh in 2020. The Company will seize opportunities of the rapid development of the industry, keep up with market trends, increase investment in R&D to improve technologies and provide power lithium-ion batteries with better energy density and performances. The Company will also adjust capacity allocation properly so as to further increase its market share and influences in the industry, and to build up a popular brand image and thus bring greater returns for shareholders.

Last but not least, on behalf of the Board, I would like to express my heartfelt appreciations to the management and the employees of the Company for their hard work. I would also like to extend my sincere gratitude to our shareholders, suppliers and business partners. We will continue to work hard in the next year.

* *For identification only*

Cao Zhong
Chairman

Hong Kong, 29 June 2016

DIRECTORS' BIOGRAPHIES

Mr. Cao Zhong
Chairman

Mr. Cao, aged 56, is the Chairman and executive director of the Company. He was appointed as the executive director of the Company and elected as the executive vice-chairman of the Company on 9 March 2015, and appointed as the Chairman of the Company on 29 October 2015. He is also the chairman of the Nomination Committee and Executive Committee of the Company and a member of the Remuneration Committee of the Company. He also holds directorships in various subsidiaries of the Company. Mr. Cao was graduated from Zhejiang University and the Graduate School of the Chinese Academy of Social Sciences with a bachelor degree in engineering and a master degree in economics, respectively. Since 1988, Mr. Cao had served in various institutions, including the National Development and Reform Commission (the "NDRC") of the People's Republic of China (the "PRC"), Guangdong Province Huizhou Municipal People's Government, Beijing International Trust and Investment Company Limited, Shougang Corporation and the Development Research Centre of the State Council of China. Mr. Cao is currently an executive director and the chairman of China Resources and Transportation Group Limited (Stock Code: 269) and the chairman, executive director and chief executive officer of FDG Electric Vehicles Limited ("FDG") (Stock Code: 729, the controlling shareholder of the Company), both companies whose shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Miao Zhenguo, an executive director and the Chief Executive Officer of the Company, is the brother-in-law of Mr. Cao. Mr. Cao was appointed to the board of directors of the Company (the "Board") on 9 March 2015.

Mr. Sun Ziqiang
Vice Chairman

Mr. Sun, aged 52, is the Vice Chairman and executive director of the Company. He is also a director and the chief executive officer of SK China Company Limited ("SK China") since 2013, a shareholder of the Company, and is a director of a subsidiary of the Company. SK China is principally engaged in business development of SK Group in China region and is a subsidiary of SK Holdings Co., Ltd. Mr. Sun has joined the SK Group, one of the largest conglomerates in the Republic of Korea, since 2006 and worked in various departments at senior positions. Mr. Sun has extensive experience in enterprise management, investment and corporate mergers and acquisitions. He served as senior management in various companies from 1993 to 2005, including Beijing Bodazhihui Network Systems Engineering Co., Ltd.* (北京博達智慧網絡系統工程有限公司), Dyne Group* (達因集團), TOM.COM (China) Investment Limited (諾定(中國)投資有限公司), Great Wall Broadband Network Service Co., Ltd.* (長城寬帶網絡服務有限公司) and Great Wall Technology Company Limited (a company listed on the Stock Exchange, the shares of which were delisted in 2014). He served in the State Physical Culture and Sports Commission (體育運動委員會) of the PRC from 1985 to 1993. He also obtained a State Science and Technology Prizes (國家科學技術進步獎). Mr. Sun graduated from Wuhan University of Technology (武漢理工大學) with a bachelor degree in computer science and China Europe International Business School (中歐國際工商管理學院) with a MBA degree respectively. Mr. Sun was appointed to the Board on 11 March 2016.

* *For identification only*

Mr. Miao Zhenguo
Chief Executive Officer

Mr. Miao, aged 56, is an executive director and Chief Executive Officer of the Company. He was appointed as a non-executive director of the Company on 9 March 2015, re-designated as an executive director of the Company on 7 July 2015 and appointed as the Chief Executive Officer of the Company on 29 October 2015. He is also a member of the Nomination Committee, Remuneration Committee and Executive Committee of the Company respectively. He also holds directorships in various subsidiaries of the Company. Mr. Miao is currently the deputy chairman and an executive director of FDG. He was appointed as the chief operating officer of FDG from May 2010 to March 2011 and the chief executive officer of FDG from August 2010 to May 2014. Mr. Miao graduated from Zhejiang University with a 化學工程學士學位 (bachelor degree in chemical engineering*). He has over 10 years of experience in project management, sales and marketing and product development. He is the brother-in-law of Mr. Cao, the Chairman of the Company. Mr. Miao was appointed to the Board on 9 March 2015.

* *For identification only*

Mr. Jaime Che
Executive Director

Mr. Che, aged 35, is an executive director of the Company and a member of the Executive Committee of the Company. He also holds directorships in various subsidiaries of the Company. Mr. Che is currently an executive director and vice president of FDG responsible for strategic planning, investor relationship, corporate transaction and corporate finance work. Mr. Che has extensive experience in investor relations and corporate finance. He worked as the Assistant to Managing Director/Investor Relations Manager of Fushan International Energy Group Limited (Stock Code: 639, now renamed as Shougang Fushan Resources Group Limited), a company listed on the Stock Exchange, from November 2009 to June 2010, and was the Investment & Corporate Manager of APAC Resources Limited (Stock Code: 1104), another company listed on the Stock Exchange, from June 2007 to October 2009. He studied commerce at the University of New South Wales. Mr. Che was appointed to the Board on 9 March 2015.

Dr. Chen Yanping
Non-executive Director

Dr. Chen, aged 53, is a non-executive director of the Company. He is currently an executive director and chief operating officer of FDG. Dr. Chen has over 30 years' vast experience in automobile design, development and manufacturing and is the special automobile technology expert of the China International Engineering Consulting Corporation of the NDRC of the PRC and the Ministry of Science and Technology of the PRC, respectively. Dr. Chen obtained a bachelor degree in engineering from Hefei University of Technology in 1983, a master degree in automobile engineering from Dalian University of Technology in 2002 and a doctorate degree in management science from Wuhan University of Technology in 2010. He was awarded with the second prize in Beijing science and technology award in 2003 and the third prize in the PRC automobile science technology award in 2004, and was a young technology expert receiving special subsidies from the State Council of the PRC. Dr. Chen had worked as an officer for the technical centre of the China National Heavy Duty Truck Group and a dean of the research institute and deputy technical general manager of Beiqi Foton Motor Co. Ltd of BAIC Group. He had also received training and studies at major international automobile brands including Steyr, Mercedes Benz and Volvo. Dr. Chen was appointed to the Board on 7 July 2015.

Professor Chen Guohua
Non-executive Director

Professor Chen, aged 52, is a non-executive director of the Company. He was a non-executive director of FDG from 1 March 2012 to 29 October 2015. Professor Chen has been a member of the Academic Committee of Sinopoly Battery Research Center operated by a wholly-owned subsidiary of FDG since December 2011. He is a professor and the Head in the Department of Chemical and Biomolecular Engineering at the Hong Kong University of Science and Technology ("HKUST"). He obtained his Bachelor of Engineering in Chemical Engineering from Dalian University of Technology in 1984, Master of Engineering and Doctor of Philosophy in Chemical Engineering from McGill University in 1989 and 1994, respectively. Professor Chen is a Fellow of the Chemical Engineering Discipline in the Hong Kong Institution of Engineers, Senior Member of American Institute of Chemical Engineers, Member of International Society of Electrochemistry, and President of the Asian Pacific Confederation of Chemical Engineering. He was a member of the International Advisory Committee of the 8th World Congress of Chemical Engineering. Professor Chen's research interests are electrochemical technologies in wastewater treatment, drying of solids, electrochemical energy storage, and green processes and products. Professor Chen received the Certificate of Excellence in 2007 from World Forum for Crystallization, Filtration and Drying for his outstanding contributions to research and development in the area of drying technology and sustainable development. He received the Research Excellence Award from School of Engineering, HKUST, in 2011. Professor Chen was appointed to the Board on 29 October 2015.

Mr. Hung Chi Yuen Andrew
Independent Non-executive Director

Mr. Hung, aged 47, is an independent non-executive director of the Company. He is also the chairman of the Audit Committee of the Company and a member of the Nomination Committee and Remuneration Committee of the Company respectively. Mr. Hung is currently an independent non-executive director of AKM Industrial Company Limited (Stock Code: 1639), a company whose shares are listed on the Stock Exchange. He is currently the director of Norton Rowland CPA Limited. He received his professional training in Deloitte Touche Tohmatsu during the period from 1991 to 1993 and had worked in UBS Investment Bank as business unit controller for 7 years. Mr. Hung holds a Bachelor's Degree of Arts (Hons) in Accountancy from The Hong Kong Polytechnic University and a Master's Degree in Applied Finance from University of Western Sydney. He is a practising Certified Public Accountant, an associate member of Hong Kong Institute of Certified Public Accountants and a fellow member of The Chartered Association of Certified Accountants. Mr. Hung was appointed to the Board on 1 July 2008.

Mr. Sit Fung Shuen Victor
Independent Non-executive Director

Mr. Sit, aged 69, is an independent non-executive director of the Company and a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company respectively. He is currently an independent non-executive director of Asia Energy Logistics Group Limited (Stock Code: 351), a company whose shares are listed on the Stock Exchange. Mr. Sit has obtained a Ph.D. from the London School of Economics and Political Science, United Kingdom. Mr. Sit is a founding director of the Advanced Institute for Contemporary China Studies of Hong Kong Baptist University from 2008 to 2013 and has also been invited to be the Honorary Professor of a number of renowned universities including Peking University, Zhongshan University, Jinan University and Xian Jiaotung University in the PRC. He has been a professor of the Department of Geography from 1977 to 2007 and was the Head of Department of Geography and Geology from 1993 to 1998 of The University of Hong Kong.

Mr. Sit is currently an advisor to City Planning Commission of Shenzhen Municipal Government of the PRC (since 1988) and an advisor to City Planning Commission of Sanmin Municipal Government of Fujian Province of the PRC (since 1991). He had also assumed the posts of Deputy of the National People's Congress of the PRC from 1993 to 2008 and an advisor to the Governor of Guangdong Province of the PRC from 2000 to 2005. He was formerly a member of the Preparatory Committee of the Hong Kong Special Administrative Region ("SAR") of the National People's Congress of the PRC; Port and Marine Board, Committee on Port and Harbour Development, the Port Development Board of the Hong Kong SAR Government respectively. Mr. Sit was appointed to the Board on 1 July 2008.

Mr. Toh Hock Ghim
Independent Non-executive Director

Mr. Toh, aged 74, is an independent non-executive director of the Company. He is also the chairman of the Remuneration Committee of the Company and a member of the Audit Committee and Nomination Committee of the Company respectively. Mr. Toh is currently the chairman, non-executive and independent director of Equation Summit Limited (formerly known as "Equation Corp Limited") and an independent director of CEFC International Limited and Lifebrandz Ltd. respectively, those being companies whose shares are listed on the Singapore Exchange Securities Trading Limited ("Singapore Exchange"). He was an independent director of Kinergy Limited from March 2012 to March 2013 and non-executive chairman and independent director of WE Holdings Limited from June 2010 and March 2013, both companies listed on the Singapore Exchange. Mr. Toh joined the Ministry of Foreign Affairs of Singapore in October 1966 with diplomatic postings to Malaysia, the Philippines, Thailand, Vietnam, the Hong Kong SAR and the Macau SAR. He was Singapore Ambassador to Vietnam from January 1994 to January 2002 and the Consul-General of the Consulate Generals in the Hong Kong SAR and the Macau SAR from February 2002 to December 2007. He was appointed as the Senior Advisor to the Ministry of Foreign Affairs of Singapore upon retirement from the foreign service at the end of 2007. Mr. Toh obtained his Bachelor's Degree of Arts (Political Science) from National University of Singapore. Mr. Toh was appointed to the Board on 1 July 2008.

The directors' interests in shares or underlying shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as at 31 March 2016 are set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" in the Directors' Report contained in this annual report on pages 10 to 12.

Save as disclosed above, the directors (a) do not hold any other positions with the Company or any of its subsidiaries; (b) did not hold any other directorships in the last three years in public companies, the securities of which are listed on any securities market in Hong Kong or overseas; and (c) do not have any other relationships with any directors, senior management or substantial or controlling shareholders of the Company.

The emoluments of each director of the Company have been determined with reference to his duties and responsibilities, the Company's performance and the prevailing market conditions.

The details of the directors' emoluments for the fifteen months ended 31 March 2016 on a named basis are disclosed in Note 13 to the consolidated financial statements.

DIRECTORS' REPORT

The directors present their report and the audited consolidated financial statements of FDG Kinetic Limited ("the Company") and its subsidiaries (the "Group") for the fifteen months ended 31 March 2016.

CHANGE OF COMPANY NAME

The English name of the Company has been changed from "CIAM Group Limited" to "FDG Kinetic Limited" and the Company has adopted the Chinese name of "五龍動力有限公司" as the secondary name of the Company in place of the Chinese name "事安集團有限公司", with effect from 17 December 2015.

CHANGE OF FINANCIAL YEAR END DATE

As announced on 20 April 2015, the Company changed its financial year end date from 31 December to 31 March to align its financial year end date with that of its indirect controlling shareholder, FDG Electric Vehicles Limited ("FDG"). Accordingly, this report and the accompanying audited consolidated financial statements of the Group cover a fifteen-month period from 1 January 2015 to 31 March 2016 while the comparative figures cover a twelve-month period from 1 January 2014 to 31 December 2014.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Group are research and development, manufacturing and trading of cathode materials for nickel-cobalt-manganese lithium-ion batteries, and direct investments, including securities trading, loan financing and asset investment.

The principal activities and particulars of the Company's principal subsidiaries as at 31 March 2016 are set out in Note 44 to the consolidated financial statements.

BUSINESS REVIEW

Details of the Group's business review are set out in the "Management Discussion and Analysis" section on pages 21 to 23 of this annual report, the discussion thereof form part of this Directors' Report.

SEGMENT INFORMATION

An analysis of the Group's revenue and contribution to the operating results for the fifteen months ended 31 March 2016 is set out in Note 8 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the fifteen months ended 31 March 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 43 to 44 of this annual report.

The directors of the Company do not recommend the payment of any dividend for the fifteen months ended 31 March 2016.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 124 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

The largest supplier of the Group by itself and together with the other two largest suppliers accounted for approximately 79.63% and 19.33% of the Group's total purchases for the period under review respectively.

The largest customer of the Group by itself and together with the other four largest customers accounted for approximately 30.98% and 57.49% of the Group's total turnover for the period under review respectively.

Save as disclosed above and to the best of the directors' knowledge, none of the directors, their close associates, or any shareholder (which to the knowledge of the directors owned more than 5% of the number of issued shares of the Company) had beneficial interests in the Group's five largest suppliers or customers.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the fifteen months ended 31 March 2016 are set out in Note 32(b) to the consolidated financial statements.

ISSUANCE OF NEW SHARES

Details of the issuance of new shares are set out in "Capital Structure" under "Management Discussion and Analysis" section on page 26 of this annual report.

RESERVES AND DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Group and the Company during the fifteen months ended 31 March 2016 are set out in Note 32(c) to the consolidated financial statements.

The Company had no reserves available for distribution as at 31 March 2016.

DIRECTORS

The directors of the Company during the fifteen months ended 31 March 2016 and up to the date of this report are:

Executive Directors:

Mr. Cao Zhong *(Chairman)*	*(appointed as the Executive Vice-chairman on 9 March 2015 and appointed as the Chairman on 29 October 2015)*
Mr. Sun Ziqiang *(Vice Chairman)*	*(appointed on 11 March 2016)*
Mr. Miao Zhenguo *(Chief Executive Officer)*	*(appointed as a non-executive director on 9 March 2015, re-designated from a non-executive director to an executive director on 7 July 2015 and appointed as Chief Executive Officer on 29 October 2015)*
Mr. Jaime Che	*(appointed on 9 March 2015)*
Mr. Dou Jianzhong	*(resigned on 29 October 2015)*
Mr. Lo Wing Yat	*(resigned on 11 March 2016)*

Non-executive Directors:

Dr. Chen Yanping	*(appointed on 7 July 2015)*
Professor Chen Guohua	*(appointed on 29 October 2015)*
Mr. Huang Bin	*(resigned on 9 March 2015)*
Mr. Lu Zhicheng	*(resigned on 9 March 2015)*
Mr. Wong Yau Kar David	*(resigned on 9 March 2015)*

Independent Non-executive Directors:

Mr. Hung Chi Yuen Andrew
Mr. Sit Fung Shuen Victor
Mr. Toh Hock Ghim

In accordance with Bye-law 87 of the Company's Bye-laws, Mr. Miao Zhenguo, Mr. Hung Chi Yuen Andrew and Mr. Sit Fung Shuen Victor will retire from office by rotation at the forthcoming annual general meeting of the Company and, being eligible, have offered themselves for re-election.

No director proposed for re-election at the forthcoming annual general meeting of the Company has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

The Company has received from each of its independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company considers that all the independent non-executive directors to be independent.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2016, the interests or short positions of the directors and the chief executive of the Company and their respective close associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and 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 (the "Model Code") set out in Appendix 10 to 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, 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 8)*
Cao Zhong	Beneficial owner	6,800,000	10,000,000	16,800,000 *(Notes 1 and 7)*	0.08%
	Interest of controlled corporations	2,651,059,998	–	2,651,059,998 *(Note 1)*	12.07%
	Interest of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	5,104,572,167	43,000,000	5,147,572,167 *(Notes 1 and 5)*	23.43%

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 8)*
Miao Zhenguo	Beneficial owner	–	15,000,000	15,000,000 *(Notes 2 and 7)*	0.07%
	Interest of controlled corporations	1,970,551,043	–	1,970,551,043 *(Note 2)*	8.97%
	Interest of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	5,791,881,122	38,000,000	5,829,881,122 *(Notes 2 and 5)*	26.54%
Jaime Che	Beneficial owner	1,000,000	16,000,000	17,000,000 *(Notes 3 and 7)*	0.08%
	Interest of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	7,761,432,165	37,000,000	7,798,432,165 *(Notes 3 and 5)*	35.50%
Chen Yanping	Beneficial owner	–	12,000,000	12,000,000 *(Notes 4 and 7)*	0.05%
	Interest of controlled corporations	658,125,000	–	658,125,000 *(Note 4)*	3.00%
	Interest of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	7,104,307,165	41,000,000	7,145,307,165 *(Notes 4 and 5)*	32.53%
Chen Guohua	Beneficial owner	–	10,000,000 *(Note 7)*	10,000,000	0.05%
Hung Chi Yuen Andrew	Beneficial owner	–	280,000 *(Note 6)*	280,000	0.00%
Sit Fung Shuen Victor	Beneficial owner	–	280,000 *(Note 6)*	280,000	0.00%
Toh Hock Ghim	Beneficial owner	–	280,000 *(Note 6)*	280,000	0.00%

Notes:

1. Mr. Cao Zhong is interested or deemed to be interested in a total of 7,815,432,165 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 held by Champion Rise International Limited which is wholly owned by Mr. Cao who is a director; (iii) 6,800,000 shares and 10,000,000 share options*(note 7)* held by Mr. Cao; and (iv) 5,104,572,167 shares and 43,000,000 share options*(note 7)* held by the other parties to the Undertaking*(note 5)*.

2. Mr. Miao Zhenguo is interested or deemed to be interested in a total of 7,815,432,165 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; (iii) 15,000,000 share options*(note 7)* held by Mr. Miao; and (iv) 5,791,881,122 shares and 38,000,000 share options*(note 7)* held by the other parties to the Undertaking*(note 5)*.

3. Mr. Jaime Che is interested or deemed to be interested in a total of 7,815,432,165 shares of FDG including: (i) 1,000,000 shares and 16,000,000 share options*(note 7)* held by Mr. Che; and (ii) 7,761,432,165 shares and 37,000,000 share options*(note 7)* held by the other parties to the Undertaking*(note 5)*.

4. Dr. Chen Yanping is interested or deemed to be interested in a total of 7,815,432,165 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; (ii) 12,000,000 share options*(note 7)* held by Dr. Chen; and (iii) 7,104,307,165 shares and 41,000,000 share options*(note 7)* held by the other parties to the Undertaking*(note 5)*.

5. On 26 February 2016, CITIC International Assets Management Limited, Star Mercury Investments Ltd., Mr. Cao Zhong, Mr. Miao Zhenguo, Mr. Jaime Che, Dr. Chen Yanping and CITIC Pacific Limited entered into a concert party undertaking to regulate their dealings in the shares of FDG (the "Undertaking"). As such, each party to the Undertaking was deemed to have interests in the shares and/or underlying shares held by the other parties to the Undertaking under Section 317(1)(a) of the SFO.

6. The interests in underlying shares of FDG represent interests in FDG shares which will be allotted and issued to the relevant director upon conversion of the zero coupon convertible bonds issued by FDG due 2018 that he holds at the initial conversion price of HK$0.50 per share of FDG.

7. 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.

8. These percentages are calculated on the basis of 21,963,581,108 shares of FDG as at 31 March 2016.

Save as disclosed above, as at 31 March 2016, none of the directors or chief executive of the Company or their respective close associates had any interest or short position 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

Details of the share option scheme adopted by the Company on 12 October 2007 and movements of the options during the fifteen months ended 31 March 2016 are set out in Note 32(d) to the financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above and "Equity Settled Share-based Transactions" as set out in Note 32(d) to the consolidated financial statements, at no time during the fifteen months ended 31 March 2016 was the Company or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2016, the persons, other than the directors or chief executive of the Company, who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of substantial 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 Electric Vehicles Limited	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	2,640,000,000 (L)	2,205,882,352 (L)	4,845,882,352 (L)	94.35% (L)
Sun Hung Kai & Co. Limited	Interest held by controlled corporations *(Note 4)*	2,640,000,000 (L)	2,205,882,352 (L)	4,845,882,352 (L)	94.35% (L)
Allied Properties (H.K.) Limited	Interest held by controlled corporations *(Note 4)*	2,640,000,000 (L)	2,205,882,352 (L)	4,845,882,352 (L)	94.35% (L)
Allied Group Limited	Interest held by controlled corporations *(Note 4)*	2,640,000,000 (L)	2,205,882,352 (L)	4,845,882,352 (L)	94.35% (L)
Lee Seng Hui	Interest held by controlled corporations *(Note 4)*	2,640,000,000 (L)	2,205,882,352 (L)	4,845,882,352 (L)	94.35% (L)
Lee Su Hwei	Interest held by controlled corporations *(Note 4)*	2,640,000,000 (L)	2,205,882,352 (L)	4,845,882,352 (L)	94.35% (L)
Lee Seng Huang	Interest held by controlled corporations *(Note 4)*	2,640,000,000 (L)	2,205,882,352 (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 effective on 14 September 2015 (the "Share Subdivision")).

2. FDG Electric Vehicles Limited ("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 41.74% 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 Lee and Lee Trust, being a discretionary trust, having 73.90% interest in Allied Group Limited as at 31 March 2016. Accordingly, all these parties 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 March 2016.

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 March 2016.

DIRECTORS' INTEREST IN COMPETING BUSINESSES

Mr. Cao Zhong, Mr. Miao Zhenguo, Mr. Jaime Che and Dr. Chen Yanping are also directors of FDG, a controlling shareholder of the Company, which is also engaged in the business of research and development, production, distribution and sale of cathode materials for lithium-ion battery. Mr. Cao Zhong is also a substantial shareholder of FDG.

Save as disclosed above, during the fifteen months ended 31 March 2016, none of the directors or their respective close associates is and was interested in any business (other than the Group's business) which competes or is likely to compete, either directly or indirectly, with the businesses of the Group pursuant to Rule 8.10(2) of the Listing Rules.

PERMITTED INDEMNITY PROVISIONS

During the fifteen months ended 31 March 2016, the Company has in force indemnity provisions as permitted under the relevant statutes for the benefit of the directors and officers of the Company and its subsidiaries. The permitted indemnity provisions are provided for in the Company's bye-laws and in the directors and officers liability insurance maintained for the Group in respect of potential liability and costs associated with legal proceedings that may be brought against such persons.

DIRECTORS' INTERESTS IN CONTRACTS

Apart from the agreements disclosed in the section headed "Connected Transactions" below, there were no contracts of significance to which the Company or any of its subsidiaries, holding companies or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period under review.

MANAGEMENT CONTRACT

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the fifteen months ended 31 March 2016.

CONNECTED TRANSACTIONS

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

On 31 October 2014, a sale and purchase agreement was entered into between CIAM Investment (BVI) Limited ("CIAM BVI", now known as FDG Kinetic Investment (BVI) Limited, a direct wholly-owned subsidiary of the Company) and Preferred Market Limited ("Preferred Market", an indirect wholly-owned subsidiary of FDG) 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"). The closing of the Agnita Transaction is conditional on certain conditions precedent including, among others, the 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 having becoming unconditional as to acceptances, i.e. Sinopoly Strategic Investment Limited ("Sinopoly") controls more than 50% of the voting rights in the Company and as a result of which, FDG and Sinopoly would then become connected persons of the Company. The Agnita Transaction therefore constituted a connected transaction for the Company under Chapter 14A of the Listing Rules which was approved by the independent shareholders of the Company at the special general meeting held on 23 December 2014. The Company complied with the applicable disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the Agnita Transaction.

The Offer was opened for acceptance from 30 January 2015 to 23 February 2015. Sinopoly received valid acceptances in respect of 840,106,498 shares (representing approximately 89.54% of the issued share capital of the Company) and became the controlling shareholder of the Company. Following the close of the Offer, the Agnita Transaction was completed on 27 February 2015 when the Company received HK$150,000,000 in cash and HK$370,000,000 FDG 3-year secured bonds with 8% coupon per annum in accordance with terms of the sale and purchase agreement.

Further details of the Agnita Transaction were set out in the circular of the Company dated 5 December 2014.

Acquisition of 25% interests in Synergy Dragon Limited

On 20 April 2015, a sale and purchase agreement was entered into between 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) 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), representing 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). FDG, through Sinopoly, is a substantial shareholder of the Company and hence, Union Grace being a wholly-owned subsidiary of FDG is a connected person of the Company. The Acquisition therefore constituted a connected transaction for the Company under Chapter 14A of the Listing Rules which was approved by the independent shareholders of the Company at the special general meeting held on 27 July 2015. The Company complied with the applicable disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the Acquisition.

Further details of the Acquisition were set out in the joint announcement of the Company and FDG dated 20 April 2015 and the circular of the Company dated 6 July 2015.

CONTINUING CONNECTED TRANSACTIONS

On 30 December 2013, the Company and CITIC International Assets Management Limited ("CIAM", the former substantial shareholder of the Company) entered into the following agreements which were terminated on 31 March 2015:

(1) Inter-companies Services and Cost Allocation Agreement for the provision of the business development and management services provided by the CIAM group to the Group ("Agreement 1"), the aggregate annual value under which shall not exceed HK$5,500,000 for each of the three years ending 31 December 2016; and

(2) Inter-companies Services and Cost Allocation Agreement for the provision of the investment and asset management services provided by the Group to the CIAM group ("Agreement 2"), the aggregate annual value under which shall not exceed HK$5,500,000 for each of the three years ending 31 December 2016.

For the period from 1 January 2015 to 31 March 2015, the fee paid by the Company to CIAM pursuant to Agreement 1 was approximately HK$1,847,000 (2014: HK$3,274,000) and the fee paid by CIAM to the Company pursuant to Agreement 2 was approximately HK$963,000 (2014: HK$2,739,000).

As each of the relevant percentage ratios applicable to the above transactions is less than 25% and each of the aggregate annual value under Agreement 1 and Agreement 2 is less than HK$10,000,000, these transactions are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken in normal course of the Group's business are set out in Note 40 to the consolidated financial statements. In relation to those related party transactions that constituted connected transactions under the Listing Rules, they have complied with applicable requirements in accordance with the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the applicable laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

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

During the fifteen months ended 31 March 2016, there were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries.

DONATIONS

There were no charitable donations made by the Group during the fifteen months ended 31 March 2016 (2014: Nil).

SUFFICIENCY OF PUBLIC FLOAT

The Company did not satisfy the minimum public float requirement under Rule 8.08(1)(a) of the Listing Rules, details of which are set out in the announcement of the Company dated on 2 March 2015. The Company applied to the Stock Exchange for a temporary waiver from strict compliance with minimum public float requirement for a period of three months commencing from 24 February 2015. Immediately upon completion of placing of shares by the controlling shareholder as disclosed in the announcement of the Company dated 7 May 2015, the public float of the Company has been restored to more than 25% of the issued share capital of the Company in compliance with Rule 8.08(1)(a) of the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

On 14 April 2016, the Company and FDG jointly announced, inter alia, that a share subscription agreement was entered into between the Company (as guarantor), ALEEES (as issuer) and FKIL (as subscriber) pursuant to which ALEEES conditionally agreed to allot and issue and FKIL conditionally agreed to subscribe for 46,000,000 new ordinary shares of ALEEES at the subscription price of NT$35 per new share of ALEEES in a sum of NT$1,610,000,000. Upon completion of the subscription which is expected to take place in the second half of 2016, the Company will have an approximately 21.85% equity stake in ALEEES and will become the single largest shareholder of ALEEES. ALEEES will therefore be accounted for as an associated company of the Company. The Company will also have the right to nominate two directors of ALEEES.

The Company and ALEEES also entered into a cooperation agreement in connection with the share subscription agreement stated above, pursuant to which ALEEES had agreed to be engaged as a consultant to the Company in order to provide technology licensing and consultancy services to one or more PRC subsidiary(ies) of the Company in the construction of factories and production of M-series cathode materials for lithium-ion battery.

The share subscription agreement was inter-conditional with the Cooperation Agreement, the Ark Cayman Sale and Purchase Agreement, the Ark Taiwan Asset Purchase Agreement, the R&D Service Agreement, the FDG Subscription Agreement and the Loan Agreement which are more described in the joint announcement of the Company and FDG dated 14 April 2016, the circular of the Company dated 30 May 2016 and Note 42 to the consolidated financial statements. ALEEES is considered to be a "deemed connected person" of the Company upon FDG Subscription Agreement becoming unconditional.

The share subscription agreement constituted a major and connected transaction of the Company which was approved by the independent shareholders of the Company at the special general meeting held on 16 June 2016.

ALEEES is principally engaged in the business of production, research and development and sales and marketing of cathode materials for lithium ferrous phosphate batteries. It is one of the major suppliers of cathode materials for Sinopoly Battery Limited, a lithium-ion battery manufacturer which is 25% owned by the Company and 75% owned by FDG. The cooperation agreement secures long-term access to the quality cathode materials and provides Sinopoly Battery Limited steady supply of raw materials for the manufacturing of lithium-ion batteries. The acquisition of 21.85% stake in ALEEES diversifies the Company's portfolio while remaining committed in the battery related businesses.

Details of other significant events occurring after the reporting period are set out in Note 42 to the consolidated financial statements.

AUDITOR

The consolidated financial statements of the Company for the two years ended 31 December 2013 and 2014 were audited by KPMG.

The consolidated financial statements of the Company for the fifteen months ended 31 March 2016 were audited by Deloitte Touche Tohmatsu.

On 19 April 2016, KPMG resigned as auditor of the Company and Deloitte Touche Tohmatsu was appointed as the auditor of the Company to fill the casual vacancy and to hold office until the conclusion of the forthcoming annual general meeting of the Company.

A resolution for the re-appointment of Deloitte Touche Tohmatsu as auditor of the Company will be proposed at the forthcoming annual general meeting.

By order of the Board

Cao Zhong
Chairman

Hong Kong, 29 June 2016

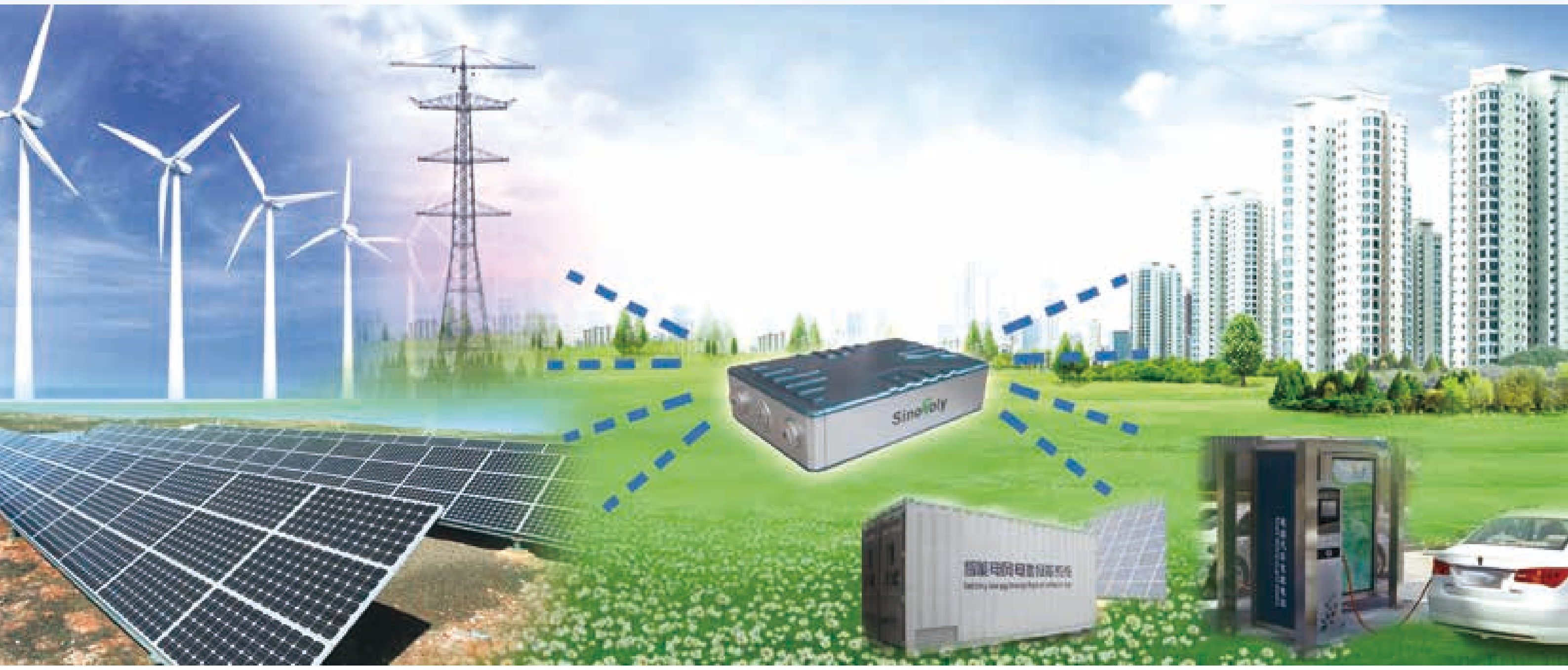
The Lithium-ion Battery of Sinopoly Battery

The Company used to be a company investing primarily in the energy conservation, environmental protection and clean energy sectors with the "Green and Growth" investment philosophy. The Company has 45% equity interests in 華能壽光風力發電有限公司 (Huaneng Shougang Wind Power Co., Ltd.*, a wind power electricity developer and operator in the People's Republic of China ("PRC")). But in the period under review, through: (i) investing equity interests in Sinopoly Battery Limited ("Sinopoly Battery"); (ii) acquiring the entire equity interests in FDG Kinetic (Chongqing) Lithium Ion Battery Materials Co., Ltd* ("FDG Kinetic (Chongqing)"); and (iii) the proposed cooperation with Advanced Lithium Electrochemistry (Cayman) Co., Ltd ("ALEEES", listed on the Taipei Exchange, stock code: 5227), the Company has expanded to become an integrated company specializing in technology development, production and sales of lithium-ion batteries besides "Green Energy" investment. The Company is an indirect non-wholly-owned subsidiary of FDG Electric Vehicles Limited ("FDG", stock code: 729).

MARKET OVERVIEW

In 2015, the global economy growth was frail. Only the United States enjoyed a steady recovery after adoption of a long period of quantitative easing policies. The economy in Europe and Japan continued to be weak. Although the PRC's economy also witnessed a slight slowdown, according to the National Bureau of Statistics of the PRC, it still recorded a 6.9% GDP growth rate after a series of continuously modest stimulus policies implemented by the PRC government. The PRC's economy has maintained a stable development in the "New Normal" economic environment. Given macro environment is unsatisfactory and unstable factors still exist, the government in each country still provides tremendous supports for new energy vehicles ("NEVs") in dealing with climate changes, energy shortages and environment deteriorations, etc.

* *For identification only*



Different Uses of the Lithium-ion Batteries of Sinopoly Battery

The PRC's NEV industry has entered into a stage of rapid growth in 2015. According to the Ministry of Industry and Information Technology of the PRC, the production and sales of NEVs were 379,000 units and 331,100 units respectively, with a year-on-year increase of 4 times and 3.4 times respectively, while the production and sales of pure electric vehicles ("EVs") were around 254,600 units and 248,000 units respectively, both increasing by more than 4 times when compared to last year. With the dramatic growth in the production and sales volumes of NEVs, the market of power lithium-ion batteries in the PRC also enjoyed tremendous growing opportunities. Total production volume amounted to 16 GWh in 2015, representing a 250% year-on-year growth. In the first quarter of 2016, total production volume of power lithium-ion batteries amounted to 7.5 GWh, representing an increase of 4.5 times compared to the same quarter last year.

Power lithium-ion battery accounts for 40% to 60% of total cost of electric vehicles. And cathode materials are the most critical raw materials for the power lithium-ion batteries, accounting for 30% to 40% of total cost of power lithium-ion batteries. At present, the lithium-ion battery companies are mainly located in Japan, the PRC and Korea, and their total lithium battery production accounts for over 90% of the global market. Correspondingly, the producers of lithium-ion battery cathode materials are mainly located in the above-mentioned countries. In terms of selection of lithium-ion battery cathode materials in use for electric vehicles, ternary cathode materials are commonly adopted in Japan and Korea (e.g. Nickel-Cobalt-Manganese ("NCM"), Nickel-Cobalt-Aluminum-oxide ("NCA")), while Lithium Ferrous Phosphate ("LFP") as the cathode material is principally used by the PRC's electric vehicle companies. LFP related techniques have well established in the PRC, which has a relatively superior performance on cycling stability, but relatively low energy density (approximately 130 Wh/kg). To pursue higher energy density and performance of power lithium-ion batteries, more and more PRC companies start to develop and mass-produce NCM lithium-ion batteries. In the "Planning for the Development of Energy-Saving and New Energy Automobile Industry (2012-2020)" issued by the PRC's State Council, the government also pointed out clearly that the energy density of power batteries should be over 300 Wh/kg with cost lower than RMB1.5/Wh by 2020. Therefore, developing ternary batteries is inevitable for the PRC's power lithium-ion battery industry.

BUSINESS REVIEW

Entered into Strategic Cooperation through Equity Restructuring with FDG and ALEEES

In April 2016, the Company, with its parent company, FDG, together with ALEEES announced to enter into a long-term strategic cooperation through equity restructuring. Upon completion, the Company will hold approximately 21.85% equity interest of ALEEES, while ALEEES will hold approximately 4.27% equity interest in FDG (if all convertible bonds converted into shares of FDG). The transaction is estimated to be completed in the second half of 2016.

ALEEES is one of the global largest suppliers of LFP battery cathode materials, with annual design production capacity of 3,000 tons. It is also a primary supplier of cathode materials for Sinopoly Battery Limited ("Sinopoly Battery"), a wholly owned subsidiary of Synergy Dragon Limited which is 75% owned by FDG and 25% owned by the Company and a lithium-ion battery manufacturer. The strategic cooperation will diversify the Company's battery products portfolio. At the same time, the PRC Government is forbidding public electric buses from using NCM lithium-ion battery until it has passed the safety certification. So it is expected that the public electric buses will primarily use LFP battery and the domestic demand for LFP batteries will largely increase; the strategic cooperation will ensure Sinopoly Battery to have stable LFP cathode material supplies. After completion of the transaction, the Company will become the single largest shareholder of ALEEES, with an expected decrease in ALEEES's expense, especially the administration expenses and research and development ("R&D") expenses, will bring in positive impacts to ALEEES's financial results, which will also in turn bring positive financial impacts to the Company.

Moreover, the cooperation combines the advantages of the PRC, Hong Kong and Taiwan, including the huge market demand in the PRC, mature scientific research technology in Taiwan, and a sound financial structure in Hong Kong, and also coincide with the PRC's long-term plan of environmental protection in "the 13th five-year plan", which encourages the expansion of new energy vehicles and EV industry, in order to solve the deteriorating environment pollution problem.

*Acquired FDG Kinetic (Chongqing) Lithium Ion Battery Materials Co., Ltd**

In September 2015, the Company wholly acquired SK (Chongqing) Lithium Ion Battery Materials Co., Ltd* (subsequently renamed to FDG Kinetic (Chongqing) Lithium Ion Battery Materials Co., Ltd* ("FDG Kinetic (Chongqing)"). FDG Kinetic (Chongqing) was a subsidiary of the members of the SK Group. It is principally engaged in the manufacturing of the cathode materials for NCM lithium-ion battery, which can be used in EVs, energy storage systems and telecommunication devices, with a current annual design production capacity of 2,400 tons. The annual design production capacity can be increased to 9,600 tons through further expansion. The NCM battery is one of the most popular lithium-ion batteries. FDG Kinetic (Chongqing) has prestigious and advanced research and technology in producing cathode materials of NCM lithium-ion batteries. This acquisition is the entry point for the Company to enter NCM lithium-ion battery market, which diversifies the Company's battery business and increases the Company's competitiveness. Moreover, the acquisition facilitates the Company to become a leading integrated battery manufacturing enterprise and also helps to increase customer base and market shares.

Acquired 25% Equity Interests of Sinopoly Battery

In August 2015, the Company completed the acquisition of 25% equity interests of Sinopoly Battery, a lithium-ion battery manufacturer. Sinopoly Battery is an integrated high-tech group which specializes in production, sales and R&D of high capacity lithium-ion batteries and related products. Its products are mainly used in EVs and renewable energy storage systems. Sinopoly Battery has manufacturing factories in both Jilin and Tianjin. The total annual design capacity is 120 million AH and 130 million AH for Jilin and Tianjin base, respectively. The acquisition provides a platform for the Company to establish business in lithium-ion battery and its related products, which is essential to the Company's strategic reform.

* *For identification only*

RISK FACTORS

Policies Risk

In recent years, the policies for development of NEV industry have been raised to the national strategy level. The Company's business will be affected by the policy changes to some extent. This is mainly because the Company's business benefits from government policies and subsidies. In order to reduce the sensitivity to policy changes, the Company is keen to improve technology to reduce costs and to expand business to better achieve economic of scales.

Market Risk

Given the incoming profound market opportunities of the PRC's lithium-ion battery industry, domestic major battery companies are turning to layout in lithium-ion battery business which increases the industry competitions. The Company will keep improving technologies and developing new products to enhance its industry position.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The lithium-ion batteries of the Company, which are internationally known as the "green batteries", are produced according to the international environmental protection standards with modern production technologies. Given the Company chooses to use quality LFP cathode materials and environment-friendly water-based adhesive as raw materials, the Company's lithium-ion battery products have advantages include: superior performance, longer lifecycle and lower costs. They do not consist of harmful materials and thus will not cause pollutions.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Company provides a good working environment to the employees, including a comprehensive employee welfare system, excellent opportunities of promotion and proper training. The Company has employee equity incentive plans as a reward. The Company provides employees promotion opportunities through internal monitor and assessments. The Company also provides different training programs to increase their knowledge in work.

The Company provides excellent after-sales services to customers in order to maintain a good client relationship. All the products of the Company have passed strict tests before delivery to customers.

In addition, the Company also has a strict selection of suppliers. The Company tends to choose leading enterprises within the industry or suppliers with advanced technologies and products as partners to ensure the quality of raw materials. The Company will stabilize the supply of raw materials and also acquire related technologies through mergers and acquisitions.

RELEVANT LAWS AND REGULATIONS

The Company complies with the requirements under the Companies Ordinance, the Listing Rules and the Securities and Futures Ordinance for the disclosure of information and corporate governance. The Company also complies with the requirements of Employment Ordinance and ordinances relating to occupational safety for the interest of employees of the Company.

Products and Specifications

The Company's power battery has been listed in the catalog of "Standardized Requirements for the Automobile Power Storage Battery Industry". The Company's power battery conforms to the standards in the aspect of capacity, energy, power, efficiency, standard cycle life, working cycle life.

FUTURE DEVELOPMENT

Compared to some foreign countries, the new energy industry in China started relatively late and its technological development fell behind, hence there is still empty room for future growth and also tremendous potential investment opportunities in nuclear sector, wind power sector and NEV sector etc. Moreover, given the government's supporting policies are expected to continue, the Company will continue investing in the new energy industry steadily in accordance with the "Green and Growth" investment philosophy.

With the increasing awareness of environment protection and energy saving, NEV sector is considered as one of the key development sectors of the PRC government's future planning. According to industry estimation, NEV production and sales volumes are expected to reach 500,000 units in 2016, demand for power lithium-ion batteries will exceed 25 GWh. And the annual sales of new energy vehicles will grow to over 2 million by 2020; consequently, the demand for power lithium-ion batteries will increase to over 58 GWh, which indicates huge market potential. Looking at the PRC's lithium-ion battery market structure, the top 10 companies account for 67.4% market share. Given current high market concentration, the overall market share structure is still unstable. The rapid growth period of the market in the next couple of years will also be a period for market reshuffling, implying fierce competitions.

The company will increase budgets and efforts in R&D to enhance products, and also actively adjust capacity allocation, in order to further expand market share and influence in power lithium-ion battery industry. Moreover, to pursue high energy and performance of power lithium-ion batteries, the company is aggressively developing NCM lithium-ion batteries in use for passenger vehicles. The company will work hard to grow current business, and seize market opportunities, to maximize returns for shareholders.

FINANCIAL REVIEW

During the fifteen months period under review, the Group recorded a revenue of approximately HK$104.4 million, representing an increase of approximately 401.9% as compared with the revenue of approximately HK$20.8 million of the last financial year. 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 fifteen months ended 31 March 2016, amounted to approximately HK$1,970.5 million (year 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 losses:

(i) an impairment loss on interest in an associate, Agnita Limited ("Agnita"). As indicated in Note 20(b) to the consolidated financial statements, the equity interest in and amount due from 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 arising from cumulative exchange differences 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 (year ended 31 December 2014: approximately HK$22.5 million); and

(ii) a loss arising from acquisition of an associate, Synergy Dragon Limited ("SDL"). As detailed in Note 20(a) to the consolidated financial statements, 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 principle amount of the Convertible Bonds. The loss of HK$1,693.1 million represented the different between the principle amount of the Convertible Bonds and its fair value as at completion date.

Excluding the above non-cash items, the Group's loss attributable to equity shareholders of the Company for the fifteen months ended 31 March 2016 would be approximately HK$113.8 million (year ended 31 December 2014: approximately HK$48.6 million). The increase was mainly attributable to:

(i) the general and administrative expenses amounted to approximately HK$53.5 million, representing an increase of approximately HK$26.3 million as comparing with approximately HK$27.2 million for the year 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 Premier Property Management Limited and its subsidiary (the "PPM Group") and partially offset by the decrease in both staff costs and rental expenses incurred in Hong Kong; and

(ii) the finance costs amounted to approximately HK$71.8 million (year ended 31 December 2014: Nil) which were arising from the interest expenses on the HK$750 million Convertible Bonds and bank and other borrowings made by the newly acquired PPM Group.

SEGMENT INFORMATION

Battery Materials Production Business

During the period under review, the Group extended its business to sales of cathode materials for production of nickel-cobalt-manganese lithium-ion batteries through the acquisition of the 100% issued share capital of the PPM Group. The acquisition was completed in October 2015. This new business segment contributed the Group's revenue of approximately HK$46.3 million from the sales of cathode materials and brought about a loss of approximately HK$29.6 million to the Group during the fifteen months period under review. The NCM lithium-ion batteries can be widely used in the telecommunication devices, electric vehicle and energy storage system. The demand for cathode materials are expected to remain strong in the future to cope with the favorable government policies in the development of new energy vehicle industry.

Direct Investments Business

During the fifteen months period under review, interest and dividend income of approximately HK$58.1 million mainly comprised of (i) approximately HK$16.0 million was overdue 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 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$23.7 million on the Loan interest receivable during the fifteen months period under review (year ended 31 December 2014: approximately HK$16.6 million); and (ii) approximately HK$33.3 million was mainly attributable to the interest accrued for the secured bond issued by FDG to the Company for its acquisition of Agnita on 27 February 2015.

During the fifteen months period under review, the Group's investments measured at fair value recorded a net loss of approximately HK$17.7 million (year ended 31 December 2014: approximately HK$1.2 million).

Geographical Analysis of Revenue

During the fifteen months ended 31 March 2016, Hong Kong and the PRC contributed approximately 55.3% (year ended 31 December 2014: 17.0%) and 44.7% (year ended 31 December 2014: 83.0%) to the Group's total revenue respectively.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2016, the Group's net assets attributable to equity shareholders of the Company amounted to approximately HK$1,773.2 million (31 December 2014: approximately HK$1,287.6 million). Net assets attributable to equity shareholders of the Company per share were approximately HK$0.35 (31 December 2014: restated approximately HK$0.27). The Group's total assets of approximately HK$2,667.8 million (31 December 2014: approximately HK$1,304.1 million) mainly consisted of goodwill of approximately HK$470.1 million (31 December 2014: Nil), intangible assets of approximately HK$99.0 million (31 December 2014: Nil), property, plant and equipment and interests in leasehold land held for own use under operating lease of approximately HK$227.9 million (31 December 2014: approximately HK$0.6 million), interest in an associate of approximately HK$749.4 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$218.5 million (31 December 2014: approximately HK$82.0 million) and cash and cash equivalents of approximately HK$157.6 million (31 December 2014: approximately HK$366.7 million).

Use of cash and cash equivalents for the fifteen months 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	(216)
Cash available as at 31 March 2016	158

As at 31 March 2016, the bank and other borrowings included (i) bank borrowings of approximately HK$76.7 million (31 December 2014: Nil), denominated in Renminbi ("RMB"), were secured, interest bearing at floating rates and repayable within five years. Such bank borrowings 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$130.1 million in favour of the lender by way of the fixed charges and floating charges over all the plant and machinery and inventories of FDG Kinetic (Chongqing); and (ii) the other borrowings of approximately HK$32.6 million, denominated in United States dollars, were unsecured, guaranteed by the Company, interest bearing at a fixed rate and repayable within one year. The Group's bank and other borrowings are mostly event driven, with little seasonality.

As at 31 March 2016, the Group's non-current liabilities comprised mainly the liability component of the convertible bonds of approximately HK$604.9 million (31 December 2014: Nil) and long term portion of bank borrowings of approximately HK$64.7 million (31 December 2014: Nil).

As at 31 March 2016, the Group's gearing ratio, without taking into account of the liability component of convertible bonds of approximately HK$604.9 million (31 December 2014: Nil), was approximately 6.2% (31 December 2014: Nil) calculated on the basis of bank and other borrowings of approximately HK$109.3 million (31 December 2014: Nil) to total equity attributable to owners of the Company of approximately HK$1,773.2 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 fifteen months 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 other debt securities or other capital instruments as at 31 March 2016.

MATERIAL ACQUISITIONS AND DISPOSAL

During the period under review, 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", now known as FDG Kinetic Investment (BVI) Limited, 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 6 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.

Save as disclosed above, the Group had no material acquisition or disposal during the fifteen months ended 31 March 2016.

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

There were pledged of assets as at 31 March 2016 (31 December 2014: Nil) with details disclosed under the section headed "Liquidity and Financial Resources". In addition, certain bank deposits of approximately HK$22.7 million (31 December 2014: Nil) were pledged for bills payable.

The Group had no significant contingent liabilities as at 31 March 2016 (31 December 2014: Nil).

CAPITAL COMMITMENTS

The Group had no significant capital commitments as at 31 March 2016 (31 December 2014: Nil).

HUMAN RESOURCES

As of 31 March 2016, the Group had 16 employees in Hong Kong and 86 employees in the PRC. Total staff costs (including directors' emoluments and equity settled share-based payments) during the fifteen months ended 31 March 2016 amounted to approximately HK$21.7 million (for the year ended 31 December 2014: approximately HK$18.5 million). The remuneration policies are determined with reference to market conditions and individual performance of staff. The Group participates in Mandatory Provident Fund Scheme in Hong Kong and state managed retirement benefit schemes in the PRC.

There were no material changes in human resources structure and compensation approach during the fifteen months ended 31 March 2016. 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 fifteen months ended 31 March 2016.

CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining a high standard of corporate governance. The board of directors of the Company (the "Board") believes that sound corporate governance principles, increased transparency and independency of corporate operation, and an effective shareholder communication mechanism will promote the healthy growth of the Company and enhance the shareholders' value.

CORPORATE GOVERNANCE

The Company applied the principles of and complied with all the code provisions of the Corporate Governance Code and Corporate Governance Report (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the fifteen months ended 31 March 2016 and up to the date of this report except for the following deviations.

Code provision A.4.1

Pursuant to code provision A.4.1 of the Code, non-executive directors 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 but they 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 believes that retirement by rotation every three years achieves the intended aims of the Code. Therefore, 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.

Code provision F.1.1

Pursuant to code provision F.1.1 of the Code, the company secretary should be an employee of the company. The Company Secretary of the Company is an employee of FDG Electric Vehicles Limited ("FDG"), the controlling shareholder of the Company, and serves as the company secretary of FDG and its subsidiaries. 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules 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 fifteen months ended 31 March 2016.

BOARD OF DIRECTORS

Composition

The Board currently comprises the following nine directors:

Executive directors:
Mr. Cao Zhong *(Chairman)*
Mr. Sun Ziqiang *(Vice Chairman)*
Mr. Miao Zhenguo *(Chief Executive Officer)*
Mr. Jaime Che

Non-executive directors:
Dr. Chen Yanping
Professor Chen Guohua

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

The biographical details of the existing directors are set out in the "Directors' Biographies" on pages 4 to 7 of this annual report.

Board Diversity

The Board has adopted a new board diversity policy (the "Policy") on 29 June 2016 to replace the old policy. Under the Policy, the selection of candidates for Board appointment will be based on a range of diversity perspectives, including but without limitation to gender, age, cultural and education background, professional and industry experience, skills, knowledge and length of service. The Nomination Committee has considered that the current Board composition has the appropriate skills, experience and diversity of perspectives that are required to support the execution of the business strategies of the Company and achieve the effective running of the Board.

The Nomination Committee will monitor the implementation of the Policy and assess the Board composition on an annual basis.

Role and Function

The Board has reserved for its decision or consideration matters covering mainly the overall strategy of the Group; annual and interim results; material acquisition, disposal or investments; directors' appointment or re-appointment; and other significant business, financial or legal matters.

The Board has delegated the day-to-day operations of the Group to the management and the management has been providing the Board with monthly reports, which contain, inter alia, business information, financial summary including cash and bank balances and key events of the Group (if any).

The Board is responsible for overseeing corporate governance practices of the Group and will assign certain functions to other board committee(s) as and when appropriate.

Chairman and Chief Executive Officer

Mr. Cao Zhong is the Chairman and Mr. Miao Zhenguo is the Chief Executive Officer of the Company. The respective roles of the Chairman and the Chief Executive Officer are clearly established and segregated. The Chairman is responsible for the leadership and effective running of the Board, and for ensuring that all key and appropriate issues are discussed by the Board in a timely and constructive manner. Directors are encouraged to participate actively in all Board and board committees meetings of which they are members. The Chairman holds meeting with the non-executive directors (including independent non-executive directors) at least annually to exchange views and comments further to those discussed at the Board meetings. The Chief Executive Officer, supported by other Board members and the senior management, is responsible for the day-to-day management of the Group's business, including developing and proposing the Group's strategies and policies for the Board's consideration and the implementation of major strategies and policies approved by the Board and board committees.

Non-executive Directors and Independent Non-executive Directors

The Company has two non-executive directors and three independent non-executive directors.

The term of appointment of the non-executive directors and the independent non-executive directors of the Company are detailed under the section headed "Corporate Governance – Code provision A.4.1".

Throughout the fifteen months ended 31 March 2016, the Company complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive directors, at least one independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise, and a sufficient number of independent non-executive directors representing at least one-third of the board, respectively.

The Board has received from each independent non-executive director an annual confirmation of his independence and considers that all the independent non-executive directors are independent under the guidelines set out in Rule 3.13 of the Listing Rules.

Relationship

Mr. Miao Zhenguo, the Chief Executive Officer of the Company, is the brother-in-law of Mr. Cao Zhong, the Chairman of the Company.

Save as disclosed above, there is no financial, business, family or other material relationship among the members of the Board.

Meetings and Attendance

The Board held eight board meetings during the fifteen months ended 31 March 2016. The individual attendance records of the directors at the Board meetings are as follows:

Name of directors	Number of meetings attended/held
Executive directors:	
Mr. Cao Zhong *(appointed on 9 March 2015)*	6/8
Mr. Sun Ziqiang *(appointed on 11 March 2016)*	–
Mr. Miao Zhenguo *(appointed on 9 March 2015)*	6/8
Mr. Jaime Che *(appointed on 9 March 2015)*	8/8
Mr. Dou Jianzhong *(resigned on 29 October 2015)*	5[a]/5
Mr. Lo Wing Yat *(resigned on 11 March 2016)*	7[a]/8
Non-executive directors:	
Dr. Chen Yanping *(appointed on 7 July 2015)*	2[a]/4
Professor Chen Guohua *(appointed on 29 October 2015)*	3/3
Mr. Huang Bin *(resigned on 9 March 2015)*	–
Mr. Lu Zhicheng *(resigned on 9 March 2015)*	–
Mr. Wong Yau Kar David *(resigned on 9 March 2015)*	–
Independent non-executive directors:	
Mr. Hung Chi Yuen Andrew	8/8
Mr. Sit Fung Shuen Victor	8/8
Mr. Toh Hock Ghim	8/8

Note:

a. Including one meeting having another director acted as his representative.

Time Commitment

The Board has reviewed the contribution required from all directors to perform their responsibilities to the Company and considered that each of the directors has been spending sufficient time and attention to the Company's affairs.

Training

The Company recognises the importance of continuous professional development of directors so as to ensure their contribution to the Board remains informed and relevant. For the fifteen months ended 31 March 2016, the Company arranged a seminar provided by an external organisation for all the directors, namely, Mr. Cao Zhong, Mr. Sun Ziqiang, Mr. Miao Zhenguo, Mr. Jaime Che, Dr. Chen Yanping, Professor Chen Guohua, Mr. Hung Chi Yuen Andrew, Mr. Sit Fung Shuen Victor and Mr. Toh Hock Ghim, as continuing professional training. Some directors also participated in other seminars at their own choice.

Insurance

The Company has arranged appropriate insurance cover in respect of legal action against its directors and senior management.

BOARD COMMITTEES

Following the separation of the Nomination and Remuneration Committee on 7 July 2015 and the establishment of the Executive Committee on 29 June 2016, the Board currently has four committees, namely Remuneration Committee, Nomination Committee, Audit Committee and Executive Committee. Each committee reports back to the Board on its decisions or recommendations, unless there are legal or regulatory restrictions on its ability to do so.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee has been separated into two individual committees on 7 July 2015.

The terms of reference of the Nomination and Remuneration Committee was published on the websites of the Company and the Stock Exchange. For the period from 1 January 2015 to 7 July 2015, the Nomination and Remuneration Committee comprised three independent non-executive directors, namely Mr. Toh Hock Ghim (Chairman of the Nomination and Remuneration Committee), Mr. Hung Chi Yuen Andrew and Mr. Sit Fung Shuen Victor, and the then Chairman of the Company, namely Mr. Dou Jianzhong.

The principal duties of the Nomination and Remuneration Committee included (i) determination the remuneration package of individual executive directors and the chief executive officer; (ii) reviewing the structure, size, composition and diversity of the Board; (iii) identifying and nominating qualified individuals to the Board for appointment as Directors and the chief executive officer; (iv) making recommendations to the Board on directors' fees; (v) reviewing and approving the policies and mechanism in relation to the appointment or termination of, remuneration or compensation to, and the succession plans for the senior executives of the Company; and (vi) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

The Nomination and Remuneration Committee held two meetings during the period from 1 January 2015 to 7 July 2015. The individual attendance records of the committee members are as follows:

Name of committee members	Number of meetings attended/held
Mr. Toh Hock Ghim *(Chairman)*	2/2
Mr. Hung Chi Yuen Andrew	2/2
Mr. Sit Fung Shuen Victor	2/2
Mr. Dou Jianzhong *(resigned on 29 October 2015)*	2[a]/2

Note:

a. Including one meeting having another director acted as his representative.

In these two meetings, the Nomination and Remuneration Committee (i) considered and approved the remuneration of the directors and the chief executive officer; (ii) considered and recommended to the Board the nomination of individuals for appointment as directors and their remuneration; (iii) considered and recommended to the Board the re-designation of a director from non-executive director to executive director; and (iv) considered and recommended to the Board the salary adjustments of directors.

Remuneration Committee

The Remuneration Committee has been established as a result of the separation of the Nomination and Remuneration Committee on 7 July 2015.

The terms of reference of the Remuneration Committee is in compliance with the code provisions set out in the Code. The Remuneration Committee currently comprises three independent non-executive directors, namely Mr. Toh Hock Ghim (Chairman of the Remuneration Committee), Mr. Hung Chi Yuen Andrew and Mr. Sit Fung Shuen Victor, and two executive directors, namely Mr. Cao Zhong and Mr. Miao Zhenguo.

The principal duties of the Remuneration Committee include (i) to make recommendations to the Board on the Company's policy and structure for all directors' and senior management remuneration; (ii) to make recommendations to the Board on the remuneration packages of individual executive directors and senior management; (iii) to make recommendations to the Board on the remuneration of non-executive directors; (iv) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives; and (v) to ensure that no director or any of his associates is involved in deciding his own remuneration. The full version of the terms of reference of the Remuneration Committee is available on the Stock Exchange's website and the Company's website at www.fdgkinetic.com.

The Remuneration Committee held one meeting during the period from 8 July 2015 to 31 March 2016. The individual attendance records of the committee members are as follows:

Name of committee members	Number of meetings attended/held
Mr. Toh Hock Ghim *(Chairman)*	1/1
Mr. Hung Chi Yuen Andrew	1/1
Mr. Sit Fung Shuen Victor	1/1
Mr. Cao Zhong	1/1
Mr. Miao Zhenguo	1/1

In the meeting, the Remuneration Committee considered and recommended to the Board the remuneration of an executive director upon his appointment.

The primary objective of the director remuneration policy is to attract, retain and motivate the Board members by providing fair reward for their contribution to the Group's performance. The directors' remuneration packages are determined with reference to the duties and responsibilities of individual directors, the Company's performance and the prevailing market conditions. The Company has adopted a share option scheme for the purposes of providing incentives or rewards to eligible participants, including the directors of the Company (i) in recognition of their contribution to the Group; (ii) to attract and retain or otherwise maintain an on-going relationship with them for the benefit of the Group; and (iii) to align their interests with the shareholders of the Company, thereby encouraging them to work towards enhancing the value of the shares of the Company.

During the fifteen months ended 31 March 2016, no director was involved in deciding his own remuneration.

Nomination Committee

The Nomination Committee has been established as a result of the separation of the Nomination and Remuneration Committee on 7 July 2015.

The terms of reference of the Nomination Committee is in compliance with the code provisions set out in the Code. The Nomination Committee currently comprises two executive directors, namely Mr. Cao Zhong (Chairman of the Nomination Committee) and Mr. Miao Zhenguo, and three independent non-executive directors, namely Mr. Hung Chi Yuen Andrew, Mr. Sit Fung Shuen Victor and Mr. Toh Hock Ghim.

The principal duties of the Nomination Committee include (i) to review the structure, size and diversity (including but without limitation to gender, age, cultural and education background, professional and industry experience, skills, knowledge and length of service) of the Board and make recommendations on any proposed changes to the Board to complement the Group's business strategy; (ii) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; (iii) to assess the independence of independent non-executive directors; and (iv) to make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive. The full version of the terms of reference of the Nomination Committee is available on the Stock Exchange's website and the Company's website at www.fdgkinetic.com.

The Nomination Committee held one meeting during the period from 8 July 2015 to 31 March 2016. The individual attendance records of the committee members are as follows:

Name of committee members	Number of meetings attended/held
Mr. Cao Zhong *(Chairman)*	1/1
Mr. Miao Zhenguo	1/1
Mr. Hung Chi Yuen Andrew	1/1
Mr. Sit Fung Shuen Victor	1/1
Mr. Toh Hock Ghim	1/1

In the meeting, the Nomination Committee considered and recommended to the Board the appointment of an executive director.

With respect to the board composition, the Nomination Committee ensures that the Board (i) comprises members with mixed skills, knowledge and experience with appropriate weights necessary to accomplish the Group's business development, strategies, operation and opportunities; and (ii) has a strong independent element which can exercise independent judgement effectively.

The Nomination Committee carries out the process of selecting and recommending candidates for directorship including the consideration of referral, promotion and engagement of recruitment firms, whenever necessary; and considers the suitability of a candidate to act as a director on the basis of his qualifications, experience and background.

Audit Committee

The terms of reference of the Audit Committee is in compliance with the code provisions set out in the Code. The Audit Committee currently comprises three independent non-executive directors, namely Mr. Hung Chi Yuen Andrew (Chairman of the Audit Committee), Mr. Sit Fung Shuen Victor and Mr. Toh Hock Ghim.

The principal duties of the Audit Committee include (i) to oversee the relationship with the auditor of the Company (the "Auditor"); (ii) to review the annual and interim results before publication; (iii) to oversee the Group's financial reporting system, risk management and internal control systems; and (iv) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The full version of the terms of reference of the Audit Committee is available on the Stock Exchange's website and the Company's website at www.fdgkinetic.com.

The Audit Committee held three meetings during the fifteen months ended 31 March 2016. The individual attendance records of the committee members are as follows:

Name of committee members	Number of meetings attended/held
Mr. Hung Chi Yuen Andrew *(Chairman)*	3/3
Mr. Sit Fung Shuen Victor	3/3
Mr. Toh Hock Ghim	3/3

During the fifteen months ended 31 March 2016, the Audit Committee (i) reviewed the accounting policies and practices adopted by the Group; (ii) reviewed the Company's results for the year ended 31 December 2014, six months ended 30 June 2015 and twelve months ended 31 December 2015 and recommended the same to the Board for approval; and (iii) reviewed the terms of reference of the Audit Committee and recommended amendments on the same to the Board for approval.

During the fifteen months ended 31 March 2016, the Audit Committee held one meeting with the Auditor to discuss the pre-audit planning of the Group and the Company's results for the fifteen months ended 31 March 2016.

The Audit Committee has reviewed with the management and the Auditor the audited results of the Group for the fifteen months ended 31 March 2016.

Executive Committee

The Executive Committee has been established on 29 June 2016. It comprises three executive directors of the Company, namely Mr. Cao Zhong (Chairman of the Executive Committee), Mr. Miao Zhenguo and Mr. Jaime Che. It meets as and when necessary and operates as a general management committee under the direct authority of the Board.

AUDITOR'S REMUNERATION

For the fifteen months ended 31 March 2016, the Auditor (KPMG and Deloitte Touche Tohmatsu) received approximately HK$2,380,000 for audit service and approximately HK$1,986,000 for non-audit service regarding interim reviews and service for a major transaction in relation to an acquisition of subsidiaries.

FINANCIAL REPORTING

The directors acknowledge their responsibility for preparing the financial statements of the Group.

The statement of the Auditor about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 41 to 42 of this annual report.

INTERNAL CONTROL

The Board has overall responsibility for establishing and maintaining an adequate and effective system of internal control of the Group to safeguard the shareholders' investments and the Group's assets.

The Group's internal control system includes a management structure with defined lines of responsibility and limits of authority. It aims to provide reasonable, but not absolute, assurance that assets are safeguarded against misappropriations, transactions are executed in accordance with the management's authorisation, and accounting records are reliable and proper for preparing financial information and are not materially misstated. The system is designed to identify, evaluate and manage effectively risks rather than to eliminate all risks of failure.

The Company has engaged SHINEWING Risk Services Limited as the internal controls consultant to conduct independent internal controls system of a selected subsidiary (as agreed by the audit committee). The review covered all material controls, including financial, operational and compliance procedures for the fifteen months ended 31 March 2016. The internal controls report has been circulated to the audit committee for review and discussion.

SHAREHOLDERS' RIGHTS

The Company values the views of its shareholders and recognises their interests in the Group's strategy and performance. The Company has formulated the shareholders' communication policy which will be reviewed by the Board from time to time to ensure its effectiveness.

Shareholders' Meetings

The annual general meeting and other general meetings (if any) of the Company are the primary forum for communication by the Company with the shareholders and for shareholders' participation. All shareholders are encouraged to attend the general meetings or to appoint proxies to attend and vote at meetings on their behalf if they are unable to attend the meetings in person.

During the fifteen months ended 31 March 2016, the Company held the annual general meeting on 27 May 2015 (the "AGM") and three special general meetings on 27 July 2015, 11 September 2015 and 15 December 2015 respectively (the "SGMs"). The individual attendance records of the directors at the AGM and SGMs are as follows:

Name of directors	Number of AGM attended/held	Number of SGM attended/held
Executive directors:		
Mr. Cao Zhong *(appointed on 9 March 2015)*	0/1	2/3
Mr. Sun Ziqiang *(appointed on 11 March 2016)*	–	–
Mr. Miao Zhenguo *(appointed on 9 March 2015)*	1/1	2/3
Mr. Jaime Che *(appointed on 9 March 2015)*	1/1	3/3
Mr. Dou Jianzhong *(resigned on 29 October 2015)*	1/1	0/2
Mr. Lo Wing Yat *(resigned on 11 March 2016)*	1/1	2/3
Non-executive directors:		
Dr. Chen Yanping *(appointed on 7 July 2015)*	–	1[a]/3
Professor Chen Guohua *(appointed on 29 October 2015)*	–	1/1
Mr. Huang Bin *(resigned on 9 March 2015)*	–	–
Mr. Lu Zhicheng *(resigned on 9 March 2015)*	–	–
Mr. Wong Yau Kar David *(resigned on 9 March 2015)*	–	–
Independent non-executive directors:		
Mr. Hung Chi Yuen Andrew	1/1	3/3
Mr. Sit Fung Shuen Victor	1/1	3/3
Mr. Toh Hock Ghim	1/1	2/3

Note:

a. Including one meeting having another director acted as his representative.

The Auditor has also attended the AGM to answer questions about the conduct of the audit, the preparation and content of the Independent Auditor's Report, the accounting policies and auditor independence.

Requisition for Special General Meeting

Pursuant to bye-law 58 of the Bye-laws of the Company, shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company (the "Company Secretary"), to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If the Board fails to proceed to convene such meeting within twenty-one days after such deposit, such shareholder(s) may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

During the fifteen months ended 31 March 2016, no such requisition(s) has/have been received.

Procedures for Putting Forward Proposals at Shareholders' Meetings

According to Sections 79 and 80 of the Companies Act 1981 of Bermuda, shareholder(s) of the Company, at his/their own expense, holding (i) not less than one-twentieth of the total voting rights of all shareholders having at the date of requisition the right to vote at general meeting; or (ii) of not less than 100 in number, can submit a written request stating the resolution intended to be moved at the next annual general meeting. The requisition signed by the relevant shareholder(s) must be deposited at the head office of the Company at Rooms 3001-3005, 30th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong for the attention to the Company Secretary not less than six weeks before the meeting. The request will be verified with the Hong Kong branch share registrar and transfer office (the "Share Registrar") of the Company and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the resolution in the notice for such general meeting.

As mentioned in the above section headed "Requisition for Special General Meeting", eligible shareholder(s) can make a requisition to convene a special general meeting and move forward a resolution thereat. The requisition signed by the relevant shareholder(s) must be deposited at the head office of the Company in Hong Kong for the attention to the Company Secretary. Only when the request has been verified with the Share Registrar to be proper and in order, the Company Secretary will ask the Board to include the resolution in the notice for such general meeting.

During the fifteen months ended 31 March 2016, no such requisition(s) has/have been received.

The procedures as to how shareholder(s) can propose a person for election as a director are detailed in the "Procedures for Shareholders to Propose a Candidate for election as a Director" which is available on the Company's website at www.fdgkinetic.com.

Enquiries

All enquiries to the Board are welcome and can be brought through our investor relations' hotline at (852) 3101 6104, fax at (852) 2506 0007, email at investor@fdgkinetic.com or directly in person through participation in general meetings.

CONSTITUTIONAL DOCUMENTS

During the fifteen months ended 31 March 2016, a special resolution was proposed and passed at the special general meeting held on 15 December 2015 for the amendments to the Bye-laws of the Company and the adoption of new Bye-laws of the Company in order to bring them in line with the Listing Rules, to incorporate certain housekeeping amendments and to update certain provisions therein. The new Bye-laws of the Company is available on the Stock Exchange's website and the Company's website at www.fdgkinetic.com.

Deloitte.
德勤

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35/F, One Pacific Place
88 Queensway
Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
FDG KINETIC LIMITED (FORMERLY KNOWN AS CIAM GROUP LIMITED)
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of FDG Kinetic Limited (formerly known as CIAM Group Limited) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 43 to 123, which comprise the consolidated statement of financial position as at 31 March 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the fifteen months from 1 January 2015 to 31 March 2016, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2016, and of its financial performance and cash flows for the fifteen months from 1 January 2015 to 31 March 2016 in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

OTHER MATTER

The consolidated financial statements for the year ended 31 December 2014 were audited by another auditor who expressed an unmodified opinion on those statements on 27 March 2015.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
29 June 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the fifteen months ended 31 March 2016

	Notes	**Fifteen months ended 31 March 2016 HK$'000**	Year ended 31 December 2014 HK$'000 (restated)
Revenue	*7*	**104,389**	20,759
Cost of sales		**(47,502)**	–
		56,887	20,759
Other income		**1,121**	185
Other gains and losses	*9*	**(48,061)**	(17,747)
Selling and distribution costs		**(1,171)**	–
General and administrative expenses		**(53,541)**	(27,171)
Research and development expenses		**(5,941)**	–
Finance costs	*10*	**(71,771)**	–
Loss arising from acquisition of an associate	*20(a)*	**(1,693,113)**	–
Impairment losses on interest in an associate	*20(b)*	**(163,604)**	–
Share of results of associates		**7,453**	(22,494)
Share of results of joint ventures		**589**	(2,174)
Loss before taxation		**(1,971,152)**	(48,642)
Income tax credit	*11*	**640**	–
Loss for the period/year	*12*	**(1,970,512)**	(48,642)
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
– Reclassification adjustments upon disposal of:			
– non-current assets held-for-sale	*20(b)*	**(1,404)**	–
– a joint venture		**10**	–
– Exchange differences on translation of foreign operations		**(30,244)**	(4,157)
Other comprehensive expense for the period/year		**(31,638)**	(4,157)
Total comprehensive expense for the period/year		**(2,002,150)**	(52,799)

	Note	**Fifteen months ended 31 March 2016 HK$'000**	Year ended 31 December 2014 HK$'000
Loss for the period/year attributable to:			
– Owners of the Company		**(1,970,512)**	(48,635)
– Non-controlling interests		**–**	(7)
		(1,970,512)	(48,642)
Other comprehensive expense attributable to:			
– Owners of the Company		**(31,638)**	(4,157)
– Non-controlling interests		**–**	–
		(31,638)	(4,157)
Total comprehensive expense attributable to:			
– Owners of the Company		**(2,002,150)**	(52,792)
– Non-controlling interests		**–**	(7)
		(2,002,150)	(52,799)
		HK cents	HK cents (restated)
Loss per share	*15*		
Basic and diluted		**(40.42)**	(1.04)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2016

	Notes	At 31 March 2016 HK$'000	At 31 December 2014 HK$'000
Non-current assets			
Goodwill	16	**470,085**	–
Intangible assets	18	**98,990**	–
Property, plant and equipment	19	**209,031**	648
Interests in leasehold land held for own use under operating lease	19	**18,918**	–
Interest in an associate	20	**749,395**	535,599
Interest in joint ventures	21	**103,995**	108,219
Financial assets at fair value through profit or loss	22	**–**	47,007
Loan and other receivables	23	**434**	475
Investment in a secured bond	24	**370,000**	–
Other non-current assets		**367**	1,104
		2,021,215	693,052
Current assets			
Inventories	25	**80,899**	–
Trade and bills receivables	26	**35,802**	–
Loan and other receivables	23	**218,109**	81,563
Financial assets at fair value through profit or loss	22	**65,756**	12,810
Amount due from an associate	20	**65,724**	150,000
Pledged bank deposits	27	**22,660**	–
Cash and cash equivalents	27	**157,634**	366,684
		646,584	611,057
Current liabilities			
Bank and other borrowings	28	**44,551**	–
Trade and bills payables	29	**64,524**	–
Accruals and other payables		**95,265**	11,952
Amount due to a substantial shareholder		**–**	205
Tax payables		**4,389**	4,353
		208,729	16,510
Net current assets		**437,855**	594,547
Total assets less current liabilities		**2,459,070**	1,287,599

	Notes	**At 31 March 2016 HK$'000**	At 31 December 2014 HK$'000
Non-current liabilities			
Bank borrowings	*28*	**64,734**	–
Liability component of convertible bonds	*30*	**604,883**	–
Deferred tax liabilities	*31*	**16,257**	–
		685,874	–
NET ASSETS		**1,773,196**	1,287,599
CAPITAL AND RESERVES	*32*		
Share capital		**1,027,129**	938,283
Reserves		**746,067**	349,316
TOTAL EQUITY		**1,773,196**	1,287,599

The consolidated financial statements on pages 43 to 123 were approved and authorised for issue by the Board of Directors on 29 June 2016 and are signed on its behalf by:

Cao Zhong
Director

Jaime Che
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the fifteen months ended 31 March 2016

		Attributable to owners of the Company										
	Notes	Share capital HK\$'000 (Note 32(b)(i))	Share premium HK\$'000	Contributed surplus HK\$'000 (Note 32(c)(i))	Exchange reserve HK\$'000	Equity component of convertible bonds HK\$'000 (Note 30)	Share option reserve HK\$'000	Other reserve HK\$'000 (Note 32(c)(ii))	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
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
Loss for the year		–	–	–	–	–	–	–	(48,635)	(48,635)	(7)	(48,642)
Other comprehensive expense		–	–	–	(4,157)	–	–	–	–	(4,157)	–	(4,157)
Total comprehensive expense for the year		–	–	–	(4,157)	–	–	–	(48,635)	(52,792)	(7)	(52,799)
Shares issued under share option scheme	32(b)(ii)	3,150	935	–	–	–	(935)	–	–	3,150	–	3,150
Equity settled share-based transactions	32(d)											
– amortisation for the year		–	–	–	–	–	767	–	–	767	–	767
– transfer to accumulated losses upon lapsed		–	–	–	–	–	(7,051)	–	7,051	–	–	–
Acquisition of interest from non-controlling shareholders		–	–	–	–	–	–	14	–	14	(33)	(19)
At 31 December 2014		938,283	342,072	82,445	21,169	–	1,693	5,777	(103,840)	1,287,599	–	1,287,599
Loss for the period		–	–	–	–	–	–	–	(1,970,512)	(1,970,512)	–	(1,970,512)
Other comprehensive expense		–	–	–	(31,638)	–	–	–	–	(31,638)	–	(31,638)
Total comprehensive expense for the period		–	–	–	(31,638)	–	–	–	(1,970,512)	(2,002,150)	–	(2,002,150)
Issue of new shares	32(b)(i)											
– 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)	–	–	–
– disposal of a joint venture		–	–	–	–	–	–	(13)	–	(13)	–	(13)
Cancellation of the share option	32(d)	–	–	–	–	–	(1,693)	–	1,693	–	–	–
At 31 March 2016		**1,027,129**	**872,801**	**82,445**	**(10,469)**	**1,868,185**	**–**	**6,849**	**(2,073,744)**	**1,773,196**	**–**	**1,773,196**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the fifteen months ended 31 March 2016

	Fifteen months ended 31 March 2016 HK$'000	Year ended 31 December 2014 HK$'000 (restated)
Operating activities		
Loss before taxation	**(1,971,152)**	(48,642)
Adjustments for:		
Amortisation of intangible assets	**6,340**	–
Amortisation of interests in leasehold land held for own use under operating lease	**172**	–
Depreciation of property, plant and equipment	**7,820**	283
Equity settled share-based payment expenses	**–**	767
Finance costs	**71,771**	–
Gain on disposal of a joint venture	**(23)**	–
Gain on disposal of an associate	**(1,404)**	–
Gain on disposal of property, plant and equipment	**(12)**	–
Gain on disposal of subsidiaries	**(7,263)**	–
Impairment losses on interest in an associate	**163,604**	–
Impairment losses on loan and other receivables	**31,801**	16,621
Impairment losses on trade receivables	**2,583**	–
Interest and dividend income	**(58,097)**	–
Loss arising from acquisition of an associate	**1,693,113**	–
Net fair value loss on held-for-trading investments	**17,668**	–
Net fair value loss on financial assets designated at fair value through profit or loss	**1**	1,010
Share of results of associates	**(7,453)**	22,494
Share of results of joint ventures	**(589)**	2,174
Write-down of inventories	**4,710**	–
Operating cash flows before movements in working capital	**(46,410)**	(5,293)
Increase in inventories	**(50,083)**	–
Increase in held-for-trading investments	**(24,504)**	(1,247)
Increase in loan and other receivables	**(120,048)**	(16,193)
Increase in trade and bills receivables	**(17,783)**	–
Increase in pledged bank deposits	**(16,435)**	–
Increase in trade and bills payables	**12,030**	–
Increase/(decrease) in accruals and other payables	**35,181**	(6,167)
Cash used in operations	**(228,052)**	(28,900)
Interest received	**35,432**	–
Tax paid in Hong Kong	**–**	(2,079)
Tax paid outside Hong Kong	**–**	(605)
Net cash used in operating activities	**(192,620)**	(31,584)

	Fifteen months ended 31 March 2016 HK$'000	Year ended 31 December 2014 HK$'000 (restated)
Investing activities		
Acquisition of subsidiaries, net of cash and cash equivalent acquired	**(369,944)**	–
Advanced to an associate	**(65,000)**	–
Payment for property, plant and equipment	**(293)**	–
Proceeds from disposal of interest in an associate	**150,000**	–
Proceeds from disposal of subsidiaries	**8,000**	–
Proceeds from disposal of interest in a joint venture	**695**	–
Proceeds from disposal of property, plant and equipment	**600**	–
Investment in an associate	**–**	(19,308)
Proceeds from disposal of financial assets designated at fair value through profit or loss	**–**	17,716
Net cash used in investing activities	**(275,942)**	(1,592)
Financing activities		
Net proceeds from shares issued through top-up placing	**264,191**	–
Repayment of bank borrowings	**(2,456)**	–
Interests paid	**(2,204)**	–
Repayment to a former substantial shareholder	**(205)**	(2,392)
Proceeds from shares issued under share options scheme	**–**	3,150
Repayment to a non-controlling shareholder	**–**	(31)
Payment for acquisition of interest from non-controlling shareholders	**–**	(19)
Net cash generated from financing activities	**259,326**	708
Net decrease in cash and cash equivalents	**(209,236)**	(32,468)
Cash and cash equivalents at beginning of the period/year	**366,684**	399,621
Effect of foreign exchange rate changes	**186**	(469)
Cash and cash equivalents at end of the period/year	**157,634**	366,684

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's immediate holding company is Sinopoly Strategic Investment Limited, a limited liability company incorporated in the British Virgin Islands ("BVI"). The Company's ultimate holding company is FDG Electric Vehicles Limited ("FDG"), a company incorporated in Bermuda with limited liability and its shares are listed on Main Board of the Stock Exchange (Stock Code: 729). The address of the registered office of the Company is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and principal place of business of the Company is Rooms 3001-3005, 30/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

The consolidated financial statements are prepared in Hong Kong dollar ("HK$"), which is the same as the functional currency of the Company.

The Company is an investment holding company. The principal activities of the Group are research and development, manufacturing and trading of cathode materials for nickel-cobalt-manganese ("NCM") lithium-ion batteries, and direct investments, including securities trading, loan financing and asset investment. The principal activities of the principal subsidiaries are set out in Note 44.

2. CHANGE 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.

3. CHANGE OF FINANCIAL YEAR END DATE

Pursuant to a resolution of the board of the directors of the Company (the "Board") 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 FDG. Accordingly, the consolidated financial statements for the current period cover the fifteen months ended 31 March 2016. The corresponding comparative figures shown for the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes cover the twelve months period from 1 January 2014 to 31 December 2014 and therefore may not be comparable with figures shown for the current period.

4. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following amendments to HKFRSs (which include all applicable Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants for the first time in the current period:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle

The application of the amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current period and prior year and/or on the disclosures set out in these consolidated financial statements.

NEW AND REVISED HKFRSs IN ISSUE BUT NOT YET EFFECTIVE

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[3]
HKFRS 15	Revenue from Contracts with Customers[3]
HKFRS 16	Leases[4]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
Amendments to HKFRS 15	Clarification to HKFRS 15 Revenue from Contracts with Customers[3]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 7	Disclosure Initiative[2]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[2]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2016.
2 Effective for annual periods beginning on or after 1 January 2017.
3 Effective for annual periods beginning on or after 1 January 2018.
4 Effective for annual periods beginning on or after 1 January 2019.
5 Effective for annual periods beginning on or after a date to be determined.

4. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

HKFRS 9 FINANCIAL INSTRUMENTS

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of HKFRS 9:

- all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held-for-trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

4. APPLICATION OF NEW AND AMENDMENT TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

HKFRS 9 FINANCIAL INSTRUMENTS (CONTINUED)

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on the Group's financial instruments as at 31 March 2016, the directors of the Company (the "Directors") anticipate that the adoption of HKFRS 9 in the future may have impact on the amounts reported in respect of the Group's financial assets (e.g. an expected credit loss approach will be used for the impairment assessment of financial assets). However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until a detailed review has been completed.

HKFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Directors anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Except as described above, the Directors anticipate that the application of other new and amendments to HKFRSs will have no material impact on the Group's consolidated financial statements.

5. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance ("CO").

The provisions of the new Hong Kong Companies Ordinance (Cap. 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the fifteen months ended 31 March 2016. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly, the presentation and disclosure of information in the consolidated financial statements for the fifteen months ended 31 March 2016 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Improvement of Assets*.

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

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

The principal accounting policies are set out below.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investees;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

CHANGES IN THE GROUP'S OWNERSHIP INTERESTS IN EXISTING SUBSIDIARIES

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUSINESS COMBINATIONS

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquire and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

GOODWILL

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs") (or groups of CGUs) that is expected to benefit from the synergies of the combination.

A CGU to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The result and assets and liabilities of associates and joint ventures are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of loss of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal and constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, including buildings held for use in the production or supply of goods or provision of services, or for administrative purposes, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INTANGIBLE ASSETS ACQUIRED IN A BUSINESS COMBINATION

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

RESEARCH AND DEVELOPMENT EXPENDITURE

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

LEASING

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FOREIGN CURRENCIES

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used.

Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

RETIREMENT BENEFIT COSTS

Payments to the defined contribution retirement benefit plans, including state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered services entitling them to the contributions.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

TAXATION

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period/year. Taxable profit differs from "loss before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in the profit or loss.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets (Continued)

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) held-for-trading, or (ii) it is designated as at FVTPL.

A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets. Fair value is determined in the manner described in Note 34(c).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including investment in a secured bond, loan and other receivables, trade and bills receivables, amount due from an associate, pledged bank deposits and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets (Continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables and loan receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and loan receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable and loan receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Financial liabilities

Financial liabilities (including trade and bills payables, other payables, bank and other borrowings, amount due to a substantial shareholder and liability component of convertible bonds) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity reserve is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligation are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONVERTIBLE BONDS

The component parts of the convertible bonds issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

SHARE-BASED PAYMENT ARRANGEMENTS

Share options granted to employees

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve.

When the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium.

When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IMPAIRMENT LOSSES ON TANGIBLE AND INTANGIBLE ASSETS OTHER THAN GOODWILL

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

6. KEY SOURCES OF ESTIMATION UNCERTAINLY

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of these consolidated financial statements and the reported amounts of revenues and expenses for the period/year presented. Changes in assumptions may have a significant impact on the consolidated financial statements in the periods where the assumptions are changed. The application of assumptions and estimates means that any selection of different assumptions would cause the Group’s reporting to differ. The Group believes that the assumptions that have been made are appropriate and that the consolidated financial statements therefore present the financial position and results fairly, in all material respects. Management has discussed with the Audit Committee the development, selection and disclosure of the Group’s significant accounting policies and estimates and the application of these policies.

6. KEY SOURCES OF ESTIMATION UNCERTAINLY (CONTINUED)

The key sources of estimation uncertainty are as follows:

(I) IMPAIRMENT LOSSES ON LOAN AND OTHER RECEIVABLES

The Group performs ongoing credit evaluation of its borrowers and the borrowers' current creditworthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its borrowers based upon the present value of the estimated future cash flows discounted at the original effective interest rate. If the financial conditions of the borrowers of the Group deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be considered. As at 31 March 2016, the carrying amount of loan and other receivables is approximately HK$218,543,000 (31 December 2014: approximately HK$82,038,000) (net allowance for impairment of approximately HK$66,044,000 (31 December 2014: approximately HK$170,087,000)).

Management review the methodology and assumptions used in estimating future cash flows regularly to reduce any difference between loss estimates and actual loss experience.

(II) IMPAIRMENT LOSSES ON TRADE RECEIVABLES

The assessment of the impairment losses on trade receivables of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness of each customer. If the financial conditions of the Group's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Impairment is made based on the estimation of the future cash flow discounted at the original effective rate to calculate the present value. As at 31 March 2016, the carrying amount of trade receivables is approximately HK$35,655,000 (net of allowance for doubtful debts of approximately HK$2,524,000) (31 December 2014: Nil).

(III) IMPAIRMENT LOSS ON INTANGIBLE ASSETS AND GOODWILL

Determining whether intangible assets (where there are indicators of impairment) and goodwill are impaired requires an estimation of the recoverable amount, which is the higher of value in use and fair value less costs to sell of the respective CGU and to which intangible assets and goodwill have been allocated. The value in use or fair value calculation requires the Group to estimate the future cash flows expected to arise from the respective CGU and a suitable discount rate in order to calculate the present value. Where the actual cash flows are less than expected or there are changes in facts and circumstances which resulted in downward revision of future cash flows, a material impairment loss may arise. Further details are set out in Notes 17 and 18.

6. KEY SOURCES OF ESTIMATION UNCERTAINLY (CONTINUED)

(IV) INTEREST IN AN ASSOCIATE

The Group's interest in an associate is carried at its share of net assets of the associate together with premium on the acquisition less impairment loss.

As at 31 March 2016, the carrying value of the Group's interest in an associate is approximately HK$749,395,000 (31 December 2014: approximately HK$535,599,000). Management has assessed the value in use of the Group's interest based on discounted cash flows. This assessment involves significant assumptions about future cash flows expected to arise from the associate and market conditions where the actual cash flows are less than expected a material impairment loss may arise further details are set out in Note 20.

(V) FAIR VALUE MEASUREMENTS AND VALUATION PROCESSES

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes.

Management of the Group is responsible for determination of the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent they are available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. Management of the Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Notes 30 and 34(c) provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

7. REVENUE

An analysis of the Group's revenue is as follows:

	Fifteen months ended 31 March 2016 HK$'000	Year ended 31 December 2014 HK$'000 (restated)
Sales of cathode materials for battery production	**46,292**	–
Interest and dividend income	**58,097**	20,759
Total	**104,389**	20,759

8. SEGMENT INFORMATION

The segment information reported to the Board of Directors, being the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on type of goods delivered or services provided.

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

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

(ii) Direct investments segment, which includes loan financing, securities trading and asset investment.

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

	Battery Materials Production		Direct Investments		Total	
	Fifteen months ended 31 March 2016 HK$'000	Year ended 31 December 2014 HK$'000	**Fifteen months ended 31 March 2016 HK$'000**	Year ended 31 December 2014 HK$'000 (restated)	**Fifteen months ended 31 March 2016 HK$'000**	Year ended 31 December 2014 HK$'000 (restated)
Reportable segment revenue from external customers	**46,292**	–	**58,097**	20,759	**104,389**	20,759
Reportable segment results	**(30,402)**	–	**(1,905,434)#**	(31,149)	**(1,935,836)**	(31,149)
Unallocated corporate income					**16**	4,096
Central administrative costs and directors' remuneration					**(35,332)**	(21,589)
Loss before taxation					**(1,971,152)**	(48,642)

The amount includes the loss arising from acquisition of an associate of HK$1,693,113,000.

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

8. SEGMENT INFORMATION (CONTINUED)

Other segment information:

	Battery Materials Production		Direct Investments		Unallocated		Total	
	Fifteen months ended 31 March 2016 HK$'000	Year ended 31 December 2014 HK$'000	**Fifteen months ended 31 March 2016 HK$'000**	Year ended 31 December 2014 HK$'000	**Fifteen months ended 31 March 2016 HK$'000**	Year ended 31 December 2014 HK$'000	**Fifteen months ended 31 March 2016 HK$'000**	Year ended 31 December 2014 HK$'000
Amount included in the measure of segment profit or loss or segment assets:								
Interest income	**(23)**	–	**(58,079)**	(20,743)	**-**	–	**(58,102)**	(20,743)
Loss/(gain) on disposal of property, plant and equipment	**4**	–	**-**	–	**(16)**	–	**(12)**	–
Depreciation and amortisation	**14,253**	–	**-**	–	**123**	345	**14,376**	345
Interest expenses	**2,240**	–	**69,531**	–	**-**	–	**71,771**	–
Income tax (credit)/ expense	**(841)**	–	**201**	–	**-**	–	**(640)**	–
Loss arising from acquisition of an associate	**-**	–	**1,693,113**	–	**-**	–	**1,693,113**	–
Impairment losses on interest in an associate	**-**	–	**163,604**	–	**-**	–	**163,604**	–
Impairment losses on trade receivables	**2,583**	–	**-**	–	**-**	–	**2,583**	–
Impairment losses on loan and other receivables	**-**	–	**31,801**	16,621	**-**	–	**31,801**	16,621
Share of results of associates	**-**	–	**(7,453)**	22,494	**-**	–	**(7,453)**	22,494
Share of results of joint ventures	**-**	–	**(589)**	2,174	**-**	–	**(589)**	2,174
Write-down of inventories	**4,710**	–	**-**	–	**-**	–	**4,710**	–
Interest in an associate	**-**	–	**749,395**	535,599	**-**	–	**749,395**	535,599
Interest in joint ventures	**-**	–	**103,995**	108,219	**-**	–	**103,995**	108,219
Addition to non-current assets *(Note)*	**831,672**	–	**750,059**	–	**-**	–	**1,581,731**	–

Note: Non-current assets excluded financial instruments.

8. SEGMENT INFORMATION (CONTINUED)

(a) SEGMENT ASSETS AND LIABILITIES

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

	At 31 March 2016 HK$'000	At 31 December 2014 HK$'000
Segment assets		
Battery materials production	**936,726**	–
Direct investments	**1,544,085**	932,469
Total segment assets	**2,480,811**	932,469
Unallocated assets	**186,988**	371,640
Consolidated assets	**2,667,799**	1,304,109
Segment liabilities		
Battery materials production	**196,637**	–
Direct investments	**692,640**	–
Total segment liabilities	**889,277**	–
Unallocated liabilities	**5,326**	16,510
Consolidated liabilities	**894,603**	16,510

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

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

(ii) All liabilities are allocated to reportable segments other than those liabilities which are centrally managed by the Group's management including certain accruals and other payables.

8. SEGMENT INFORMATION (CONTINUED)

(b) GEOGRAPHICAL INFORMATION

The Group's operations are mainly located in Hong Kong and the People's Republic of China (the "PRC").

Information about the Group's revenue is presented based on the location of the operations of the respective group companies. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue		Non-current assets *(Note)*	
	Fifteen months ended 31 March 2016 HK$'000	Year ended 31 December 2014 HK$'000 (restated)	**Fifteen months ended 31 March 2016 HK$'000**	Year ended 31 December 2014 HK$'000
Hong Kong	**57,704**	3,539	**50**	1,723
The PRC	**46,685**	17,220	**1,650,731**	643,847
	104,389	20,759	**1,650,781**	645,570

Note: Non-current assets excluded financial instruments.

(c) INFORMATION ABOUT MAJOR CUSTOMERS

Revenue from customers contributing over 10% of the total revenue of the Group are as follows:

	Fifteen months ended 31 March 2016 HK$'000	Year ended 31 December 2014 HK$'000
Customer A – revenue from direct investments	**32,337**	N/A#
Customer B – revenue from battery materials production	**21,088**	N/A#
Customer C – revenue from direct investments	**15,991**	16,621
Customer D – revenue from battery materials production	**13,628**	N/A#

No revenue was contributed by these customer for the year ended 31 December 2014.

9. OTHER GAINS AND LOSSES

	Fifteen months ended 31 March 2016 HK$'000	Year ended 31 December 2014 HK$'000
Gain on disposal of a joint venture	**23**	–
Gain on disposal of an associate *(Note 20(b))*	**1,404**	–
Gain on disposal of property, plant and equipment	**12**	–
Gain on disposal of subsidiaries *(Note)*	**7,263**	–
Impairment losses on loan and other receivables *(Note 23)*	**(31,801)**	(16,621)
Impairment losses on trade receivables	**(2,583)**	–
Net fair value loss on held-for-trading investments	**(17,668)**	(169)
Net fair value loss on financial assets designated at FVTPL	**(1)**	(1,010)
Write-down of inventories	**(4,710)**	–
Others	**–**	53
	(48,061)	(17,747)

Note: During the fifteen months ended 31 March 2016, the Group disposed of two subsidiaries that held club memberships (included in other non-current assets) with carrying amounts of approximately HK$737,000 at a total consideration of HK$8,000,000.

10. FINANCE COSTS

	Fifteen months ended 31 March 2016 HK$'000	Year ended 31 December 2014 HK$'000
Interest on convertible bonds *(Note 30)*	**69,531**	–
Interest on bank and other borrowings	**2,240**	–
Total borrowing costs	**71,771**	–

11. INCOME TAX CREDIT

	Fifteen months ended 31 March 2016 HK$'000	Year ended 31 December 2014 HK$'000
Current tax:		
– Other jurisdiction	**201**	–
Deferred tax *(Note 31)*	**(841)**	–
Total income tax credit for the period/year	**(640)**	–

No provision for the Hong Kong Profits Tax has been made for the period/year as the Group does not have any assessable profits in Hong Kong.

Under the Law of People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. No PRC income tax has been made for the period/year as the Group does not have any assessable profit in the PRC.

Taxation arising in other jurisdiction is calculated at the rate prevailing in the relevant jurisdiction.

The deferred taxation of approximately HK$841,000 (year ended 31 December 2014: Nil) that has been credited to the consolidated statement of profit or loss and other comprehensive income arose from origination and reversal of temporary differences.

The tax credit for the period/year can be reconciled to the loss per consolidated statement of profit or loss and other comprehensive income as follows:

	Fifteen months ended 31 March 2016 HK$'000	Year ended 31 December 2014 HK$'000
Loss before taxation	**(1,971,152)**	(48,642)
Tax at domestic rates applicable to profits of taxable entities in the countries concerned	**(325,406)**	(7,565)
Tax effect of share of results of associates and joint ventures	**(1,327)**	3,353
Tax effect of expenses not deductible for tax purpose	**339,066**	4,449
Tax effect of income not taxable for tax purpose	**(32,622)**	(2,677)
Tax effect of unused tax losses not recognised	**20,491**	2,460
Utilisation of tax losses previously not recognised	**(1,043)**	(20)
Others	**201**	–
Income tax credit	**(640)**	–

12. LOSS FOR THE PERIOD/YEAR

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

	Fifteen months ended 31 March 2016 HK$'000	Year ended 31 December 2014 HK$'000
Contributions to defined contribution retirement plan	**492**	1,013
Equity settled share-based payment expense *(Note 32(d))*	**–**	767
Salaries and other benefits	**21,215**	16,757
Staff costs, including directors' remuneration *(Notes (i) and (ii))*	**21,707**	18,537
Auditor's remuneration		
– audit service	**2,380**	1,058
– non-audit service	**1,986**	–
Cost of inventories recognised as expenses	**47,601**	–
Amortisation of intangible assets	**6,340**	–
Amortisation of interests in leasehold land held for own use under operating lease	**172**	–
Depreciation of property, plant and equipment *(Notes (i) and (ii))*	**2,039**	345
Operating lease charges in respect of property rentals *(Note (i))*	**1,637**	3,528
Interest income	**(58,102)**	(20,743)
Dividend income	**(18)**	(16)

Notes:

(i) The amounts represent 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 20(b), on 30 December 2013 and 28 November 2011. The Services Agreements were terminated on 31 March 2015.

(ii) The amount exclude expenses that capitalised in inventories.

13. DIRECTORS' EMOLUMENTS

Directors' remuneration disclosed pursuant to the applicable Listing Rules and Companies Ordinance, is as follows:

For the fifteen months ended 31 March 2016

Name of directors	*Notes*	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses and carried interest HK$'000	Retirement scheme contributions HK$'000	Sub-total HK$'000	Share-based payments HK$'000	Total HK$'000
Executive directors								
Cao Zhong	*(i)*	3,168	–	–	17	3,185	–	3,185
Sun Ziqiang	*(ii)*	–	–	–	–	–	–	–
Miao Zhenguo	*(iii)*	1,894	–	–	17	1,911	–	1,911
Jaime Che	*(i)*	1,894	–	–	17	1,911	–	1,911
Dou Jianzhong	*(iv)*	500	–	–	–	500	–	500
Lo Wing Yat	*(v)*	2,865	–	–	–	2,865	–	2,865
		10,321	–	–	51	10,372	–	10,372
Non-executive directors								
Chen Yanping	*(vi)*	1,316	–	–	5	1,321	–	1,321
Chen Guohua	*(vii)*	170	–	–	–	170	–	170
Huang Bin	*(viii)*	37	–	–	–	37	–	37
Lu Zhicheng	*(viii)*	37	–	–	–	37	–	37
Wong Yau Kar David	*(viii)*	37	–	–	–	37	–	37
		1,597	–	–	5	1,602	–	1,602
Independent non-executive directors								
Hung Chi Yuen Andrew		500	–	–	–	500	–	500
Sit Fung Shuen Victor		500	–	–	–	500	–	500
Toh Hock Ghim		500	–	–	–	500	–	500
		1,500	–	–	–	1,500	–	1,500
		13,418	–	–	56	13,474	–	13,474

Notes:

(i) Appointed on 9 March 2015.
(ii) Appointed on 11 March 2016.
(iii) Appointed as a non-executive director on 9 March 2015 and subsequently re-designated as an executive director on 7 July 2015.
(iv) Resigned on 29 October 2015.
(v) Resigned on 11 March 2016.
(vi) Appointed on 7 July 2015.
(vii) Appointed on 29 October 2015.
(viii) Resigned on 9 March 2015.

13. DIRECTORS' EMOLUMENTS (CONTINUED)

For the year ended 31 December 2014

Name of directors	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses and carried interest HK$'000	Retirement scheme contributions HK$'000	Sub-total HK$'000	Share-based payments HK$'000	Total HK$'000
Executive directors							
Dou Jianzhong	600	–	–	–	600	–	600
Lo Wing Yat	250	2,169	549	209	3,177	–	3,177
	850	2,169	546	209	3,777	–	3,777
Non-executive directors							
Huang Bin	200	–	–	–	200	–	200
Lu Zhicheng	200	–	–	–	200	–	200
Wong Yau Kar David	200	–	–	–	200	–	200
	600	–	–	–	600	–	600
Independent non-executive directors							
Hung Chi Yuen Andrew	400	–	–	–	400	–	400
Sit Fung Shuen Victor	400	–	–	–	400	–	400
Toh Hock Ghim	400	–	–	–	400	–	400
	1,200	–	–	–	1,200	–	1,200
	2,650	2,169	549	209	5,577	–	5,577

The executive director's emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

The non-executive director's emoluments shown above were mainly for their services as directors of the Company or its subsidiaries.

The independent non-executive director's emoluments shown above were mainly for their services as directors of the Company.

For the fifteen months ended 31 March 2016 and the year ended 31 December 2014, the amounts represented the net amounts after expenses reimbursement arrangement under the Services Agreements.

14. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees in the Group during the current period included five directors (year ended 31 December 2014: one director), details of whose emoluments are disclosed in Note 13. The aggregate of the emoluments in respect of the other four individuals for the year ended 31 December 2014 were as follows:

	Year ended 31 December 2014 HK$'000
Salaries and other emoluments	3,560
Discretionary bonuses	264
Share-based payments	1,399
Retirement scheme contributions	234
	5,457

The emoluments of the four individuals with the highest emoluments were within the following bands:

	Year ended 31 December 2014 Number of individuals
HK$1,000,001 – HK$1,500,000	3
HK$1,500,001 – HK$2,000,000	1

For the fifteen months ended 31 March 2016 and the year ended 31 December 2014, the amounts represented the net amounts after expenses reimbursement arrangement under the Services Agreements.

15. LOSS PER SHARE

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

	Fifteen months ended 31 March 2016 HK$'000	Year ended 31 December 2014 HK$'000
Loss:		
Loss for the period/year attributable to owners of the Company for the purpose of basic and diluted loss per share	**1,970,512**	48,635
		(restated)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**4,875,036,194**	4,676,054,440

The weighted average number of ordinary shares for the purpose of basic loss per share has been adjusted retrospectively for the share subdivision on 14 September 2015. The computation of diluted loss per share for the fifteen months ended 31 March 2016 does not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in an increase in loss per share.

16. GOODWILL

	Allocated to battery materials production HK$'000
COST	
At 1 January 2014, 31 December 2014 and 1 January 2015	–
Arising from acquisition of subsidiaries *(Note 35)*	485,021
Exchange realignment	(14,936)
At 31 March 2016	**470,085**
ACCUMULATED IMPAIRMENT	
At 1 January 2014, 31 December 2014, 1 January 2015 and **31 March 2016**	**–**
CARRYING VALUES	
At 31 March 2016	**470,085**
At 31 December 2014	–

Particulars regarding impairment testing on goodwill are disclosed in Note 17.

17. IMPAIRMENT TESTING ON GOODWILL

For the purposes of impairment testing, goodwill set out in Note 16 has been allocated to the battery materials production segment of the Group, which is an individual CGU.

During the fifteen months ended 31 March 2016, management of the Group determined that there is no impairment of its CGUs containing goodwill. The basis of the recoverable amount of the above CGU and the major underlying assumptions are summarised below:

The recoverable amount of this CGU was determined based on fair value less costs to disposals. The fair value of this CGU was assessed by the management based on a business valuation performed by an independent professional qualified valuer using income approach. That calculation used cash flow projections covering a 5-year period, and discount rate of 16%, which is within level 3 fair value hierarchy. The cash flows and discount rate reflect assumptions that market participants would use when pricing the CGU. The cash flows projection included further capital investments to increase the production capacity which are expected to result in a substantial increase in the net cash inflows derived from this CGU. The cash flows beyond the 5-year period are extrapolated using a steady 3% growth rate. This growth rate is based on the expectation of long-term inflation in the PRC. Other key assumptions relate to the estimation of cash inflows/outflows which include estimated sales and income generated from the CGU, such estimation is based on the expectations for the market development.

18. INTANGIBLE ASSETS

	Technical know-hows HK$'000
COST	
At 1 January 2014, 31 December 2014 and 1 January 2015	–
Arising from acquisition of subsidiaries *(Note 35)*	106,983
Exchange realignment	(1,797)
At 31 March 2016	**105,186**
ACCUMULATED AMORTISATION	
At 1 January 2014, 31 December 2014 and 1 January 2015	–
Charge for the period	6,340
Exchange realignment	(144)
At 31 March 2016	**6,196**
NET BOOK VALUE	
At 31 March 2016	**98,990**
At 31 December 2014	–

The above intangible assets are amortised on a straight-line basis over the expected useful lives of 7 years.

19. PROPERTY, PLANT AND EQUIPMENT AND INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASE

	Buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixture and equipment HK$'000	Plant and machinery HK$'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 2014	–	3,735	3,632	–	2,251	9,618	–	9,618
Exchange realignment	–	–	(13)	–	–	(13)	–	(13)
At 31 December 2014	–	3,735	3,619	–	2,251	9,605	–	9,605
Acquisition of subsidiaries *(Note 35)*	115,559	–	3,925	100,539	–	220,023	19,411	239,434
Additions	–	–	293	–	–	293	–	293
Disposals	–	(3,735)	(3,625)	–	(2,251)	(9,611)	–	(9,611)
Exchange realignment	(1,941)	–	(72)	(1,689)	–	(3,702)	(325)	(4,027)
At 31 March 2016	**113,618**	**–**	**4,140**	**98,850**	**–**	**216,608**	**19,086**	**235,694**
ACCUMULATED DEPRECIATION								
At 1 January 2014	–	3,735	2,700	–	2,251	8,686	–	8,686
Provided for the year	–	–	283	–	–	283	–	283
Exchange realignment	–	–	(12)	–	–	(12)	–	(12)
At 31 December 2014	–	3,735	2,971	–	2,251	8,957	–	8,957
Provided for the period	2,456	–	528	4,836	–	7,820	172	7,992
Eliminated on disposals	–	(3,735)	(3,037)	–	(2,251)	(9,023)	–	(9,023)
Exchange realignment	(56)	–	(12)	(109)	–	(177)	(4)	(181)
At 31 March 2016	**2,400**	**–**	**450**	**4,727**	**–**	**7,577**	**168**	**7,745**
NET BOOK VALUE								
At 31 March 2016	**111,218**	**–**	**3,690**	**94,123**	**–**	**209,031**	**18,918**	**227,949**
At 31 December 2014	–	–	648	–	–	648	–	648

The Group leases its leasehold land held for own use under operating lease arrangements. The lease is negotiated for terms of 50 years. Land and buildings with total amount of approximately HK$130,136,000 (31 December 2014: Nil) were pledged as securities for the Group's bank borrowings (Note 28).

19. PROPERTY, PLANT AND EQUIPMENT AND INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASE (CONTINUED)

The above items of property, plant and equipment and interests in leasehold land held for own use under operating lease, are depreciated/amortised on straight-line basis at the following rates per annum:

Buildings	18 years
Leasehold improvements	Over the shorter of the term of the lease, or 5 years
Furniture, fixture and equipment	3–10 years
Plant and machinery	7 years
Motor vehicles	4 years
Interests in leasehold land held for own use under operating lease	47 years

20. INTEREST IN AN ASSOCIATE AND AMOUNT DUE FROM AN ASSOCIATE

	At 31 March 2016 HK$'000	At 31 December 2014 HK$'000
Cost of unlisted investment in an associate	**750,000**	556,402
Share of post-acquisition losses and other comprehensive expenses	**(605)**	(20,803)
	749,395	535,599
Amount due from an associate *(Note)*	**65,724**	150,000

Note: Included in the balance are unsecured loans to an associate with principal amounts of HK$40,000,000 and HK$25,000,000 (31 December 2014: HK$150,000,000) which bear interest at 6% per annum (31 December 2014: interest-free) and mature on 4 August 2016 and 3 January 2017 respectively (31 December 2014: on 28 February 2015). The amount due from an associate of HK$150,000,000 as at 31 December 2014 was disposed together with the disposal of the associate during the fifteen months ended 31 March 2016 as set out in Note 20(b).

Details of the Group's associates at the end of the reporting period are as follows:

Name of associate	Country of incorporation/ establishment	Principal place of business	Issued and paid up capital	Proportion of ownership held by the Group **At 31 March 2016**	Proportion of ownership held by the Group At 31 December 2014	Proportion of voting rights held by the Group **At 31 March 2016**	Proportion of voting rights held by the Group At 31 December 2014	Principal activities
天津銘度科技有限公司 ("Tianjin MTEC")	The PRC	The PRC	Renminbi ("RMB") 12,500,000	**–** *(Note (i))*	20% *(Note (i))*	**–** *(Note (i))*	20% *(Note (i))*	Development, manufacturing and sales of electric bike driving units
Synergy Dragon Limited ("SDL")	BVI	The PRC	US$100	**25%** *(Note (ii))*	–	**25%** *(Note (ii))*	–	Investment holding *(Note (iii))*
Agnita Limited ("Agnita")	BVI	The PRC	US$10,000	**–** *(Note (iv))*	41.5%	**–** *(Note (iv))*	41.5%	Investment holding *(Note (v))*

20. INTEREST IN AN ASSOCIATE AND AMOUNT DUE FROM AN ASSOCIATE (CONTINUED)

Notes:

(i) In February 2014, the Group invested RMB15,000,000 (equivalent to approximately HK$19,308,000) cash into Tianjin MTEC to subscribe for 20% of the enlarged equity interest in Tianjin MTEC. As the interest in Tianjin MTEC was held by a venture capital organisation, it was exempted from applying the equity method and was recognised as a financial asset designated at fair value through profit or loss (Note 22). During the fifteen months ended 31 March 2016, the Group disposed of its interest in Tianjin MTEC at a cash consideration of RMB15,000,000 (equivalent to approximately HK$17,834,000), being the carrying amount of the investment and thus no fair value gain or loss was resulted.

(ii) During the fifteen months ended 31 March 2016, the Group acquired 25% of the issued share capital of SDL as detailed in Note 20(a).

(iii) The principal activities of its subsidiary are to carry out research and development, production and sales of cathode materials for NCM lithium-ion batteries and related products.

(iv) During the fifteen months ended 31 March 2016, the Group disposed of 41.5% equity interest in Agnita as detailed in Note 20(b).

(v) The principal activities of its subsidiaries are to design and develop electric vehicles.

Interest in SDL and Agnita are accounted for using the equity method in the consolidated financial statements.

Summarised financial information of the Group's associates is set out below. The summarised financial information below represent amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

	At 31 March 2016 SDL HK$'000	At 31 December 2014 Agnita HK$'000
Current assets	**871,800**	321,028
Non-current assets	**2,203,604**	1,324,551
Current liabilities	**(689,681)**	(1,396,866)
Non-current liabilities	**(50,113)**	(8,781)

20. INTEREST IN AN ASSOCIATE AND AMOUNT DUE FROM AN ASSOCIATE (CONTINUED)

	Fifteen months ended 31 March 2016 SDL HK$'000 *(Note)*	Year ended 31 December 2014 Agnita HK$'000
Revenue	**497,975**	5,597
Profit/(loss) for the period/year	**35,050**	(54,203)
Other comprehensive (expense)/income for the period/year	**(37,471)**	3,996
Total comprehensive expense for the period/year	**(2,421)**	(50,207)
Dividends received from the associate during the period/year	**–**	–

Note: The financial information represents the profit or loss and other comprehensive expense from the date of completion of acquisition of SDL as set out in Note 20(a).

Reconciliation of the above summarised financial information to the carrying amount of the interest in an associate recognised in the consolidated financial statements:

	At 31 March 2016 SDL HK$'000	At 31 December 2014 Agnita HK$'000
Net assets of an associate	**2,335,610**	239,932
Less: share of an associate held by non-controlling interests	**–**	(53,648)
	2,335,610	186,284
Proportion of the Group's ownership interest in an associate	**25%**	41.5%
Net assets of interest in an associate attributable to the Group	**583,903**	77,308
Goodwill	**165,492**	458,291
Carrying amount of the Group's interest in an associate	**749,395**	535,599

Information of an associate that is not individually material:

	Fifteen months ended 31 March 2016 HK$'000 *(Note)*	Year ended 31 December 2014 HK$'000
The Group's share of loss	**(1,310)**	–
The Group's share of other comprehensive expense	**(685)**	–
The Group's share of total comprehensive expense	**(1,995)**	–

Note: During the fifteen months ended 31 March 2016, the Group disposed of the interest in an associate and the Group's share of result of an associate up to the date of completion of disposal.

20. INTEREST IN AN ASSOCIATE AND AMOUNT DUE FROM AN ASSOCIATE (CONTINUED)

FOR THE FIFTEEN MONTHS ENDED 31 MARCH 2016

(a) Acquisition of Interest in Synergy Dragon Limited

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 SDL (the "SDL Acquisition"). In accordance with the terms and conditions thereof, the consideration for the SDL Acquisition was satisfied by convertible bonds with 8% coupon per annum and a principal amount of HK$750,000,000 to be issued by the Company (the "HK$750M Convertible Bonds") to Union Grace (or its nominee) on the completion date. 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 of SDL").

On the Completion Date of SDL, 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. Therefore, the Group recognised a loss of approximately HK$1,693,113,000 in respect of the acquisition on SDL, representing the difference between the principal amount of the HK$750M Convertible Bonds and its fair value as at the Completion Date of SDL. Such amount, is presented as "Loss arising from acquisition of an associate" in the consolidated statement of profit or loss and other comprehensive income.

(b) Disposal of Interest in an Associate and Amount due from 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 by FDG Kinetic Investment (BVI) Limited (formerly known as 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 41.5% 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 8.5% of issued share capital of Agnita, granted to CBVI by Preferred Market (collectively the "Agnita Transaction"), at a total consideration of HK$520,000,000, which was settled by HK$150,000,000 in cash and the balance of HK$370,000,000 by the issue of the FDG 3-year secured bond with 8% coupon per annum to the Company. One of the conditions precedent under the Agnita Disposal Agreements for the Agnita Transaction was 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. The Offer had 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. Subsequently, FDG became the ultimate holding company of the Group. Since then, the Company was of the view that the carrying amounts of the interest in and amount due from Agnita would be recovered principally through the Agnita Transaction and as a result, the interest in and amount due from Agnita were reclassified as non-current assets held-for-sale and an impairment loss of approximately HK$163,604,000 was recognised.

20. INTEREST IN AN ASSOCIATE AND AMOUNT DUE FROM AN ASSOCIATE (CONTINUED)

FOR THE FIFTEEN MONTHS ENDED 31 MARCH 2016 (CONTINUED)

(b) Disposal of Interest in an Associate and Amount due from an Associate (Continued)

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, representing the release of exchange differences arising from the translation of the financial statements of Agnita, was recognised to profit or loss for the fifteen months ended 31 March 2016. Agnita ceased to be an associate of the Group.

The Agnita Transaction was summarised as follows:

	Interest in an associate HK$'000	**Amount due from an associate** HK$'000	**Total** HK$'000
Proceeds from disposal			520,000
Less: Net assets disposed of:			
Carrying amount at 1 January 2015	535,599	150,000	685,599
Share of results of an associate from 1 January 2015 to 23 February 2015	(1,310)	–	(1,310)
Share of other comprehensive expense of an associate from 1 January 2015 to 23 February 2015	(685)	–	(685)
	533,604	150,000	683,604
Impairment losses on interest in an associate	(163,604)	–	(163,604)
	370,000	150,000	520,000
Gain on disposal arising from releasing of cumulative exchange differences from exchange reserve to profit or loss *(Note 9)*			1,404

21. INTEREST IN JOINT VENTURES

	At 31 March 2016 HK$'000	At 31 December 2014 HK$'000
Cost of unlisted investment in joint ventures	**95,341**	96,666
Share of post-acquisition profits and other comprehensive income, net of dividends received	**8,654**	11,553
	103,995	108,219

Details of the Group's principal joint venture at the end of the reporting period are as follows:

Name of joint venture	Country of establishment	Principal place of business	Issued and paid up capital	Proportion of ownership held by the Group		Proportion of voting rights held by the Group		Principal activity
				At 31 March 2016	At 31 December 2014	**At 31 March 2016**	At 31 December 2014	
華能壽光風力發電有限公司 ("華能壽光")	The PRC	The PRC	RMB186,730,000	**45%**	45%	**45%**	45%	Investment, construction and operation of wind power electricity facility, development, generation and sale of wind power electricity; provision of consultancy and related services in respect of electricity projects

Summarised financial information of the Group's principal joint venture is set out below. The summarised financial information below represent amounts shown in this joint venture's financial statements prepared in accordance with HKFRSs.

	華能壽光	
	At 31 March 2016 HK$'000	At 31 December 2014 HK$'000
Current assets	**28,859**	28,657
Non-current assets	**444,456**	492,533
Current liabilities	**(53,200)**	(44,896)
Non-current liabilities	**(189,016)**	(237,622)

21. INTEREST IN JOINT VENTURES (CONTINUED)

	華能壽光 At 31 March 2016 HK$'000	At 31 December 2014 HK$'000
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**12,898**	2,300
Current financial liabilities (excluding trade and other payables and provisions)	**(49,204)**	(41,163)
Non-current financial liabilities (excluding trade and other payables and provisions)	**(189,016)**	(237,622)

	華能壽光 Fifteen months ended 31 March 2016 HK$'000	Year ended 31 December 2014 HK$'000
Revenue	**48,290**	57,657
Profit/(loss) for the period/year	**1,505**	(4,532)
Other comprehensive expense for the period/year	**(9,075)**	(6,180)
Total comprehensive expense for the period/year	**(7,570)**	(10,712)
Dividends received from the joint venture during the period/year	**–**	–
The above loss for the period/year include the following:		
Depreciation and amortisation	**(30,614)**	(24,871)
Interest income	**92**	97
Interest expense	**(14,520)**	(14,539)
Income tax expense	**(874)**	(195)

21. INTEREST IN JOINT VENTURES (CONTINUED)

Reconciliation of the above summarised financial information to the carrying amount of the interest in this joint venture recognised in the consolidated financial statements:

	華能壽光 **At 31 March 2016 HK$'000**	 At 31 December 2014 HK$'000
Net assets of a joint venture	**231,099**	238,672
Proportion of the Group's ownership interest in a joint venture	**45%**	45%
Carrying amount of the Group's interest in a joint venture	**103,995**	107,402

Information of a joint venture that is not individually material:

	Fifteen months ended 31 March 2016 HK$'000 *(Note)*	Year ended 31 December 2014 HK$'000
The Group's share of loss	**(88)**	(135)
The Group's share of other comprehensive expense	**(35)**	(24)
The Group's share of total comprehensive expense	**(123)**	(159)

Note: During the fifteen months ended 31 March 2016, the Group disposed of the interest in the joint venture and the Group's share of result of the joint venture up to the date of completion of disposal.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 31 March 2016 HK$'000	At 31 December 2014 HK$'000
Non-current		
Securities designated at FVTPL:		
Unlisted debt securities with embedded options *(Note (i))*	–	28,296
Unlisted equity securities *(Note (ii))*	–	18,711
	–	47,007
Current		
Securities designated at FVTPL:		
Unlisted debt securities with embedded options *(Note (i))*	**28,281**	–
Held-for-trading investments:		
Listed equity securities		
– in Hong Kong	**28,250**	2,168
– outside Hong Kong	–	218
Unlisted funds	**9,225**	10,424
	37,475	12,810
	65,756	12,810

Notes:

(i) In the opinion of the Directors, the unlisted debt securities with embedded options is expected to be disposed of within twelve months from 31 March 2016, and therefore classified as current assets.

(ii) The Group's unlisted equity investment was the investment in Tianjin MTEC. During the fifteen months ended 31 March 2016, the Group's interest in Tianjin MTEC was disposed of.

All listed and unlisted securities classified as financial assets designated at FVTPL are issued by corporate entities.

23. LOAN AND OTHER RECEIVABLES

	At 31 March 2016 HK$'000	At 31 December 2014 HK$'000
Fixed-rate loan receivables	**248,142**	249,739
Less: allowance for doubtful debts	**(66,044)**	(170,087)
Net fixed-rate loan receivables *(Note)*	**182,098**	79,652
Value-added tax receivables	**25,545**	–
Prepayments, deposits and other receivables	**10,900**	2,386
	218,543	82,038
Presented by:		
Non-current assets	**434**	475
Current assets	**218,109**	81,563
	218,543	82,038

Note: Included in net fixed-rate loan receivables are two debtors with carrying amounts of approximately HK$101,557,000 and HK$67,206,000 (31 December 2014: Nil and HK$79,146,000) respectively. The principal amounts of the loan receivables are HK$100,000,000 and RMB50,000,000 (equivalent to approximately HK$60,005,000), which are secured by equity securities listed in Hong Kong and a mining right of an iron ore mine in the PRC respectively.

For the loan secured by a mining right of an iron ore mine in the PRC (the "Loan"), on 17 December 2015, the Group appointed CIAM as its exclusive agent in collecting and handling the Loan and its outstanding accrued interest for twenty four calendar months from 17 December 2015 (the "Contract Period"). CIAM should pay deposits by instalments of RMB56,000,000 in total (equivalent to approximately HK$67,206,000) by 31 May 2016 to the Group. CIAM undertook to collect RMB56,000,000 (the "Agreed Amount") for the Group and should the amount collected exceed the Agreed Amount, the excess will be paid to CIAM as agency fee. The Group also has the right to exercise a put option to sell the Loan to CIAM at the consideration of the Agreed Amount less any amount recovered from the Loan during the Contract Period and use deposits received from CIAM to offset. In the opinion of the directors of the Company, the fair value of the put option is insignificant as the collateral is worth more than the exercise price of the put option.

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.

At 31 March 2016, the Group's loan receivables are carried at fixed interest rates ranging from 6% to 28.5% per annum (31 December 2014: from 6% to 28.5% per annum).

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

The Group has concentration of credit risk in the above loans as two borrowers (31 December 2014: one) accounted for 93% (31 December 2014: 99%) of total net fixed-rate loan receivables as at 31 March 2016. In order to minimise the credit risk, management of the Group has monitored the repayment ability of the borrowers continuously.

23. LOAN AND OTHER RECEIVABLES (CONTINUED)

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

	At 31 March 2016 HK$'000	At 31 December 2014 HK$'000
On demand and due within one year	**181,664**	79,177
Over five years	**434**	475
	182,098	79,652

Included in the Group's loan and other receivables are debtors with aggregate carrying amount of approximately HK$67,206,000 (31 December 2014: approximately HK$79,146,000) which are past due over one year at the end of the reporting period for which the Group has not provided for impairment loss.

MOVEMENT IN THE SPECIFIC ALLOWANCE FOR IMPAIRMENT OF FIXED RATE LOAN RECEIVABLES

	HK$'000
At 1 January 2014	153,959
Impairment losses on specific fixed-rate loan receivables	16,621
Exchange realignment	(493)
At 31 December 2014	170,087
Impairment losses on specific fixed-rate loan receivables	31,801
Written off as uncollectible	(134,541)
Exchange realignment	(1,303)
At 31 March 2016	**66,044**

24. INVESTMENT IN A SECURED BOND

During the fifteen months ended 31 March 2016, 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 41.5% of the issued share capital of Agnita with details set out in Note 20(b). The secured bond carries a coupon rate of 8% per annum with a maturity term of three years, and is secured by 41.5% of the issued share capital of Agnita.

25. INVENTORIES

	At 31 March 2016 HK$'000	At 31 December 2014 HK$'000
Raw materials	**10,658**	–
Work in progress	**1,480**	–
Finished goods	**68,761**	–
	80,899	–

26. TRADE AND BILLS RECEIVABLES

	At 31 March 2016 HK$'000	At 31 December 2014 HK$'000
Trade receivables	**38,179**	–
Bills receivables	**147**	–
	38,326	–
Less: allowance for doubtful debts	**(2,524)**	–
	35,802	–

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 March 2016 HK$'000	At 31 December 2014 HK$'000
Within one month	**147**	–
Between one and three months	**23,726**	–
Over three months	**11,929**	–
	35,802	–

Trading terms with customers are either on a cash basis or on credit. For those customers who trade on credit, a credit period generally ranging from 30 days to 90 days is allowed. Credit limits are set for 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.

Included in the Group's trade receivables are debtors with aggregate carrying amount of approximately HK$8,379,000 (31 December 2014: Nil) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

The ageing analysis of these trade receivables is as follows:

	At 31 March 2016 HK$'000	At 31 December 2014 HK$'000
Between one and three months	**7,266**	–
Over three months	**1,113**	–
	8,379	–

26. TRADE AND BILLS RECEIVABLES (CONTINUED)

MOVEMENT IN THE SPECIFIC ALLOWANCE FOR IMPAIRMENT OF TRADE RECEIVABLES

	HK$'000
At 1 January 2014 and 31 December 2014	–
Allowance made during the period	2,583
Exchange realignment	(59)
At 31 March 2016	**2,524**

27. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	At 31 March 2016 HK$'000	At 31 December 2014 HK$'000
Deposits placed with other financial institutions	**477**	1,331
Bank balances and cash	**179,817**	365,353
	180,294	366,684
Less: Pledged bank deposits	**(22,660)**	–
	157,634	366,684

The bank balances carry interest at rates ranged from 0.01% to 1.70% (31 December 2014: 0.01% to 0.08%) per annum during the period.

28. BANK AND OTHER BORROWINGS

	At 31 March 2016 HK$'000	At 31 December 2014 HK$'000
Secured bank borrowings repayable *(Note)*		
– Within one year	**12,001**	–
– After one year but within two years	**25,802**	–
– After two years but within five years	**38,932**	–
Unsecured other borrowings repayable within one year	**32,550**	–
	109,285	–
Less: Amount due within one year shown under current liabilities	**(44,551)**	–
Amount due after one year	**64,734**	–

Note: At 31 March 2016, the bank borrowings of the Group of approximately RMB63,940,000 (equivalent to approximately HK$76,734,000) was secured by pledged over land and buildings with carrying amount of approximately HK$130,136,000 (Note 19).

28. BANK AND OTHER BORROWINGS (CONTINUED)

The Group's bank borrowings are carried at variable interest rate at prevailing lending rate quoted by People's Bank of China ("PBOC"). The Group's other borrowings carried at fixed interest rates.

The effective interest rates of bank and other borrowings are ranging from 2.23% to 6.40% per annum (31 December 2014: Nil).

29. TRADE AND BILLS PAYABLES

	At 31 March 2016 HK$'000	At 31 December 2014 HK$'000
Trade payables	**23,508**	–
Bills payables	**41,016**	–
	64,524	–

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

	At 31 March 2016 HK$'000	At 31 December 2014 HK$'000
Within one month	**28,427**	–
Between one and three months	**5,816**	–
Over three months	**30,281**	–
	64,524	–

The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

The carrying amounts of trade and bills payables approximate their fair values. As at 31 March 2016, all bills payable were secured by pledged bank deposits (31 December 2014: Nil) as set out in Note 27.

30. CONVERTIBLE BONDS

On 4 August 2015, the Company issued the HK$750M Convertible Bonds to a subsidiary of FDG pursuant to the SDL Acquisition with details set out in Note 20(a). 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 an initial 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 fair value of the HK$750M Convertible Bonds was approximately HK$2,443,113,000. The liability component of the HK$750M Convertible Bonds was 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 value of the liability component from the fair value of the HK$750M Convertible Bonds at initial recognition. The effective interest rate of the liability component of the HK$750M Convertible Bonds is 18.9% per annum. The valuation of the HK$750M Convertible Bonds at initial recognition was prepared by an independent professional qualified valuer.

The following major assumptions were used to calculate the fair value using Binomial Option Pricing model:

Grant date share price	HK$7.025
Exercise price	HK$1.70
Expected volatility	52.39%
Expected dividend yield	0%
Risk free interest rate	0.7%
Credit risk premium	11.59%

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

	Liability component HK$'000	**Equity component** HK$'000	**Total** HK$'000
Issued during the period	574,928	1,868,185	2,443,113
Add: Interest charge *(Note 10)*	69,531	–	69,531
Less: Interest payable	(39,576)	–	(39,576)
At 31 March 2016	**604,883**	**1,868,185**	**2,473,068**

31. DEFERRED TAX LIABILITIES

The followings are the deferred tax liabilities recognised and movements thereon during the period/year:

	Fair value adjustment on business combination HK$'000
At 1 January 2014, 31 December 2014 and 1 January 2015	–
Arising from acquisition of subsidiaries *(Note 35)*	24,277
Credited to profit or loss for the period	(841)
Exchange realignment	(7,179)
At 31 March 2016	**16,257**

At 31 March 2016, the Group had unused tax losses of approximately HK$391,380,000 (31 December 2014: approximately HK$495,255,000) available for offset against future assessable profits. No deferred tax asset was recognised due to the unpredictability of future profit streams. The Hong Kong tax losses of approximately HK$269,231,000 (31 December 2014: approximately HK$495,255,000) may be carried forward indefinitely and the remaining PRC tax losses of approximately HK$122,149,000 (31 December 2014: Nil) will expire in various dates in the next five years.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by a PRC subsidiary from 1 January 2018 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits or the PRC subsidiary amounting to approximately HK$102,643,000 (31 December 2014: approximately HK$106,748,000), as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will reverse in the foreseeable future.

32. 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 fifteen months ended 31 March 2016 (year 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 (a))*	10,000,000,000	–
At 31 March 2016	**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 32(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 (b))*	35,000,000	35,000
Subdivision of share capital *(Note (a))*	3,893,132,868	–
Issue of shares pursuant to acquisition of subsidiaries *(Note 35)*	269,230,770	53,846
At 31 March 2016	**5,135,646,855**	**1,027,129**

Notes:

(a) Pursuant to an ordinary resolution passed at a special general meeting of the Company held on 11 September 2015, each existing issued and unissued shares of par value of HK$1.00 each in the share capital of the Company was subdivided into five subdivided shares of par value of HK$0.20 each (the "Share Subdivision"). The Share Subdivision was become effective on 14 September 2015.

(b) A top-up placing of 35,000,000 new ordinary shares of the Company at HK$7.73 per share was completed on 5 August 2015.

The new shares rank pari passu with the existing shares in all respects.

32. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) SHARE CAPITAL (CONTINUED)

(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.

All the outstanding share options were cancelled in exchange for the convertible bonds issued by FDG during the Offer as set out in Note 20(b).

(c) NATURE AND PURPOSE OF RESERVES

(i) 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.

(ii) 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.

32. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) EQUITY SETTLED SHARE-BASED TRANSACTIONS

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 Group. The Scheme will remain in force for 10 years from the date of its adoption, unless otherwise cancelled or amended.

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

(i) any employees or proposed employees (whether full-time or part-time and including any executive directors), consultants or advisers of or to the Company, any of its subsidiaries or any entity in which the Group holds an equity interest (the "Invested Entity");

(ii) any non-executive directors (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;

(iii) any suppliers of goods or services to any members of the Group or any Invested Entity;

(iv) any customers of the Group or any Invested Entity;

(v) any person or entities that provides research, development, or other technological support to the Group or any Invested Entity; and

(vi) any shareholders of any members of the Group or any Invested Entity, or any holders of any securities issued by any members of the Group or any Invested Entity.

The total number of shares which may be issued upon exercise of all share options to be granted under the Scheme must not in aggregate exceed 10% of the total number of shares of the Company in issue as at the date of approval of the Scheme. As at 31 March 2016, there were no outstanding share options granted under the Scheme and yet to be exercised. The total number of shares issued and to be issued upon exercise of all share options granted by the Company to each participant in any 12-month period shall not exceed 1% of the shares of the Company then in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval at a general meeting of the Company.

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

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

32. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) EQUITY SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

Share Option Scheme (Continued)

Details of the share options movements during the fifteen months ended 31 March 2016 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 31.3.2016
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.

32. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) EQUITY SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

Share Option Scheme (Continued)

No share option expenses were recognised in the Group's financial statements for the fifteen months ended 31 March 2016 (year ended 31 December 2014: approximately HK$767,000).

The following table discloses movements of the Company's share options during the year ended 31 December 2014 under the Scheme:

					Number of shares under the share options			
Name or category of participants	Date of grant	Vesting period	Exercise period	Exercise price HK$	Outstanding at 1.1.2014	Lapsed during the year	Exercised during the year *(Note (iv))*	Outstanding at 31.12.2014
Directors								
Dou Jianzhong	9.9.2009	*(Note (i))*	9.9.2011 to 8.9.2014	1.79	1,250,000	(1,250,000)	–	–
	15.4.2013	*(Note (ii))*	15.4.2014 to 14.4.2016	1.00	1,250,000	–	(1,250,000)	–
Lo Wing Yat	9.9.2009	*(Note (i))*	9.9.2011 to 8.9.2014	1.79	1,900,000	(1,900,000)	–	–
	15.4.2013	*(Note (ii))*	15.4.2014 to 14.4.2016	1.00	1,900,000	–	(1,900,000)	–
Huang Bin	9.9.2009	*(Note (i))*	9.9.2011 to 8.9.2014	1.79	400,000	(400,000)	–	–
Hung Chi Yuen Andrew	9.9.2009	*(Note (i))*	9.9.2011 to 8.9.2014	1.79	200,000	(200,000)	–	–
	15.4.2013	*(Note (ii))*	15.4.2014 to 14.4.2016	1.00	200,000	–	–	200,000
Lu Zhicheng	9.9.2009	*(Note (i))*	9.9.2011 to 8.9.2014	1.79	200,000	(200,000)	–	–
	15.4.2013	*(Note (ii))*	15.4.2014 to 14.4.2016	1.00	200,000	–	–	200,000
Sit Fung Shuen Victor	9.9.2009	*(Note (i))*	9.9.2011 to 8.9.2014	1.79	200,000	(200,000)	–	–
	15.4.2013	*(Note (ii))*	15.4.2014 to 14.4.2016	1.00	200,000	–	–	200,000
Toh Hock Ghim	9.9.2009	*(Note (i))*	9.9.2011 to 8.9.2014	1.79	200,000	(200,000)	–	–
	15.4.2013	*(Note (ii))*	15.4.2014 to 14.4.2016	1.00	200,000	–	–	200,000
Wong Yau Kar David	9.9.2009	*(Note (i))*	9.9.2011 to 8.9.2014	1.79	200,000	(200,000)	–	–
	15.4.2013	*(Note (ii))*	15.4.2014 to 14.4.2016	1.00	200,000	–	–	200,000
Employees	9.9.2009	*(Note (i))*	9.9.2011 to 8.9.2014	1.79	5,565,000	(5,565,000)	–	–
	15.4.2013	*(Note (ii))*	15.4.2014 to 14.4.2016	1.00	4,500,000	–	–	4,500,000
	15.4.2013	*(Note (iii))*	18.4.2013 to 8.9.2014	1.79	1,200,000	(1,200,000)	–	–
Other participants	9.9.2009	*(Note (i))*	9.9.2011 to 8.9.2014	1.79	1,600,000	(1,600,000)	–	–
	15.4.2013	*(Note (ii))*	15.4.2014 to 14.4.2016	1.00	200,000	–	–	200,000
Total					21,765,000	(12,915,000)	(3,150,000)	5,700,000

32. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) EQUITY SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

Share Option Scheme (Continued)

Notes:

(i) The share options are subject to a vesting period of two years from the date of grant and were lapsed during the year.

(ii) The share options are subject to a vesting period of one year from the date of grant and will be exercisable for a period of two years thereafter.

(iii) The share options are exercisable immediately after acceptance of the Offer until 8 September 2014.

(iv) On 23 December 2014, 1,250,000 options and 1,900,000 options were exercised by Mr. Dou Jianzhong and Mr. Lo Wing Yat, directors of the Company, respectively to subscribe for a total of 3,150,000 ordinary shares in the Company.

(v) The closing price of the shares of the Company immediately before 9 September 2009 and 15 April 2013, on which the share options were granted, were HK$1.79 and HK$0.89 per share respectively.

(vi) All dates are shown day/month/year.

33. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the returns to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt (which includes bank and other borrowings as disclosed in Note 28) and equity attributable to owners of the Company (comprising issued share capital and reserves).

The Directors review the capital structure at each interim and financial year end. As part of this review, the Directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as issue of new debts and redemption of existing debts.

34. FINANCIAL INSTRUMENTS

(a) CATEGORIES OF FINANCIAL INSTRUMENTS

	At 31 March 2016 HK$'000	At 31 December 2014 HK$'000
Financial assets		
At FVTPL		
– Designated as FVTPL	**28,281**	47,007
– Held-for-trading	**37,475**	12,810
Loans and receivables (including cash and cash equivalents)	**835,439**	596,339
Financial liabilities		
Amortised cost	**872,246**	9,916

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial instruments mainly include financial assets at FVTPL, loan and other receivables, investment in a secured bond, trade and bills receivables, amount due from an associate, pledged bank deposits, cash and cash equivalents, bank and other borrowings, trade and bills payables and liability component of convertible bonds. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. There has been no change to the policies on how to mitigate these risks.

Market risk

(i) Currency risk

Several subsidiaries of the Company have certain financial assets at FVTPL and bank balances that are denominated in foreign currencies. As a result, the Group is exposed to fluctuation in foreign exchange rates. Management has closely monitored foreign exchange exposure and will undertake procedures necessary to mitigate the currency risk.

34. FINANCIAL INSTRUMENTS (CONTINUED)

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (Continued)

(i) Currency risk (Continued)

The carrying amounts of the Group's major foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	At 31 March 2016 HK$'000	At 31 December 2014 HK$'000	**At 31 March 2016 HK$'000**	At 31 December 2014 HK$'000
United States dollar ("USD")	**40,370**	136,662	**32,787**	–
RMB	**4,523**	116	**–**	–
Singapore dollar ("SGD")	**1,809**	1,913	**–**	–

Sensitivity analysis

The Group's foreign currency risk is mainly concentrated on the fluctuation of USD, RMB and SGD. Since HKD is pegged to USD, the Group does not expect any significant movements in USD/HKD exchange rate.

The management expects the movement in functional currency of the relevant group entities against the relevant foreign currencies is 5%. These percentages are therefore the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in currency exchange rates.

The following table details the Group's sensitivity to a 5% (year ended 31 December 2014: 5%) decrease in the functional currency of the relevant group entities against the relevant foreign currencies. The following sensitivity analysis includes only outstanding monetary items denominated in foreign currencies and adjusts their translation at the year end for a 5% change in foreign currency exchange rates. A positive number below indicates a decrease in loss for the period/year when the currency below strengthen 5% against the functional currency of the relevant group entities. For a 5% (year ended 31 December 2014: 5%) weakening of these currencies against the functional currency of the relevant group entities, there would be an equal and opposite impact on the loss for the period/year.

	Fifteen months ended 31 March 2016 HK$'000	Year ended 31 December 2014 HK$'000
Gain in relation to:		
– RMB	**226**	6
– SGD	**90**	96

34. FINANCIAL INSTRUMENTS (CONTINUED)

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (Continued)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to the amount due from an associate, loan receivables, investment in a secured bond, fixed bank deposits, other borrowings and convertible bonds, which carry fixed interest rate as set out in Notes 20, 23, 24, 27, 28 and 30 respectively.

The Group is also exposed to cash flow interest rate risk in relation to variable interest rate bank balances and bank borrowings as set out in Notes 27 and 28 respectively.

The Group currently does not have any interest rate hedging policy in relation to fair value interest rate risk and cash flow interest rate risk. The Directors monitor the Group's exposure on ongoing basis and will consider hedging the interest rate should the need arise.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of prevailing lending rate quoted by PBOC.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for non-derivative financial instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole financial year. A 10 basis point (year ended 31 December 2014: 10 basis point) and 50 basis point (year ended 31 December 2014: 50 basis point) increase or decrease are used when reporting interest rate risk internally to key management personnel and represent management's assessment of the reasonably possible changes in interest rates of variable rate bank balances and variable rate borrowings, respectively.

If interest rates had been 10 basis point higher or lower and all other variables were held constant, the Group's loss for the fifteen months ended 31 March 2016 would decrease or increase by HK$28,000 (year ended 31 December 2014: HK$332,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate bank balances.

If interest rates had been 50 basis point higher or lower and all other variables were held constant, the Group's loss for the fifteen months ended 31 March 2016 would increase or decrease by HK$384,000 (year ended 31 December 2014: Nil). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

34. FINANCIAL INSTRUMENTS (CONTINUED)

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (Continued)

(iii) Other price risk

The Group is exposed to equity price risk arising from listed equity securities and unlisted debt securities with embedded options classified as financial assets at FVTPL. Management manages this exposure by maintaining a portfolio of investment with difference risks. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below includes listed equity securities and unlisted debt securities with embedded options that are carried at fair values and has been determined based on the exposure to equity price risk at the end of the reporting period.

If the prices of the respective securities has been 10% (year ended 31 December 2014: 10%) higher/lower, loss for the fifteen months ended 31 March 2016 would decrease/increase by HK$5,653,000 (year ended 31 December 2014: HK$3,068,000) as a result of the changes in fair value of the securities.

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

In respect of the Group's cathode materials production business, the trade receivables presented in the consolidated statement of financial position are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The Group has concentration of credit risk on certain individual customers. At the end of the reporting period, the five largest trade receivable balances accounted for approximately 93% (year ended 31 December 2014: Nil) of the trade receivables and the largest trade receivable balance was approximately 60% (year ended 31 December 2014: Nil) of the Group's total trade receivables.

In respect of the direct investment business, impairment allowances are made for losses that have been incurred at the end of the reporting period. Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing the lending limits of each individual borrower when appropriate. Exposure to credit risk is also managed in part by obtaining collateral. In this regard, the Directors consider that the credit risk in relation to loan receivables and investment in a secured bond are monitored on a revolving basis and subject to a quarterly or more frequent review.

34. FINANCIAL INSTRUMENTS (CONTINUED)

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group does not have any other significant concentration of credit risk, other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, amount due from an associate as set out in Note 20, loan receivables as set out in Note 23 and above, investment in a secured bond as set out in Note 24 and above and trade receivables as disclosed above. The Group assesses the credit risk by reviewing and monitoring the financial performance of the counterparties and the management considers the default risk is not significant.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank and other borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

34. FINANCIAL INSTRUMENTS (CONTINUED)

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

Liquidity and interest risk tables

	Weighted average effective interest rate %	On demand or less than 1 month HK$'000	1 - 3 months HK$'000	3 months to 1 year HK$'000	1 - 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March 2016 HK$'000
As at 31 March 2016								
Trade, bills and other payables	-	95,535	22,967	39,576	-	-	158,078	158,078
Bank and other borrowings								
– variable rate	5.00	-	-	12,374	67,970	-	80,344	76,735
– fixed rate	3.87	-	-	33,334	-	-	33,334	32,550
Liability component of convertible bonds	18.89	-	-	20,424	60,000	810,000	890,424	604,883
		95,535	22,967	105,708	127,970	810,000	1,162,180	872,246

	Weighted average effective interest rate %	On demand or less than 1 month HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 December 2014 HK$'000
As at 31 December 2014				
Other payables	–	9,711	9,711	9,711
Amount due to a substantial shareholder	–	205	205	205
		9,916	9,916	9,916

The amounts included above for variable interest rate instruments is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

34. FINANCIAL INSTRUMENTS (CONTINUED)

(c) FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3 as set out in Note 5) based on the degree to which the inputs to the fair value measurements is observable.

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31 March 2016 HK$'000	31 December 2014 HK$'000				
Held-for trading investments:						
– Listed equity securities	**28,250**	2,386	Level 1	Quoted bid prices in active markets	N/A	N/A
– Unlisted funds	**9,225**	10,424	Level 2	Quoted prices in the over-the-counter markets	N/A	N/A
Financial assets designated at FVTPL						
– Unlisted debt securities with embedded options	**28,281**	28,296	Level 3	Discounted cash flow	Estimated future cash flows to be derived from the assets discounted at a risk based discount rate *(Note)*	The higher/lower of estimated cash flows derived from the assets, the higher/lower of fair value

34. FINANCIAL INSTRUMENTS (CONTINUED)

(c) FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets	Fair value as at 31 March 2016 HK$'000	Fair value as at 31 December 2014 HK$'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
– Unlisted equity securities	-	18,711	Level 3	Discounted cash flow	Discount for lack of marketability	The higher/lower of discount for lack of marketability, the lower/higher if fair value
					Estimated future cash flows to be derived from the assets discounted at a risk based discount rate *(Note)*	The higher/lower of estimated cash flows derived from the assets, the higher/lower of fair value

Note: An increase in the estimated cash flows to be derived from the assets would result in an increase in the fair value measurement of the unlisted debt securities with embedded options and unlisted equity securities and vice versa. A 10% increase in the estimated cash flows to be derived from the assets holding all other variable constant would increase the carrying amount of the unlisted debt securities with embedded options and the unlisted equity securities by approximately HK$2,828,000 and Nil respectively (31 December 2014: approximately HK$2,830,000 and HK$1,871,000 respectively).

34. FINANCIAL INSTRUMENTS (CONTINUED)

(c) FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

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

	At 31 March 2016 HK$'000	At 31 December 2014 HK$'000
Unlisted debt securities with embedded options:		
At beginning of the period/year	**28,296**	28,295
Changes in fair value recognised in profit or loss during the period/year	**(1)**	1
Exchange realignment	**(14)**	–
At end of the period/year	**28,281**	28,296
Total (loss)/gain for the period/year included in profit or loss for assets held at the end of the reporting period	**(15)**	1
Unlisted equity securities:		
At beginning of the period/year	**18,711**	18,727
Changes in fair value recognised in profit or loss during the period/year	**–**	(1,011)
Payment for purchase	**–**	19,308
Proceed from disposals	**(17,834)**	(17,716)
Exchange realignment	**(877)**	(597)
At end of the period/year	**–**	18,711

The gain or loss arising from the remeasurement of the unlisted debt securities with embedded options are presented in "net fair value loss on financial assets designated at FVTPL" in the consolidated statement of profit or loss and other comprehensive income.

The gain or loss arising from the remeasurement (excluding exchange realignment) of the unlisted equity securities are presented in "net fair value loss on financial assets designated at FVTPL" in the consolidated statement of profit or loss and other comprehensive income. Exchange realignment of the unlisted equity securities is presented in "exchange differences on the translation of the foreign operations" in the consolidated statement of profit or loss and other comprehensive income.

Fair values of financial assets and liabilities that are not measured at fair value on a recurring basis

All of the carrying amounts of the Group's financial instruments carried a amortised cost are not materially different from their fair values as at 31 March 2016 and 31 December 2014 respectively.

35. ACQUISITION OF SUBSIDIARIES

On 5 September 2015, Kingspark Group Limited ("Kingspark"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with SKC Co., Ltd. ("SKC Korea") and SK China Company Limited ("SK China") (SKC Korea and SK China collectively referred to as the "Sellers"), independent third parties, pursuant to which Kingspark conditionally agreed to purchase and the Sellers conditionally agreed to sell 100% equity interest in Premier Property Management Limited (the "PPM") and its subsidiary (collectively the "PPM Group") for a cash consideration of HK$372,000,000 and a share consideration by the issuance of 269,230,770 new shares of the Company (the "Acquisition"). The Acquisition 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 Ion Battery Materials Co. Ltd*), currently known as 五龍動力（重慶）鋰電材料有限公司 (FDG Kinetic (Chongqing) Lithium Ion Battery Materials Co. Ltd*) (the "PRC Subsidiary"), which is a wholly-owned 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. The Acquisition represented a significant furtherance of the Group's strategic development of vertical expansion (taking into account the operations carried out by the Group's associate) and will be beneficial to the development of the Group's electric battery products through the synergy formed.

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

	HK$'000
Intangible assets *(Note 18)*	106,983
Property, plant and equipment *(Note 19)*	220,023
Interests in leasehold land held for own use under operating lease *(Note 19)*	19,411
Inventories	35,419
Trade and bills receivables *(Note (i))*	20,543
Other receivables *(Note (i))*	29,316
Pledged bank deposits	6,739
Cash and cash equivalents	2,056
Trade and bills payables	(52,494)
Bank and other borrowings	(113,037)
Accruals and other payables	(8,319)
Deferred tax liabilities *(Note 31)*	(24,277)
Total identifiable net assets at fair value	242,363
Goodwill *(Notes 16 and (ii))*	485,021
	727,384

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

35. ACQUISITION OF SUBSIDIARIES (CONTINUED)

Notes:

(i) The fair value of trade and other receivables at the date of acquisition amounted to approximately HK$49,859,000. The gross contractual amounts of those trade and other receivables acquired amounted to approximately HK$65,124,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to approximately HK$15,265,000.

(ii) Goodwill arose in the acquisition of the PPM Group because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of the PPM Group. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

(iii) The share consideration was satisfied by an issuance of 269,230,770 new ordinary shares of the Company with a par value of HK$0.20 each, for approximately HK$355,384,000. 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 profit or loss and other comprehensive income for the fifteen months ended 31 March 2016.

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

	HK$'000
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 outflows included in cash flows from investing activities	(369,944)

Since the completion of the Acquisition, the PPM Group contributed to the Group's revenue of approximately HK$46,292,000 and incurred a loss of approximately HK$29,615,000 to the consolidated statement of profit or loss and other comprehensive income for the fifteen months ended 31 March 2016.

Had the Acquisition taken place at the beginning of the reporting period, the revenue and the loss for the fifteen months ended 31 March 2016 of the Group would have been approximately HK$144,821,000 and HK$2,029,567,000 respectively. The pro forma information is for illustrative purposes only and is not necessary an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the reporting period, nor is it intended to be a projection of future results.

36. MAJOR NON-CASH TRANSACTIONS

(a) In February 2015, the Group disposed of 41.5% of the issued share capital of Agnita and all rights and benefits of the shareholder's loan extended to Agnita (Note 20(b)). Of the total consideration of HK$520,000,000, HK$370,000,000 was settled by the issue of the FDG 3-year secured bond with 8% coupon per annum. The secured bond was recorded as "investment in a secured bond" under non-current assets.

(b) On 29 October 2015, the Group completed the acquisition of 100% equity interest of the issued share capital of the PPM Group. The acquisition was partly settled by the share consideration by the issuance of new shares of the Company (Note 35).

(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 20(a).

37. OPERATING LEASES COMMITMENTS

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 31 March 2016 HK$'000	At 31 December 2014 HK$'000
Within one year	**133**	–

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for lease terms of one year and rentals are fixed.

38. CAPITAL COMMITMENTS

No capital commitment were outstanding as at 31 March 2016 (31 December 2014: Nil).

39. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance and the Occupational Retirement Scheme ("the ORSO scheme"). The MPF scheme and the ORSO scheme are defined contribution retirement plans administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 (HK$25,000 prior to June 2014). Contributions to the plan vest immediately. The Group contributes 10% of relevant income to the ORSO scheme, with a vesting scale of 0% to 100%, according to the years of service of relevant employees.

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

40. MAJOR RELATED PARTY TRANSACTIONS

TRANSACTIONS WITH RELATED COMPANIES

In addition to the acquisition of SDL and disposal of Agnita set out in Note 20, the Group entered into the following transactions with related parties during the reporting period:

	Notes	**Fifteen months ended 31 March 2016 HK$'000**	Year ended 31 December 2014 HK$'000
Expenses reimbursed from CIAM	*(i)*	**747**	3,318
Expenses reimbursed to CIAM	*(i)*	**(2,418)**	(12,933)
Rental expenses paid to a fellow subsidiary	*(ii)*	**(960)**	–
Consultancy fee paid to a fellow subsidiary	*(ii)*	**(880)**	–
Expenses reimbursed to a fellow subsidiary	*(ii)*	**(894)**	–
Gain on disposal of an associate	*(iii)*	**1,404**	–
Interest expenses payable to a fellow subsidiary	*(iv)*	**(69,531)**	–
Interest income receivable from FDG	*(v)*	**32,337**	–
Interest income receivable from a joint venture of FDG	*(vi)*	**135**	–
Interest income receivable from an associate	*(vii)*	**1,933**	–

Notes:

(i) The amounts represented expenses reimbursed from/(to) CIAM under the Services Agreements as mentioned in Note 12. CIAM ceased to be a substantial shareholder of the Company in February 2015 after the Offer as set out in Note 20(b).

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

(iii) The amount represented gain on disposal of Agnita to Preferred Market (Note 20(b)).

(iv) The amount represented interest expense accrued for the convertible bonds (Note 30) during the fifteen months ended 31 March 2016.

(v) The amount represented interest income derived from the investment in a secured bond (Note 24) during the fifteen months ended 31 March 2016.

(vi) The amount represented interest income derived from a loan receivables, which has been settled as at 31 March 2016, during the fifteen months ended 31 March 2016.

(vii) The amount represented interest income derived from the amount due from an associate (Note 20) during the fifteen months ended 31 March 2016.

40. MAJOR RELATED PARTY TRANSACTIONS (CONTINUED)

BALANCES WITH RELATED COMPANIES

	Notes	**At 31 March 2016 HK$'000**	At 31 December 2014 HK$'000
Amount due from an associate *(Note 20)*		**65,724**	–
Amount due from the ultimate holding company	*(i)*	**2,737**	–
Amount due to a substantial shareholder of the Company	*(ii)*	**–**	205
Amount due to a fellow subsidiary	*(iii)*	**39,576**	–
Investment in a secured bond *(Note 24)*		**370,000**	–
Liability component of convertible bonds *(Note 30)*		**604,883**	–

Notes:

(i) The amount represents interest income receivable from the secured bonds issued by FDG (Note 24) which is included in loan and other receivables.

(ii) The amount was settled during the fifteen months ended 31 March 2016.

(iii) The amount represents interest payable from the convertible bonds issued to a subsidiary of FDG (Note 30) which is included in accruals and other payables.

KEY MANAGEMENT PERSONNEL COMPENSATION

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

	Fifteen months ended 31 March 2016 HK$'000	Year ended 31 December 2014 HK$'000
Salaries and other short-term employee benefits	**13,609**	11,543

The amounts represented the net amounts after expenses reimbursement arrangement under the Services Agreements for fifteen months ended 31 March 2016 and the year ended 31 December 2014 as mentioned in Note 12.

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.

41. COMPARATIVE FIGURES

Certain comparative figures set out in the consolidated statement of profit or loss and other comprehensive income have been restated to conform with current period's presentation:

	As originally stated HK$'000	Reclassifications HK$'000	As restated HK$'000
Revenue	19,580	1,179	20,759
Other income	62	123	185
General and administrative expenses	(26,995)	(176)	(27,171)
Impairment losses on loan and other receivables	(16,621)	16,621	–
Other gains and losses	–	(17,747)	(17,747)

Certain comparative figures set out in the consolidated statement of cash flows have been restated to conform with current period's presentation:

	As originally stated HK$'000	Reclassifications HK$'000	As restated HK$'000
Cash used in operating activities			
Increase in loan and other receivables	(16,222)	29	(16,193)
Repayment to a former substantial shareholder	(2,392)	2,392	–
Cash generated from/(used in) investing activities			
Loan repaid by third parties	29	(29)	–
Payment for acquisition of interest from non-controlling shareholders	(19)	19	–
Cash used in financing activities			
Repayment to a former substantial shareholder	–	(2,392)	(2,392)
Payment for acquisition of interest from non-controlling shareholders	–	(19)	(19)

The above adjustments have no impact on the Group's financial position as at 1 January 2014 and 31 December 2014.

42. EVENTS AFTER THE REPORTING PERIOD

As disclosed in the joint announcement of the Company and FDG dated 14 April 2016 (the "Joint Announcement") and the circular of the Company dated 30 May 2016 (the "Circular"), the Group entered into two transactions as follows:

(a) FDG Kinetic Investment Limited ("FKIL"), a direct wholly-owned subsidiary of the Company, the Company (as guarantor) and Advanced Lithium Electrochemistry (Cayman) Co., Ltd ("ALEEES"), a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Taipei Exchange (Stock Code: 5227) entered into the share subscription agreement pursuant to which ALEEES conditionally agreed to allot and issue and FKIL conditionally agreed to subscribe for 46,000,000 new ordinary shares of ALEEES at a subscription price of NT$35 per new share of ALEEES, in sum of NT$1,610,000,000 (equivalent to HK$386,091,000), which will be payable in cash upon completion, pursuant to the terms and conditions of the share subscription agreement (the "ALEEES Share Subscription").

The completion of the ALEEES Share Subscription is inter-conditional with the Cooperation Agreement (as defined below), the Ark Cayman Sale and Purchase Agreement, the Ark Taiwan Asset Purchase Agreement, the R&D Service Agreement and the FDG Subscription Agreement (as defined with details disclosed in the Joint Announcement and the Circular). Following completion of the ALEEES Share Subscription, ALEEES will be accounted for as an associate of the Company.

(b) In connection with the ALEEES Share Subscription, the Company and ALEEES have entered into the cooperation agreement (the "Cooperation Agreement"), pursuant to which ALEEES has agreed to be engaged as a consultant to the Company in order to provide technology licensing and consultancy services to one or more PRC subsidiary(ies) of the Company in the construction of factories and production of M-series cathode materials for lithium-ion battery.

As at the date of this report, all the above transactions have not yet been completed.

43. STATEMENT OF FINANCIAL POSITION

	Note	**At 31 March 2016 HK$'000**	At 31 December 2014 HK$'000
Non-current assets			
Property, plant and equipment		**50**	619
Investment in subsidiaries		**1,611,117**	538,503
Financial assets at fair value through profit or loss		**–**	28,296
Investment in a secured bond		**370,000**	–
Other non-current assets		**367**	979
		1,981,534	568,397
Current assets			
Financial assets at fair value through profit or loss		**28,281**	2,168
Other receivables		**3,561**	2,363
Amounts due from subsidiaries		**359,572**	322,400
Cash and cash equivalents		**106,779**	337,053
		498,193	663,984
Current liabilities			
Accruals and other payables		**44,668**	10,549
Amounts due to subsidiaries		**3,247**	35,255
Amount due to a substantial shareholder		**–**	205
		47,915	46,009
Net current assets		**450,278**	617,975
Total assets less current liabilities		**2,431,812**	1,186,372
Non-current liabilities			
Liability component of convertible bonds		**604,883**	–
NET ASSETS		**1,826,929**	1,186,372
CAPITAL AND RESERVES			
Share capital		**1,027,129**	938,283
Reserves	*(a)*	**799,800**	248,089
TOTAL EQUITY		**1,826,929**	1,186,372

43. STATEMENT OF FINANCIAL POSITION (CONTINUED)

(a) RESERVES

THE COMPANY

	Share premium HK$'000	Share option reserve HK$'000	Equity component of convertible bonds HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2014	341,137	8,912	–	2,184	(243,318)	108,915
Profit for the year	–	–	–	–	138,407	138,407
Share issued under share option scheme	935	(935)	–	–	–	–
Equity settled share-based transactions						
– amortisation for the year	–	767	–	–	–	767
– transfer to accumulated losses upon lapsed	–	(7,051)	–	–	7,051	–
At 31 December 2014	342,072	1,693	–	2,184	(97,860)	248,089
Loss for the period	–	–	–	–	(1,847,203)	(1,847,203)
Issue of new shares						
– through top-up placing	229,191	–	–	–	–	229,191
– pursuant to acquisition of subsidiaries	301,538	–	–	–	–	301,538
Issue of convertible bonds	–	–	1,868,185	–	–	1,868,185
Cancellation of the share option	–	(1,693)	–	–	1,693	–
At 31 March 2016	**872,801**	**–**	**1,868,185**	**2,184**	**(1,943,370)**	**799,800**

44. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 March 2016 and 31 December 2014 are as follows:

Name of subsidiary	Place of incorporation/ registration/ establishment	Issued and fully paid share/ registered capital	Percentage of issued share/registered capital held by the Company				Principal activities
			Directly		Indirectly		
			At 31 March 2016 %	At 31 December 2014 %	**At 31 March 2016 %**	At 31 December 2014 %	
Active Way International Limited	Hong Kong	HK$2	**–**	–	**100%**	100%	Investment holding and loan financing
Bowen Limited	Hong Kong	HK$2	**100%**	100%	**–**	–	Investment holding
Cash Level Investments Limited	BVI	US$1	**–**	–	**100%**	100%	Securities trading
Cherrylink Investments Limited	BVI	US$1	**100%**	100%	**–**	–	Investment holding
PPM	Hong Kong	US$43,220,010	**–**	–	**100%***	N/A	Investment holding
Profit Union Investments Limited	BVI	US$1	**–**	–	**100%**	100%	Securities trading
五龍動力(重慶)鋰電材料有限公司	The PRC	US$43,200,000	**–**	–	**100%***	N/A	Manufacturing and trading of cathode materials
事安投資諮詢(深圳)有限公司	The PRC	RMB60,000,000	**–**	–	**100%**	100%	Investment consultancy services

* These companies are newly acquired during the fifteen months ended 31 March 2016.

None of the subsidiaries had any debt securities outstanding at the end of the reporting period or at any time during the period/year.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

GROUP FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the financial period ended 31 March 2016 and four financial years ended 31 December 2014, as extracted from the published audited consolidated financial statements and reclassified and restated as appropriate, is set out below:

	Fifteen months ended 31 March 2016 HK$'000	Year ended 31 December 2014 HK$'000	Year ended 31 December 2013 HK$'000	Year ended 31 December 2012 HK$'000	Year ended 31 December 2011 HK$'000
Loss attributable to owners of the Company	**(1,970,512)**	(48,635)	(22,229)	(14,691)	(131,453)
Total assets	**2,667,799**	1,304,109	1,364,398	574,183	663,386
Total liabilities	**(894,603)**	(16,510)	(27,898)	(23,759)	(102,335)
Net assets	**1,773,196**	1,287,599	1,336,500	550,424	561,051
Non-controlling interests	**–**	–	40	40	(138)
Total equity attributable to owners of the Company	**1,773,196**	1,287,599	1,336,460	550,384	561,189