# THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

**If you have sold or transferred** all your shares in **FDG Electric Vehicles Limited**, you should at once hand this circular and the enclosed proxy form to the purchaser(s) or transferee(s) or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).



# FDG Electric Vehicles Limited
# 五龍電動車（集團）有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 729)**

## (1) PROPOSED SUBSCRIPTION OF NEW SHARES BY STAR MERCURY INVESTMENTS LTD., A WHOLLY-OWNED SUBSIDIARY OF CITIC LIMITED, UNDER SPECIFIC MANDATE
## (2) PROPOSED CONVERSION OF CONVERTIBLE BONDS
## (3) WHITEWASH WAIVER
## AND
## (4) NOTICE OF SPECIAL GENERAL MEETING

**Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders**

高銀融資有限公司
GOLDIN FINANCIAL LIMITED

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

A letter from the Board is set out on pages 6 to 20 of this circular. A letter from the Independent Board Committee containing its recommendation is set out on page 21 to 22 of this circular. A letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 23 to 44 of this circular.

A notice convening the SGM to be held at Tianshan room and Lushan room, 5/F, Island Shangri-la Hotel Hong Kong, Pacific Place, Supreme Court Road, Central, Hong Kong on Friday, 19 February 2016 at 11:00 a.m. is set out on pages SGM-1 to SGM-2 of this circular. Whether or not a Shareholder is able to attend the meeting, he is requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar and transfer office, Union Registrars Limited at A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjourned meeting. Completion and return of the proxy form will not preclude a Shareholder from attending and voting in person at the meeting or any adjournment thereof should he so wish and in such event the relevant proxy form shall be deemed to be revoked.

29 January 2016

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*In this circular, the following expressions have the following meanings unless the context requires otherwise:*

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| "acting in concert" | has the meaning ascribed thereto under the Takeovers Code; |
| "Announcement" | the announcement of the Company dated 16 December 2015 in relation to, among other things, the Subscription, the Conversion and Whitewash Waiver; |
| "associate" | has the meaning ascribed to it under the Listing Rules; |
| "Board" | the board of Directors; |
| "business day" | has the meaning ascribed thereto in the Listing Rules; |
| "Champion Rise" | Champion Rise International Limited, a wholly-owned investment holding company of Mr. Cao; |
| "China/PRC" | the People's Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan; |
| "CIAM" | CITIC International Assets Management Limited, a company incorporated in Hong Kong with limited liability; |
| "Close Associate" | has the meaning ascribed to it under the Listing Rules; |
| "Close Relative" | has the meaning ascribed to it under the Takeovers Code; |
| "Company" | FDG Electric Vehicles Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 729); |
| "Concert Party Group" | Mr. Cao, Mr. Miao, Dr. Chen, Mr. Che, the Subscriber, CIAM and the persons acting in concert with any of them; |

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| "Conversion" | the conversion of the Convertible Bonds held by CIAM, Right Precious, Mr. Lo, Mr. Cao, Champion Rise and Silvanus Enterprises as described in the section headed "THE CONVERSION" in the "Letter from the Board"; |
| "Conversion Shares" | Shares arising from the conversion of the Convertible Bonds; |
| "Convertible Bonds" | the zero coupon convertible bonds due 2018 issued by the Company, the principal terms of which are set out in the composite offer and response document of the Company, Sinopoly Strategic Investment Limited and FDG Kinetic dated 30 January 2015; |
| "Director(s)" | the director(s) of the Company; |
| "Dr. Chen" | Dr. Chen Yanping, the chief operating officer of the Company and an executive Director; |
| "Enlarged Share Capital" | the issued share capital of the Company as enlarged upon completion of the Subscription and the Conversion; |
| "Executive" | the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any delegate thereof for the time being; |
| "FDG Kinetic" | FDG Kinetic Limited, previously known as CIAM Group Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 378); |
| "General Mandate" | the mandate granted to the Directors by the Shareholders to allot, issue and deal with up to 3,658,418,146 new Shares, representing approximately 20% of the then issued share capital of the Company on 28 August 2015 when the annual general meeting of the Company was held; |
| "Group" | the Company and its subsidiaries; |
| "Hong Kong" | the Hong Kong Special Administrative Region of the People's Republic of China; |

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| "Independent Board Committee" | a committee of the Board comprising the independent non-executive directors of the Board, namely Mr. Chan Yuk Tong, Mr. Fei Tai Hung and Mr. Tse Kam Fow; |
| "Independent Financial Adviser" | Goldin Financial Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO; |
| "Independent Shareholders" | the Shareholders other than the Concert Party Group and those who are interested or involved in the Subscription, the Conversion and/or the Whitewash Waiver; |
| "Last Trading Day" | 9 December 2015, being the last business day for trading of the Shares on the Stock Exchange immediately preceding the date of the Announcement; |
| "Latest Practicable Date" | 26 January 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information therein; |
| "Listing Rules" | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited; |
| "Long-Stop Date" | 31 May 2016 or such later date as the Company and the Subscriber may in writing agree; |
| "Mr. Cao" | Mr. Cao Zhong, the chairman of the Board, an executive Director and the chief executive officer and a substantial shareholder of the Company; |
| "Mr. Che" | Mr. Jaime Che, the vice president of the Company and an executive Director; |
| "Mr. Lo" | Mr. Lo Wing Yat, an executive Director and a director of each of CIAM and Right Precious; |
| "Mr. Miao" | Mr. Miao Zhenguo, the brother-in-law of Mr. Cao, the deputy chairman of the Board, an executive Director and a substantial shareholder of the Company; |

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| "Nominated Director" | the person nominated to be a Director by the Subscriber pursuant to its right under the Subscription Agreement; |
| "Nomination Notice" | the notice in writing given by the Subscriber to the Company to nominate an individual as the Nominated Director; |
| "Relevant Period" | the period commencing from 10 June 2015, being six months prior to the date of the Suspension Announcement, being 10 December 2015 and up to and including the Latest Practicable Date; |
| "Right Precious" | Right Precious Limited, a wholly-owned subsidiary of CIAM; |
| "SFO" | the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong); |
| "SGM" | the special general meeting of the Company to be convened and held for, among others, the purpose of considering the Subscription and the Whitewash Waiver; |
| "Share(s)" | ordinary share(s) of HK$0.01 each in the share capital of the Company; |
| "Shareholder(s)" | holder(s) of Shares; |
| "Share Option Scheme" | the share option scheme adopted by the Company on 28 February 2014; |
| "Silvanus Enterprises" | Silvanus Enterprises Limited, a wholly-owned investment holding company of Ms. Chong Sok Un, a Close Relative of Mr. Che; |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited; |
| "Subscriber" | Star Mercury Investments Ltd., a company incorporated with limited liability under the laws of British Virgin Islands and a wholly-owned subsidiary of CITIC Limited; |

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| "Subscription" | the subscription of 1,000,000,000 new Shares by the Subscriber pursuant to the terms and conditions of the Subscription Agreement; |
| "Subscription Agreement" | the agreement dated 9 December 2015 between the Company as issuer and the Subscriber as subscriber for 1,000,000,000 new Shares; |
| "Suspension Announcement" | the announcement of the Company dated 10 December 2015 in relation to the suspension of trading in Shares; |
| "Takeovers Code" | the Code on Takeovers and Mergers; |
| "Whitewash Applicants" | Mr. Cao (including Champion Rise), Silvanus Enterprises, the Subscriber, CIAM (including Right Precious) and Mr. Lo; and |
| "Whitewash Waiver" | the grant by the Executive to the Whitewash Applicants, of a waiver of the requirement under Rule 26.1(b) of the Takeovers Code to make a general offer for all the Shares not already owned or agreed to be acquired by them or persons acting in concert with any of them upon completion of the Subscription and the Conversion. |

# FDG Electric Vehicles Limited
# 五龍電動車（集團）有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 729)**

*Executive Directors:*
Cao Zhong *(Chairman and Chief Executive Officer)*
Miao Zhenguo *(Deputy Chairman)*
Chen Yanping *(Chief Operating Officer)*
Lo Wing Yat
Jaime Che *(Vice President)*

*Independent Non-executive Directors:*
Chan Yuk Tong
Fei Tai Hung
Tse Kam Fow

*Registered office:*
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

*Principal place of business in Hong Kong:*
Rooms 3001–3005, 30th Floor
China Resources Building
26 Harbour Road
Wanchai, Hong Kong

29 January 2016

*To the Shareholders*

Dear Sir or Madam,

**(1) PROPOSED SUBSCRIPTION OF NEW SHARES BY STAR MERCURY INVESTMENTS LTD., A WHOLLY-OWNED SUBSIDIARY OF CITIC LIMITED, UNDER SPECIFIC MANDATE**
**(2) PROPOSED CONVERSION OF CONVERTIBLE BONDS**
**(3) WHITEWASH WAIVER**
**AND**
**(4) NOTICE OF SPECIAL GENERAL MEETING**

## INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Subscription, the Conversion and the Whitewash Waiver, the purposes of this circular are to provide you with, among other things, (i) further details of the Subscription, the Conversion and the Whitewash Waiver; (ii) the letter of advice and recommendation from the Independent Board Committee to the Independent Shareholders in relation to the

Subscription, the Conversion and the Whitewash Waiver; (iii) the letter of advice and recommendation from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription, the Conversion and the Whitewash Waiver; and (iv) the notice of the SGM.

## THE SUBSCRIPTION

On 9 December 2015, the Company entered into an agreement with the Subscriber as subscriber for the subscription of 1,000,000,000 new Shares at HK$0.465 per Share.

The Subscriber is a wholly-owned subsidiary of CITIC Limited. CITIC Limited is China's largest conglomerate. Its businesses include financial services, resources and energy, manufacturing, engineering contracting, real estate and infrastructure, and other businesses in China and overseas.

Upon completion of the Subscription and thereafter from time to time, the Company and the Subscriber will, subject to compliance with all applicable laws and regulations (including without limitation to the Takeovers Code and the Listing Rules), explore in earnest strategic collaboration opportunities between their respective group companies in financial services and motor vehicles distribution, and the Company will, and will procure the Group to, first explore or discuss any such opportunities with the Subscriber or any of its group of companies. In addition, the Company would, and shall procure the Group to, give the Subscriber or any of its group companies priority in its consideration when any member of the Group is selecting partners for any opportunities in relation to motor vehicles distribution in Hong Kong and China.

### The Subscription Agreement

| | |
|---|---|
| **Date:** | 9 December 2015 |
| **Issuer:** | the Company |
| **Subscriber:** | Star Mercury Investments Ltd. |
| **Shares:** | 1,000,000,000 new Shares |
| **Subscription price:** | HK$0.465 per new Share subscribed payable in cash |

### Conditions precedent

Completion of the Subscription is subject to the satisfaction of the following conditions precedent by the Long-Stop Date:

(1) the passing of resolutions by the Independent Shareholders at the SGM approving the transactions contemplated under the Subscription Agreement, including the allotment and issue of new Shares and the Whitewash Waiver, pursuant to the Listing Rules and the Takeovers Code;

(2) the Listing Committee of the Stock Exchange having granted or having agreed to grant (either unconditionally or subject only to conditions to which neither the Company nor the Subscriber shall reasonably object) the listing of, and permission to deal in, the Shares to be issued under the Subscription Agreement;

(3) (where required) the Bermuda Monetary Authority granting its permission to the allotment and issue of the new Shares under the Subscription Agreement;

(4) the granting of the Whitewash Waiver by the Executive and the Whitewash Waiver not being revoked or withdrawn;

(5) delivery of an undertaking in such form as agreed by the Subscriber and all the other parties thereto, signed by Mr. Cao, Mr. Miao, CITIC Pacific Limited, the Subscriber, CIAM, Dr. Chen and Mr. Che to regulate their dealings in the Shares;

(6) each of the warranties set out in the Subscription Agreement being true and accurate in all respects and not misleading in any respect as of (unless the context requires otherwise) the date of the Subscription Agreement and the date of completion of the Subscription; and

(7) all necessary approvals and consents required to be obtained by any member of the Company and the Subscriber from any government authority or other third party in respect of the Subscription Agreement and/or the transactions contemplated thereunder being obtained unconditionally, or where such approval or consent is given subject to conditions, on such conditions as are acceptable to the Company and the Subscriber (as the case may be) acting reasonably.

None of the above conditions precedent can be waived by the parties save that the Subscriber may, in its absolute discretion, waive the condition precedent in paragraph (6) at any time by notice in writing to such effect to the Company. If any of above conditions precedent are not fulfilled (or waived, in the case of paragraph (6) only) on or before the Long-Stop Date, the Company or the Subscriber may (but is not bound to) terminate the Subscription Agreement (other than the provisions in relation to, among others, notice and governing law, which shall survive), in which case, neither party thereto shall have any liability to the other party save for any antecedent breach of the terms thereof.

As at the Latest Practicable Date, none of the above conditions precedent have been fulfilled (or waived, in the case of paragraph (6) only).

The issuance of the new Shares under the Subscription Agreement will take place on the fifth business day after all the aforementioned conditions precedent have been fulfilled (other than the condition set out in paragraph (6) which is to be fulfilled at completion of the Subscription) or such other day as the Subscriber and the Company may in writing agree.

**Subscription price**

The subscription price of HK$0.465 per new Share subscribed was determined after arm's length negotiation between the Company and the Subscriber with reference to the recent trading prices of the Shares on the Stock Exchange and represents:

(1) neither premium nor discount over/to the closing price of HK$0.465 per Share as quoted on the Stock Exchange on the Last Trading Day;

(2) a discount of approximately 3.93% to the average closing price of HK$0.484 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Day;

(3) a discount of approximately 5.10% to the average closing price of HK$0.490 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day;

(4) a discount of approximately 8.28% to the average closing price of HK$0.507 per Share as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day;

(5) a premium of approximately 40.91% over the closing price of HK$0.330 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(6) a premium of approximately 229.79% over the net asset value per Share of approximately HK$0.141 as at 30 September 2015.

**Status of Shares subscribed**

The new Shares to be subscribed under the Subscription Agreement, when allotted and issued, will rank pari passu in all respects with all other existing Shares outstanding at the date of such allotment and issuance and be entitled to all dividends and other distributions the record date of which falls on a date on or after the date of such allotment and issuance. The Company will apply to the Stock Exchange for the listing of and permission to deal in such Shares.

**Nomination of a non-executive Director**

Upon completion of the Subscription Agreement and for so long as the Subscriber and its Close Associates hold such number of Shares that represents more than 10 per cent. of the Shares in issue, the Subscriber will have the right to nominate one person to be appointed as a non-executive Director by giving notice in writing to the Company, subject to compliance with applicable laws and regulations including but not limited to the Listing Rules, the Takeovers Code and the bye-laws of the Company.

The Company undertakes to take necessary steps and actions to procure that:

(1) as soon as reasonably practicable after delivery of the Nomination Notice, a meeting of the Board is called to consider the appointment and a resolution to re-elect the Nominated Director will be proposed at the next and subsequent annual general meetings, or if earlier, the next special general meeting, of the Company; and

(2) if the Nominated Director was not appointed to the Board pursuant to paragraph (1) above, a resolution to elect the Nominated Director as a non-executive Director will be proposed, or a resolution to elect a different Nominated Director (if a different Nominated Director has been nominated by the Subscriber to replace a Nominated Director on the Board who has ceased to be a Director) as a non-executive Director will be proposed at the next general meeting of the Company and the Nominated Director will be subject to re-election at subsequent annual general meetings of the Company.

**THE CONVERSION**

On 16 December 2015, the Company received notices in relation to the conversion of Convertible Bonds held by (1) CIAM and Right Precious, (2) Mr. Lo, (3) Mr. Cao and Champion Rise, and (4) Silvanus Enterprises.

Under the terms of the Convertible Bonds, they are not convertible to the extent that following such conversion, the holder of the Convertible Bonds and/or persons acting in concert with it within the meaning of the Takeovers Code will come under any obligation to make a general offer under the Takeovers Code for Shares not already owned or agreed to be acquired by it or any such persons acting in concert with it.

CIAM, together with Right Precious, propose to convert all the Convertible Bonds held by them in the amount of HK$513,058,062 at the current prevailing conversion price of HK$0.50 to obtain 1,026,116,124 new Shares. These new Shares represent approximately 5.30% of the total issued share capital of the Company as of the Latest Practicable Date, approximately 4.89% of the total issued share capital of the Company as enlarged by the Conversion and approximately 4.67% of the Enlarged Share Capital.

Mr. Lo proposes to convert all the Convertible Bonds held by him in the amount of HK$3,289,500 at the current prevailing conversion price of HK$0.50 to obtain 6,579,000 new Shares. These new Shares represent approximately 0.03% of the total issued share capital of the Company as of the Latest Practicable Date, approximately 0.03% of the total issued share capital of the Company as enlarged by the Conversion and approximately 0.03% of the Enlarged Share Capital.

Mr. Cao, together with Champion Rise, propose to convert all the Convertible Bonds held by them in the amount of HK$173,400,000 at the current prevailing conversion price of HK$0.50 to obtain 346,800,000 new Shares. These new Shares represent approximately

1.79% of the total issued share capital of the Company as of the Latest Practicable Date, approximately 1.65% of the total issued share capital of the Company as enlarged by the Conversion and approximately 1.58% of the Enlarged Share Capital.

Silvanus Enterprises proposes to convert all the Convertible Bonds held by it in the amount of HK$106,998,000 at the current prevailing conversion price of HK$0.50 to obtain 213,996,000 new Shares. These new Shares represent approximately 1.10% of the total issued share capital of the Company as of the Latest Practicable Date, approximately 1.02% of the total issued share capital of the Company as enlarged by the Conversion and approximately 0.97% of the Enlarged Share Capital.

The Conversion is conditional on the grant of the Whitewash Waiver, the approval of the Whitewash Waiver at the SGM, and the Subscription becoming unconditional in accordance with the terms of the Subscription Agreement. The Conversion will take place simultaneously with completion of the Subscription.

**INFORMATION ON THE PARTIES INVOLVED IN THE SUBSCRIPTION AND THE CONVERSION**

The Subscriber is a wholly-owned subsidiary of CITIC Limited. CITIC Limited is China's largest conglomerate. Its businesses include financial services, resources and energy, manufacturing, engineering contracting, real estate and infrastructure, and other businesses in China and overseas.

CIAM is a private equity investment and asset management company. It is 40% owned by CITIC International Financial Holdings Limited (a subsidiary of CITIC Limited), 25% owned by ICH Company Limited (a subsidiary of ITOCHU Corporation which is a company listed on the Tokyo Stock Exchange), 20% owned by Ithmaar Bank B.S.C. (a company listed on the Bahrain Bourse and the Kuwait Stock Exchange) and 15% owned by Ichigo Inc. (a company listed on the Tokyo Stock Exchange).

Right Precious is a wholly-owned subsidiary of CIAM.

Mr. Lo is an executive Director and also a director of CIAM and Right Precious.

Mr. Cao is the chairman of the Board, an executive Director, and the chief executive officer of the Company and a substantial shareholder of the Company.

Champion Rise is an investment holding company wholly owned by Mr. Cao.

Silvanus Enterprises is a wholly-owned investment holding company of Ms. Chong Sok Un, a Close Relative of Mr. Che, an executive Director.

**REASON FOR THE SUBSCRIPTION**

The net proceeds from the issuance of new Shares under the Subscription are estimated to be approximately HK$463 million and will be primarily used for the remaining capital expenditure required for the scale production of electric vehicles in the Group's Hangzhou manufacturing plant.

As of 30 September 2015, the total capital expenditure required for the scale production of electric vehicles in the Group's Hangzhou manufacturing plant in the next twelve month from 30 September 2015 is approximately HK$1,415.6 million. Such amounts are proposed to be satisfied primarily by the cash and bank balances of the Group of approximately HK$270.6 million (excluding the cash and bank balances of FDG Kinetic, a listed subsidiary of the Group), the net proceeds from the Subscription of approximately HK$463 million and other bank facilities.

The Board is of the view that introduction of the Subscriber as a shareholder will potentially benefit the Group. The Subscriber, together with CIAM and Right Precious, will hold approximately 11.27% of the Enlarged Share Capital and become the second largest shareholder group of the Company upon completion of the Subscription and the Conversion. This will help strengthen the shareholding base and the equity position of the Company.

**BENEFIT OF THE CONVERSION**

The Conversion will reduce the amount of the Company's outstanding debt securities and thus increase its net asset value by approximately HK$578 million. In addition, the Conversion will enhance the Company's financial performance by decreasing the annualised imputed interest of the Convertible Bonds by not less than approximately HK$80 million.

**CHANGES IN SHAREHOLDING**

The 1,000,000,000 new Shares issued under the Subscription represent approximately 5.16% of the total issued share capital of the Company as of the Latest Practicable Date, approximately 4.91% of the total issued share capital of the Company as enlarged by the Subscription, and approximately 4.55% of the Enlarged Share Capital.

The 1,593,491,124 Conversion Shares arising from the Conversion represent approximately 8.23% of the total issued share capital of the Company as of the Latest Practicable Date, approximately 7.60% of the total issued share capital of the Company as enlarged by the Conversion, and approximately 7.26% of the Enlarged Share Capital.

The shareholding structure of the Company (i) as at the Latest Practicable Date, (ii) immediately after the allotment and issue of the new Shares under the Subscription, and (iii) immediately after the allotment and issuance of the new Shares under the

Subscription and the Conversion, is as set out below (assuming no other changes in the issued share capital and shareholding structure of the Company):

| | As at the Latest Practicable Date | | Immediately after issue under the Subscription | | Immediately after issue under the Subscription and the Conversion | |
|---|---|---|---|---|---|---|
| | *Shares* | *%* | *Shares* | *%* | *Shares* | *%* |
| The Subscriber | – | – | 1,000,000,000 | 4.91% | 1,000,000,000 | 4.55% |
| CIAM *(a)* | 448,780,000 | 2.32% | 448,780,000 | 2.20% | 1,474,896,124 | 6.72% |
| Mr. Lo *(b)* | – | – | – | – | 6,579,000 | 0.03% |
| Mr. Cao *(c)* | 2,311,059,998 | 11.93% | 2,311,059,998 | 11.35% | 2,657,859,998 | 12.10% |
| Mr. Miao *(d)* | 1,970,551,043 | 10.17% | 1,970,551,043 | 9.67% | 1,970,551,043 | 8.97% |
| Dr. Chen *(e)* | 950,625,000 | 4.91% | 950,625,000 | 4.67% | 950,625,000 | 4.33% |
| Mr. Che *(f)* | 92,695,000 | 0.48% | 92,695,000 | 0.46% | 306,691,000 | 1.40% |
| The Concert Party Group | 5,773,711,041 | 29.81% | 6,773,711,041 | 33.25% | 8,367,202,165 | 38.10% |
| Other non-public Shareholders *(g)* | 1,752,583,158 | 9.05% | 1,752,583,158 | 8.60% | 1,752,583,158 | 7.98% |
| Public Shareholders *(h)* | 11,843,706,535 | 61.14% | 11,843,706,535 | 58.14% | 11,843,706,535 | 53.92% |
| **Total** | **19,370,000,734** | **100.00%** | **20,370,000,734** | **100.00%** | **21,963,491,858** | **100.00%** |

(a) CIAM holds 448,780,000 Shares. CIAM and Right Precious (CIAM's wholly-owned subsidiary) also hold Convertible Bonds which will be converted into 3,128,000 and 1,022,988,124 Conversion Shares respectively upon the Conversion.

(b) Mr. Lo does not hold any Shares as at the Latest Practicable Date. Mr. Lo holds Convertible Bonds which will be converted into 6,579,000 Conversion Shares upon the Conversion. He is also interested in 42,800,000 share options of the Company.

(c) Mr. Cao holds 2,311,059,998 Shares through Long Hing International Limited, his wholly-owned investment holding company. Mr. Cao and Champion Rise (his other wholly-owned investment holding company) also hold Convertible Bonds which will be converted into 6,800,000 and 340,000,000 Conversion Shares respectively upon the Conversion. In addition, he is interested in 10,000,000 share options of the Company.

(d) Mr. Miao holds 1,806,301,043 Shares through Union Ever Holdings Limited and 164,250,000 Shares through Infinity Wealth International Limited, both of which are his wholly-owned investment holding companies. He is also interested in 15,000,000 share options of the Company.

(e) Captain Century Limited, a company 60%-owned by Dr. Chen and 40%-owned by Ms. Zhang Lu, his Close Relative, holds 658,125,000 Shares. Designer Touch Limited, a company wholly-owned by Mr. Chen Cheng, another Close Relative of Dr. Chen, holds a further 292,500,000 Shares. Dr. Chen is also interested in 12,000,000 share options of the Company.

(f) Mr. Che holds 1,000,000 Shares and is also interested in 16,000,000 share options of the Company. Ms. Chong Sok Un, Mr. Che's Close Relative holds a further 91,695,000 Shares. Silvanus Enterprises, a company wholly-owned by such Close Relative, also holds Convertible Bonds which will be converted into 213,996,000 Conversion Shares upon the Conversion.

(g) Other non-public Shareholders comprise subsidiary-level directors and chief executive officers of the Group and their associates which are under the Listing Rules considered as connected persons of the Company and therefore not counted as members of the public.

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

(i) Ignore rounding errors.

## FUNDS RAISED BY ISSUING EQUITY IN THE PAST 12 MONTHS

On 5 November 2015, a total of 1,000,000,000 Shares were issued and allotted under the General Mandate at a price of HK$0.50 per Share pursuant to a best efforts placing agreement entered into on 22 October 2015 between the Company and VMS Securities Limited. Of the net proceeds of approximately HK$491.5 million, HK$100 million was applied for the operation and production in the electric vehicle manufacturing plant in Hangzhou of the Group, HK$291.5 million was used for the general working capital purposes of the Group (including operational and capital expenditure expenses for the Group's battery manufacturing business and repayment of certain borrowings and interest thereof) and the remaining HK$100 million will also be applied towards the operational and capital expenditure expenses in connection with the Group's electric vehicle manufacturing plant in Hangzhou.

Save as disclosed above, the Company has not undertaken any equity fund raising exercise during the past 12 months immediately preceding the date of the Announcement.

## INFORMATION ON THE COMPANY

The Group is a vertically integrated electric vehicle manufacturer which primarily engages in (i) independent research and development, design and production of electric vehicles such as buses, coaches, mid-size buses, commercial vehicles, passenger vehicles and other special purpose models; (ii) the research and development, production, distribution and sale of lithium-ion batteries; (iii) the research and development, production, distribution and sale of cathode materials for lithium-ion batteries and (iv) the provision of leasing services for electric vehicles. The Group operates electric vehicle manufacturing plants in Hangzhou and Kunming in China and also operates battery manufacturing plants in Tianjin and Jilin in China.

## LISTING RULE IMPLICATIONS

The issue of new Shares under the Subscription Agreement is subject to the grant of a specific mandate at the SGM. Mr. Cao, Mr. Miao, Dr. Chen, Mr. Che, the Subscriber, CIAM, Mr. Lo and Silvanus Enterprises and their respective Close Associates and other Shareholders with a material interest in the Subscription will be required to abstain from voting on the resolution approving the issue of new Shares pursuant to the Subscription at the SGM in respective of their shareholdings as disclosed in the following table:

| | **As at the Latest Practicable Date** | |
|---|---|---|
| | *Shares* | *%* |
| The Subscriber | – | – |
| CIAM *(a)* | 448,780,000 | 2.32% |
| Mr. Lo *(b)* | – | – |
| Mr. Cao *(c)* | 2,311,059,998 | 11.93% |
| Mr. Miao *(d)* | 1,970,551,043 | 10.17% |
| Dr. Chen *(e)* | 950,625,000 | 4.91% |
| Mr. Che *(f)* | 92,695,000 | 0.48% |
| Total of the Concert Party Group | 5,773,711,041 | 29.81% |

*Notes:*

(a) CIAM holds 448,780,000 Shares.

(b) Mr. Lo does not hold any Shares as at the Latest Practicable Date.

(c) Mr. Cao holds 2,311,059,998 Shares through Long Hing International Limited, his wholly-owned investment holding company.

(d) Mr. Miao holds 1,806,301,043 Shares through Union Ever Holdings Limited and 164,250,000 Shares through Infinity Wealth International Limited, both of which are his wholly-owned investment holding companies.

(e) Captain Century Limited, a company 60%-owned by Dr. Chen and 40%-owned by Ms. Zhang Lu, his Close Relative, holds 658,125,000 Shares. Designer Touch Limited, a company wholly-owned by Mr. Chen Cheng, another Close Relative of Dr. Chen, holds a further 292,500,000 Shares.

(f) Mr. Che holds 1,000,000 Shares. Ms. Chong Sok Un, Mr. Che's Close Relative holds a further 91,695,000 Shares.

As at the Latest Practicable Date, each holder of Shares listed in Notes (a) to (f) of the table above controlled or were entitled to exercise control over the voting rights in respect of their respective Shares.

Except as disclosed in the table above, none of Mr. Cao, Mr. Miao, Dr. Chen, Mr. Che, the Subscriber, CIAM, Mr. Lo and Silvanus Enterprises and their respective Close Associates hold any Shares and to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, there are no other Shareholders who have a material interest in the Subscription and transactions contemplated thereunder, as such, no other Shareholders will be required to abstain from voting on the resolution approving the issue of new Shares pursuant to the Subscription at the SGM in respect of their respective Shares.

**TAKEOVERS CODE IMPLICATIONS**

The Subscriber is a wholly-owned subsidiary of CITIC Limited. CIAM is 40% owned by CITIC International Financial Holdings Limited, another subsidiary of CITIC Limited. The Subscriber and CIAM are therefore associated companies of each other for the purpose of the Takeovers Code. Right Precious is a wholly-owned subsidiary of CIAM. Apart from being an executive Director, Mr. Lo is also a director of CIAM and Right Precious. The Subscriber, CIAM, Right Precious and Mr. Lo are together interested in 448,780,000 Shares, representing approximately 2.32% of the total issued share capital of the Company as at the Latest Practicable Date. Upon completion of the Subscription and the Conversion, they will together be interested in 2,481,475,124 Shares, representing approximately 11.30% of the Enlarged Share Capital.

Mr. Miao, the brother-in-law of Mr. Cao, acts in concert with Mr. Cao. Mr. Cao and Mr. Miao and their wholly-owned investment holding companies are together interested in 4,281,611,041 Shares, representing approximately 22.10% of the total issued share capital of the Company as at the Latest Practicable Date. Upon completion of the Subscription and the Conversion, they will together be interested in 4,628,411,041 Shares, representing approximately 21.07% of the Enlarged Share Capital.

Dr. Chen is an executive Director. Dr. Chen, Ms. Zhang Lu and Mr. Chen Cheng who are his Close Relatives and companies controlled by them are together interested in 950,625,000 Shares, representing approximately 4.91% of the total issued share capital of the Company as at the Latest Practicable Date. Upon completion of the Subscription and the Conversion, they will together be interested in 950,625,000 Shares, representing approximately 4.33% of the Enlarged Share Capital.

Mr. Che is an executive Director. Mr. Che, Ms. Chong Sok Un, who is his Close Relative and companies controlled by them are together interested in 92,695,000 Shares, representing approximately 0.48% of the total issued share capital of the Company as at the Latest Practicable Date. Upon completion of the Subscription and the Conversion, they will together be interested in 306,691,000 Shares, representing approximately 1.40% of the Enlarged Share Capital.

With the introduction of the Subscriber and the Conversion, the Subscriber, CIAM and Right Precious will control approximately 11.27% of the Enlarged Share Capital, and hold the second largest shareholding bloc in the Company after the bloc controlled by Mr. Cao and Mr. Miao. Mr. Cao, Mr. Miao, Dr. Chen, Mr. Che, the Subscriber and CIAM have agreed to consolidate their shareholdings in the Company upon completion of the Subscription and the Conversion.

As shown in the table under the section headed "CHANGES IN SHAREHOLDING" above, the Concert Party Group are together interested in 5,773,711,041 Shares, representing approximately 29.81% of the total issued share capital of the Company as at the Latest Practicable Date. Upon completion of the Subscription and the Conversion, they will together be interested in 8,367,202,165 Shares, representing approximately 38.10% of the Enlarged Share Capital, their collective holding of voting rights of the Company will thereby be increased to 30% or more as specified under Rule 26.1(b) of the Takeovers Code. Absent the Whitewash Waiver, the Whitewash Applicants will be required to make a general offer for all the Shares and convertible securities not already owned or agreed to be acquired by them or persons acting in concert with any of them.

Completion of the Subscription and the Conversion is subject to, among other things, the grant of the Whitewash Waiver. The Whitewash Applicants have made an application to the Executive for the Whitewash Waiver. The Executive has indicated that it would, subject to approval by Independent Shareholders at the SGM by way of poll, grant the Whitewash Waiver.

The Independent Board Committee comprising the independent non-executive directors of the Board, namely Mr. Chan Yuk Tong, Mr. Fei Tai Hung and Mr. Tse Kam Fow, who have no direct or indirect interest in the Subscription or the Conversion or the Whitewash Waiver has been formed to advise the Independent Shareholders in relation to the same.

Goldin Financial Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on whether the terms of the Subscription Agreement and the Whitewash Waiver are fair and reasonable, in the interests of the Company and the Shareholders as a whole, and as to voting at the SGM. The appointment of the Independent Financial Adviser has been approved by the Independent Board Committee.

The issuance of new Shares under the Subscription Agreement and the Conversion will not proceed if the Whitewash Waiver is not so granted or approved.

None of Mr. Cao (including Long Hing International Limited which is wholly owned by him and Champion Rise), Mr. Miao (including Union Ever Holdings Limited and Infinity Wealth International Limited which are wholly owned by him), Dr. Chen, Ms. Zhang Lu and Mr. Chen Cheng who are his Close Relatives and companies controlled by them as described in footnote (e) of the shareholding table, Mr. Che, Ms. Chong Sok Un who is his Close Relative and a company controlled by her as described in footnote (f) of the shareholding table (including Silvanus Enterprises), the Subscriber, CIAM (including Right Precious) and Mr. Lo or the persons acting in concert with any of them:

(1) has, during the Relevant Period, acquired of or entered into any agreement or arrangement to acquire of any voting rights in the Company;

(2) is, as at the Latest Practicable Date, interested in any issued Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company as at the Latest Practicable Date otherwise than as disclosed in the shareholding table set out in the section headed "CHANGES IN SHAREHOLDING" above;

(3) holds, controls or has direction over, as at the Latest Practicable Date, any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of securities in the Company, or hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company save as disclosed in the shareholding table set out in the section headed "CHANGES IN SHAREHOLDING" above;

(4) has, as at the Latest Practicable Date, borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;

(5) has, as at the Latest Practicable Date, made any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or the Subscriber or CIAM which might be material to the issuance of the new Shares under the Subscription Agreement and/or the Conversion and/or the Whitewash Waiver, with any other persons;

(6) has, as at the Latest Practicable Date, made any agreement or arrangement which relates to circumstances in which he/it may or may not invoke or seek to invoke a precondition or a condition to the issuance of the new Shares under the Subscription Agreement and/or the Conversion and/or the Whitewash Waiver, other than the conditions precedent as set out in this circular; or

(7) has, as at the Latest Practicable Date, received any irrevocable commitment to vote for or against the issuance of the new Shares under the Subscription Agreement and/or the Conversion and/or the Whitewash Waiver.

**FUTURE INTENTIONS OF THE WHITEWASH APPLICANTS**

It is the intention of the Whitewash Applicants that the Company will maintain its existing business after completion of the Subscription. The Whitewash Applicants have no intention to introduce any major changes to the existing business, including any redeployment of the fixed assets of the Company, nor to make any major changes to the continued employment of the employees of the Company and its subsidiaries.

In addition, as set out in more details in the section headed "THE SUBSCRIPTION", upon completion of the Subscription and thereafter from time to time, the Company and the Subscriber will, subject to compliance with all applicable laws and regulations (including without limitation to the Takeovers Code and the Listing Rules), explore in earnest strategic collaboration opportunities between their respective group companies in financial services and motor vehicles distribution, and the Company will, and will procure the Group to, first explore or discuss any such opportunities with the Subscriber or any of its group of companies. In addition, the Company would, and shall procure the Group to, give the Subscriber or any of its group companies priority in its consideration when any member of the Group is selecting partners for any opportunities in relation to motor vehicles distribution in Hong Kong and China.

**SGM**

A notice convening the SGM is set out on pages SGM-1 to SGM-2 of this circular.

The SGM will be convened and held at Tianshan room and Lushan room, 5/F, Island Shangri-la Hotel Hong Kong, Pacific Place, Supreme Court Road, Central, Hong Kong on Friday, 19 February 2016 at 11:00 a.m. for the purposes of considering and, if thought fit, approving, among other things, the issuance of the new Shares under the Subscription Agreement and the Whitewash Waiver.

Whether or not a Shareholder is able to attend the meeting, he is requested to complete the proxy form in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar and transfer office, Union Registrars Limited, at A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the proxy form will not preclude a Shareholder from attending and voting in person at the SGM or any adjournment thereof should he so wish. In the event that a Shareholder having lodged a proxy form attends the SGM, his proxy form will be deemed to be revoked.

Pursuant to rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. As such, all the resolutions set out in the notice of the SGM will be decided by poll.

**RECOMMENDATION**

The Board (including the Independent Board Committee, after considering the advice of the Independent Financial Adviser) consider that the Subscription Agreement, the transactions contemplated thereunder and the Whitewash Waiver are fair and reasonable and the Subscription Agreement, the transactions contemplated thereunder and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole and accordingly recommend the Independent Shareholders to vote in favour of the resolutions approving the Subscription, the transactions contemplated thereunder and the Whitewash Waiver.

Your attention is drawn to:

(a) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 21 to 22 of this circular; and

(b) the letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee, the text of which is set out on pages 23 to 44 of this circular.

**ADDITIONAL INFORMATION**

Your attention is also drawn to the additional information set out in the appendices to this circular.

**Shareholders and investors should note that the transactions herein described are subject to conditions precedent which may or may not be satisfied. In particular, the Whitewash Waiver may or may not be granted by the Executive or approved by the Independent Shareholders. Shareholders and investors are reminded to exercise caution when dealing in Shares.**

Yours faithfully,
By Order of the Board
**FDG Electric Vehicles Limited**
**Jaime Che**
*Executive Director*

# FDG Electric Vehicles Limited
# 五龍電動車（集團）有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 729)**

29 January 2016

*To the Independent Shareholders*

Dear Sir or Madam,

## (1) PROPOSED SUBSCRIPTION OF NEW SHARES BY STAR MERCURY INVESTMENTS LTD., A WHOLLY-OWNED SUBSIDIARY OF CITIC LIMITED, UNDER SPECIFIC MANDATE (2) PROPOSED CONVERSION OF CONVERTIBLE BONDS AND (3) WHITEWASH WAIVER

We refer to the circular of the Company dated 29 January 2016 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

We have been appointed to form the Independent Board Committee to advise you as to whether the Subscription Agreement, the transactions contemplated thereunder and Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned, on normal commercial terms and in the interests of the Company and Shareholders as a whole and to the voting action that should be taken.

We wish to draw your attention to the letter from the Board, as set out on pages 6 to 20 of the Circular, and the letter of advice from the Independent Financial Adviser, as set out on pages 23 to 44 of the Circular.

Having considered the Subscription Agreement, the transactions contemplated thereunder and the Whitewash Waiver and the advice given by the Independent Financial Adviser, we are of the opinion that the Subscription and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Subscription and the Whitewash Waiver.

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

| **Mr. Chan Yuk Tong** | **Mr. Fei Tai Hung** | **Mr. Tse Kam Fow** |
|---|---|---|
| *Independent Non-executive Director* | *Independent Non-executive Director* | *Independent Non-executive Director* |

*The following is the full text of the letter from Goldin Financial Limited setting out the advice to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder, the Conversion and the Whitewash Waiver, which has been prepared for the purpose of inclusion in this circular.*

高銀融資有限公司
GOLDIN FINANCIAL LIMITED

**Goldin Financial Limited**
Suites 2202-2209, 22/F
Two International Finance Centre
8 Finance Street
Central
Hong Kong

29 January 2016

*To the Independent Board Committee and*
*the Independent Shareholders of*
*FDG Electric Vehicles Limited*

Dear Sirs,

**(1) PROPOSED SUBSCRIPTION OF NEW SHARES BY STAR MERCURY INVESTMENTS LTD., A WHOLLY-OWNED SUBSIDIARY OF CITIC LIMITED, UNDER SPECIFIC MANDATE**
**(2) PROPOSED CONVERSION OF CONVERTIBLE BONDS AND**
**(3) WHITEWASH WAIVER**

## INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder, the Conversion and the Whitewash Waiver, details of which are contained in the Announcement and in the letter from the board (the "Letter from the Board") of the circular of the Company dated 29 January 2016 (the "Circular") to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

As stated in the Letter from the Board, on 9 December 2015, the Company entered into an agreement with the Subscriber as subscriber for the subscription of 1,000,000,000 new Shares at HK$0.465 per Share. The 1,000,000,000 new Shares issued under the Subscription represent approximately 5.16% of the total issued share capital of the Company as of the Latest Practicable Date, approximately 4.91% of the total issued share capital of the Company as enlarged by the Subscription, and approximately 4.55% of the

Enlarged Share Capital. The completion of the Subscription is subject to satisfaction of various conditions precedent by the Long-Stop Date as set out under the section headed "**Conditions precedent**" in the Letter from the Board.

The Subscriber is a wholly-owned subsidiary of CITIC Limited. CIAM is 40% owned by CITIC International Financial Holdings Limited, another subsidiary of CITIC Limited. The Subscriber and CIAM are therefore associated companies of each other for the purpose of the Takeovers Code. Right Precious is a wholly-owned subsidiary of CIAM. Apart from being an executive Director, Mr. Lo is also a director of CIAM and Right Precious. The Subscriber, CIAM, Right Precious and Mr. Lo are together interested in 448,780,000 Shares, representing approximately 2.32% of the total issued share capital of the Company as at the Latest Practicable Date. Upon completion of the Subscription and the Conversion, they will together be interested in 2,481,475,124 Shares, representing approximately 11.30% of the Enlarged Share Capital.

Mr. Miao, the brother-in-law of Mr. Cao, acts in concert with Mr. Cao. Mr. Cao and Mr. Miao and their wholly-owned investment holding companies are together interested in 4,281,611,041 Shares, representing approximately 22.10% of the total issued share capital of the Company as at the Latest Practicable Date. Upon completion of the Subscription and the Conversion, they will together be interested in 4,628,411,041 Shares, representing approximately 21.07% of the Enlarged Share Capital.

Dr. Chen is an executive Director. Dr. Chen, Ms Zhang Lu and Mr. Chen Cheng who are his Close Relatives and companies controlled by them are together interested in 950,625,000 Shares, representing approximately 4.91% of the total issued share capital of the Company as at the Latest Practicable Date. Upon completion of the Subscription and the Conversion, they will together be interested in 950,625,000 Shares, representing approximately 4.33% of the Enlarged Share Capital.

Mr. Che is an executive Director. Mr. Che, Ms Chong Sok Un, who is his Close Relative and a company controlled by her are together interested in 92,695,000 Shares, representing approximately 0.48% of the total issued share capital of the Company as at the Latest Practicable Date. Upon completion of the Subscription and the Conversion, they will together be interested in 306,691,000 Shares, representing approximately 1.40% of the Enlarged Share Capital.

With the introduction of the Subscriber and the Conversion, the Subscriber, CIAM and Right Precious will control approximately 11.27% of the Enlarged Share Capital, and hold the second largest shareholding bloc in the Company after the bloc controlled by Mr. Cao and Mr. Miao. Mr. Cao, Mr. Miao, Dr. Chen, Mr. Che, the Subscriber and CIAM have agreed to consolidate their shareholdings in the Company upon completion of the Subscription and the Conversion.

As shown in the table under the section headed "**CHANGES IN SHAREHOLDING**" in the Letter from the Board (the "Changes in Shareholding Table"), the Concert Party Group are together interested in 5,773,711,041 Shares, representing approximately 29.81% of the total issued share capital of the Company as at the Latest Practicable Date. Upon completion of the Subscription and the Conversion, they will together be interested in 8,367,202,165 Shares, representing approximately 38.10% of the Enlarged Share Capital, and their collective holding of voting rights of the Company will thereby be increased to 30% or more as specified under Rule 26.1(b) of the Takeovers Code. Absent the Whitewash Waiver, the Whitewash Applicants will be required to make a general offer for all the Shares and convertible securities not already owned or agreed to be acquired by them or persons acting in concert with any of them.

The Whitewash Applicants has made an application to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the Subscription and the Executive has indicated that it will grant the Whitewash Waiver subject to, among other things, the approval of the Independent Shareholders taken on a poll at the SGM.

The SGM will be convened for the purpose of considering the issuance of the new Shares under the Subscription Agreement and the Whitewash Waiver. Mr. Cao, Mr. Miao, Dr. Chen, Mr. Che, the Subscriber, CIAM, Mr. Lo and Silvanus Enterprises and their respective Close Associates and other Shareholders with a material interest in the Subscription will be required to abstain from voting on the resolutions approving the issue of new Shares pursuant to the Subscription at the SGM.

**THE INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee comprising the independent non-executive Directors of the Board, namely Mr. Chan Yuk Tong, Mr. Fei Tai Hung and Mr. Tse Kam Fow, who are considered to be not interested in the Subscription, the Conversion and the Whitewash Waiver, has been set up to advise the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver.

We, Goldin Financial Limited, have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder, the Conversion and the Whitewash Waiver and to make a recommendation as to, among others, whether the terms of the Subscription Agreement and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned, are in the interests of the Company and the Shareholders as a whole, and as to voting in respect of the relevant resolutions at the SGM. Our appointment has been approved by the Independent Board Committee.

Apart from normal professional fees for our services to the Company in connection with the engagements described above, no other arrangement exists whereby we will receive any fees and/or benefits from the Group. We are not aware of any relationships or interests between us and the Group, the Whitewash Applicants or any of their respective substantial shareholders, directors or chief executive, or any of their respective associates as at the Latest Practicable Date. We are independent under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection with the Subscription Agreement and the transactions contemplated thereunder, the Conversion and the Whitewash Waiver.

**BASIS OF OUR ADVICE**

In formulating our opinions and recommendations, we have reviewed, inter alia, the Announcement, the Subscription Agreement, the financial statements of the Company for the two years ended 31 March 2015 and for the six months ended 30 September 2015 (the "Annual Report 2014" and the "Annual Report 2015" and the "Interim Report 2015", respectively). We have also reviewed certain information provided by the management of the Company relating to the operations, financial condition and prospects of the Group. We have also (i) considered such other information, analyses and market data which we deemed relevant; and (ii) conducted verbal discussions with the management of the Company regarding the terms of the Subscription Agreement and the transactions contemplated thereunder, the Conversion and the Whitewash Waiver, the businesses and future outlook of the Group. We have taken reasonable steps to ensure that such information and statements, and any representation made to us, which we have relied upon them in formulating our opinions, are true, accurate and complete in all material respects as of the date hereof and the Shareholders will be notified of any material changes (if any) as soon as possible.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular (other than information relating to the Subscriber and CITIC Limited) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed (other than those expressed by the Subscriber and CITIC Pacific Limited) in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement herein or in the Circular misleading. The directors of the Subscriber jointly and severally accept full responsibility for the accuracy of the information relating to the Subscriber contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed by them in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statements in the Circular misleading. The directors of CITIC Pacific Limited, of which the Subscriber is a wholly-owned subsidiary, jointly and severally accept full responsibility for the accuracy of the information relating to the Subscriber and CITIC Limited contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed by them in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statements in the Circular misleading. We consider that we have been provided with, and we have reviewed, all currently available information and documents which are available under present circumstances to enable us to reach an informed view regarding the terms of, and reasons for entering into the Subscription Agreement and the transactions contemplated thereunder, the Conversion and the Whitewash Waiver to justify reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis of our opinion. We have no reasons to suspect that any material information has been withheld by the Directors or management of the Company, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the business or affairs or future prospects of the Group. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the information made available to us, at the Latest Practicable Date.

This letter is issued as our advice for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Subscription Agreement, the Conversion and the Whitewash Waiver, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

## PRINCIPAL FACTORS AND REASONS CONSIDERED

In giving our opinions and recommendations on the Subscription Agreement and the transactions contemplated thereunder, the Conversion and the Whitewash Waiver to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors and reasons:

### 1. Background information of the Group

The Group is a vertically integrated electric vehicle manufacturer which primarily engages in (i) independent research and development, design and production of electric vehicles such as buses, coaches, mid-size buses, commercial vehicles, passenger vehicles and other special purpose models ("Electric Vehicles Production Business"); (ii) the research and development, production, distribution and sale of lithium-ion batteries; (iii) the research and development, production, distribution and sale of cathode materials for lithium-ion batteries and (iv) the provision of leasing services for electric vehicles. The Group operates electric vehicle manufacturing plants in Hangzhou and Kunming in the PRC and also operates battery manufacturing plants in Tianjin and Jilin in the PRC.

Set out below are certain audited financial information of the Group for the three financial years ended 31 March 2015 as extracted from the Annual Report 2014 and Annual Report 2015 and certain unaudited financial information of the Group for the six months ended 30 September 2014 and for the six months ended 30 September 2015, respectively, as extracted from the Interim Report 2015:

*Table 1: Financial highlights of the Group*

| | **For the year ended 31 March** | | | **For the six months ended 30 September** | |
|---|---|---|---|---|---|
| | **2015** | **2014** | **2013** | **2015** | **2014** |
| | *(audited)* | *(audited)* | *(audited)* | *(unaudited)* | *(unaudited)* |
| | *HK'000* | *HK'000* | *HK'000* | *HK'000* | *HK'000* |
| Revenue | 307,415 | 83,956 | 53,854 | 136,696 | 138,637 |
| Profit/(Loss) for the year/period attributable to owners of the Company | (409,759) | (906,389) | (324,447) | 181,923 | (153,195) |

| | **As at 31 March** | | | **As at 30 September** |
|---|---|---|---|---|
| | **2013** | **2014** | **2015** | **2015** |
| | *(audited)* | *(audited)* | *(audited)* | *(unaudited)* |
| | *HK'000* | *HK'000* | *HK'000* | *HK'000* |
| Non-current assets | 1,224,248 | 2,419,623 | 4,359,696 | 4,798,284 |
| Current assets | 403,996 | 1,457,181 | 1,664,759 | 1,820,732 |
| Current liabilities | 1,071,668 | 1,504,447 | 2,286,403 | 2,688,198 |
| Non-current liabilities | 216,385 | 309,518 | 1,423,847 | 1,342,883 |
| Net current liabilities | 667,672 | 47,266 | 621,644 | 867,466 |
| Net assets | 340,191 | 2,062,839 | 2,314,205 | 2,587,935 |

*For the year ended 31 March 2014*

For the year ended 31 March 2014, the revenue of the Group increased by approximately 55.91% from approximately HK$53.85 million for the year ended 31 March 2013 to approximately HK$83.96 million. Based on the Annual Report 2014, the increase in the total revenue was primarily due to a better recognition of the Group's battery products by the customers. For the year ended 31 March 2014, the segment revenue from the battery products business recorded at approximately HK$80.65 million, representing an increase of approximately 51.65% as compared to approximately HK$53.18 million for the year ended 31 March 2013. For the year ended 31 March 2014, the segment revenue from vehicle design and electric vehicle production recorded at approximately HK$0.44 million, while there was no Electric Vehicles Production Business in the year ended 31 March 2013 which was acquired during the year ended 31 March 2014.

For the year ended 31 March 2014, the Group recorded a loss attributable to the owners of the Company of approximately HK$906.39 million, which widened the loss attributable to the owners of the Company of approximately HK$324.45 million for the year ended 31 March 2013, by approximately HK$581.94 million. Based on the Annual Report 2014, the increase in loss attributable to the owners of the Company was mainly attributable to (i) the one-off goodwill impairment of approximately HK$665.44 million of the year ended 31 March 2014, which was an result of an acquisition transaction of the Company; and (ii) the impairment of intangible assets of approximately HK$100.6 million during the year ended 31 March 2013, which did not incur in the year ended 31 March 2014.

As at 31 March 2014, the audited net current liabilities and net assets of the Group was approximately HK$47.27 million and approximately HK$2,062.84 million, respectively, with net current liabilities of the Group decreased by approximately HK$620.40 million from approximately HK$667.67 million as at 31 March 2013, and net assets of the Group significantly increased by approximately 506.38% from approximately HK$340.19 million as at 31 March 2013.

*For the year ended 31 March 2015*

For the year ended 31 March 2015, the revenue of the Group increased by approximately 266.15% from approximately HK$83.96 million for the year ended 31 March 2014 to approximately HK$307.42 million for the year ended 31 March 2015. Based on the Annual Report 2015, the substantial increase in the total revenue was due to a better recognition of the Group's lithium-ion batteries and its related products in the market. For the year ended 31 March 2015, the segment revenue from the battery products business recorded at approximately HK$297.83 million, representing an increase of approximately 269.29% as compared with approximately HK$80.65 million for the year ended 31 March 2014. For the year ended 31 March 2015, the segment revenue from vehicle design and electric vehicle production recorded at approximately HK$3.06 million, representing an increase of approximately 595.45% as compared with approximately HK$0.44 million for the year ended 31 March 2014.

For the year ended 31 March 2015, the Group recorded a loss attributable to the owners of the Company of approximately HK$409.76 million, which narrowed the loss attributable to the owners of the Company of approximately

HK$906.39 million for the year ended 31 March 2014, by approximately HK$496.63 million. Based on the Annual Report 2015, the reduction in loss attributable to the owners of the Company was mainly attributable to the absence of the one-off goodwill impairment of approximately HK$665.44 million as recognised for the year ended 31 March 2014, which was a result of an acquisition transaction of the Company. The loss-making position for the year ended 31 March 2015 is mainly attributable to (i) the general and administrative expenses of approximately HK$235.42 million, representing an increase of approximately 63.63% as compared to that of approximately HK$143.87 million for the year ended 31 March 2014, due to the additional expenditures incurred by the Group's vehicle design and electric vehicle production segment which was acquired in March 2014; (ii) the amortisation of intangible assets of approximately HK$181.51 million, representing an increase of approximately 83.23% as compared to that of approximately HK$99.06 million for the year ended 31 March 2014, due to the full year amortisation of the intangible assets in respect of the Group's vehicle design and electric vehicle production segment during the current financial year; and (iii) the finance cost of approximately HK$125.69 million, representing an increase of approximately 550.23% as compared to that of approximately HK$19.33 million for the year ended 31 March 2014, due to the increase of bank loans and other borrowings and the issuance of convertible bonds of the Group.

As at 31 March 2015, the audited net current liabilities and net assets of the Group was approximately HK$621.64 million and approximately HK$2,314.21 million, respectively, with net current liabilities significantly enlarged by approximately HK$574.37 million from approximately HK$47.27 million as at 31 March 2014, and net assets increased by approximately 12.19% from approximately HK$2,062.84 million as at 31 March 2014.

*For the six months ended 30 September 2015*

For the six months ended 30 September 2015, the revenue of the Group decreased by approximately 1.40% from approximately HK$138.64 million for the six months ended 30 September 2014 to approximately HK$136.70 million for the six months ended 30 September 2015. Based on the Interim Report 2015, the decrease was mainly attributable to a combination effect of (i) a decrease in the sales of lithium-ion batteries and its related products of approximately HK$8.07 million as compared to that of the six months ended 30 September 2014; and (ii) there was no provision of service income from the vehicle design and electric vehicle production segment in the six months ended 30 September 2015 as compared to that of approximately HK$2.49 million of the six months ended 30 September 2014.

For the six months ended 30 September 2015, the Group recorded a profit attributable to the owners of the Company of approximately HK$181.92 million, while the Group recorded a loss attributable to the owners of the

Company of approximately HK$153.20 million for the six months ended 30 September 2014. Based on the Interim Report 2015, the reasons for such substantial changes are primarily due to an one-off non-cash gain on disposal of intangible assets of approximately HK$82.95 million which is only attributable to the owners of the Company.

As at 30 September 2015, the unaudited net current liabilities and net assets of the Group were approximately HK$867.47 million and approximately HK$2,587.94 million, respectively.

**2. Reasons for the Subscription and the use of proceeds and benefits of the Conversion**

***Reasons for the Subscription***

According to the Letter from the Board, the net proceeds from the issuance of new Shares under the Subscription are estimated to be approximately HK$463 million and will be primarily used for the remaining capital expenditure required for the scale production of electric vehicles in the Group's Hangzhou manufacturing plant.

As of 30 September 2015, the total capital expenditure required for the scale production of electric vehicles in the Group's Hangzhou manufacturing plant in the next twelve months from 30 September 2015 is approximately HK$1,415.6 million. Such amounts are proposed to be satisfied primarily by the cash and bank balances of the Group of approximately HK$270.6 million (excluding the cash and bank balances of FDG Kinetic, a listed subsidiary of the Group), the net proceeds from the Subscription of approximately HK$463 million and other bank facilities.

*The intended uses of the net proceeds would be in line with the Group's business strategy*

As mentioned in the section "**1. Background information of the Group**", one of the Group's principal businesses is Electric Vehicles Production Business, and the Group operates an electric vehicle manufacturing plant in Hangzhou in the PRC. According to the Interim Report 2015, the production base in Hangzhou of the Group is in stage of trial production. We were given to understand from the management of the Group that the Group's Hangzhou manufacturing plant mainly focuses on the manufacturing of electric mid-size buses, commercial vehicles and passenger vehicles and the designed annual production capacity is 100,000 units, which provides more varieties of electric vehicles to fulfill demand in the domestic market. We are of the view that the Group will achieve better economy of scale while its vertical integration business model covering the research and development and production of battery, the design and production of electric vehicles as well as the leasing business of the electric vehicles, will be further strengthened after the completion of trial production of the production base in Hangzhou. Therefore, we are of the view that the intended uses of the net proceeds would be in line with the Group's business strategy and the entering into of the Subscription Agreement is in the interest of the Company and the Shareholders as a whole.

*The optimistic view on the electric vehicle manufacturing industry in the PRC*

In assessing the future prospect of electric vehicles industry in the PRC, we have conducted research from the public domain. According to the data from the China Association of Automobile Manufacturers ("CAAM", 中國汽車協會, an organization founded in Beijing in 1987 with the approval of the Ministry of Civil Affairs of the PRC), the accumulated sales of new energy vehicles reached 75,000 units in 2014, representing a year-on-year increase of around 324%.

Since 2012, it has been the aim of the PRC government to expand the new energy vehicle industry by various means. The National Development and Reform Commission of the PRC issued《節能與新能源汽車產業規劃 (2012–2020年)》(Plan of Energy Conservation and New Energy Vehicle Industry (2012–2020)*) to advise on the development of energy conservation and new energy for the vehicle industry. Such plans include the set-up of national research centre for the advancement of automotive battery technology so as to improve the quality and efficiency while to lower the manufacturing cost of vehicle battery, thereby increasing the competitiveness of new energy vehicle. In addition, it is also estimated that the new energy vehicle in the PRC domestic market would reach 500,000 units in 2015, and further up to 5.0 million units in 2020. Moreover, according to "Made in China 2025" (http://english.gov.cn/), being the first ten-year action plan of the PRC issued by the State Council on 19 May 2015, the sector of "energy-saving cars and new energy cars" has been identified as one of the ten key sectors of the country in the next ten years. As a result, it is expected that the future prospect of the new energy vehicle will be optimistic in the next few years in the PRC.

Furthermore, the National Development and Reform Commission of the PRC issued《關於進一步做好新能源汽車推廣應用工作的通知》(the Notice on Further Development of the Application of New Energy Vehicle*) in February 2014 and mapped out that in order to promote the development of new energy vehicle industry, the State Council approved to provide subsidies for purchasing pure electric vehicles and plug-in hybrid vehicles until the end of 2015, and the subsidy policy will continue to be implemented until 2020, with reference to the latest notice issued on 22 April 2015. Local governments from Shanghai, Wuhan and Suzhou being a few of the 25 provincial pilot cities for popularization of new energy vehicles also issued relevant subsidy scheme to further encourage bulk purchase by corporations and alternative fuel conversion of public transports. In particular, Wuhan government announced that at least 50% of upcoming new vehicles to be purchased by its public service departments must be new energy vehicles. Based on the statistics released by the Ministry of Industry and Information Technology of the PRC, the aggregate production of new energy vehicles in the first quarter of 2015 reached approximately 25,400 units, representing approximately 3 times to that of the corresponding period in the previous year. It is expected that the new energy vehicle industry in the PRC would continue to flourish and would be growing in the coming future.

In July 2014, General Office of the State Council of PRC announced《關於加快新能源汽車推廣應用的指導意見》(the Government Guideline of Accelerating the Promotion of New Energy Vehicles*, the "Guideline"). The Guideline emphasized that the development of new energy vehicle should focus on vehicles with electric motors, including pure electric vehicles, plug-in hybrid vehicles and fuel cell vehicles. The development of new energy vehicles has been raised as a national strategy, by abolishing local interest protection, speeding up the construction of charging facilities, promoting the use of new energy vehicles in public sector, and waiving tax for purchasing new energy vehicles, in order to simulate the growth of the new energy vehicle market.

The Ministry of Finance of PRC, the State Taxation Bureau, as well as the Ministry of Industry and Information Technology then released a joint announcement that, from 1 September 2014 to 31 December 2017, to waive purchase tax for new energy vehicles listed in《免徵車輛購置税的新能源汽車車型目錄》(the Catalogue of the Models of New Energy Vehicles Exempt from Vehicle Purchase Tax*), and to extend the subsidies for new energy vehicles to 2020 according to《關於2016-2020年新能源汽車推廣應用財政支持政策的通知(徵求意見稿)》(the Notice on the Promotion and Application of Financial Supporting Policy on New Energy Vehicles 2016–2020 (Consultation Draft)*) issued by PRC government, so as to continue propelling the popularization of new energy vehicles. Meanwhile, in response to national policies, local governments in various cities and provinces, including Beijing, Shanghai and Zhejiang Province, released a series of new energy vehicle supporting policies to encourage promotion and application of new energy vehicles. This reflects local governments' determination of popularizing new energy vehicles and providing a favourable policy environment for the development of the new energy vehicle industry.

In light of the above, we are of optimistic view on the electric vehicle manufacturing industry in the PRC and the entering into of the Subscription Agreement is in the interest of the Company and the Shareholders as a whole.

*Alternative fund raising methods*

Upon enquiry with the management of the Company, we were given to understand that the Company has considered alternatives for the Group to raise funds other than through the Subscription, including but not limited to, debt financing and equity financing. Regarding debt financing, the Directors are of the view that debt financing will inevitably incur additional finance costs to the Group, which may have adverse impacts on the financial performance of the Group. In respect of pre-emptive issues (such as rights issue and open offer), the Board considered that they are less desirable than the Subscription since pre-emptive issues usually incur underwriting commission, high documentation preparation costs and professional fees. Based on the above as well as the aforesaid reasons for the subscription, we concur with the view of the management of the Company that the Subscription is an appropriate means to raise funds for the Group.

***Benefits of the Conversion***

According to the Interim Report 2015, the liability components of convertible bonds amounted to approximately HK$1,066.99 million, resulting in the gearing ratio of the Company (being the total liabilities over the total equity) of approximately 1.56 times. In addition, the finance cost of the Group for the six months ended 30 September 2015 amounted to approximately HK$176.68 million, representing a significant increase of approximately 343.92% as compared to that of approximately HK$39.80 million in the previous corresponding period, which was mainly attributable to, among others, the increase of imputed interest incurred from the convertible bonds. Considering that the Conversion will reduce the amount of the Company's outstanding debt securities and thus increase its net asset value by approximately HK$578 million and will also decrease the annualised imputed interest of the Convertible Bonds by not less than approximately HK$80 million, it is expected that the Conversion will enhance the financial performance of the Company through the reduction in finance costs and improve the financial position of the Company through reduction in the total liabilities and therefore lowering of gearing ratio.

***Conclusion***

Taking into consideration (i) the intended uses of the net proceeds would be in line with the Group's business strategy; (ii) the optimistic view on the electric vehicle manufacturing industry in the PRC; (iii) the Subscription is an appropriate means to raise fund for the Company; and (iv) the Conversion will enhance the financial performance and improve the financial position of the Company, we are of the view that the Subscription and the Conversion are in the interests of the Company and the Shareholders as a whole.

**3. Principal terms of the Subscription Agreement**

The major terms and conditions of the Subscription Agreement and our analysis in relation to that are set out below:

| | | |
|---|---|---|
| Date | : | 9 December 2015 |
| Issuer | : | the Company |
| Subscriber | : | Star Mercury Investments Ltd. |
| Shares | : | 1,000,000,000 new Shares |

*The Subscription Price*

The subscription price ("Subscription Price") of HK$0.465 per new Share subscribed was determined after arm's length negotiation between the Company and the Subscriber with reference to the recent trading prices of the Shares on the Stock Exchange and represents:

(i) neither premium nor discount over/to the closing price of HK$0.465 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 3.93% to the average closing price of HK$0.484 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Day;

(iii) a discount of approximately 5.10% to the average closing price of HK$0.490 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day;

(iv) a discount of approximately 8.28% to the average closing price of HK$0.507 per Share as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day;

(v) a premium of approximately 40.91% over the closing price of HK$0.330 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

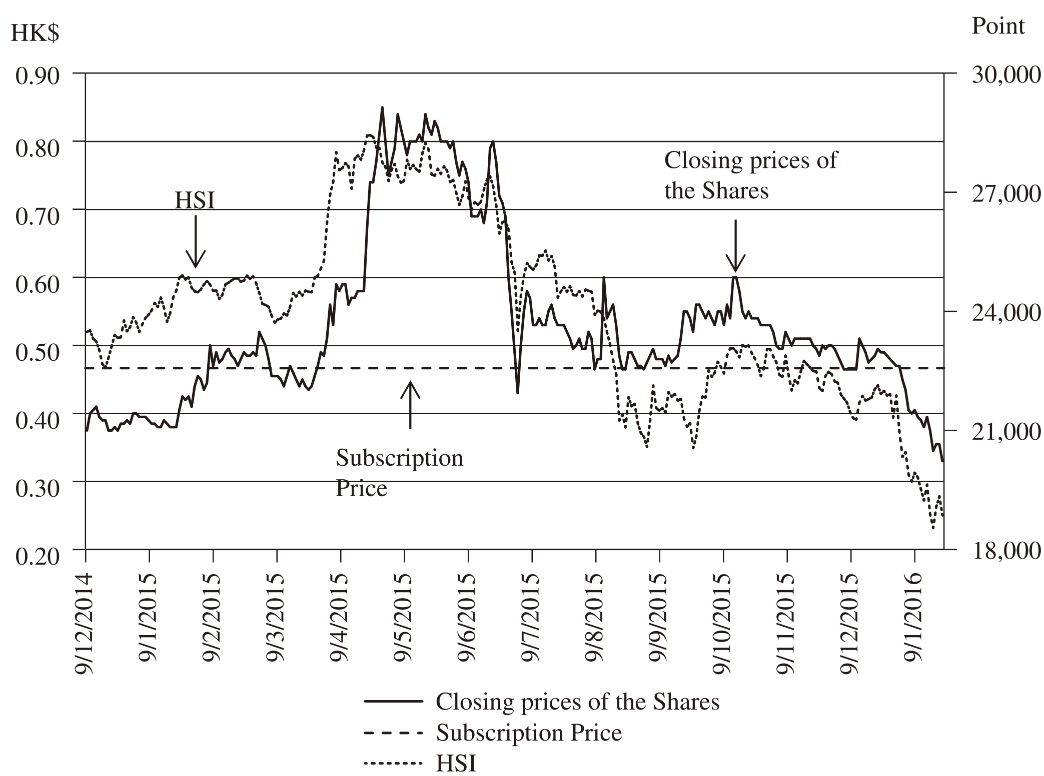
(vi) a premium of approximately 229.79% over the net asset value per Share of approximately HK$0.141 as at 30 September 2015.

*Historical Share price performance*

The following chart sets out the daily closing prices of the Shares on the Stock Exchange for the period from 9 December 2014 (being the first trading day of the 12-month period prior to the Last Trading Date) up to and including the Latest Practicable Date (the "Review Period").

Chart 1 below shows the daily closing price of the Share as quoted on the Stock Exchange versus the Subscription Price and the Hang Seng Index ("HSI") during the Review Period:

*Chart 1: Share price performance against the Subscription Price during the Review Period*




*Source:* The website of the Stock Exchange (www.hkex.com.hk) and the website of the Hang Seng Indexes (www.hsi.com.hk)

*Note:* Trading in the Shares was suspended on 10 to 11 December 2015, and 14 to 15 December 2015 during the Review Period.

As shown in Chart 1 above, the closing Share price for the Review Period was traded within a range of from a lowest price at HK$0.330 to a highest price of HK$0.850 with an average closing Share price of approximately HK$0.529. The Subscription Price of HK$0.465 represents a premium of approximately 40.91% over the aforementioned lowest closing Share price, discount of approximately 45.29% to the aforementioned highest closing Share price and a discount of approximately 12.10% to the average closing Share price during the Review Period respectively.

We noted that the movement of the closing prices of the Shares was generally in line with the trend of the HSI during the Review Period. It is noted that the closing prices of the Shares and the HSI were in an increasing trend from March 2015 to April 2015. HSI recorded its highest of 28,442.75 points on 28 April 2014 while the closing Share price recorded its highest of HK$0.85 on 5 May 2015. After reaching the highest of each during the Review Period, both the HSI and the closing Share price were then in a decreasing trend and dropped sharply in June. The closing price of the Shares then remained relatively stable as same as the trend of the HSI.

It is noted that on 17 December 2015, being the first trading day of the Shares after the publication of the Announcement, the Share price increased from HK$0.465 on the Last Trading Day to HK$0.50, with the highest of HK$0.52. The Shares were then traded between HK$0.330 and HK$0.500 during the period from 17 December 2015 to the Latest Practicable Date (the "Post Announcement Period").

Since there was no announcement or document issued by the Company relating to any change in the financial position of the Group in the public domain and the management of the Company also confirmed to us that they are not aware of any material change in the financial position and prospects of the Group during the Post Announcement Period, we are of the view that the recent significant surge in Share price during the Post Announcement Period was not supported by any improvement in the financial performance of the Group and the said surge of the Share price may reflect the positive market sentiment and perception towards the Subscription and the future prospect of the Company and therefore, the closing Share prices during the Post Announcement Period may not serve as a fair and meaningful indicator for assessing the Subscription Price.

Despite that the Subscription Price represents a discount of approximately 12.10% to the average closing Share price of approximately HK$0.529 during the Review Period, having considered that the Subscription Price represents: (i) neither premium nor discount over/to the closing price of HK$0.465 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of approximately 3.93% to the average closing price of HK$0.484 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including the

Last Trading Day; (iii) a discount of approximately 5.10% to the average closing price of HK$0.490 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day; (iv) a discount of approximately 8.28% to the average closing price of HK$0.507 per Share as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day; (v) a premium of approximately 40.91% over the closing price of HK$0.330 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and (vi) a premium of approximately 229.79% over the net asset value per Share of approximately HK$0.141 as at 30 September 2015, we are of the view that the Subscription Price is fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

*Comparison of the Subscription Price*

In accessing the fairness and reasonableness of the Subscription Price, we have reviewed the relevant subscription of new shares exercises under specific mandates with whitewash application announced by companies listed on the Main Board or Growth Enterprise Market on the Stock Exchange in six calendar months prior to and up to the Last Trading Day, i.e. from 9 June 2015 to 9 December 2015 and identified an exhaustive list of 10 subscription of new shares exercised under specific mandates with whitewash application (the "Comparables") announced during the aforesaid period of which were issued to either connected persons or independent third parties, both of which we consider appropriate in our analysis since their respective subscription price is determined after arm's length negotiation between the relevant parties. We consider that a review period of six calendar months prior to and up to the Last Trading Day is appropriate to capture the recent market practice because the Comparables are considered for the purpose of taking a general indication for the recent market practice in relation to the subscription price under other subscription of new shares exercises under specific mandates as compared to the relevant prevailing market share prices under the recent market conditions and sentiments.

Independent Shareholders should note that the Comparables are not identical to the Company in terms of principal business, operations and financial position, and that the determination of subscription prices of the subscription of new shares exercises under specific mandates were made with reference to the arm's length commercial negotiation between the companies and the subscribers, the share price performance, financial positions of the companies and the then prevailing market condition.

*Table 2: Summary of the Comparables*

| Company name | Stock code | Date of announcement | Premium/(Discount) of subscription price over/(to) the closing price on the last trading day |
|---|---|---|---|
| Yuhua Energy Holdings Limited | 2728 | 4 December 2015 | 0 |
| SRE Group Limited | 1207 | 12 October 2015 | (74.36) |
| MelcoLot Limited | 8198 | 9 October 2015 | 0 |
| Global Bio-chem Technology Group Company Limited | 809 | 30 August 2015 | (33.33) |
| China Seven Star Holdings Limited | 245 | 27 August 2015 | (89.89) |
| Beijing Capital Land Limited | 2868 | 10 August 2015 | 2.36 |
| Shanghai Tonva Petrochemical Company Limited | 1103 | 5 August 2015 | (4.76) |
| Yueshou Environment Holdings Limited | 1191 | 28 July 2015 | (80.41) |
| GOME Electrical Appliance Holding Limited | 493 | 26 July 2015 | (4.79) |
| A8 New Media Group Limited | 800 | 16 July 2015 | (12.31) |
| | | **Maximum premium** | 2.36 |
| | | **Maximum discount** | (89.89) |
| | | **Average** | (29.75) |
| The Company | 729 | 16 December 2015 | 0 |

*Source:* The website of the Stock Exchange dedicating for the dissemination of issuer information (www.hkexnews.hk)

As shown in Table 2 above, the subscription price per subscription share issued under the respective Comparables to the respective share closing price on the last trading day ranges from a discount of approximately 89.89% to a premium of approximately 2.36%, with an average of approximately 29.75% discount. We noted that the Subscription Price falls within the aforementioned range and is above the average of the Comparables. Taking into account that the Subscription Price represents: (i) neither premium nor discount over/to the closing price of HK$0.465 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of approximately 3.93% to the average closing price of HK$0.484 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Day; (iii) a discount of approximately 5.10% to the average closing price of HK$0.490 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day; (iv) a discount of approximately 8.28% to the average closing price of HK$0.507 per Share as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day; (v) a premium of approximately 40.91% over the closing price of HK$0.330 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and (vi) a premium of approximately 229.79% over the net asset value per Share of approximately HK$0.141 as at 30 September 2015, we are of the view that the Subscription Price is fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

We have reviewed the valuation report as in the "Appendix II" of the Circular and considering that (i) the date of the valuation report being 31 December 2015 and the date of the latest published financial report of the Company being 30 September 2015 are differed and adjustment of any valuation surplus or deficit arising from the valuation of the properties of the Group to the net asset value of the Group as at 30 September 2015 may not be appropriate due to inconsistency of the financial position of the Group; and (ii) the comparison of the Subscription Price with the net asset value per Share of the Group as at 30 September 2015 has been included in this letter; and (iii) the Subscription Price of HK$0.465 per new Share is still at a substantially high premium of the net asset value per Share even though the valuation of the properties as at 31 December 2015 is taken into account, we are of the view that the Subscription Price is fair and reasonable in this regard.

*Conclusion*

We have reviewed the principal terms of the Subscription Agreement and were not aware that there is any unusual term in the Subscription Agreement which is not normal commercial terms, and together with our point of view that the Subscription Price is fair and reasonable and is in the interest of the Company and the Shareholders as a whole as discussed above, we therefore are of the view that the terms of the Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

**4. Potential dilution effect on the interests of the Independent Shareholders**

The changes in shareholding structure of the Company arising from the Subscription and the Conversion are set out in the paragraph headed "**CHANGES IN SHAREHOLDING**" in the Letter from the Board. The shareholding interest of public Shareholders would reduce from approximately 61.14% as at the Latest Practicable Date to approximately 58.14% immediately after the allotment and issuance of the new Shares under the Subscription, and to approximately 53.92% immediately after the allotment and issuance of the new Shares under the Subscription and the Conversion.

Taking into account (i) the reasons for the Subscription and the benefits of the Conversion as described under the paragraphs headed "**2. Reasons for the Subscription and the use of proceeds and benefits of the Conversion**" above; (ii) the terms of the Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole; and (iii) the positive impact on the Group's liquidity, and net asset value as discussed in the section headed "**5. Financial effects of the Subscription**" below, we consider that the possible dilution effect on the shareholding interests of the other public Shareholders is acceptable.

**5. Financial impacts of the Subscription**

*Net asset value*

According to the Interim Report 2015, the net assets of the Group were approximately HK$2,587.94 million as at 30 September 2015. Upon the completion of the Subscription, the net assets of the Group will increase to approximately HK$3,050.94 million by the net proceeds from the Subscription of approximately HK$463 million after deducting related professional fees and all related expenses which will be borne by the Company under the Subscription. Moreover, upon completion of the Subscription, the Group's unaudited consolidated net assets attributable to the Shareholders per Share will increase from approximately HK$0.134 (based on a total of 19,370,000,734 Shares as at the Latest Practicable Date and the Group's unaudited consolidated net assets of approximately HK$2,587.94 million as at 30 September 2015) to approximately HK$0.150 (based on a total of 20,370,000,734 Shares immediately after completion of the Subscription assuming that there is no change in the issued share capital of the Company since the Latest Practicable Date and up to the completion of the Subscription and the Group's unaudited consolidated net assets of approximately HK$3,050.94 million immediately after completion of the Subscription). As such, the Subscription is expected to have a positive impact on the financial position of the Group. This significant improvement in the financial position of the Group is beneficial to the Company and the Shareholders as a whole.

*Liquidity*

According to the Interim Report 2015, the cash and cash equivalents of the Group as at 30 September 2015 was approximately HK$640.47 million. Upon the completion of the Subscription, the cash and cash equivalents of the Group is expected to increase by the net proceeds of approximately HK$463 million. As such, the net current assets and current ratio of the Company will improve accordingly.

*Conclusion*

Having considered that the Subscription would improve the net asset value per Share (from approximately HK$0.134 to approximately HK$0.150 upon completion of the Subscription), the liquidity of the Group, and the Conversion will reduce the amount of the Company's outstanding debt securities and thus increase its net asset value by approximately HK$578 million and the Conversion will enhance the Company's financial performance by decreasing the annualised imputed interest of the Convertible Bonds by not less than approximately HK$80 million, we are of the view that the entering into of the Subscription Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Shareholders should note that the aforesaid analyses are for illustrative purpose only and do not purport to represent the financial position of the Group upon the Completion.

**6. Whitewash Waiver**

The Subscriber is a wholly-owned subsidiary of CITIC Limited. CIAM is 40% owned by CITIC International Financial Holdings Limited, another subsidiary of CITIC Limited. The Subscriber and CIAM are therefore associated companies of each other for the purpose of the Takeovers Code. Right Precious is a subsidiary of CIAM. Apart from being an executive Director, Mr. Lo is also a director of CIAM and Right Precious. The Subscriber, CIAM, Right Precious and Mr. Lo are together interested in 448,780,000 Shares, representing approximately 2.32% of the total issued share capital of the Company as at the Latest Practicable Date. Upon completion of the Subscription and the Conversion, they will together be interested in 2,481,475,124 Shares, representing approximately 11.30% of the Enlarged Share Capital.

Mr. Miao, the brother-in-law of Mr. Cao, acts in concert with Mr. Cao. Mr. Cao and Mr. Miao and their wholly-owned investment holding companies are together interested in 4,281,611,041 Shares, representing approximately 22.10% of the total issued share capital of the Company as at the Latest Practicable Date. Upon completion of the Subscription and the Conversion, they will together be interested in 4,628,411,041 Shares, representing approximately 21.07% of the Enlarged Share Capital.

Dr. Chen is an executive Director. Dr. Chen, Ms. Zhang Lu and Mr. Chen Cheng who are his Close Relatives and companies controlled by them are together interested in 950,625,000 Shares, representing approximately 4.91% of the total issued share capital of the Company as at the Latest Practicable Date. Upon completion of the Subscription and the Conversion, they will together be interested in 950,625,000 Shares, representing approximately 4.33% of the Enlarged Share Capital.

Mr. Che is an executive Director. Mr. Che, Ms. Chong Sok Un, who is his Close Relative and a company controlled by her are together interested in 92,695,000 Shares, representing approximately 0.48% of the total issued share capital of the Company as at the Latest Practicable Date. Upon completion of the Subscription and the Conversion, they will together be interested in 306,691,000 Shares, representing approximately 1.40% of the Enlarged Share Capital.

With the introduction of the Subscriber and the Conversion, the Subscriber, CIAM and Right Precious will control approximately 11.27% of the Enlarged Share Capital, and hold the second largest shareholding bloc in the Company after the bloc controlled by Mr. Cao and Mr. Miao. Mr. Cao, Mr. Miao, Dr. Chen, Mr. Che, the Subscriber and CIAM have agreed to consolidate their shareholdings in the Company upon completion of the Subscription and the Conversion.

As shown in the Changes in Shareholding Table in the Letter from the Board, the Concert Party Group are together interested in 5,773,711,041 Shares, representing approximately 29.81% of the total issued share capital of the Company as at the Latest Practicable Date. Upon completion of the Subscription and the Conversion, they will together be interested in 8,367,202,165 Shares, representing approximately 38.10% of the Enlarged Share Capital, and their collective holding of voting rights of the Company will thereby be increased to 30% or more as specified under Rule 26.1(b) of the Takeovers Code. Absent the Whitewash Waiver, the Whitewash Applicants will be required to make a general offer for all the Shares and convertible securities not already owned or agreed to be acquired by them or persons acting in concert with any of them.

An application has been made by the Subscriber to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 to Dispensations from Rule 26 of the Takeovers Code and the Executive has indicated that it will grant the Whitewash Waiver subject to, among other things, the approval of the Independent Shareholders taken on a poll at the SGM.

The completion of the Subscription and the Conversion is conditional upon, among other matters, the grant of the Whitewash Waiver by the Executive and the approval of the Independent Shareholders at the SGM. If the Whitewash Waiver is not granted by the Executive or the Whitewash Waiver is not approved at the SGM, the Subscription and the Conversion will not proceed. Accordingly, the Company will lose all the benefits that are expected to be brought by the Subscription and the

Conversion, including but not limited to, the availability of funds out of the net proceeds to be raised from the Subscription for the remaining capital expenditure required for the scale production of electric vehicles in the Group's Hangzhou manufacturing plant.

Based on our analysis of the reasons for and the terms of the Subscription and the benefits of the Conversion, we consider that the Subscription and the Conversion are in the interests of the Company and the Shareholders as a whole. We are of the view that for the purpose of implementing the Subscription and the Conversion, the approval of the Whitewash Waiver by the Independent Shareholders at the SGM is in the interests of the Company and the Shareholders as a whole.

## RECOMMENDATIONS

With respect of the Subscription Agreement and the Whitewash Waiver, based on the abovementioned principal factors and reasons for the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver, and the benefits of the Conversion, we are of the view that, while the Subscription Agreement is not entered into in the ordinary and usual course of business of the Company, the terms of the Subscription Agreement and the Whitewash Waiver are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolutions to be proposed at the SGM to approve the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver.

Yours faithfully,
For and on behalf of
**Goldin Financial Limited**

**Billy Tang**
*Director*

*Note:* Mr. Billy Tang is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Goldin Financial Limited to carry out Type 6 (advising on corporate finance) regulated activities under the SFO. He has over 10 years of experience in the corporate finance industry.

* *for identification purposes only*

## 1. FINANCIAL SUMMARY

The following is a summary of (i) the audited financial results of the Group for each of the three financial years ended 31 March 2013, 2014 and 2015 and unaudited interim financial results for the six months ended 30 September 2015; and (ii) the audited assets and liabilities of the Group as at 31 March 2013, 2014 and 2015 and unaudited assets and liabilities of the Group as at 30 September 2015, extracted from the annual reports of the Company for each of the three financial years ended 31 March 2013, 2014 and 2015 and interim report for the six months ended 30 September 2015.

Crowe Horwath (HK) CPA Limited, the auditors of the Company for the financial years ended 31 March 2014 and 2015, did not issue any qualified opinion on the financial statements of the Group for each of the financial years ended 31 March 2014 and 2015.

CCIF CPA Limited, the auditors of the Company for the financial year ended 31 March 2013, did not issue any qualified opinion on the financial statements of the Group for the financial year ended 31 March 2013.

The Group did not have any items which are exceptional because of size, nature or incidence for each of the three years ended 31 March 2013, 2014 and 2015 and for the six months ended 30 September 2015 except as disclosed in our published financial statements for those periods.

### (a) Results

| | Six months ended 30 September | Year ended 31 March | | |
|---|---|---|---|---|
| | 2015 | 2015 | 2014 | 2013 |
| | *(unaudited)* | *(audited)* | *(audited)* | *(audited)* |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Revenue | 136,696 | 307,415 | 83,956 | 53,854 |
| Loss before taxation | (304,195) | (566,674) | (936,581) | (376,124) |
| Taxation | (12,935) | 57,932 | 24,703 | 51,677 |
| Loss for the year | (317,130) | (508,742) | (911,878) | (324,447) |

| | Six months ended 30 September | Year ended 31 March | | |
|---|---|---|---|---|
| | 2015 | 2015 | 2014 | 2013 |
| | *(unaudited)* | *(audited)* | *(audited)* | *(audited)* |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Attributable to: | | | | |
| Owners of the Company | 181,923 | (409,759) | (906,389) | (324,447) |
| Non-controlling interests | (499,053) | (98,983) | (5,489) | – |
| | (317,130) | (508,742) | (911,878) | (324,447) |
| Earnings/(loss) per share (HK cents) | | | | |
| Basic | 1.00 | (2.36) | (6.67) | (2.90) |
| Diluted | 1.00 | (2.36) | (6.67) | (2.90) |
| Dividend per share | nil | nil | nil | nil |

**(b) Assets, liabilities and minority interests**

| | As at 30 September | As at 31 March | | |
|---|---|---|---|---|
| | 2015 | 2015 | 2014 | 2013 |
| | *(unaudited)* | *(audited)* | *(audited)* | *(audited)* |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Total assets | 6,619,016 | 6,024,455 | 3,876,804 | 1,628,244 |
| Total liabilities | 4,031,081 | 3,710,250 | 1,813,965 | 1,288,053 |
| Equity attributable to owners of the Company | 2,027,739 | 2,071,146 | 1,733,800 | 340,191 |
| Non-controlling interests | 560,196 | 243,059 | 329,039 | – |

## 2. AUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2015

The following is the full text of the audited consolidated financial information of the Group for the financial year ended 31 March 2015 as extracted from the annual report of the Company for the year ended 31 March 2015:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the year ended 31 March 2015*

| | Note | 2015<br>*HK$'000* | 2014<br>*HK$'000* |
|---|---|---|---|
| Revenue | 7 | 307,415 | 83,956 |
| Cost of sales | | (233,069) | (77,014) |
| **Gross profit** | | 74,346 | 6,942 |
| Other income | 9 | 21,769 | 15,518 |
| Selling and distribution costs | | (28,396) | (18,995) |
| General and administrative expenses | | (235,418) | (143,866) |
| Research and development expenses | | (16,728) | (12,358) |
| Finance costs | 10 | (125,690) | (19,329) |
| Other operating expenses | 11 | (74,643) | – |
| Impairment on goodwill | 19 | – | (665,438) |
| Amortisation of intangible assets | 20 | (181,511) | (99,055) |
| Share of loss of joint ventures | | (403) | – |
| **Loss before tax** | 11 | (566,674) | (936,581) |
| Income tax | 13 | 57,932 | 24,703 |
| **Loss for the year** | | (508,742) | (911,878) |
| **Attributable to:** | | | |
| Owners of the Company | | (409,759) | (906,389) |
| Non-controlling interests | | (98,983) | (5,489) |
| | | (508,742) | (911,878) |
| | | *HK cents* | *HK cents* |
| **Loss per share attributable to owners of the Company** | 16 | | |
| **– Basic and diluted** | | (2.36) | (6.67) |

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the year ended 31 March 2015*

| | 2015 | 2014 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| **Loss for the year** | (508,742) | (911,878) |
| **Other comprehensive income/(loss) for the year, net of nil tax:** | | |
| Items that may be reclassified subsequently to profit or loss: | | |
| Exchange differences on translation of financial statements of foreign operations | 4,664 | (80) |
| Share of other comprehensive income of joint ventures | 2,477 | – |
| | 7,141 | (80) |
| **Total comprehensive loss for the year** | (501,601) | (911,958) |
| **Attributable to:** | | |
| Owners of the Company | (403,301) | (905,559) |
| Non-controlling interests | (98,300) | (6,399) |
| **Total comprehensive loss for the year** | (501,601) | (911,958) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 March 2015*

| | *Note* | **2015** *HK$'000* | **2014** *HK$'000* |
|---|---|---|---|
| **Non-current assets** | | | |
| Goodwill | *19* | 871,647 | 349,576 |
| Intangible assets | *20* | 932,447 | 982,563 |
| Fixed assets: Property, plant and equipment | *21* | 1,849,768 | 501,527 |
| Fixed assets: Interest in leasehold land held for own use under operating lease | *21* | 369,622 | 372,831 |
| Interests in joint ventures | *23* | 107,866 | – |
| Available-for-sale investments | *24* | 93,634 | – |
| Financial assets at fair value through profit or loss | *25* | 48,249 | – |
| Deposits paid for non-current assets | *26* | 76,265 | 203,249 |
| Loan receivable | *30* | 467 | – |
| Other non-current assets | *27* | 9,731 | 9,877 |
| | | 4,359,696 | 2,419,623 |
| **Current assets** | | | |
| Inventories | *28* | 192,715 | 123,346 |
| Trade and bills receivables | *29* | 148,185 | 70,298 |
| Loan and other receivables | *30* | 399,060 | 182,630 |
| Financial assets at fair value through profit or loss | *25* | 10,569 | – |
| Derivative financial instruments | *39* | 53,862 | – |
| Pledged bank deposits | *31* | 128,871 | 11,284 |
| Deposit in a security account | *32* | 320,019 | – |
| Cash and cash equivalents | *32* | 411,478 | 1,069,623 |
| | | 1,664,759 | 1,457,181 |

| | Note | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|---|
| **Current liabilities** | | | |
| Bank loans and other borrowings | 33 | (880,203) | (372,181) |
| Loan from a holder of non-controlling interests | 34 | – | (150,000) |
| Trade and bills payables | 35 | (139,189) | (32,687) |
| Accruals and other payables | 36 | (493,158) | (180,132) |
| Tax payable | | (13,101) | (8,695) |
| Obligations under redeemed convertible bonds | 37 | (760,752) | (760,752) |
| | | (2,286,403) | (1,504,447) |
| **Net current liabilities** | | (621,644) | (47,266) |
| **Total assets less current liabilities** | | 3,738,052 | 2,372,357 |
| **Non-current liabilities** | | | |
| Other non-current liability | 38 | (52,718) | (52,656) |
| Liability components of convertible bonds | 39 | (1,156,011) | – |
| Deferred tax liabilities | 41 | (215,118) | (256,862) |
| | | (1,423,847) | (309,518) |
| **NET ASSETS** | | 2,314,205 | 2,062,839 |
| **CAPITAL AND RESERVES** | | | |
| Issued capital | 42 | 178,662 | 169,769 |
| Reserves | 43 | 1,892,484 | 1,564,031 |
| **Total equity attributable to owners of the Company** | | 2,071,146 | 1,733,800 |
| **Non-controlling interests** | | 243,059 | 329,039 |
| **TOTAL EQUITY** | | 2,314,205 | 2,062,839 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 31 March 2015*

| | Attributable to owners of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Issued capital | Share premium | Exchange reserve | Contributed surplus | Capital redemption reserve | Equity component of convertible bonds | Share option reserve | Accumulated losses | Total | Non-controlling interests | Total equity |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1 April 2013 | 122,545 | 3,925,882 | 19,217 | 15,506 | 1,868 | – | 18,361 | (3,763,188) | 340,191 | – | 340,191 |
| Loss for the year | – | – | – | – | – | – | – | (906,389) | (906,389) | (5,489) | (911,878) |
| Other comprehensive income/(loss) for the year | | | | | | | | | | | |
| – Exchange differences on translation of financial statements of foreign operations | – | – | 830 | – | – | – | – | – | 830 | (910) | (80) |
| Total comprehensive income/(loss) for the year | – | – | 830 | – | – | – | – | (906,389) | (905,559) | (6,399) | (911,958) |
| Issue of ordinary shares related to acquisition transaction *(Note 42(a))* | 19,013 | 1,254,825 | – | – | – | – | – | – | 1,273,838 | – | 1,273,838 |
| Shares issued pursuant to subscriptions and placement *(Notes 42(c) & (e))* | 28,200 | 1,000,480 | – | – | – | – | – | – | 1,028,680 | – | 1,028,680 |
| Shares issued upon exercise of shares options *(Note 42(d))* | 11 | 93 | – | – | – | – | (35) | – | 69 | – | 69 |
| Non-controlling interests arising on business combination *(Note 18(d))* | – | – | – | – | – | – | – | – | – | 335,438 | 335,438 |
| Transaction costs attributable to issue of new shares | – | (7,155) | – | – | – | – | – | – | (7,155) | – | (7,155) |
| Share options lapsed | – | – | – | – | – | – | (223) | 223 | – | – | – |
| Equity-settled share-based payments | – | – | – | – | – | – | 3,736 | – | 3,736 | – | 3,736 |

| | Attributable to owners of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Issued capital | Share premium | Exchange reserve | Contributed surplus | Capital redemption reserve | Equity component of convertible bonds | Share option reserve | Accumulated losses | Total | Non-controlling interests | Total equity |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| At 31 March 2014 and 1 April 2014 | 169,769 | 6,174,125 | 20,047 | 15,506 | 1,868 | – | 21,839 | (4,669,354) | 1,733,800 | 329,039 | 2,062,839 |
| Loss for the year | – | – | – | – | – | – | – | (409,759) | (409,759) | (98,983) | (508,742) |
| Other comprehensive income for the year | | | | | | | | | | | |
| – Exchange differences on translation of financial statements of foreign operations | – | – | 3,981 | – | – | – | – | – | 3,981 | 683 | 4,664 |
| – Share of other comprehensive income of joint ventures | – | – | 2,477 | – | – | – | – | – | 2,477 | – | 2,477 |
| Total other comprehensive income for the year | – | – | 6,458 | – | – | – | – | – | 6,458 | 683 | 7,141 |
| Total comprehensive income/(loss) for the year | – | – | 6,458 | – | – | – | – | (409,759) | (403,301) | (98,300) | (501,601) |
| Issue of ordinary shares related to acquisition transaction *(Note 42(a))* | 3,800 | 178,600 | – | – | – | – | – | – | 182,400 | – | 182,400 |
| Non-controlling interests arising on business combinations | – | – | – | – | – | – | – | – | – | 165,419 | 165,419 |
| Issue of convertible bonds | – | – | – | – | – | 601,894 | – | – | 601,894 | – | 601,894 |
| Conversion of convertible bonds *(Note 42(b))* | 5,093 | 251,536 | – | – | – | (90,715) | – | – | 165,914 | – | 165,914 |
| Acquisition of additional interests in subsidiaries *(Note 18(c))* | – | – | – | – | – | – | – | (223,421) | (223,421) | (153,099) | (376,520) |
| Share options lapsed | – | – | – | – | – | – | (15,076) | 15,076 | – | – | – |
| Equity-settled share-based payments | – | – | – | – | – | – | 13,860 | – | 13,860 | – | 13,860 |
| **At 31 March 2015** | 178,662 | 6,604,261 | 26,505 | 15,506 | 1,868 | 511,179 | 20,623 | (5,287,458) | 2,071,146 | 243,059 | 2,314,205 |

## CONSOLIDATED STATEMENT OF CASH FLOWS

*For the year ended 31 March 2015*

| | Note | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Loss before tax | | (566,674) | (936,581) |
| Adjustments for: | | | |
| Interest income | *11* | (10,806) | (3,817) |
| Finance costs | *10* | 125,690 | 19,329 |
| Gain on disposal of property, plant and equipment | *11* | (595) | (626) |
| Depreciation of property, plant and equipment | *21* | 55,524 | 39,403 |
| Amortisation of interest in leasehold land held for own use under operating lease | *21* | 7,854 | 2,257 |
| Equity-settled share-based payments | *11* | 13,860 | 3,736 |
| Impairment on goodwill | *19* | – | 665,438 |
| Amortisation of intangible assets | *20* | 181,511 | 99,055 |
| Impairment on other receivables | *30(b)* | 1,491 | – |
| Impairment on property, plant and equipment | *21* | – | 6,973 |
| Write-down of inventories | *11* | 1,336 | 25,954 |
| Warranty provision | | – | 467 |
| Foreign exchange difference | | (521) | (5,119) |
| Share of loss of joint ventures | | 403 | – |
| Net loss on held-for-trading investments | *11* | 37 | – |
| | | (190,890) | (83,531) |
| Changes in working capital: | | | |
| Decrease in other non-current assets | | 1,262 | 1,260 |
| Increase in inventories | | (65,936) | (27,757) |
| Increase in trade, bills, loan and other receivables | | (157,024) | (90,119) |
| Increase/(decrease) in trade, bills and other payables | | 271,696 | (19,410) |
| **Net cash used in operations** | | (140,892) | (219,557) |
| Interest received | | 9,186 | 3,783 |
| Finance costs paid | | (42,193) | (17,087) |
| **Net cash used in operating activities** | | (173,899) | (232,861) |

| | Note | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|---|
| **Investing activities** | | | |
| Payments for acquisition of intangible assets | | (65,459) | (2,871) |
| Payments for acquisition of property, plant and equipment | | (1,261,552) | (53,425) |
| Payments for acquisition of interest in leasehold land held for own use under operating lease | | (4,452) | (4,758) |
| Payments for available-for-sale investments | | (93,634) | – |
| Receipts on disposal of property, plant and equipment | | 3,912 | 1,700 |
| Proceeds from financial assets at fair value through profit or loss | | 1,948 | – |
| Increase in pledged bank deposits | | (117,587) | (603) |
| Increase in deposit in a security account | | (320,019) | – |
| Net cash inflows on acquisition of subsidiaries | | 378,902 | 126,812 |
| **Net cash (used in)/generated from investing activities** | | (1,477,941) | 66,855 |
| **Financing activities** | | | |
| Net proceeds from issuance of new shares | | – | 1,021,525 |
| Net proceeds from issuance of convertible bonds | | 392,000 | – |
| Proceeds from shares issued upon exercise of share options | | – | 69 |
| Proceeds from bank loans and other borrowings | | 958,973 | 183,030 |
| Repayment of bank loans and other borrowings | | (454,959) | (109,694) |
| Increase/(decrease) in bills payables | | 97,387 | (1,028) |
| **Net cash generated from financing activities** | | 993,401 | 1,093,902 |

| | Note | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|---|
| **Net (decrease)/increase in cash and cash equivalents** | | (658,439) | 927,896 |
| Effect of foreign exchange rate changes | | 294 | 1,160 |
| Cash and cash equivalents at beginning of the year | | 1,069,623 | 140,567 |
| **Cash and cash equivalents at end of the year** | | 411,478 | 1,069,623 |

**STATEMENT OF FINANCIAL POSITION**
*As at 31 March 2015*

| | Note | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Interests in subsidiaries | 22 | 4,228,336 | 1,155,399 |
| Available-for-sale investments | 24 | 93,634 | – |
| | | 4,321,970 | 1,155,399 |
| **Current assets** | | | |
| Amounts due from subsidiaries | 22 | 582,717 | 406,778 |
| Loan and other receivables | 30 | 5,326 | 64,331 |
| Derivative financial instruments | 39 | 53,862 | – |
| Cash and cash equivalents | 32 | 112,359 | 855,329 |
| | | 754,264 | 1,326,438 |
| **Current liabilities** | | | |
| Other borrowings | 33 | (689,566) | – |
| Accruals and other payables | 36 | (42,166) | (3,848) |
| Obligations under redeemed convertible bonds | 37 | (760,752) | (760,752) |
| | | (1,492,484) | (764,600) |
| **Net current (liabilities)/assets** | | (738,220) | 561,838 |
| **Total assets less current liabilities** | | 3,583,750 | 1,717,237 |
| **Non-current liabilities** | | | |
| Liability components of convertible bonds | 39 | (1,156,011) | – |
| Bonds to a subsidiary | 40 | (370,000) | – |
| | | (1,526,011) | – |
| **NET ASSETS** | | 2,057,739 | 1,717,237 |
| **CAPITAL AND RESERVES** | | | |
| Issued capital | 42 | 178,662 | 169,769 |
| Reserves | 43 | 1,879,077 | 1,547,468 |
| **TOTAL EQUITY** | | 2,057,739 | 1,717,237 |

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31 March 2015*

### 1. GENERAL INFORMATION

FDG Electric Vehicles Limited (previously known as "Sinopoly Battery Limited") (the "Company") is a limited liability company incorporated in Bermuda. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office and principal place of business of the Company are situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and Rooms 3001-3005, 30th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, respectively.

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in (i) research and development, production and sale of lithium-ion batteries and related products; (ii) vehicle design and the design, manufacture and sale of electric vehicles; (iii) leasing of electric vehicles; (iv) treasury investment; and (v) direct investments.

### 2. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has where applicable adopted the following amendments to Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKASs"), and Interpretation (hereinafter collectively referred to as the "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year's financial statements:

| | |
|---|---|
| Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) | Investment Entities |
| Amendment to HKAS 32 | Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities |
| Amendment to HKAS 36 | Recoverable Amount Disclosures for Non-Financial Assets |
| Amendment to HKAS 39 | Novation of Derivatives and Continuation of Hedge Accounting |
| HK(IFRIC) – Int 21 | Levies |

The adoption of the above new and revised HKFRSs has had no material impact on the accounting policies of the Group and the methods of recognition and measurement in the Group's financial statements.

Up to the date of issuance of these financial statements, the HKICPA has issued several amendments and standards which are not yet effective for the year ended 31 March 2015 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

| | |
|---|---|
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2010-2012 Cycle[2] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2011-2013 Cycle[1] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2012-2014 Cycle[3] |
| HKFRS 9 | Financial Instruments[5] |
| HKFRS 14 | Regulatory Deferral Accounts[3] |
| HKFRS 15 | Revenue from Contracts with Customers[4] |
| Amendment to HKFRS 11 | Accounting for Acquisitions of Interests in Joint Operations[3] |
| Amendment to HKAS 1 | Disclosure Initiative[3] |
| Amendments to HKAS 16 and HKAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation[3] |
| Amendments to HKAS 16 and HKAS 41 | Agriculture: Bearer Plants[3] |

| | |
|---|---|
| Amendment to HKAS 19 (2011) | Defined Benefit Plans: Employee Contributions[1] |
| Amendment to HKAS 27 | Equity Method in Separate Financial Statements[3] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3] |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | Investment Entities: Applying the Consolidation Exception[3] |

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

The Group is in the process of making an assessment of the impact of these amendments and standards in the period of initial application. So far, it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

## 3. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable HKFRSs and accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period, as permitted by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), continue to be those of the predecessor Companies Ordinance (Cap. 32). These consolidated financial statements also comply with the applicable disclosure provisions of the Listing Rules. A summary of principal accounting policies adopted by the Group is set out in Note 4 below.

The consolidated financial statements have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss and derivative financial instruments which have been measured at fair value.

The consolidated financial statements for the year ended 31 March 2015 comprise the Company and its subsidiaries and the Group's interests in joint ventures.

Each entity in the Group is measured using its functional currency, that is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiaries in Hong Kong is Hong Kong dollar ("HK$") and that of its subsidiaries in The People's Republic of China (excluding Hong Kong) (the "PRC") is Renminbi ("RMB"). For the purposes of presenting the consolidated financial statements, the Group has adopted HK$ as its presentation currency and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

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

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

Judgments made by management in the application of HKFRSs that have a significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 5.

In preparing these consolidated financial statements, the board of directors of the Company (the "Board") has considered the Group's sources of liquidity and believes that adequate funding is available to fulfill the Group's short-term obligations and capital expenditure requirements. As at 31 March 2015, the Group had net current liabilities of approximately HK$621,644,000, which included obligations under redeemed convertible bonds of approximately HK$760,752,000 (the "Redemption Amount") as set out in the consolidated statement of financial position.

Notwithstanding the aforesaid conditions, the consolidated financial statements have been prepared on a going concern basis because the Board is of the opinion that the Group can meet its financial obligations as and when they fall due in the coming year, after taking into consideration of the followings:

(1) Based on a court judgment dated 5 March 2013, the Company has been given an unconditional leave to defend to the extent of the set-off portion of the damages to be claimed by the Group against the Redemption Amount in the legal proceedings against the holder of such redeemed convertible bonds and its associates and based on which the Company is entitled to a stay of execution of payment for the Redemption Amount before the conclusion of the relevant legal proceedings. Therefore, the Board considers that it is not likely for the Company to settle the Redemption Amount in cash in the coming year;

(2) Subsequent to the end of the reporting period, as disclosed in Note 48(b), the Group has raised fund of approximately HK$248,600,000 by placing down 150,000,000 ordinary shares of its non-wholly-owned subsidiary, CIAM Group Limited ("CGL"), a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 378);

(3) The directors of the Company have reviewed the cash flow forecast of the Group for the twelve months ending 31 March 2016 and projected to have sufficient cash flows to finance the working capital and capital expenditure requirements of the Group during that period. In preparing the cash flow forecast, the directors have considered historical cash requirements of the Group as well as other key factors;

(4) The directors of the Company are considering various alternatives to support its capital expenditure needs;

(5) Mr. Cao Zhong ("Mr. Cao"), the Chairman, Chief Executive Officer and executive director of the Company, and Long Hing International Limited, a substantial shareholder of the Company and beneficially wholly-owned by Mr. Cao, have jointly provided an irrevocable letter of undertaking pursuant to which they agreed to provide adequate funds to the Group so as to enable it to meet its financial obligations as and when they fall due for the next twelve months from the date of approval of the financial statements; and

(6) Mr. Miao Zhenguo ("Mr. Miao"), the Deputy Chairman and executive director of the Company, and Union Ever Holdings Limited, a substantial shareholder of the Company and beneficially wholly-owned by Mr. Miao, have jointly provided an irrevocable letter of undertaking pursuant to which they agreed to provide adequate funds to the Group so as to enable it to meet its financial obligations as and when they fall due for the next twelve months from the date of approval of the financial statements.

After having taken into account of the Group's projected cash flows, current financial resources and capital expenditure requirements and in light of the measures and arrangements implemented to date, the Board is of the view that the Group has sufficient cash resources to satisfy its working capital and other financial obligations for the next twelve months from the end of the reporting period of these financial statements. Accordingly, the Board is of the view that it is appropriate to prepare these financial statements on a going concern basis.

## 4. PRINCIPAL ACCOUNTING POLICIES

### (a) SUBSIDIARIES AND NON-CONTROLLING INTERESTS

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

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

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identified assets. However, the choice of measuring non-controlling interests is limited to those types of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the subsidiary's net assets in the event of liquidation. All other types of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by HKFRSs.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company. 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. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Note 4(m), (n) or (o) depending on the nature of the liability.

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

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

In the Company's statement of financial position, interests in subsidiaries are carried at cost less any impairment losses (see Note 4(i)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

**(b) ASSOCIATES AND JOINT VENTURES**

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

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

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment losses relating to the investment (see Note 4(i)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

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

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

When an investment in an associate is held by or is held indirectly through, an entity that is a venture capital organisation, such investment is exempted from applying equity method and is recognised as a financial asset at fair value through profit or loss in the Group's consolidated statement of financial position.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 4(d)).

**(c) GOODWILL**

Goodwill represents the excess of:

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

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

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

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 4(i)).

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

**(d) OTHER INVESTMENTS IN DEBT AND EQUITY SECURITIES**

Investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are categorised as follows:

***Financial assets at fair value through profit or loss***

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

Trading financial instruments are financial assets which are acquired or incurred principally for the purpose of trading, or are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

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

– the assets are managed, evaluated and reported internally on a fair value basis;

– the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise;

– the asset contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract; or

– the separation of the embedded derivative(s) from the financial instrument is not prohibited.

Financial assets at fair value through profit or loss are measured initially at fair value, which normally will be equal to the transaction price. Transaction costs are expensed immediately.

At the end of each reporting period subsequent to initial recognition, the financial assets at fair value through profit or loss are stated at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. Upon disposal or repurchase, the difference between the net sale proceeds and the carrying value is included in profit or loss.

***Available-for-sale financial assets***

Investments in securities which do not fall into the above category are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see Note 4(i)). Dividend income from equity securities is recognised in profit or loss.

When the investments are derecognised or impaired (see Note 4(i)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

**(e) DERIVATIVE FINANCIAL INSTRUMENTS**

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period, the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

**(f) PROPERTY, PLANT AND EQUIPMENT AND INTEREST IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASE**

Property, plant and equipment, other than construction in progress, are carried at cost less accumulated depreciation and any accumulated impairment losses (see Note 4(i)). The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as interest in leasehold land held for own use under operating lease and included in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

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

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

- Other property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

| | |
|---|---|
| Leasehold land under finance leases | over the remaining lease terms |
| Buildings | over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion |
| Leasehold improvements | 20% to 33.3%, or if shorter, the remaining term of the lease |
| Furniture and equipment | 10% to 33.3% |
| Motor vehicles | 10% to 25% |
| Plant and machinery | 10% |
| Electric vehicles | 33.3% |

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

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

Construction in progress represents buildings, leasehold improvement and plant and equipment in the course of construction for production and for the Group's own use purposes. Construction in progress is stated at cost less any identified impairment loss. Cost comprises construction expenditure and other direct costs attributable to such projects. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for its intended use.

No depreciation is provided in respect of construction in progress until it is substantially complete and ready for its intended use.

**(g) INTANGIBLE ASSETS (OTHER THAN GOODWILL)**

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see Note 4(i)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 4(i)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

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

| | | |
|---|---|---|
| – | patents and exclusive patents using rights | 10 years |
| – | Industrial proprietary rights | 25 years |
| – | Technical know-hows | 5 years |
| – | Lease contractual rights | 3 years |

The period and method of amortisation are reviewed annually.

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

**(h) LEASED ASSETS**

***Operating lease charges***

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

The cost of acquiring leasehold land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property.

**(i) IMPAIRMENT OF ASSETS**

***(i) Impairment of investments in equity securities and trade, bills, loan and other receivables***

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

– significant financial difficulty of the debtor;

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

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

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

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

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

– For investments in associates and joint ventures accounted for under the equity method in the consolidated financial statements, the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with Note 4(i)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with Note 4(i)(ii).

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

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

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

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

***(ii) Impairment of other assets***

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

– intangible assets;

– goodwill;

– property, plant and equipment;

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

– deposits paid for non-current assets;

– other non-current assets; and

– interests in subsidiaries in the Company's statement of financial position.

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

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

– Reversals of impairment losses

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

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

***(iii) Interim financial reporting and impairment***

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim Financial Reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Notes 4(i)(i) and (ii)).

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

**(j) INVENTORIES**

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

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

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

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

**(k) PROJECT CONTRACTS IN PROGRESS**

Project contracts in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date (see Note 4(t)(ii)) less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Project contracts in progress is presented as "Amounts due from customers for contract work" (as part of trade and bills receivables) in the statement of financial position for all contracts in which costs incurred plus recognised profits less recognised losses exceed progress billings. If progress billings exceed costs incurred plus recognised profits less recognised losses, then the difference is presented as "Amounts due to customers for contract work" (as part of trade and bills payables) in the statement of financial position.

**(l) TRADE, BILLS, LOAN AND OTHER RECEIVABLES**

Trade, bills, loan and other receivables are initially recognised at fair value and thereafter carried at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see Note 4(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are carried at cost less allowance for impairment of doubtful debts.

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

**(m) CONVERTIBLE BONDS**

Convertible bonds issued by the Company that contain liability, conversion option, and redemption and mandatory conversion option components are classified separately into liability component, equity component and embedded derivative component (consisting of the redemption and mandatory conversion options of the Company) respectively. A derivative embedded in a non-derivative host contract is treated as a separate derivative when its risks and characteristics are not closely related to those of the host contract. On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible bonds. The derivative component is carried at fair value on the statement of financial position with any changes in fair value being charged or credited to profit or loss in the period in which the change occurs. The difference between the fair value/proceeds of the convertible bonds and the fair values of the liability component and embedded derivative component of the Company is included in equity.

Subsequent to initial recognition, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The difference between the interest so calculated and the interest paid is added to the carrying amount of the liability component. The embedded derivative is re-measured to fair value through profit or loss at subsequent reporting dates. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, remains in equity reserve until the embedded option is exercised (at which time the convertible bonds equity component will be transferred to share capital and share premium). Where the option remains unexercised at the expiry date, the balance remaining in equity reserve is released to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of convertible bonds are allocated to the liability component, embedded derivative and equity component of the convertible bonds in proportion to the allocation of proceeds. Transaction costs relating to the liability component are included in the carrying amount of the liability component and amortised over the period of the convertible bonds using the effective interest method. Transaction costs relating to the embedded derivative are charged directly to profit or loss. Transaction costs relating to the equity component are charged directly to equity.

If the convertible bonds are redeemed by the Company before maturity, the Company will allocate the consideration paid and any transaction costs for the repurchase or redemption to the liability and equity components of the instrument at the date of the transaction. The method used in allocating the consideration paid and transaction costs to the separate components is consistent with that used in the original allocation to the separate components of the proceeds received by the Company when the convertible instrument was issued. Once the consideration is allocated, any resulting gain or loss relating to the liability component is recognised in profit or loss and the amount of consideration relating to the equity component is recognised in equity.

**(n) INTEREST-BEARING BORROWINGS**

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

**(o) TRADE AND OTHER PAYABLES**

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

**(p) CASH AND CASH EQUIVALENTS AND DEPOSIT IN A SECURITY ACCOUNT**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

Deposit in a security account is restricted as to withdrawal under the terms of certain contractual agreements.

**(q) EMPLOYEE BENEFITS**

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

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

***(ii) Share-based payment transactions***

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

During the vesting period, the number of share options expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged or credited to profit or loss for the year of the review. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest with a corresponding adjustment to the share option reserve. The equity amount is recognised in the share option reserve until either the option is exercised when it is transferred to the share premium account or the option expires when it is released directly to retained profits.

***(iii) Termination benefits***

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

**(r) INCOME TAX**

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

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

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

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

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

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

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

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group or the Company has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously;

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either;

  - the same taxable entity; or

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

### (s) PROVISIONS AND CONTINGENT LIABILITIES

***(i) Contingent liabilities assumed in business combinations***

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with Note 4(s)(ii). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with Note 4(s)(ii).

***(ii) Other provisions and contingent liabilities***

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

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

### (t) REVENUE RECOGNITION

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

***(i) Sales of goods***

Sales of goods is recognised when the Group's products are delivered, and when the significant risks and rewards of ownership have been transferred to the buyer. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts and returns.

***(ii) Service income***

When the outcome of a service contract can be estimated reliably, revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract.

When the outcome of a service contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

***(iii) Rental income from operating leases***

Rental income receivable under operating leases is recognised in profit or loss in equal installments over the lease periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the reporting period in which they are earned.

***(iv) Interest income***

Interest income is recognised on an accrual basis, using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial assets to the net carrying amounts of the financial assets.

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

***(v) Government grants***

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

**(u) TRANSLATIONS OF FOREIGN CURRENCY**

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

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

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

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

**(v) BORROWING COSTS**

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

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

**(w) WARRANTIES**

Provisions for the expected cost of warranty obligations under the relevant contract for the sale of goods are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

**(x) DIVIDENDS AND DISTRIBUTIONS**

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

**(y) RELATED PARTIES**

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

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

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

**(z) SEGMENT REPORTING**

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Board, the chief operating decision maker, for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

## 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Group has made certain key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, as discussed below.

**(a) GOING CONCERN**

As mentioned in Note 3 to the consolidated financial statements, the directors are satisfied that the Group has sufficient cash resources to satisfy the Group's working capital and other financial obligations for the next twelve months from the end of the reporting period. Under such circumstances, the consolidated financial statements have been prepared on a going concern basis. If the going concern basis is not appropriate, adjustments would have to be made to restate the values of assets to their immediate recoverable amounts, to make provision for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. Such adjustments may have a significant consequential effect on the loss for the year and net assets of the Group.

**(b) IMPAIRMENT OF GOODWILL**

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units to which the goodwill is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. In the process of estimating expected future cash flow, management makes assumptions about future revenues and profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause a material adjustment to the carrying amount of goodwill within the next financial year. Determining the appropriate discount rate involves estimating the appropriate adjustments for market risk and for asset specific risk factor.

The carrying amount of goodwill at 31 March 2015 was HK$871,647,000 (2014: HK$349,576,000). Further details are given in Note 19.

**(c) IMPAIRMENT OF INTANGIBLE ASSETS (OTHER THAN GOODWILL)**

Determining whether intangible assets (other than goodwill) are impaired requires an estimation of the value-in-use of the cash-generating units to which intangible assets has been allocated. The value-in-use calculation requires the Group to estimate the future cash flows and profit forecast expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. As the industries of the lithium-ion batteries and related electric vehicles are new and currently at its early stage of development, the cash flow and profit forecast projections involve significant judgments and estimates on the accuracy of the assumptions for the projections and estimates of, including but not limited to, the future growth rates, the extent of the future market competition, market demand and market share, and sales and cost structures of the lithium-ion batteries and the related electric vehicles that the Group will achieve during the forecasting period. Where the actual future cash flows are less than expected, a material impairment loss may arise. The management performed an impairment assessment on intangible assets and no impairment loss (2014: nil) was recognised in the consolidated statement of profit or loss for the year ended 31 March 2015.

**(d) IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTEREST IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASE**

Property, plant and equipment and interest in leasehold land held for own use under operating lease are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts are determined based on value-in-use calculations. In determining the value-in-use, expected cash flows generated by the asset are discounted to their present values, which require significant judgment relating to such items such as the level of turnover and the amount of operating costs.

**(e) IMPAIRMENT OF INTERESTS IN SUBSIDIARIES**

Interests in subsidiaries are carried at cost less impairment. Judgment is required when determining whether an impairment existed. In making this judgment, historical data and factors such as industry, sector performance and financial information regarding the subsidiaries are taken into account.

**(f) IMPAIRMENT OF RECEIVABLES**

The management evaluates whether there is any objective evidence that trade, bills, loan and other receivables are impaired and determines the amount of impairment loss as a result of the inability of the debtors to make the required payments. The management's estimation is based on the ageing of the trade, bills, loan and other receivables balances, credit-worthiness, and historical write-off experience. If the financial conditions of the debtors were to deteriorate, actual write-offs would be higher than estimated.

**(g) DEPRECIATION AND AMORTISATION OF PROPERTY, PLANT AND EQUIPMENT AND INTEREST IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASE**

Property, plant and equipment are depreciated or amortised on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. Interest in leasehold land held for own use under operating lease is amortised over the lease term on a straight-line basis. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account the anticipated technological changes. The depreciation and amortisation expense for future periods is adjusted if there are significant changes from previous estimates.

**(h) USEFUL LIVES AND AMORTISATION OF INTANGIBLE ASSETS**

The intangible assets are amortised on a straight-line basis over the estimated useful lives. The management determines the estimated useful life and basis for amortisation taking into account factors including but not limited to, contractual terms of respective contracts, the expected usage of the assets by the Group based on past experience, technical obsolescence arising from changes or improvements in production or from a change in the market demand for the products of the assets. The estimation of the useful life and basis for amortisation is a matter of judgment based on the experience of the Group. Management reviews the useful life and basis for amortisation of intangible asset annually and, if expectations are significantly different from previous estimates of useful economics life, the amortisation rate for future periods will be adjusted accordingly.

Had different amortisation rates been used to calculate the amortisation of the intangible assets, the Group's result of operations and financial position could be materially different.

**(i) VALUATION OF INVENTORIES**

Inventories are carried at the lower of cost and net realisable value at the end of the reporting period. Net realisable value is determined on the basis of the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The management estimates the net realisable value for inventories based primarily on the latest invoice prices, current market conditions, historical experience on selling similar inventories and physical conditions of the inventories. It could change significantly as a result of changes in market conditions. In addition, the management performs an inventory review at the end of the reporting period and assess the need for write down of inventories.

**(j) INCOME TAX**

Determining income tax provision involves judgment on the future tax treatment of certain transactions. The management carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations.

## 6. FINANCIAL INSTRUMENTS

### (a) CATEGORIES OF FINANCIAL INSTRUMENTS

Financial assets at the end of the reporting period are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Trade and bills receivables (excluding amounts due from customers for contract work) | 145,758 | 66,648 | – | – |
| Loan and other receivables (excluding deposits and prepayments and value-added-tax receivables) | 165,311 | 96,841 | 3,880 | 63,025 |
| Amounts due from subsidiaries | – | – | 582,717 | 406,778 |
| Pledged bank deposits | 128,871 | 11,284 | – | – |
| Deposit in a security account | 320,019 | – | – | – |
| Cash and cash equivalents | 411,478 | 1,069,623 | 112,359 | 855,329 |
| Loans and receivables | 1,171,437 | 1,244,396 | 698,956 | 1,325,132 |
| Available-for-sale investments | 93,634 | – | 93,634 | – |
| Financial assets at fair value through profit or loss | | | | |
| – designated | 48,249 | – | – | – |
| – held-for-trading | | | | |
| – trading investment | 10,569 | – | – | – |
| – derivative financial instruments | 53,862 | – | 53,862 | – |
| Financial assets at fair value through profit or loss | 112,680 | – | 53,862 | – |

Financial liabilities at the end of the reporting period are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Bank loans and other borrowings | 880,203 | 372,181 | 689,566 | – |
| Loan from a holder of non-controlling interests | – | 150,000 | – | – |
| Trade and bills payables | 139,189 | 32,687 | – | – |
| Accruals and other payables (excluding receipts in advance and warranty provision) | 471,418 | 171,484 | 42,166 | 3,848 |
| Obligations under redeemed convertible bonds | 760,752 | 760,752 | 760,752 | 760,752 |
| Liability components of convertible bonds | 1,156,011 | – | 1,156,011 | – |
| Bonds to a subsidiary | – | – | 370,000 | – |
| Financial liabilities at amortised cost | 3,407,573 | 1,487,104 | 3,018,495 | 764,600 |

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

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk, interest rate risk, currency risk and equity price risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

***(i) Credit risk***

The Group's and the Company's credit risk are primarily attributable to bank deposits, deposit in a security account, trade, bills, loan and other receivables, unlisted debt securities and amounts due from subsidiaries. The management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group's and the Company's cash are deposited with creditworthy banks and other financial institutions with high credit ratings and the Group and the Company have limited exposure to any single financial institution.

In respect of trade, bills, loan and other receivables, in order to minimise its credit risk exposure, credit evaluations are performed for the determination and approval of credit limits granted and other monitoring procedures are implemented to ensure that follow-up actions are taken to recover overdue debts. In addition, regular reviews on ageing and recoverability are performed to ensure that adequate impairment losses are made for irrecoverable amounts.

In respect of trade receivables, credit terms from generally one month to three months may be granted to customers, depending on the credit-worthiness of individual customers. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk. At the end of the reporting period, the Group had a concentration of credit risk of 86.53% (2014: 89.33%) of the total trade receivables due from the Group's five largest debtors as at 31 March 2015.

In respect of loan receivables, the Group holds collateral in the form of second equitable mortgage, share charge, securities over mining license and asset, and guarantees. The Group considers that the credit risk arising from the loan receivables are significantly mitigated by the collaterals, with reference to their estimated market values as at 31 March 2015.

In respect of amounts due from subsidiaries, the Company reviews the recoverable amounts of individual debts at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts, In this regard, the management considers that the Company's credit risk is significantly reduced.

The Group does not provide any other guarantees which would expose the Group to credit risk. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and bills receivables and loan and other receivables are set out in Notes 29 and 30 respectively.

***(ii) Liquidity risk***

At 31 March 2015, the Group has net current liabilities of approximately HK$621,644,000 (2014: HK$47,266,000) which included the Redemption Amount of approximately HK$760,752,000 (2014: HK$760,752,000). The Group is exposed to liquidity risk of being unable to finance its future working capital and financial requirements when they fall due. To manage liquidity risk, the Group regularly monitors its current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks and financial institutions to meet its liquidity requirements in the short and longer terms. Based on a court judgment dated 5 March 2013, the Group has been given an unconditional leave to defend to the extent of the Set-Off (as defined in Note 37) and, based on which the Group is entitled to a stay of execution of payment for the Redemption Amount before the conclusion of the relevant legal proceedings.

The Board is of the opinion that the Group will be able to finance its future working capital and financial requirements as described in Note 3 to the consolidated financial statements.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group and the Company can be required to pay.

**Group**

| | **2015** | | | | |
|---|---|---|---|---|---|
| | **Within 1 year or on demand** | **More than 1 year but less than 2 years** | **More than 2 years but less than 5 years** | **Total undiscounted cash flows** | **Carrying amount at 31 March** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Bank loans and other borrowings | 956,144 | – | – | 956,144 | 880,203 |
| Trade and bills payables | 139,189 | – | – | 139,189 | 139,189 |
| Accruals and other payables (excluding receipts in advance and warranty provision) | 471,418 | – | – | 471,418 | 471,418 |
| Obligations under redeemed convertible bonds *(Note)* | 760,752 | – | – | 760,752 | 760,752 |
| Liability components of convertible bonds | 32,000 | 32,000 | 1,609,523 | 1,673,523 | 1,156,011 |
| | 2,359,503 | 32,000 | 1,609,523 | 4,001,026 | 3,407,573 |

| | **2014** | | | | |
|---|---|---|---|---|---|
| | **Within 1 year or on demand** | **More than 1 year but less than 2 years** | **More than 2 years but less than 5 years** | **Total undiscounted cash flows** | **Carrying amount at 31 March** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Bank loans and other borrowings | 390,702 | – | – | 390,702 | 372,181 |
| Loan from a holder of non-controlling interests | 150,000 | – | – | 150,000 | 150,000 |
| Trade and bills payables | 32,687 | – | – | 32,687 | 32,687 |
| Accruals and other payables (excluding receipts in advance and warranty provision) | 171,484 | – | – | 171,484 | 171,484 |
| Obligations under redeemed convertible bonds *(Note)* | 760,752 | – | – | 760,752 | 760,752 |
| | 1,505,625 | – | – | 1,505,625 | 1,487,104 |

*Note:* Based on a court judgment dated 5 March 2013, the Group has been given an unconditional leave to defend to the extent of the Set-Off (as defined in Note 37) and based on which, the Group is entitled to a stay of execution of payment for the obligations under redeemed convertible bonds before the conclusion of the relevant legal proceedings.

**Company**

| | 2015 | | | | |
|---|---|---|---|---|---|
| | **Within 1 year or on demand** | **More than 1 year but less than 2 years** | **More than 2 years but less than 5 years** | **Total undiscounted cash flows** | **Carrying amount at 31 March** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Other borrowings | 761,545 | – | – | 761,545 | 689,566 |
| Accruals and other payables | 42,166 | – | – | 42,166 | 42,166 |
| Obligations under redeemed convertible bonds *(Note)* | 760,752 | – | – | 760,752 | 760,752 |
| Liability components of convertible bonds | 32,000 | 32,000 | 1,609,523 | 1,673,523 | 1,156,011 |
| Bonds to a subsidiary | 29,600 | 29,600 | 399,600 | 458,800 | 370,000 |
| | 1,626,063 | 61,600 | 2,009,123 | 3,696,786 | 3,018,495 |

| | 2014 | | | | |
|---|---|---|---|---|---|
| | **Within 1 year or on demand** | **More than 1 year but less than 2 years** | **More than 2 years but less than 5 years** | **Total undiscounted cash flows** | **Carrying amount at 31 March** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Accruals and other payables | 3,848 | – | – | 3,848 | 3,848 |
| Obligations under redeemed convertible bonds *(Note)* | 760,752 | – | – | 760,752 | 760,752 |
| | 764,600 | – | – | 764,600 | 764,600 |

*Note:* Based on a court judgment dated 5 March 2013, the Company has been given an unconditional leave to defend to the extent of the Set-Off (as defined in Note 37) and based on which, the Group is entitled to a stay of execution of payment for the obligations under redeemed convertible bonds before the conclusion of the relevant legal proceedings.

***(iii) Interest rate risk***

The Group and the Company are exposed to cash flow interest rate risk in relation to variable rate loans receivables, bank balances, deposit in a security account and bank loan and fair value interest rate risk in relation to fixed rate loan receivables, bank balances, bank loans, other borrowings, bonds to a subsidiary and liability components of convertible bonds.

**Group**

| | **2015** | | **2014** | |
|---|---|---|---|---|
| | **Effective interest rate** | *HK$'000* | **Effective interest rate** | *HK$'000* |
| Variable rate loan receivables | 6.00% | 498 | – | – |
| Fixed rate loan receivables | 28.50% | 61,677 | – | – |
| Variable rate bank balances | 0.001% to 0.46% | 116,544 | 0.01% to 0.39% | 188,125 |
| Fixed rate bank balances | 0.13% to 3.08% | 410,440 | 0.20% to 3.70% | 879,230 |
| Variable rate deposit in a security account | 0.05% | 320,019 | – | – |
| Variable rate bank loan | 6.69% to 7.50% | 63,125 | – | – |
| Fixed rate bank loans | 7.80% | 127,512 | 7.50% to 7.80% | 183,031 |
| Fixed rate other borrowings | 21.42% to 21.75% | 689,566 | 7.00% to 20.00% | 189,150 |
| Fixed rate liability components of convertible bonds | 13.07% to 14.31% | 1,156,011 | – | – |

**Company**

| | **2015** | | **2014** | |
|---|---|---|---|---|
| | **Effective interest rate** | *HK$'000* | **Effective interest rate** | *HK$'000* |
| Variable rate bank balances | 0.01% to 0.36% | 1,518 | 0.01% | 4,169 |
| Fixed rate bank balances | 0.14% to 2.50% | 103,289 | 0.20% to 1.20% | 844,092 |
| Fixed rate other borrowings | 21.42% to 21.75% | 689,566 | – | – |
| Fixed rate bonds to a subsidiary | 8.00% | 370,000 | – | – |
| Fixed rate liability components of convertible bonds | 13.07% to 14.31% | 1,156,011 | – | – |

*Sensitivity analysis*

The fixed rate loan receivables, bank balances, bank loans, other borrowings, bonds to a subsidiary and liability components of convertible bonds of the Group and the Company which are fixed rate instruments and insensitive to any change in interest rates. A change in interest rate at the end of the reporting period would not affect the profit or loss.

At 31 March 2015, it is estimated that a general increase or decrease of 100 basis points in interest rates in respect of variable rate loan receivables, bank balances, deposit in a security account and bank loan, with all other variable held constant, would decrease or increase the Group's and the Company's loss after tax for the year and accumulated losses by approximately HK$3,739,000 (2014: HK$1,881,000) and HK$15,000 (2014: HK$42,000), respectively.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next annual reporting period. The analysis is performed on the same basis for 2014.

***(iv) Currency risk***

The Group currently does not have a foreign currency hedging policy. However, the management monitors the relative foreign exchange positions of its assets and liabilities and will consider hedging significant foreign currency exposures should the need arises.

The following table details the Group's and the Company's material exposure at the end of the reporting period to currency risk arising from the following assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the end of the reporting period. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

**Group**

| | **2015** | | **2014** | |
|---|---|---|---|---|
| | **United States Dollars** | | **United States Dollars** | |
| | **Assets** | **Liabilities** | **Assets** | **Liabilities** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Cash and cash equivalents | 13,481 | – | 10,849 | – |
| Trade and bills receivables | 6,681 | – | 1,305 | – |
| Loan and other receivables | 5,566 | – | – | – |
| Financial assets at fair value through profit or loss | 39,880 | – | – | – |
| Available-for-sale investments | 93,634 | – | – | – |
| Other payables | – | (5,021) | – | (4,388) |
| | 159,242 | (5,021) | 12,154 | (4,388) |

**Company**

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | United States Dollars | | United States Dollars | |
| | Assets | Liabilities | Assets | Liabilities |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Cash and cash equivalents | 165 | – | 7,084 | – |
| Loan and other receivables | 3,875 | – | – | – |
| Available-for-sale investments | 93,634 | – | – | – |
| | 97,674 | – | 7,084 | – |

As Hong Kong dollars are pegged to United States dollars, the Group and the Company consider the risk of movements in exchange rates between Hong Kong dollars and United States dollars to be insignificant. Therefore, no sensitivity analysis is prepared.

***(v) Equity price risk***

The Group is exposed to equity price changes arising from unlisted equity securities and unlisted funds classified as financial assets at fair value through profit or loss (see Note 25).

Equity price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment (stock-specific) or its issuer, or factors affecting all instruments (generic risks) trade in the market.

The Group's unquoted investments are held for strategic purposes. Their performance is assessed at least bi-annually based on the information available to the Group, together with an assessment of their relevance to the Group's strategic plans.

The Group is also exposed to equity price risk arising from changes in the Company's own share price to the extent that the Company's own equity instruments underlie the fair values of derivative financial instruments of the Company. As at the end of the reporting period, the Group is exposed to this risk through the early redemption and mandatory conversion options attached to the convertible bonds issued by the Company as disclosed in Note 39.

At 31 March 2015, it is estimated that an increase/(decrease) of 10% in the Company's own share price, with all other variables held constant, would have increased/(decreased) the Group's and the Company's loss after tax and accumulated losses as follows:

**Group and Company**

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | Higher/ (lower) in the Company's own share price | Increase/ (decrease) on loss after tax and accumulated losses | Higher/ (lower) in the Company's own share price | Increase/ (decrease) on loss after tax and accumulated losses |
| | | *HK$'000* | | *HK$'000* |
| Derivative financial instruments | 10% | (14,967) | 10% | – |
| | (10%) | 14,196 | (10%) | – |

The sensitivity analysis indicates the instantaneous change in the Group's loss after tax and accumulated losses that would arise assuming that the changes in the Company's own share price had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period, and that all other variables remain constant.

**(c) FAIR VALUE MEASUREMENT**

***(i) Financial assets and liabilities measured at fair value***

*(a) Fair value hierarchy*

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

- Level 1 valuations: Fair value measured using only Level 1 inputs, that is, unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs, that is, observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

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

An external independent valuation company, with appropriate recognised professional qualifications, is engaged to value the derivative financial instruments at each financial reporting period. Appropriate valuation methods and assumptions with reference to market conditions existing at each financial reporting period to determine the fair value of the derivative financial instruments are adopted. The basis for determining the fair value is disclosed in Note 39.

The Group and the Company did not have any other financial assets or liabilities measured at fair value as at 31 March 2014.

**Group**

| | | **2015** | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Recurring fair value measurements** | | | | |
| Held-for-trading investment: | | | | |
| – Unlisted funds | – | 10,569 | – | 10,569 |
| Financial assets designated at fair value through profit or loss: | | | | |
| – Unlisted debt securities with embedded options | – | – | 29,311 | 29,311 |
| – Unlisted equity securities | – | – | 18,938 | 18,938 |
| Derivative financial instruments: | | | | |
| – Redemption and mandatory conversion options embedded in convertible bonds | – | – | 53,862 | 53,862 |
| | – | 10,569 | 102,111 | 112,680 |

**Company**

| | 2015 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Recurring fair value measurements** | | | | |
| Derivative financial instruments: | | | | |
| – Redemption and mandatory conversion options embedded in convertible bonds | – | – | 53,862 | 53,862 |

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

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

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

*(c) Information about Level 3 fair value measurements*

The fair value of unlisted debt securities with embedded options and unlisted equity securities are estimated on the basis of an analysis of the investee's financial position and results, risk profile, prospects and other factors, adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 31 March 2015, if the discount for lack of marketability had been 5% higher/lower, with all other variable held constant, the Group's loss after tax for the year would have been HK$2,412,000 (2014: nil) higher/lower.

The fair value of redemption and mandatory conversion options embedded in convertible bonds is determined using binomial pricing model and the significant unobservable input used in the fair value measurement is expected volatility. The fair value measurement is positively correlated to the expected volatility. As at 31 March 2015, it is estimated that with all other variables held constant, an increase/decrease in the expected volatility by 10% would have decreased the Group's and the Company's loss by HK$14,159,000 (2014: nil)/increased the Group's and the Company's loss by HK$15,966,000 (2014: nil), respectively.

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

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | *HK$'000* | *HK$'000* |
| **Unlisted debt securities with embedded options** | | |
| Additions from acquisition of subsidiaries | 29,087 | – |
| Exchange adjustment | 224 | – |
| At 31 March | 29,311 | – |
| Total gain for the year included in other comprehensive income for assets held at the end of the reporting period | 224 | – |

| | **2015** | **2014** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| **Unlisted equity securities** | | |
| Additions from acquisition of subsidiaries | 18,743 | – |
| Exchange adjustment | 195 | – |
| At 31 March | 18,938 | – |
| Total gain for the year included in other comprehensive income for assets held at the end of the reporting period | 195 | – |

Exchange adjustment of the unlisted debt securities with embedded options and the unlisted equity securities are presented in "Exchange differences on translation of financial statements of foreign operations" in the consolidated statement of profit or loss and other comprehensive income.

| | 2015 | 2014 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| **Derivative financial instruments** | | |
| Additions from issue of convertible bonds | 71,480 | – |
| Transferred to equity upon conversion of convertible bonds | (7,531) | – |
| Changes in fair value recognised in statement of profit or loss during the year | (10,087) | – |
| At 31 March | 53,862 | – |
| Total loss for the year included in profit or loss for assets held at the end of the reporting period | (10,087) | – |

The gains or losses arising from the remeasurement of the derivative financial instruments are presented in "Fair value loss on derivative financial instruments" included in "Finance costs" in the consolidated statement of profit or loss.

***(ii) Fair value of financial assets and liabilities carried at other than fair value***

The directors of the Company consider that the carrying amounts of the Group's and the Company's financial assets and liabilities carried at cost or amortised cost approximate their fair values as at 31 March 2015 and 2014.

**7. REVENUE**

Revenue, which is also the Group's turnover, represents the aggregate of gross proceeds from sales of lithium-ion batteries and its related products, service income from vehicle design, rental income from leasing of electric vehicles, income from treasury investment which represents interest income on bank deposits and income from direct investments.

| | 2015 | 2014 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Sales of lithium-ion batteries and its related products | 297,828 | 80,649 |
| Service income from vehicle design | 3,061 | 444 |
| Rental income from leasing of electric vehicles | 1,183 | 781 |
| Interest income from treasury investment in cash markets | 3,847 | 2,082 |
| Income from direct investments | 1,496 | – |
| Total | 307,415 | 83,956 |

**8. SEGMENT REPORTING**

Operating segments are identified on the basis of internal reports which provide information about components of the Group. These information are reported to and reviewed by the Board, the chief operating decision maker of the Group, for the purposes of resource allocation and performance assessment. The Board considers that the Group is organised into business units based on their products and services, and has reportable operating segments as follows:

(a) the battery products segment includes the research and development, manufacture and sales of lithium-ion batteries and its related products;

(b) the vehicle design and electric vehicle production segment includes the vehicle design and the design, manufacture and sales of electric vehicles;

(c) the electric vehicle leasing segment represents the provision of leasing service of electric vehicles;

(d) the treasury investment segment represents investments in bank deposits; and

(e) the direct investments segment represents various direct investments, including financing, securities trading and assets investment (a new business which was acquired during the year ended 31 March 2015).

For the purposes of assessing segment performance and allocating resources between segments, the Board monitors the results, assets and liabilities attributable to each reportable segment on the following basis:

(i) Reportable segment profit/(loss) before tax represents the profit earned by/(loss from) each segment without allocation of central administration costs, central finance costs and other income earned by the central office;

(ii) Revenue and expenses are allocated to each reportable segment with reference to revenue generated by the relevant segments and the expenses incurred by the relevant segments or which otherwise arise from the depreciation and amortisation of assets attributable to the relevant segments. The revenue from external parties reported to the Board is measured in a manner consistent with that in the consolidated statement of profit or loss. Inter-segment transactions are on an arm's length basis in a manner similar to transactions with third parties;

(iii) All assets are allocated to reportable segments other than unallocated corporate assets; and

(iv) All liabilities are allocated to reportable segments other than unallocated corporate liabilities.

The Group's reportable segments for the years ended 31 March 2015 and 2014 are as follows:

| | 2015 | | | | | |
|---|---|---|---|---|---|---|
| | **Battery products** *HK$'000* | **Vehicle design & electric vehicle production** *HK$'000* | **Electric vehicle leasing** *HK$'000* | **Treasury investment** *HK$'000* | **Direct investments** *HK$'000* | **Total** *HK$'000* |
| Revenue from external customers | 297,828 | 3,061 | 1,183 | 3,847 | 1,496 | 307,415 |
| Inter-segment revenue | 5,952 | – | – | – | 2,676 | 8,628 |
| Reportable segment revenue | 303,780 | 3,061 | 1,183 | 3,847 | 4,172 | 316,043 |
| Reportable segment profit/(loss) before tax | (142,556) | (245,067) | (3,632) | 3,847 | (2,995) | (390,403) |
| Other segment information: | | | | | | |
| Interest income | 2,254 | 2,200 | 60 | 3,847 | 1,533 | 9,894 |
| Depreciation of property, plant and equipment | 38,972 | 13,741 | 1,502 | – | 21 | 54,236 |
| Amortisation of interest in leasehold land held for own use under operating lease | 2,711 | 5,143 | – | – | – | 7,854 |
| Finance costs | 12,316 | 11,041 | – | – | – | 23,357 |
| Write-down of inventories | 1,336 | – | – | – | – | 1,336 |
| Amortisation of intangible assets | 92,231 | 89,280 | – | – | – | 181,511 |
| Share of loss of joint ventures | – | – | – | – | 403 | 403 |
| Interests in joint ventures | – | – | – | – | 107,866 | 107,866 |
| Additions to non-current assets | 60,962 | 1,441,861 | 10 | – | 537,491 | 2,040,324 |
| Reportable segment assets | 1,501,810 | 3,018,066 | 4,487 | 112,359 | 1,192,540 | 5,829,262 |
| Reportable segment liabilities | (1,336,911) | (468,203) | (1,336) | – | (17,328) | (1,823,778) |

| | 2014 | | | | | |
|---|---|---|---|---|---|---|
| | Battery products | Vehicle design & electric vehicle production | Electric vehicle leasing | Treasury investment | Direct investments | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Revenue from external customers | 80,649 | 444 | 781 | 2,082 | – | 83,956 |
| Inter-segment revenue | 727 | – | – | – | – | 727 |
| Reportable segment revenue | 81,376 | 444 | 781 | 2,082 | – | 84,683 |
| Reportable segment profit/(loss) before tax | (213,401) | (677,380) | (3,095) | 2,082 | – | (891,794) |
| Other segment information: | | | | | | |
| Interest income | 1,047 | 245 | 443 | 2,082 | – | 3,817 |
| Depreciation of property, plant and equipment | 35,772 | 486 | 1,594 | – | – | 37,852 |
| Amortisation of interest in leasehold land held for own use under operating lease | 2,161 | 96 | – | – | – | 2,257 |
| Finance costs | 13,845 | 1,943 | – | – | – | 15,788 |
| Write-down of inventories | 25,954 | – | – | – | – | 25,954 |
| Impairment on goodwill | – | 665,438 | – | – | – | 665,438 |
| Impairment on property, plant and equipment | 6,973 | – | – | – | – | 6,973 |
| Amortisation of intangible assets | 92,578 | 6,477 | – | – | – | 99,055 |
| Additions to non-current assets | 34,442 | 1,967,620 | 583 | – | – | 2,002,645 |
| Reportable segment assets | 1,584,683 | 1,402,124 | 22,932 | 855,329 | – | 3,865,068 |
| Reportable segment liabilities | (1,341,023) | (466,849) | (1,050) | – | – | (1,808,922) |

**RECONCILIATIONS OF REPORTABLE SEGMENT REVENUE, PROFIT OR LOSS, ASSETS AND LIABILITIES**

| | 2015 | 2014 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| **Revenue** | | |
| Reportable segment revenue | 316,043 | 84,683 |
| Elimination of inter-segment revenue | (8,628) | (727) |
| Consolidated revenue | 307,415 | 83,956 |
| **Loss** | | |
| Reportable net segment loss before tax | (390,403) | (891,794) |
| Other income | 1,971 | 1,449 |
| Depreciation of property, plant and equipment | (1,288) | (1,551) |
| Finance costs | (102,333) | (3,541) |
| Unallocated corporate expenses | (74,621) | (41,144) |
| Consolidated loss before tax | (566,674) | (936,581) |
| **Assets** | | |
| Reportable segment assets | 5,829,262 | 3,865,068 |
| Unallocated corporate assets: | | |
| Available-for-sale investments | 93,634 | – |
| Derivative financial instruments | 53,862 | – |
| Other unallocated corporate assets | 47,697 | 11,736 |
| Consolidated total assets | 6,024,455 | 3,876,804 |
| **Liabilities** | | |
| Reportable segment liabilities | (1,823,778) | (1,808,922) |
| Unallocated corporate liabilities: | | |
| Other borrowings | (689,566) | – |
| Liability components of convertible bonds | (1,156,011) | – |
| Other unallocated corporate liabilities | (40,895) | (5,043) |
| Consolidated total liabilities | (3,710,250) | (1,813,965) |

**GEOGRAPHICAL INFORMATION**

***(a) Revenue from external customers***

| | 2015 | 2014 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| European countries | 51,894 | 20,247 |
| The PRC | 221,920 | 42,280 |
| The United States of America (the "US") | 8,169 | 3,349 |
| Canada | 2,817 | 5,100 |
| Australia | 4,407 | 4,036 |
| Hong Kong | 6,528 | 2,201 |
| Others | 11,680 | 6,743 |
| | 307,415 | 83,956 |

The revenue information is based on the location of the customers, the investees or the borrowers.

***(b) Non-current assets (other than available-for-sale investments, financial assets at fair value through profit or loss and loan receivable)***

| | 2015 | 2014 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| The PRC | 3,784,826 | 2,415,046 |
| Hong Kong | 432,520 | 4,577 |
| | 4,217,346 | 2,419,623 |

The geographical location of the non-current assets is based on the physical location of the assets (in the case of property, plant and equipment, interest in leasehold land held for own use under operating lease, deposits paid for non-current assets and other non-current assets), the location of the operation to which they are allocated (in the case of goodwill and intangible assets), and the location of the operation (in the case of interests in joint ventures).

**INFORMATION ABOUT MAJOR CUSTOMERS**

Revenue(s) from customer(s) contributing 10% or more of the total revenue of the Group are as follows:

| | 2015 | 2014 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Customer A – revenue from sales of battery products | 169,194 | N/A |
| Customer B – revenue from sales of battery products | N/A | 17,508 |

## 9. OTHER INCOME

| | 2015 | 2014 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Interest income | 5,426 | 1,735 |
| Government grants *(Note)* | 916 | 4,106 |
| Exchange gains, net | 7,374 | 4,871 |
| Consultancy income | 1,096 | 407 |
| Gain on disposal of property, plant and equipment | 595 | 626 |
| Others | 6,362 | 3,773 |
| | 21,769 | 15,518 |

*Note:* The government grants were entitled to the Group from the various PRC government organisations in respect of subsidies for research and development of new energy products, development of new energy automotive and strategic emerging industries and other incentives.

## 10. FINANCE COSTS

| | 2015 | 2014 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Interest expenses on convertible bonds | 66,558 | – |
| Interest on bank loans and other borrowings wholly repayable within five years | 49,045 | 13,845 |
| Other borrowing costs | – | 5,484 |
| Total interest expenses on financial liabilities not at fair value through profit or loss | 115,603 | 19,329 |
| Fair value loss on derivative financial instruments | 10,087 | – |
| | 125,690 | 19,329 |

## 11. LOSS BEFORE TAX

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

| | 2015 | 2014 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Interest income | (10,806) | (3,817) |
| Auditor's remuneration | 2,580 | 1,650 |
| Cost of inventories recognised as expenses | | |
| – included in cost of sales | 232,631 | 74,827 |
| – included in selling and distribution costs | 3,758 | 1,907 |
| – included in research and development expenses | 3,542 | 4,351 |
| Write-down of inventories | 1,336 | 25,954 |
| Amortisation of intangible assets | 181,511 | 99,055 |
| Impairment on other receivables | 1,491 | – |
| Impairment on property, plant and equipment | – | 6,973 |
| Impairment on goodwill | – | 665,438 |
| Depreciation of property, plant and equipment | 55,524 | 39,403 |
| Amortisation of interest in leasehold land held for own use under operating lease | 7,854 | 2,257 |
| Exchange gains, net | (7,374) | (4,871) |
| Gain on disposal of property, plant and equipment | (595) | (626) |
| Net loss on held-for-trading investments | 37 | – |
| Fair value loss on derivative financial instruments | 10,087 | – |
| Other operating expenses *(Note)* | 74,643 | – |
| Minimum lease payments under operating leases in respect of property rentals | 14,123 | 10,762 |
| Staff costs (including directors' emoluments) | | |
| – salaries and allowances | 158,714 | 57,732 |
| – equity-settled share-based payments | 13,860 | 3,736 |
| – contributions to retirement benefits schemes | 17,417 | 7,621 |

*Note:*

During the year ended 31 March 2015, the other operating expenses of HK$74,643,000 (2014: nil) represented production and output costs incurred in trial run stage of the Group's electric vehicle production base in Kunming, Yunnan Province, the PRC.

## 12. RETIREMENT BENEFIT SCHEMES

The Group's Hong Kong subsidiaries operate defined contribution retirement benefit schemes under the Hong Kong Mandatory Provident Fund Schemes Ordinance (the "Ordinance"). The Ordinance requires each employer and its employees to contribute 5% of the employees' monthly gross earnings with a ceiling of HK$1,500 (HK$1,250 per month prior to June 2014) per month. The assets of the scheme are held separately from those of the Group in independently administered funds. The contributions payable by the Group to the scheme are immediately vested and charged to the consolidated statement of profit or loss.

The employees of the Group's PRC subsidiaries are members of the retirement schemes operated by the PRC local authorities. The subsidiaries are required to contribute at a rate ranging from 13.5% to 20% of the eligible employees' salaries to these schemes. The only obligation of the Group with respect to these schemes is the required contributions under the schemes.

The Group's total contributions to these schemes charged to the consolidated statement of profit or loss for the year ended 31 March 2015 amounted to HK$17,417,000 (2014: HK$7,621,000).

## 13. INCOME TAX

| | 2015<br>*HK$'000* | 2014<br>*HK$'000* |
|---|---|---|
| The PRC tax: | | |
| Charge for the year | – | – |
| Deferred *(Note 41)* | (57,932) | (24,703) |
| Total credit for the year | (57,932) | (24,703) |

No provision for the Hong Kong profits tax or the PRC enterprise income tax has been made as the Group sustained losses for taxation purposes in Hong Kong and the PRC for the years ended 31 March 2015 and 2014. The deferred tax of HK$57,932,000 (2014: HK$24,703,000) that has been credited to the consolidated statement of profit or loss arose from origination and reversal of temporary differences.

The tax credit for the year can be reconciled to the loss per the consolidated statement of profit or loss as follows:

| | 2015<br>*HK$'000* | 2014<br>*HK$'000* |
|---|---|---|
| Loss before tax | (566,674) | (936,581) |
| Notional tax on loss before tax, calculated at the rates applicable to the tax jurisdiction concerned | (121,659) | (173,401) |
| Tax effect of non-deductible expenses | 41,327 | 120,062 |
| Tax effect of non-taxable income | (1,207) | (545) |
| Tax effect of unrecognised temporary differences | (219) | (313) |
| Tax losses not recognised | 28,432 | 29,494 |
| Tax effect of prior years' tax losses utilised | (4,606) | – |
| Tax credit for the year | (57,932) | (24,703) |

## 14. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company for the year includes a loss of approximately HK$623,566,000 (2014: HK$914,123,000) which has been dealt with in the financial statements of the Company.

## 15. DIVIDEND

No dividend was paid or declared by the Company during the year (2014: nil).

## 16. LOSS PER SHARE

### (a) BASIC LOSS PER SHARE

The basic loss per share is calculated based on (i) the consolidated loss for the year attributable to owners of the Company of HK$409,759,000 (2014: HK$906,389,000) and (ii) the weighted average number of 17,333,781,000 (2014: 13,584,372,000) ordinary shares in issue during the year.

| | **2015 Weighted average number of ordinary shares** *'000* | **2014 Weighted average number of ordinary shares** *'000* |
|---|---|---|
| Issued ordinary shares at the beginning of the reporting period | 16,976,891 | 12,254,516 |
| Effect of issue of shares upon acquisition transactions *(Note 42(a))* | 342,521 | 130,223 |
| Effect of issue of shares upon conversion of convertible bonds *(Note 42(b))* | 14,369 | – |
| Effect of issue of shares pursuant to share subscriptions *(Note 42(c))* | – | 1,195,233 |
| Effect of issue of shares upon exercise of share options *(Note 42(d))* | – | 564 |
| Effect of issue of shares pursuant to share placement *(Note 42(e))* | – | 3,836 |
| Weighted average number of ordinary shares at the end of the reporting period | 17,333,781 | 13,584,372 |

### (b) DILUTED LOSS PER SHARE

The calculation of diluted loss per share does not assume the exercise of the Company's outstanding share options or conversion of outstanding convertible bonds which had an anti-dilutive effect and would result in a reduction in loss per share for the years ended 31 March 2015 and 2014. Therefore, the diluted loss per share is the same as the basic loss per share for both years.

## 17. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

### (a) DIRECTORS' EMOLUMENTS

Directors' remuneration disclosed pursuant to the Listing Rules and section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), are as follows:

| | 2015 | | | | |
|---|---|---|---|---|---|
| | Directors' fees | Basic salaries, allowances and benefits in kind | Equity-settled share-based payments | Retirement benefit schemes contributions | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Executive Directors** | | | | | |
| Mr. Cao Zhong (Chief Executive Officer and Chairman) *(Note (i))* | 12 | 2,497 | 432 | 18 | 2,959 |
| Mr. Miao Zhenguo *(Note (ii))* | – | 2,316 | 417 | 18 | 2,751 |
| Dr. Chen Yanping *(Note (iii))* | – | 1,985 | 518 | 65 | 2,568 |
| Mr. Jaime Che | – | 1,944 | 460 | 18 | 2,422 |
| Mr. Lo Wing Yat | 341 | 183 | 365 | 14 | 903 |
| Mr. Xu Donghui *(Note (iv))* | – | 152 | – | 2 | 154 |
| **Non-executive Director** | | | | | |
| Professor Chen Guohua | 320 | – | 316 | – | 636 |
| **Independent non-executive Directors** | | | | | |
| Mr. Chan Yuk Tong | 320 | – | 365 | – | 685 |
| Mr. Fei Tai Hung | 320 | – | 365 | – | 685 |
| Mr. Tse Kam Fow | 320 | – | 365 | – | 685 |
| | 1,633 | 9,077 | 3,603 | 135 | 14,448 |

| | 2014 | | | | |
|---|---|---|---|---|---|
| | **Directors' fees** | **Basic salaries, allowances and benefits in kind** | **Equity-settled share-based payments** | **Retirement benefit schemes contributions** | **Total** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Executive Directors** | | | | | |
| Mr. Miao Zhenguo (Chief Executive Officer) *(Note (ii))* | – | 1,370 | 165 | 15 | 1,550 |
| Mr. Lo Wing Yat | 320 | – | 109 | – | 429 |
| Mr. Jaime Che | – | 1,047 | 165 | 15 | 1,227 |
| Mr. Xu Donghui *(Note (iv))* | – | 1,096 | 109 | 15 | 1,220 |
| **Non-executive Directors** | | | | | |
| Mr. Cao Zhong (Chairman) *(Note (i))* | 19 | – | – | – | 19 |
| Professor Chen Guohua | 320 | – | 82 | – | 402 |
| **Independent non-executive Directors** | | | | | |
| Mr. Chan Yuk Tong | 320 | – | 109 | – | 429 |
| Mr. Fei Tai Hung | 320 | – | 109 | – | 429 |
| Mr. Tse Kam Fow | 320 | – | 109 | – | 429 |
| | 1,619 | 3,513 | 957 | 45 | 6,134 |

*Notes:*

(i) Mr. Cao Zhong has been appointed as a non-executive director and Chairman of the Company with effect from 11 March 2014 and re-designated as an executive director of the Company with effect from 15 April 2014. On 28 May 2014, Mr. Cao Zhong has been appointed as the Chief Executive Officer of the Company.

(ii) Mr. Miao Zhenguo has resigned as the Chief Executive Officer of the Company but remained as the Deputy Chairman and executive director of the Company with effect from 28 May 2014.

(iii) Dr. Chen Yanping has been appointed as an executive director and the Chief Operating Officer of the Company with effect from 28 May 2014.

(iv) Mr. Xu Donghui has resigned as an executive director and the Chief Operating Officer of the Company with effect from 28 May 2014 but remains as a senior executive in the Group's battery manufacturing business.

The aggregate amounts of emoluments payable to the Directors during the year are as follows:

| | **2015** | **2014** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Fees | | |
| Executive Directors | 353 | 320 |
| Non-executive Directors | 320 | 339 |
| Independent non-executive Director | 960 | 960 |
| | 1,633 | 1,619 |
| Other emoluments for Directors | | |
| Basic salaries, allowances and benefits in kind | 9,077 | 3,513 |
| Equity-settled share-based payments | 3,603 | 957 |
| Retirement benefit scheme contributions | 135 | 45 |
| | 12,815 | 4,515 |
| | 14,448 | 6,134 |

The above emoluments included the fair value of share option granted to certain Directors under the Company's share option scheme. The details are disclosed in Note 44.

No emoluments of the Directors were incurred as an inducement to join or upon joining the Company or as compensation for loss of office during the years ended 31 March 2015 and 2014.

No Director has waived or agreed to waive any remuneration during the years ended 31 March 2015 and 2014.

**(b) FIVE HIGHEST PAID INDIVIDUALS**

The five highest paid individuals of the Group include four (2014: three) Directors, details of whose emoluments are set out in Note 17(a) to the financial statements. Details of the emoluments of the remaining one (2014: two) individual for the year are as follows:

| | **2015** | **2014** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Basic salaries, allowances and benefits in kind | 1,040 | 1,900 |
| Equity-settled share-based payments | 345 | 219 |
| Retirement benefit schemes contributions | – | 15 |
| | 1,385 | 2,134 |

The emoluments of the one (2014: two) individual with the highest emoluments fell within the following bands:

| | Number of Employees 2015 | 2014 |
|---|---|---|
| **Emoluments bands** | | |
| Nil – HK$1,000,000 | – | 1 |
| HK$1,000,001 – HK$1,500,000 | 1 | 1 |
| | 1 | 2 |

## 18. ACQUISITION OF SUBSIDIARIES

### (a) ACQUISITION OF GIANT INDUSTRY HOLDINGS LIMITED

On 15 April 2014, Preferred Market Limited ("Preferred Market"), a wholly-owned subsidiary of the Company, entered into a sales and purchase agreement (the "GI Acquisition Agreement") with Mr. Kam Chi Yip (the "GI Vendor") and Mr. Huang Jianmeng, as a guarantor for the GI Vendor, both of which are independent third parties to the Company. Pursuant to the GI Acquisition Agreement, the GI Vendor conditionally agreed to sell and Preferred Market conditionally agreed to purchase the entire issued share capital of Giant Industry Holdings Limited ("Giant Industry") for a total consideration of HK$190,000,000 (the "GI Acquisition"). The consideration of the GI Acquisition was settled by the issue of 380,000,000 new ordinary shares of the Company (the "Consideration Shares") to the GI Vendor at the contracted issue price of HK$0.50 per share. Pursuant to the GI Acquisition Agreement, if the net assets value of the Giant Industry and its subsidiaries (collectively, the "GI Group") as determined in accordance with the completion accounts is less than the guaranteed net assets value of HK$88,000,000, the shortfall will be indemnified by the GI Vendor and/or its guarantor. The GI Acquisition was completed on 7 May 2014 (the "GI Completion Date").

Giant Industry owns the entire share capital of Hong Kong Southwest Electric Vehicles Limited ("Southwest EV"), which in turn owns 50% equity interest of Yunnan Meidi Coach Manufacturing Co., Ltd.* (雲南美的客車製造有限公司) (currently known as Yunnan FDG Automobile Co., Limited* (雲南五龍汽車有限公司)), a sino-foreign joint venture established in the PRC (the "PRC Manufacturing Company"). The PRC Manufacturing Company and its subsidiary (collectively, the "PRC Manufacturing Group") are principally engaged in the business of the manufacture and sale of electric vehicles in the PRC.

Southwest EV has the right to nominate and appoint the majority of the directors of the board of the PRC Manufacturing Company, and the PRC Manufacturing Group has therefore become indirect non-wholly-owned subsidiaries of the Company since the GI Completion Date.

Given the Group had completed the acquisition of 58.50% interest in another electric vehicle manufacturing company, Agnita Limited ("Agnita") on 7 March 2014 which represents a combination of the battery production, electric vehicle manufacturing and electric vehicle leasing businesses, the GI Acquisition provides an immediate platform for the Group to engage in the manufacture of electric vehicles and is a furtherance of the Group's initiative to develop its electric vehicle manufacturing capability.

The Group has elected to measure the non-controlling interests in the PRC Manufacturing Group at the non-controlling interests' proportionate share of the PRC Manufacturing Group's identifiable net assets.

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

| | **Fair value recognised on the GI Acquisition** |
|---|---|
| | *HK$'000* |
| Intangible assets *(Note 20)* | 65,217 |
| Property, plant and equipment | 14,820 |
| Inventories | 4,769 |
| Other receivables | 15,890 |
| Cash and cash equivalents | 13,534 |
| Trade payables | (910) |
| Other payables | (809) |
| Deferred tax liabilities *(Note 41)* | (16,304) |
| Total identifiable net assets at fair value | 96,207 |
| Non-controlling interests | (48,103) |
| Goodwill arising on the GI Acquisition *(Note 19)* | 93,591 |
| | 141,695 |

| | *HK$'000* |
|---|---|
| Net consideration paid | 141,695 |

Net consideration paid represents the fair value of 380,000,000 Consideration Shares issued amounting to HK$182,400,000 based on HK$0.48 per Consideration Share, being the closing market price of the Company's ordinary share on the GI Completion Date, and less the amount of HK$40,705,000 (included in other receivables as set out in Note 30) to be received from the GI Vendor and/or the guarantor in relation to the shortfall of the guaranteed net assets value of the GI Group pursuant to the GI Acquisition Agreement.

Goodwill of HK$93,591,000 arising from the GI Acquisition was arisen mainly by the benefit of expected synergies, revenue growth and future market development. None of the goodwill recognised is expected to be deductible for income tax purposes.

The Group incurred transaction costs of HK$550,000 for the GI Acquisition. These transaction costs have been expensed and are included in general and administrative expenses in the consolidated statement of profit or loss for the year ended 31 March 2015.

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

| | HK$'000 |
|---|---|
| Cash and cash equivalents acquired and included in cash flows from investing activities | 13,534 |
| Transaction costs of the GI Acquisition included in cash flows from operating activities | (550) |
| | 12,984 |

Since the completion of the GI Acquisition, the GI Group did not contribute to the Group's revenue and caused a loss of HK$104,026,000 to the consolidated loss for the year ended 31 March 2015.

Had the GI Acquisition taken place at the beginning of the reporting period, the revenue and the loss of the Group for the year ended 31 March 2015 would have been HK$307,415,000 and HK$509,311,000 respectively.

**(b) ACQUISITION OF CIAM GROUP LIMITED**

On 2 November 2014, Sinopoly Strategic Investment Limited ("Sinopoly"), a wholly-owned subsidiary of the Company, proposed to make a voluntary conditional offer (the "Offer") to acquire all the issued shares and to cancel all the shares options of CGL, in exchange for the convertible bonds to be issued by the Company (the "CGL Acquisition"). On 23 February 2015, the Offer was closed and Sinopoly had acquired approximately 89.54% of the issued shares of CGL. The convertible bonds with principal amount of approximately HK$1,432,171,000 were issued by the Company. CGL has become a non-wholly-owned listed subsidiary of the Company.

Since the Group's acquisition of 58.50% of the issued share capital of Agnita on 7 March 2014 and considering the development of the Group's electric vehicle business segment (including Agnita and its subsidiaries) thereafter, the Board is of the view that it is in the best interest of the Company and its shareholders as a whole to acquire and/or control the remaining 41.50% of the issued share capital of Agnita, which is owned by CGL. This will allow the business of the Agnita to be more effectively managed on a day-to-day basis in terms of monitoring the current construction of the electric vehicle manufacturing facilities in Hangzhou, meeting Agnita's financing requirements and carrying out future planning. Besides, the Group possesses an established lithium-ion battery manufacturing operation. The combination of the electric vehicle and battery operations will bring significant synergy. The acquisition of the remaining 41.50% of the issued share capital will further cement the vertical integration of the Group's electric vehicle operation, enable the Group to secure a closer grip on the total production cost and obtain a competitive edge over its competitors. The management of CGL also saw the value of Agnita, and after detailed discussions between the Company and CGL, both companies have concluded that a reasonable and fair solution for both companies is for the Company to make the Offer instead of solely for the Company to acquire the remaining shareholding in Agnita from CGL. This will allow Agnita's electric vehicle project to be consolidated into one listing platform and at the same time permit the Company's shareholders, the CGL's shareholders and holders of the share options of CGL that accept the Offer to benefit from the synergies of combining Agnita's electric vehicle business and the battery manufacturing business.

Sinopoly would have the right to nominate and appoint the majority of the directors in CGL and all of its subsidiaries, and they would become indirect non-wholly-owned subsidiaries of the Company after the completion of the Offer.

CGL and its subsidiaries (collectively, the "CGL Group") are principally engaged in investment holding which invest in companies within energy conservation, environmental protection and clean energy sectors.

The Group has elected to measure the non-controlling interests in the CGL Group at the non-controlling interests' proportionate share of the CGL Group's identifiable net assets.

The fair values of the identifiable assets and liabilities of the CGL Group as at the completion date were as follows:

| | **Fair value recognised on the CGL Acquisition** |
|---|---|
| | *HK$'000* |
| Property, plant and equipment | 605 |
| Interests in Agnita | 376,520 |
| Loan to Agnita | 150,000 |
| Interests in joint ventures | 105,792 |
| Other non-current assets | 1,104 |
| Financial assets at fair value through profit or loss | 60,384 |
| Loan and other receivables | 81,036 |
| Cash and cash equivalents | 365,368 |
| Other payables | (14,580) |
| Tax payables | (4,305) |
| Deferred tax liabilities *(Note 41)* | (353) |
| Total identifiable net assets at fair value | 1,121,571 |
| Non-controlling interests | (117,316) |
| Goodwill arising on the CGL Acquisition *(Note 19)* | 427,916 |
| | 1,432,171 |

| | *HK$'000* |
|---|---|
| Net consideration paid | 1,432,171 |

The net consideration paid represents the fair value of the convertible bonds issued by the Company in accordance with the Offer.

Goodwill of HK$427,916,000 arising from the CGL Acquisition is attributable to the expected future benefits from the investment decisions planned by the CGL Group and the synergies of the combination. None of the goodwill recognised is expected to be deductible for income tax purposes.

The Group incurred transaction costs of HK$8,866,000 for the CGL Acquisition. These transaction costs have been expensed and are included in general and administrative expenses in the consolidated statement of profit or loss for the year ended 31 March 2015.

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

| | HK$'000 |
|---|---|
| Cash and cash equivalents acquired and included in cash flows from investing activities | 365,368 |
| Transaction costs of the CGL Acquisition included in cash flows from operating activities | (8,866) |
| | 356,502 |

Since the completion of the CGL Acquisition, the CGL Group contributed HK$1,496,000 to the Group's revenue and caused a loss of HK$2,995,000 to the consolidated loss for the year ended 31 March 2015.

Had the CGL Acquisition taken place at the beginning of the reporting period, the revenue and the loss of the Group for the year ended 31 March 2015 would have been HK$329,943,000 and HK$531,803,000 respectively.

**(c) ACQUISITION OF ADDITIONAL INTEREST IN SUBSIDIARIES**

On 31 October 2014, Preferred Market entered into a sales and purchase agreement (the "Agnita Acquisition Agreement") with CIAM Investment (BVI) Limited ("CBVI"), a wholly-owned subsidiary of CGL, while the Company as a guarantor of Preferred Market and CGL as a guarantor of CBVI. Pursuant to the Agnita Acquisition Agreement, CBVI conditionally agreed to sell and Preferred Market conditionally agreed to purchase 41.50% of the issued share capital of Agnita, all rights and benefits of the shareholder's loan of HK$150,000,000 extended to Agnita by CBVI and to cancel the call option previously granted by Preferred Market to CBVI in respect of 8.50% of Agnita's issued share capital for a total consideration of HK$520,000,000 (the "Agnita Transaction"). The consideration was settled by HK$150,000,000 in cash and the balance of HK$370,000,000 by the issue of 8% bonds due in 2017 by the Company. The closing of the Agnita Transaction is subject to the Offer having become unconditional as to acceptances. The reasons for the Agnita Transaction were described in Note 18(b).

Upon the completion of the CGL Acquisition, the Group's effective equity interest in Agnita increased from 58.50% to 95.66% through CGL. The Agnita Transaction was completed on 27 February 2015 and the Group's effective equity interest in Agnita increased from 95.66% to 100%.

The effect of changes in the ownership interest of the subsidiaries on the equity attributable to owners of the Company during the year is summarised as follows:

| | HK$'000 |
|---|---|
| Carrying amount of non-controlling interests of the Agnita Group (as defined in Note 18(d)) acquired | 153,099 |
| Consideration paid to the former shareholders of CGL attributable to the acquisition of additional interests in the Agnita Group | (376,520) |
| Excess of consideration paid recognised within equity | (223,421) |

**(d) ACQUISITION OF AGNITA LIMITED**

On 19 December 2013, Preferred Market, together with the Company as its guarantor, entered into an acquisition agreement (the "Acquisition Agreement") with Captain Century Limited, Designer Touch Limited, Infinity Wealth International Limited, Super Sleek Limited, Super Engine Limited, Ms. Lam Chiu Che, and Ms. Chong Sok Un, (collectively, the "Agnita Vendors") and the Agnita Vendors' five guarantors. Pursuant to the Acquisition Agreement, the Agnita Vendors conditionally agreed to sell and Preferred Market conditionally agreed to purchase 58.50% equity interest in Agnita and its subsidiaries (collectively, the "Agnita Group") for a total consideration of HK$608,400,000 (the "Agnita Acquisition"). The consideration of the Agnita Acquisition was settled by the issue of 1,901,250,000 new shares of the Company (the "Agnita Consideration Shares") at the contracted issue price of HK$0.32 per share and the Agnita Acquisition was completed on 7 March 2014 (the "Agnita Completion Date").

Infinity Wealth International Limited is wholly owned by Mr. Miao Zhenguo, the Deputy Chairman, executive director and substantial shareholder of the Company and is therefore a connected person of the Company for the purpose of the Listing Rules. Ms. Chong Sok Un is an associate of Mr. Jaime Che, an executive director of the Company, and is therefore a connected person of the Company for the purpose of the Listing Rules. Accordingly, the Agnita Acquisition constitutes a connected transaction for the Company.

Preferred Market would have the right to nominate and appoint majority of the directors in Agnita and all of its subsidiaries, and they would become indirect non-wholly-owned subsidiaries of the Company post the Agnita Completion Date.

The Agnita Group was principally engaged in (i) the design, research and development, and testing of electric vehicles, and (ii) selling and licensing auto vehicle designs and associated patents to the automobile manufacturers. The Agnita Group started to construct facilities dedicated to producing pure electric vehicles which are designed and developed by it and will carry out the business of marketing, sales and distribution of those pure electric vehicles.

Given the Group's experience in the electric vehicle leasing business and being one of the leading lithium-ion battery manufacturers in the PRC for electric vehicles, the Board was of the view that the Agnita Acquisition represents a significant furtherance of the Group's strategic development of vertical expansion and will be beneficial to the development of the Group's electric battery products through the synergy formed.

The Group has elected to measure the non-controlling interests in the Agnita Group at the non-controlling interests' proportionate share of the Agnita Group's identifiable net assets.

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

| | **Fair value recognised on the Agnita Acquisition** |
|---|---|
| | *HK$'000* |
| Intangible assets *(Note 20)* | 418,193 |
| Property, plant and equipment *(Note 21)* | 84,755 |
| Interest in leasehold land held for own use under operating lease *(Note 21)* | 245,588 |
| Deposits paid for non-current assets | 182,983 |
| Trade and other receivables | 30,481 |
| Pledged bank deposits | 1,089 |
| Cash and cash equivalents | 126,812 |
| Trade and other payables | (40,418) |
| Other borrowings | (190,170) |
| Loan from a holder of a non-controlling interests | (150,000) |
| Deferred tax liabilities *(Note 41)* | (116,935) |
| Total identifiable net assets at fair value | 592,378 |
| Non-controlling interests | (335,438) |
| Goodwill arising on the Agnita Acquisition *(Note 19)* | 1,016,898 |
| | 1,273,838 |

| | *HK$'000* |
|---|---|
| Consideration for the Agnita Acquisition: | |
| Issue of 1,901,250,000 Agnita Consideration Shares at fair value | 1,273,838 |

The fair value of each Agnita Consideration Share was calculated at HK$0.67, being the closing market price of the Company's ordinary share on the Agnita Completion Date.

The Group incurred transaction costs of HK$2,425,000 for the Agnita Acquisition. These transaction costs have been expensed and are included in general and administrative expenses in the consolidated statement of profit or loss.

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

| | *HK$'000* |
|---|---|
| Cash and cash equivalents acquired and included in cash flows from investing activities | 126,812 |
| Transaction costs of the Agnita Acquisition included in cash flows from operating activities | (2,425) |
| | 124,387 |

Since the completion of the Agnita Acquisition, the Agnita Group contributed HK$444,000 to the Group's revenue and caused a loss of HK$10,394,000 to the consolidated loss for the year ended 31 March 2014.

Had the Acquisition taken place at the beginning of the year ended 31 March 2014, the revenue of the Group and the loss of the Group for the year ended 31 March 2014 would have been HK$101,971,000 and HK$957,165,000 respectively.

## 19. GOODWILL

### GROUP

Goodwill is allocated to the Group's cash-generating units identified as follows:

| | Allocated to battery products | Allocated to vehicle design & electric vehicle production in Hangzhou | Allocated to vehicle design & electric vehicle production in Yunnan | Allocated to direct investments | Total |
|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Cost** | | | | | |
| At 1 April 2013 | 904,240 | – | – | – | 904,240 |
| Acquisition of subsidiaries *(Note 18(d))* | – | 1,016,898 | – | – | 1,016,898 |
| Exchange adjustments | – | (5,453) | – | – | (5,453) |
| At 31 March 2014 and 1 April 2014 | 904,240 | 1,011,445 | – | – | 1,915,685 |
| Acquisition of subsidiaries *(Notes 18(a) & (b))* | – | – | 93,591 | 427,916 | 521,507 |
| Exchange adjustments | – | 1,204 | 148 | – | 1,352 |
| **At 31 March 2015** | 904,240 | 1,012,649 | 93,739 | 427,916 | 2,438,544 |
| **Accumulated impairment** | | | | | |
| At 1 April 2013 | 904,240 | – | – | – | 904,240 |
| Impairment for the year | – | 665,438 | – | – | 665,438 |
| Exchange adjustments | – | (3,569) | – | – | (3,569) |
| At 31 March 2014 and 1 April 2014 | 904,240 | 661,869 | – | – | 1,566,109 |
| Exchange adjustments | – | 788 | – | – | 788 |
| **At 31 March 2015** | 904,240 | 662,657 | – | – | 1,566,897 |
| **Carrying amount** | | | | | |
| **At 31 March 2015** | – | 349,992 | 93,739 | 427,916 | 871,647 |
| At 31 March 2014 | – | 349,576 | – | – | 349,576 |

**IMPAIRMENT TESTING OF GOODWILL IN RESPECT OF VEHICLE DESIGN AND ELECTRIC VEHICLE PRODUCTION AND DIRECT INVESTMENTS**

***Vehicle design and electric vehicle production***

The recoverable amount of each of the vehicle design and electric vehicle production units in Hangzhou and Yunnan of the PRC has been determined based on value-in-use calculation. That calculation uses cash flow projection based on financial budgets covering a five-year period approved by management. The discount rate applied to the cash flow projections and the growth rate used to extrapolate the cash flows of these cash-generating units beyond the five-year period are as follows:

| | Vehicle design & electric vehicle production in | | | |
|---|---|---|---|---|
| | Hangzhou | | Yunnan | |
| | 2015 | 2014 | 2015 | 2014 |
| Discount rate | 22.41% | 22.71% | 18.45% | – |
| Growth rate | 3.00% | 3.00% | 3.00% | – |

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill for these units:

Budgeted gross margins – Budgeted gross margins are based on the average values of the comparables and the expectations for market development.

Discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant units. In determining an appropriate discount rate, consideration has been given to the applicable borrowing interest rates in the year immediately before the projection period.

Growth rate – The growth rate used does not exceed the long-term average growth rate of the relevant market in the PRC.

The values assigned to the key assumptions on market development, gross margins, discount rate and growth rate are consistent with external information sources.

Management believes that any reasonably possible change in any of these key assumptions would not cause the carrying amounts of these units to exceed their recoverable amounts. There was no impairment recognised as the recoverable amounts of these units were higher than their carrying amounts as at 31 March 2015.

During the year ended 31 March 2014, significant portion of the goodwill in connection with the Agnita Acquisition arose from the increase in fair value of the Agnita Consideration Share from the contracted issue price of HK$0.32 per Agnita Consideration Share as stipulated under the Agnita Acquisition to the closing market price of the shares of the Company on the Agnita Completion Date. The closing market price per share of the Company on the Agnita Completion Date was used as the fair value of the issued shares of the Company for the purpose of calculating the fair value of the Agnita Consideration Shares issued for the Agnita Acquisition. The impairment loss of goodwill of approximately HK$665,438,000 was recognised immediately upon completion of the Agnita Acquisition according to the recoverable amount of the cash-generating unit to which goodwill has been allocated (that is, the vehicle design and electric vehicle production in Hangzhou) with reference to the valuation performed by an independent professional valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL"). In the opinion of the Board, the impairment loss was mainly attributable to the increase in the fair value of Agnita Consideration Shares of the Company at the Agnita Completion Date. After the recognition of impairment loss, the carrying amount of goodwill was HK$349,576,000 as at 31 March 2014, which was arisen mainly by the benefit of expected synergies, revenue growth and future market development. None of the goodwill recognised is expected to be deductible for income tax purposes.

***Direct investments***

The recoverable amount of cash-generating unit relating to the direct investments segment has been determined based on a value-in-use calculation. That calculation uses cash flow projection based on financial budgets covering a five-year period approved by management. The discount rate applied to the cash flow projections is approximately 16.77% per annum. The growth rate used to extrapolate the cash flows of this cash-generating unit beyond the five-year period is 3% per annum. Other key assumptions for the value-in-use calculations relate to the estimation of the performance of investment decisions, which are based the past performance of this cash-generating unit and management's expectations for the market development.

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill for this unit:

Discount rate – The discount rate used is before tax and reflects specific risks relating to this unit.

Growth rate – The growth rate used does not exceed the long-term average growth rate of the relevant business in which this cash-generating unit operates.

The values assigned to the key assumptions on discount rate and growth rate are consistent with external information sources.

Management believes that any reasonably possible change in any of these key assumptions would not cause the carrying amount of this unit to exceed its recoverable amount. There was no impairment recognised as the recoverable amount of this unit was higher than its carrying amount as at 31 March 2015.

## 20. INTANGIBLE ASSETS

### GROUP

| | Patents and exclusive patent using rights | Industrial proprietary rights | Technical know-hows | Lease contractual right | Total |
|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Cost** | | | | | |
| At 1 April 2013 | 3,642,030 | – | – | – | 3,642,030 |
| Additions through acquisition of subsidiaries *(Note 18(d))* | – | 29,594 | 388,599 | – | 418,193 |
| Additions from internal developments | 24 | – | 2,847 | – | 2,871 |
| Exchange adjustments | 36 | (159) | (65) | – | (188) |
| At 31 March 2014 and 1 April 2014 | 3,642,090 | 29,435 | 391,381 | – | 4,062,906 |
| Additions through acquisition of subsidiaries *(Note 18(a))* | – | 27,906 | – | 37,311 | 65,217 |
| Additions from internal developments | – | – | 65,459 | – | 65,459 |
| Exchange adjustments | 2 | 79 | 707 | 60 | 848 |
| **At 31 March 2015** | 3,642,092 | 57,420 | 457,547 | 37,371 | 4,194,430 |
| **Accumulated amortisation and impairment losses** | | | | | |
| At 1 April 2013 | 2,981,288 | – | – | – | 2,981,288 |
| Charge for the year | 92,578 | – | 6,477 | – | 99,055 |
| At 31 March 2014 and 1 April 2014 | 3,073,866 | – | 6,477 | – | 3,080,343 |
| Charge for the year | 92,231 | 2,014 | 76,068 | 11,198 | 181,511 |
| Exchange adjustments | 1 | 4 | 104 | 20 | 129 |
| **At 31 March 2015** | 3,166,098 | 2,018 | 82,649 | 11,218 | 3,261,983 |
| **Carrying amount** | | | | | |
| **At 31 March 2015** | 475,994 | 55,402 | 374,898 | 26,153 | 932,447 |
| At 31 March 2014 | 568,224 | 29,435 | 384,904 | – | 982,563 |

*Notes:*

(a) Intangible assets mainly represent:

(1) the exclusive using rights of certain licensed patents granted to the Group through acquisition in 2010;

(2) the industrial proprietary rights and capitalised development costs of certain technical know-hows relating to the electric vehicle production business acquired through acquisitions in last and current financial years;

(3) the patents generated through acquisitions and internal research and developments and capitalised technical know-hows by the Group; and

(4) the lease contractual right representing the fair value of leasing the land and manufacturing factory from 雲南美的汽車產業控股有限公司 (Yunnan Meidi Vehicle Industry Holdings Co., Ltd.*), a company incorporated in the PRC and 40% owned by the non-controlling shareholder of the PRC Manufacturing Company (as defined in Note 18(a)), for a term of three years from 7 May 2014 at nil consideration.

(b) As at 31 March 2015 and 2014, the recoverable amounts of the cash-generating units involving the intangible assets were assessed by the Board by reference to the professional valuation performed by JLL, an independent firm of professionally qualified valuers. The Board is of the opinion that, based on the valuation performed by JLL, no impairment losses should be recognised in the Group's consolidated statement of profit or loss for the years ended 31 March 2015 and 2014. The valuation performed by JLL is based on value-in-use calculations using cash flow projections which are based on financial forecast approved by the Board. The pre-tax discount rates applied to the cash flow projections ranging from 18.45% to 24.70% (2014: 23.69%) per annum. The patents and exclusive patents using rights were belong to battery products segment, while the other remaining intangible assets were belong to vehicle design and electric vehicle production segment.

## 21. FIXED ASSETS: PROPERTY, PLANT AND EQUIPMENT AND INTEREST IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASE

### GROUP

| | Leasehold land under finance leases and buildings *HK$'000* | Buildings held for own use *HK$'000* | Leasehold improvements *HK$'000* | Plant and machinery *HK$'000* | Furniture and equipment *HK$'000* | Motor vehicles *HK$'000* | Electric vehicles *HK$'000* | Construction in progress *HK$'000* | Property, plant and equipment *HK$'000* | Interest in leasehold land held for own use under operating lease *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | | | |
| 1 April 2013 | 86,326 | 94,859 | 8,214 | 248,221 | 17,349 | 9,447 | 4,633 | 10,280 | 479,329 | 28,704 | 508,033 |
| Acquisition of subsidiaries *(Note 18(d))* | – | 66,781 | – | – | 17,237 | 737 | – | – | 84,755 | 245,588 | 330,343 |
| Additions | 8,981 | 190 | 2,795 | 4,415 | 1,664 | 1,906 | – | 12,481 | 32,432 | 102,691 | 135,123 |
| Exchange adjustments | 1,593 | 1,376 | 100 | 4,552 | 177 | 103 | 85 | 189 | 8,175 | (502) | 7,673 |
| Transfers | 10,003 | – | – | – | 1,582 | – | – | (11,585) | – | – | – |
| Disposals | – | – | (2,769) | (1,196) | (617) | (525) | – | – | (5,107) | – | (5,107) |
| Reclassification | – | 2,972 | – | (481) | (3,789) | 1,298 | – | – | – | – | – |
| At 31 March 2014 and 1 April 2014 | 106,903 | 166,178 | 8,340 | 255,511 | 33,603 | 12,966 | 4,718 | 11,365 | 599,584 | 376,481 | 976,065 |
| Acquisition of subsidiaries | – | – | 1,883 | 12,074 | 1,244 | 224 | – | – | 15,425 | – | 15,425 |
| Additions | – | 2,089 | 10,534 | 30,370 | 26,180 | 6,963 | – | 1,312,642 | 1,388,778 | 4,452 | 1,393,230 |
| Exchange adjustments | 142 | 208 | 29 | 372 | 84 | 17 | 6 | 2,289 | 3,147 | 223 | 3,370 |
| Transfers | 8,326 | – | – | – | – | – | – | (8,326) | – | – | – |
| Disposals | – | – | – | (2,621) | (661) | (1,357) | – | – | (4,639) | – | (4,639) |
| **At 31 March 2015** | 115,371 | 168,475 | 20,786 | 295,706 | 60,450 | 18,813 | 4,724 | 1,317,970 | 2,002,295 | 381,156 | 2,383,451 |

| | Leasehold land under finance leases and buildings HK$'000 | Buildings held for own use HK$'000 | Leasehold improvements HK$'000 | Plant and machinery HK$'000 | Furniture and equipment HK$'000 | Motor vehicles HK$'000 | Electric vehicles HK$'000 | Construction in progress HK$'000 | Property, plant and equipment HK$'000 | Interest in leasehold land held for own use under operating lease HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Accumulated depreciation and amortisation and impairment losses** | | | | | | | | | | | |
| At 1 April 2013 | 2,181 | 6,592 | 2,304 | 32,967 | 5,149 | 5,572 | 100 | – | 54,865 | 1,378 | 56,243 |
| Charge for the year | 1,868 | 5,448 | 1,939 | 23,218 | 3,164 | 2,279 | 1,487 | – | 39,403 | 2,257 | 41,660 |
| Impairment for the year | – | – | – | 6,973 | – | – | – | – | 6,973 | – | 6,973 |
| Exchange adjustments | 41 | 65 | 1 | 621 | 68 | 50 | 3 | – | 849 | 15 | 864 |
| Disposals | – | – | (2,769) | (301) | (610) | (353) | – | – | (4,033) | – | (4,033) |
| Reclassification | – | 94 | – | (200) | (101) | 207 | – | – | – | – | – |
| At 31 March 2014 and 1 April 2014 | 4,090 | 12,199 | 1,475 | 63,278 | 7,670 | 7,755 | 1,590 | – | 98,057 | 3,650 | 101,707 |
| Charge for the year | 4,380 | 9,579 | 2,070 | 28,034 | 7,182 | 2,917 | 1,362 | – | 55,524 | 7,854 | 63,378 |
| Exchange adjustments | 12 | 94 | 5 | 123 | 23 | 7 | 4 | – | 268 | 30 | 298 |
| Disposals | – | – | – | (109) | (61) | (1,152) | – | – | (1,322) | – | (1,322) |
| **At 31 March 2015** | 8,482 | 21,872 | 3,550 | 91,326 | 14,814 | 9,527 | 2,956 | – | 152,527 | 11,534 | 164,061 |
| Carrying amount | | | | | | | | | | | |
| **At 31 March 2015** | 106,889 | 146,603 | 17,236 | 204,380 | 45,636 | 9,286 | 1,768 | 1,317,970 | 1,849,768 | 369,622 | 2,219,390 |
| At 31 March 2014 | 102,813 | 153,979 | 6,865 | 192,233 | 25,933 | 5,211 | 3,128 | 11,365 | 501,527 | 372,831 | 874,358 |

*Notes:*

(a) All of the Group's land and buildings are held in the PRC under medium-term leases as at 31 March 2015 and 2014.

(b) As at 31 March 2015, certain land and buildings of the Group with a total carrying amount of HK$315,210,000 (2014: HK$206,138,000) were pledged as securities for the Group's bank loans (Note 33(a)).

**22. INTERESTS IN SUBSIDIARIES**

**COMPANY**

| | **2015** | **2014** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Unlisted shares, at cost | 11 | 11 |
| Amounts due from subsidiaries *(Note (b))* | 9,619,473 | 5,892,068 |
| | 9,619,484 | 5,892,079 |
| Less: Allowance for impairment losses *(Note (a))* | (4,808,431) | (4,329,902) |
| | 4,811,053 | 1,562,177 |
| Less: Amounts due from subsidiaries under current assets *(Note (b))* | (582,717) | (406,778) |
| Interests in subsidiaries | 4,228,336 | 1,155,399 |

*Notes:*

(a) Movements in the allowance for impairment losses are as follows:

| | **2015** | **2014** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Balance at beginning of the year | 4,329,902 | 3,436,557 |
| Add: Impairment losses during the year | 478,529 | 893,345 |
| Balance at end of the year | 4,808,431 | 4,329,902 |

Impairment losses were recognised during the years ended 31 March 2015 and 2014 after taking into consideration of the financial position and loss making situations of those subsidiaries.

Included in the impairment losses recognised during the year ended 31 March 2015 and as at 31 March 2015, are amounts of HK$38,422,000 (2014: HK$232,818,000) and HK$470,869,000 (2014: HK$432,447,000) respectively, which were provided for amounts due from subsidiaries that are repayable on demand as set out in Note (b) below and classified under current assets.

(b) The amounts due from subsidiaries are unsecured and interest-free. In the opinion of the Board, except for amounts due from subsidiaries of HK$582,717,000 (2014: HK$406,778,000) which are repayable on demand, the remaining balances which will not be demanded for repayment, are considered as quasi-equity investment in subsidiaries.

(c) Particulars of the principal subsidiaries as at 31 March 2015 are as follows:

| Name | Place of incorporation and operation | Issued and fully paid capital/ registered capital | Percentage of equity interest held by the Company Directly | Indirectly | Principal activities |
|---|---|---|---|---|---|
| Agnita Limited | British Virgin Islands | US$10,000 | – | 100% | Investment holding |
| Basland Enterprises Ltd. | British Virgin Islands | US$100 | 100% | – | Investment holding |
| CIAM Group Limited# | Bermuda | HK$938,283,217 | – | 89.54% | Investment holding |
| Five Dragons Electric Vehicle Limited | Hong Kong | HK$100 | – | 100% | Investment holding |
| Glory Era Limited | Hong Kong | HK$10,000 | 100% | – | Human resources, administrative management and consultancy services |
| Lucky Metro Trading Ltd. | British Virgin Islands | US$100 | – | 100% | Investment holding |
| Preferred Market Limited | British Virgin Islands | US$1 | 100% | – | Investment holding |
| Qiyang Limited | British Virgin Islands | US$1 | 100% | – | Investment holding |
| Sinopoly Battery Limited (previously named as "ACE Legend Holdings Limited") | Hong Kong | HK$1 | – | 100% | Investment holding |
| Sinopoly Battery International Limited | Hong Kong | HK$1 | – | 100% | Distribution and sale of battery products |
| Sinopoly Battery Research Center Limited | Hong Kong | HK$1 | – | 100% | Research and development |
| Thunder Sky Energy Technology Limited | Hong Kong | HK$1,000,000 | – | 100% | Investment holding |
| Union Grace Holdings Limited | British Virgin Islands | US$1,000 | – | 100% | Investment holding |

| Name | Place of incorporation and operation | Issued and fully paid capital/ registered capital | Percentage of equity interest held by the Company Directly | Indirectly | Principal activities |
|---|---|---|---|---|---|
| Sinopoly New Energy Investment Co., Ltd. *(Note 1)* | PRC | HK$350,000,000* | – | 100% | Investment holding, purchase of battery raw materials and sale of battery products |
| Tianjin Sinopoly New Energy Technology Co., Ltd. *(Note 1)* | PRC | HK$818,000,000 | – | 100% | Manufacture and sale of battery products |
| 吉林中聚新能源科技有限公司 (Jilin Sinopoly New Energy Technology Co., Ltd. ) *(Note 1)* | PRC | HK$177,000,000* | – | 100% | Manufacture and sale of battery products |
| 北京中聚力佳科技 有限公司 (Beijing Sinopoly Li Jia Technology Co., Ltd.) *(Note 1)* | PRC | HK$13,000,000* | – | 100% | Research and development, purchase of battery raw materials and sale of battery products |
| 深圳中聚電池有限公司 (Shenzhen Sinopoly Battery Co., Ltd.△) *(Note 1)* | PRC | HK$10,000,000* | – | 100% | Sale of battery products |
| 天津中聚新能源設備有限公司(Tianjin Sinopoly New Energy Equipment Co., Ltd.△) *(Note 2)* | PRC | RMB10,000,000* | – | 100% | Manufacture and sale of battery-related products |
| 上海中聚佳華電池科技有限公司 (Shanghai Sinopoly Jia Hua Battery Technology Co., Ltd.△) *(Note 2)* | PRC | RMB10,000,000* | – | 100% | Research and development |

| Name | Place of incorporation and operation | Issued and fully paid capital/ registered capital | Percentage of equity interest held by the Company Directly | Indirectly | Principal activities |
|---|---|---|---|---|---|
| 簡式國際汽車設計（北京）有限公司 (Jasmin International Auto R&D (Beijing) Co., Ltd.△) *(Note 2)* | PRC | RMB80,000,000* | – | 80% *(Note 3)* | Design of electric vehicles |
| 杭州長江汽車有限公司 (Hangzhou Changjiang Automobile Co., Ltd.△) *(Note 2)* | PRC | RMB1,000,000,000 | – | 49.94% *(Note 4)* | Manufacture and distribution of electric vehicles |
| 雲南五龍汽車有限公司 (Yunnan FDG Automobile Co., Limited△) *(Note 2)* | PRC | RMB69,735,000* | – | 50% | Manufacture, design and distribution of electric vehicles |

*Note 1:* These subsidiaries established in the PRC are wholly-foreign-owned enterprises.

*Note 2:* These subsidiaries established in the PRC are limited liability companies.

*Note 3:* Jasmin International Auto R&D (Beijing) Co., Ltd. ("Jasmin Beijing") was 80% owned by Agnita Limited ("Agnita") which was 100% owned by the Group. Accordingly, the Group owned 80% effective interest in Jasmin Beijing.

*Note 4:* Hangzhou Changjiang Automobile Co., Ltd. ("Changjiang") was 49% owned by Agnita and 1.17% owned by Jasmin Beijing which was controlled by the Group through Agnita (Note 3). Accordingly, the Group owned 49.94% effective interest in Changjiang.

*Note 5:* Yunnan FDG Automobile Co., Limited ("Yunnan FDG") was 50% owned by Southwest EV which was 100% owned by the Group. As Southwest EV has the right to nominate and appoint the majority of the directors of the board of Yunnan FDG, Yunnan FDG was regarded as a subsidiary of the Company.

* The registered capital has been fully paid-up.

△ For identification purpose.

\# CIAM Group Limited is a listed company in Hong Kong and audited by other auditors.

The following table lists out the information of the subsidiaries of the Group which have material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination. Since Yunnan FDG and CGL were acquired by the Group during the year ended 31 March 2015, no comparative information was presented accordingly. Information for Agnita was not presented for the year ended 31 March 2015 as it has become wholly-owned subsidiary of the Company during the year ended 31 March 2015.

| | **2015** | | | |
|---|---|---|---|---|
| | **Jasmin Beijing** | **Changjiang** | **Yunnan FDG** | **CGL** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| NCI percentage | 20% | 50.06% | 50% | 10.46% |
| Current assets | 368,317 | 263,720 | 46,640 | 616,134 |
| Non-current assets | 494,374 | 1,622,526 | 132,994 | 527,685 |
| Current liabilities | (295,810) | (671,922) | (173,857) | (16,975) |
| Non-current liabilities | (84,441) | (534,007) | (13,316) | (353) |
| Net assets/(liabilities) | 482,440 | 680,317 | (7,539) | 1,126,491 |
| Carrying amount of NCI | 96,488 | 32,510 | (3,770) | 117,831 |
| Revenue | 97,584 | – | – | 4,172 |
| (Loss)/profit for the year | (52,729) | (2,101) | (103,719) | 1,092 |
| (Loss)/profit allocated to NCI | (10,550) | (1,115) | (51,860) | 114 |
| Total comprehensive (loss)/income | (53,789) | 834 | (103,747) | 4,921 |
| Dividend paid to NCI | – | – | – | – |
| Cash flows used in operating activities | (268,168) | (1,709,709) | (53,990) | (19,340) |
| Cash flows from/(used in) investing activities | 297,570 | 318,972 | (50,357) | 151,946 |
| Cash flows from/(used in) financing activities | (72,259) | 1,406,988 | 91,372 | – |

| | **2014** |
|---|---|
| | **Agnita** |
| | *HK$'000* |
| NCI percentage | 41.50% |
| Current assets | 111,566 |
| Non-current assets | 956,192 |
| Current liabilities | (356,880) |
| Non-current liabilities | (115,268) |
| Net assets | 595,610 |
| Carrying amount of NCI | 189,106 |
| Revenue | 444 |
| Loss for the year | (10,394) |
| Loss attributable to NCI of Agnita's subsidiaries | (2,009) |
| Loss allocated to NCI | (3,480) |
| Total comprehensive loss | (12,059) |
| Dividend paid to NCI | – |
| Cash flows used in operating activities | (13,516) |
| Cash flows used in investing activities | (44,080) |
| Cash flows used in financing activities | – |

**23. INTERESTS IN JOINT VENTURES**

**GROUP**

| | **2015** | **2014** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Share of net assets | 107,866 | – |

These interests in joint ventures were acquired through the acquisition of CGL, a non-wholly-owned subsidiary.

Particulars of the principal joint venture at 31 March 2015 is as follows:

| Name | Place of incorporation and operation | Issued and fully paid capital/ registered capital | Proportion of ownership interest Group's effective interest | Held by a subsidiary | Principal activities |
|---|---|---|---|---|---|
| 華能壽光風力發電有限公司 ("華能壽光") | The PRC | RMB186,730,000 | 40% | 45% | Investment, construction and operation of wind power electricity facility, development, generation and sale of wind power electricity; provision of consultancy and relate services in respect of electricity projects |

華能壽光, the principal joint venture in which the Group participates, is an unlisted corporate entity whose quoted market price is not available.

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

| | **2015** | **2014** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Aggregate carrying amount of individually immaterial joint ventures in the consolidated statement of financial position | 107,866 | – |

| | From 24 February 2015 to 31 March 2015 |
|---|---|
| | *HK$'000* |
| Aggregate amounts of the Group's share of the joint ventures' | |
| – Loss from continuing operations | (403) |
| – Other comprehensive income | 2,477 |
| – Total comprehensive income | 2,074 |

## 24. AVAILABLE-FOR-SALE INVESTMENTS

### GROUP AND COMPANY

| | 2015 | 2014 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Unlisted investments, at cost: | | |
| – Equity securities | 93,634 | – |

As at 31 March 2015, the Group's and Company's unlisted equity securities were stated at cost because the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

## 25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

### GROUP

| | 2015 | 2014 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| **Non-current** | | |
| *Securities designated at fair value through profit or loss:* | | |
| Unlisted debt securities with embedded options | 29,311 | – |
| Unlisted equity securities | 18,938 | – |
| | 48,249 | – |
| **Current** | | |
| *Held-for-trading investment:* | | |
| Unlisted funds | 10,569 | – |

All unlisted securities classified as financial assets at fair value through profit or loss are issued by corporate entities. The fair value changes of these securities are recognised as "Income from direct investments" included in "Revenue".

As at 31 March 2015, the Group's unlisted equity securities amounting to a fair value of HK$18,938,000 (2014: nil) was an investment in an associate, 天津銘度科技有限公司. According to the accounting policy as set out in Note 4(b), this investment was exempted from applying the equity method and was recognised as financial assets at fair value through profit or loss.

Particulars of the associate at 31 March 2015 are as follows:

| Name | Place of incorporation and operation | Registered capital | Proportion of ownership interest Group's effective interest | Held by a subsidiary | Principal activities |
|---|---|---|---|---|---|
| 天津銘度科技有限公司 | The PRC | RMB12,500,000 | 18% | 20% | Development, manufacturing and sale of electric bike driving units |

**26. DEPOSITS PAID FOR NON-CURRENT ASSETS**

As at 31 March 2015, the deposits of HK$76,265,000 (2014: HK$203,249,000) were mainly for the purchase of machineries and equipment and moulding for the Group's production plants.

**27. OTHER NON-CURRENT ASSETS**

**GROUP**

| | 2015 | 2014 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Prepaid rentals | 8,627 | 9,877 |
| Club debentures | 1,104 | – |
| | 9,731 | 9,877 |

**28. INVENTORIES**

**GROUP**

| | 2015 | 2014 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Raw materials | 44,644 | 13,135 |
| Work in progress | 22,476 | 9,495 |
| Finished goods | 125,595 | 100,716 |
| | 192,715 | 123,346 |

## 29. TRADE AND BILLS RECEIVABLES

**GROUP**

| | **2015** | **2014** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Trade receivables | 131,207 | 66,648 |
| Bills receivable | 14,551 | – |
| Trade and bills receivables *(Notes (a) & (b))* | 145,758 | 66,648 |
| Amounts due from customers for contract work *(Note (c))* | 2,427 | 3,650 |
| | 148,185 | 70,298 |

*Notes:*

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

| | **2015** | **2014** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Within 1 month | 7,523 | 10,131 |
| Between 1 and 3 months | 49,843 | 943 |
| Over 3 months | 88,392 | 55,574 |
| | 145,758 | 66,648 |

Trading terms with customers are either on a cash basis or on credit. For those customers who trade on credit, a credit period generally ranging from 30 days to 90 days is allowed. Credit limits are set for those customers. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. Overdue balances are regularly reviewed by senior management. The carrying amounts of the receivables approximate their fair values.

(b) The ageing analysis of trade and bills receivables that are neither individually nor collectively considered to be impaired is as follows:

**Group**

| | **2015** | **2014** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Neither past due nor impaired | 16,661 | 11,584 |
| Less than 1 month past due | 329 | 827 |
| Between 1 and 3 months past due | 85,881 | 1,006 |
| More than 3 months past due | 42,887 | 53,231 |
| Past due but not impaired | 129,097 | 55,064 |
| | 145,758 | 66,648 |

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

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group and/or sound financial background. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. As at 31 March 2015 and 2014, the Group does not hold any collateral over these balances.

(c) As at 31 March 2015, the aggregate amount of costs incurred plus recognised profits less recognised losses to date, included in the amounts due from customers for contract work, was approximately HK$9,476,000 (2014: HK$12,384,000) less progress billing of HK$7,049,000 (2014: HK$8,734,000). The amounts due from customers for contract work are expected to be recovered within one year.

## 30. LOAN AND OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Loan receivables *(Note (a))* | 66,050 | – | 3,875 | – |
| Other receivables *(Note (b))* | 129,537 | 125,626 | 5 | 63,025 |
| *Less:* Allowance for doubtful debts for other receivables *(Note (b))* | (30,276) | (28,785) | – | – |
| Deposits and prepayments | 33,556 | 19,578 | 1,446 | 1,306 |
| Value-added-tax receivables | 200,660 | 66,211 | – | – |
| | 399,527 | 182,630 | 5,326 | 64,331 |
| **Presented by:** | | | | |
| Non-current assets | 467 | – | – | – |
| Current assets | 399,060 | 182,630 | 5,326 | 64,331 |
| | 399,527 | 182,630 | 5,326 | 64,331 |

*Notes:*

(a) A secured loan of HK$61,677,000 (2014: nil) which the borrower pledges a mining right of an iron ore as collateral, was acquired through the acquisition of CGL and was past due for over one year as at 31 March 2015. Taking into account the value of the collateral, the latest business development of the borrower, the execution risk and the timing of recovery for different repayment or recovery options, the management considered that there is no recoverability problem on the loan amount. The remaining loans of HK$4,373,000 (2014: nil) was neither past due nor impaired.

(b) Movement in allowance for doubtful debts for other receivables is as follows:

**Group**

| | **2015** | **2014** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| At 1 April | 28,785 | 28,785 |
| Impairment loss charged to profit or loss | 1,491 | – |
| At 31 March | 30,276 | 28,785 |

Included in other receivables is an amount of HK$28,785,000 (2014: HK$28,785,000) due from certain Chung Parties (as defined in Note 46), in respect of the receipt of trade sales amounts receivable by the Group as reduced by the amount of payments made for purchases payable by the Group to the Chung Parties. However, the Chung Parties have failed and refused to remit such amount to the Group. Impairment losses in respect of the other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against the other receivables directly.

Included in other receivables is a gross amount of HK$19,714,000 (2014: nil), was acquired through the acquisition of CGL and representing accrued interest and consultancy fee income receivables in respect of the secured loan as described in Note 30 (a). Based on the impairment assessment on the interest and consultancy fee income receivables performed by management, an individually assessed impairment allowance of HK$1,491,000 was provided for the year ended 31 March 2015. As at 31 March 2015, accumulated impairment allowance amounted to HK$1,491,000.

Except for loan receivables of HK$467,000 (2014: nil) which are expected not to be recovered within one year, all of the loan and other receivables (net of allowance for doubtful debts) are expected to be recovered or recognised as expense within one year.

## 31. PLEDGED BANK DEPOSITS

As at 31 March 2015, the pledged bank deposits of nil (2014: HK$311,000), HK$126,125,000 (2014: HK$8,259,000) and HK$2,746,000 (2014: HK$2,714,000) were pledged as security for a sale contract, the issuance of bills payables and letters of credit by the Group, respectively.

As at 31 March 2015 and 2014, all pledged bank deposits relating to the PRC subsidiaries were denominated in RMB. RMB is not freely convertible into other currencies and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

## 32. CASH AND CASH EQUIVALENTS/DEPOSIT IN A SECURITY ACCOUNT

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Cash at bank and in hand | 127,163 | 198,652 | 9,070 | 11,237 |
| Short-term bank deposits | 284,315 | 870,971 | 103,289 | 844,092 |
| Cash and cash equivalents | 411,478 | 1,069,623 | 112,359 | 855,329 |
| Deposit in a security account *(Note 33(c))* | 320,019 | – | – | – |
| Total | 731,497 | 1,069,623 | 112,359 | 855,329 |

At the end of the reporting period, the cash and cash equivalents of the PRC subsidiaries denominated in RMB amounted to HK$93,259,000 (2014: HK$152,291,000). RMB is not freely convertible into other currencies and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

Deposit in a security account is restricted as to withdrawal under the term of certain contractual agreements.

### 33. BANK LOANS AND OTHER BORROWINGS

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Secured bank loans repayable within one year *(Note (a))* | 190,637 | 107,371 | – | – |
| Unsecured bank loans repayable within one year *(Note (b))* | – | 75,660 | – | – |
| Secured other borrowings repayable within one year *(Note (c))* | 689,566 | – | 689,566 | – |
| Unsecured other borrowings repayable within one year | – | 189,150 | – | – |
| | 880,203 | 372,181 | 689,566 | – |

*Notes:*

(a) As at 31 March 2015 and 2014, the bank loans were secured by certain land and buildings of the Group (Note 21(b)).

(b) As at 31 March 2014, the bank loan was granted under a corporate guarantee given by an independent third party.

(c) As at 31 March 2015, the secured other borrowings are secured by debentures incorporating first fixed and floating charges over all the undertaking, property and assets of the Company and two wholly-owned subsidiaries of the Company, namely Preferred Market and Union Grace Holdings Limited.

When any events of default under the borrowing agreement has occurred and is continuing, the lender will be entitled to sell 53.68% of the issued shares of a non-wholly-owned subsidiary of the Group, CGL, and to apply the deposit of HK$320,019,000 (see Note 32) maintained with the lender's group companies, to satisfy any sum due and payable but unpaid to the lender.

### 34. LOAN FROM A HOLDER OF NON-CONTROLLING INTERESTS

As at 31 March 2014, a loan obtained from CBVI, being a holder of non-controlling interests of the Group's subsidiaries as at that date, was non-interest-bearing, unsecured and repayable within one year. The amount was fully eliminated upon the acquisition of CGL during the year ended 31 March 2015.

## 35. TRADE AND BILLS PAYABLES

**GROUP**

| | **2015** | **2014** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Trade payables | 111,459 | 25,437 |
| Bills payable | 27,730 | 7,250 |
| | 139,189 | 32,687 |

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

| | **2015** | **2014** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Within 1 month | 37,659 | 10,017 |
| Between 1 and 3 months | 39,474 | 10,409 |
| Over 3 months | 62,056 | 12,261 |
| | 139,189 | 32,687 |

The carrying amounts of trade and bills payables approximate their fair values. As at 31 March 2015, bills payable of HK$27,730,000 (2014: HK$7,250,000) were secured by an equivalent amount of bank deposits.

## 36. ACCRUALS AND OTHER PAYABLES

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Bills and other payables for acquisition of non-current assets | 339,285 | 66,126 | – | – |
| Other payables and accrued expenses | 132,133 | 105,358 | 42,166 | 3,848 |
| Receipts in advance | 20,320 | 7,228 | – | – |
| Warranty provision *(Note)* | 1,420 | 1,420 | – | – |
| | 493,158 | 180,132 | 42,166 | 3,848 |

As at 31 March 2015, the bills payable for acquisition of non-current assets of HK$98,395,000 (2014: HK$1,009,000) were secured by an equivalent amount of bank deposits.

*Note:*

Warranty provision

**Group**

| | *HK$'000* |
|---|---|
| At 1 April 2014 and 31 March 2015 | 1,420 |

The Group generally provides one to three years warranties to its customers on certain of its battery products, under which faulty products are repaired or replaced. The amount of the provision for the warranties is estimated based on sales volumes and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

## 37. OBLIGATIONS UNDER REDEEMED CONVERTIBLE BONDS

On 8 March 2011, the Company issued a redemption notice to Mei Li New Energy Limited ("Mei Li") which was beneficially wholly-owned by Mr. Winston Chung (formerly known as Chung Hing Ka) ("Mr. Chung") for the redemption of convertible bonds at face value of approximately HK$760,752,000 held by Mei Li (the "Redemption Amount") for the protection of the Company. Further, in the legal proceedings against Mr. Chung and/or companies which are controlled and/or owned by him, the damages claimed (the "Claim Amount") by the Group, as supported by an independent forensic accountant report commissioned by the Group, are estimated to be substantially larger than the Redemption Amount. The Group has sought to set off portion of the Claim Amount against the Redemption Amount (the "Set-Off").

On 5 March 2013, the High Court of Hong Kong (the "HK Court") issued a judgment in favour of the Company. The Company has been given an unconditional leave to defend to the extent of the Set-Off, based on which the Company is entitled to a stay of execution of payment for obligation under the redeemed convertible bonds.

On 27 February 2013, the HK Court has made an order for bankruptcy against Mr. Chung (the "Bankruptcy"). As a result, all litigations involving Mr. Chung have been stayed. The Company is currently awaiting the trustee (the "Trustee") in Mr. Chung's bankruptcy to wind up his assets and take over the litigations involving Mr. Chung (the "Winding Up"). Despite Mr. Chung was adjudged bankrupt on 27 February 2013, Mr. Chung neither submitted a substantive statement of affairs, an annual report of his earnings and acquisitions nor delivered any substantial property to the Trustee as required by the Bankruptcy Ordinance. The Company has consequently filed a complaint with the Trustee and the Official Receiver and urged them to take immediate actions to expedite the Winding Up. Further details are set out in Note 46.

## 38. OTHER NON-CURRENT LIABILITY

The Group had received a grant of HK$52,718,000 (2014: HK$52,656,000) from the PRC government authority for subsidising the Group's acquisition of a land for constructing the lithium-ion batteries production plant. The grant is subject to certain conditions to be complied by the Group. Since the related conditions were not yet fulfilled, there was no recognition of such grant as income in the consolidated statement of profit or loss for the years ended 31 March 2015 and 2014.

## 39. CONVERTIBLE BONDS

### GROUP AND COMPANY

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | **Liability component** | **Derivative financial instruments** | **Liability component** | **Derivative financial instruments** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Convertible bonds due in 2017 *(Note (a))* | 351,240 | (19,383) | – | – |
| Convertible bonds due in 2018 *(Note (b))* | 804,771 | (34,479) | – | – |
| | 1,156,011 | (53,862) | – | – |

*Notes:*

(a) Convertible bonds due in 2017

On 14 April 2014, the Company issued convertible bonds with an aggregated principal amount of HK$400,000,000 (the "2017 Due CB") pursuant to the agreement dated 20 March 2014 entered between the Company and a subscriber, which is an independent third party to the Company. The 2017 Due CB are interest bearing at 8% per annum, with a maturity date on the third anniversary of the date of their issue (that is, 14 April 2017) and entitle the holder to convert them, in whole or in part, into ordinary shares of the Company at a conversion price of HK$0.60 per share (subject to adjustments) at any time on or after the issue date of the 2017 Due CB up to the maturity date. The Company may at any time up to (and excluding) the commencement of the seven calendar day period ending on (and including) the maturity date, by written notice to the holder of the 2017 Due CB, elect to redeem the whole or part of the then outstanding principal amount of the 2017 Due CB at an amount equal to the sum of (a) 100% of the principal amount of the 2017 Due CB sought to be redeemed and (b) all unpaid interest thereon. In addition, at any time prior to the maturity date, if the average of the closing prices of the ordinary shares of the Company for the five consecutive trading days ending on and including the trading day last preceding such date is more than HK$1.20 (subject to adjustments) for ten consecutive trading days, the Company may give not less than seven business days' notice to the holder of the 2017 Due CB to mandatorily convert all or any part of the 2017 Due CB.

At initial recognition, the liability component of the 2017 Due CB is measured as the present value of the future interest and principal payments, discounted at the market rate for equivalent non-convertible bonds that do not have a conversion option. The derivative component of the 2017 Due CB, which are early redemption and mandatory conversion options held by the Company, are measured at fair value and presented as derivative financial instruments in current assets. Such derivative financial instruments are re-measured to fair value at the end of each reporting period. The equity component was the residual amount after deducting the fair values of the liability and derivative components from the consideration received for the 2017 Due CB. The effective interest rate of the liability component of the 2017 Due CB is 14.31% per annum. The valuations of the 2017 Due CB were performed by Asset Appraisal Limited, an independent firm of professional qualified valuers.

The following assumptions are used to calculate the fair values of the derivative component of the 2017 Due CB:

| | **At 31 March 2015** | **At issue date** |
|---|---|---|
| Closing share price | HK$0.47 | HK$0.55 |
| Conversion price | HK$0.60 | HK$0.60 |
| Expected remaining life of the convertible bonds | 2.04 years | 3 years |
| Expected volatility | 46.65% | 52.15% |
| Risk free rate | 0.43% | 0.72% |
| Expected dividend yield | 0% | 0% |
| Discount rate | 14.79% | 14.66% |

The 2017 Due CB have been split as follows:

| | **Liability component** *HK$'000* | **Equity component** *HK$'000* | **Derivative financial instruments** *HK$'000* | **Total** *HK$'000* |
|---|---|---|---|---|
| Issued during the year | 338,747 | 87,755 | (26,502) | 400,000 |
| Less: Transaction costs | (6,320) | (1,680) | – | (8,000) |
| Add: Interest expenses | 49,673 | – | – | 49,673 |
| Less: Interest payable | (30,860) | – | – | (30,860) |
| Less: Fair value loss on derivative financial instruments | – | – | 7,119 | 7,119 |
| **At 31 March 2015** | 351,240 | 86,075 | (19,383) | 417,932 |

None of the 2017 Due CB was exercised during the year ended 31 March 2015.

(b) Convertible bonds due in 2018

On 23 February 2015, the Offer made by VMS Securities Limited on behalf of Sinopoly to acquire all the issued ordinary shares of CGL and to cancel the options which are outstanding under the share option scheme adopted by CGL was closed and the total amount of approximately HK$1,432,171,000 convertible bonds (the "2018 Due CB") was issued by the Company. The 2018 Due CB are non-interest bearing with a maturity date falling on the third anniversary of the date of the commencement of the Offer (that is, 30 January 2018) and entitle the holder to convert them, in whole or in part (in an amount of HK$1,000,000 or integral multiples thereof or an amount representing in aggregate the entire outstanding principal amount of the 2018 Due CB) in accordance with terms and conditions, into ordinary shares of the Company at a conversion price of HK$0.50 per share (subject to adjustments), at any time on or after the issue date of the 2018 Due CB up to the maturity date. The Company may at any time after the second anniversary of the date of commencement of the Offer (that is, 30 January 2017) redeem the whole or any part of the then outstanding principal amount of the 2018 Due CB. The Company may also give not less than seven business days' notice to any holder of the 2018 Due CB to mandatorily convert all or any part of the 2018 Due CB, if at any time after the issue date up to the maturity date of the 2018 Due CB, the closing price of the Company's shares as quoted on the Stock Exchange is more than HK$1.00 (subject to subdivision or consolidation of the Company's shares) for fifteen consecutive trading days, unless the mandatorily conversion will trigger a mandatory general offer or change in control under the Code on Takeovers and Mergers and Share Buy-backs.

At initial recognition, the liability component of the 2018 Due CB is measured as the present value of the future interest and principal payments, discounted at the market rate for equivalent non-convertible bonds that do not have a conversion option. The derivative component of the 2018 Due CB, which are early redemption and mandatory conversion options held by the Company, are measured at fair value and presented as derivative financial instruments in current assets. Such derivative financial instruments are re-measured to fair value at the end of each reporting period. The equity component was the residual amount after deducting the fair values of the liability and derivative components from the fair value of the 2018 Due CB. The effective interest rate of the liability component of the 2018 Due CB are ranged from 13.07% to 13.64% per annum. The valuations of the 2018 Due CB were performed by Asset Appraisal Limited, an independent firm of professional qualified valuers.

The following assumptions are used to calculate the fair values of the derivative component of the 2018 Due CB:

| | **At 31 March 2015** | **At issue dates** |
|---|---|---|
| Closing share price | HK$0.470 | HK$0.445 – HK$0.490 |
| Conversion price | HK$0.50 | HK$0.50 |
| Expected remaining life of the convertible bonds | 2.83 years | 2.93 – 2.99 years |
| Expected volatility | 44.66% | 44.04% – 44.36% |
| Risk free rate | 0.59% | 0.58% – 0.62% |
| Expected dividend yield | 0% | 0% |
| Discount rate | 14.95% | 13.90% – 14.51% |

The 2018 Due CB have been split as follows:

| | **Liability component** | **Equity component** | **Derivative financial instruments** | **Total** |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Issued during the year | 961,330 | 515,819 | (44,978) | 1,432,171 |
| Add: Interest expenses | 16,885 | – | – | 16,885 |
| Less: Converted during the year | (173,444) | (90,715) | 7,531 | (256,628) |
| Less: Fair value loss on derivative financial instruments | – | – | 2,968 | 2,968 |
| **At 31 March 2015** | 804,771 | 425,104 | (34,479) | 1,195,396 |

During the current year, the 2018 Due CB with principal amount of approximately HK$254,640,000 were converted into 509,279,000 ordinary shares of the Company at the conversion price of HK$0.50 per share (Note 42(b)).

**40. BONDS TO A SUBSIDIARY**

During the year ended 31 March 2015, the Company issued fixed rate bonds in an aggregated principal amount of HK$370,000,000 to a non-wholly-owned subsidiary, CGL, for the acquisition of 41.50% of the issued share capital of Agnita (Note 18(c)), which carry a coupon rate of 8% per annum and a maturity term of three years.

**41. DEFERRED TAX LIABILITIES**

**GROUP**

The following are the major deferred tax balances recognised and movements thereon during the years ended 31 March 2015 and 2014:

| | Property, plant and equipment and interest in leasehold land held for own use under operating lease | Intangible assets | Others | Total |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1 April 2013 | – | 164,678 | – | 164,678 |
| Acquisition of subsidiaries *(Note 18(d))* | 22,918 | 94,017 | – | 116,935 |
| Credit to profit or loss *(Note 13)* | – | (24,703) | – | (24,703) |
| Exchange adjustments | (9) | (39) | – | (48) |
| At 31 March 2014 and 1 April 2014 | 22,909 | 233,953 | – | 256,862 |
| Acquisition of subsidiaries *(Notes 18(a) & (b))* | – | 16,304 | 353 | 16,657 |
| Credit to profit or loss *(Note 13)* | (476) | (57,456) | – | (57,932) |
| Exchange adjustments | (49) | (420) | – | (469) |
| **At 31 March 2015** | 22,384 | 192,381 | 353 | 215,118 |

At 31 March 2015, the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK$1,123,465,000 (2014: HK$427,311,000), as it is not probable that future taxable profits against which the tax losses can be utilised will be available in the relevant taxation authority of the relevant taxable entity. The tax losses do not expire under current tax legislation, except for amounts of HK$329,378,000 (2014: HK$251,420,000) that will expire in the coming one to five years.

At 31 March 2015, the Company has not recognised deferred tax assets in respect of cumulative tax losses of HK$122,301,000 (2014: HK$42,655,000), as it is not probable that future taxable profits against which the tax losses can be utilised will be available in the relevant taxation authority. The tax losses do not expire under current tax legislation.

## 42. SHARE CAPITAL

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | **No. of shares** | | **No. of shares** | |
| | *'000* | *HK$'000* | *'000* | *HK$'000* |
| **Authorised:** | | | | |
| At beginning and at end of the reporting period Ordinary shares of HK$0.01 each | 50,000,000 | 500,000 | 50,000,000 | 500,000 |
| **Issued and fully paid:** | | | | |
| At beginning of the reporting period Ordinary shares of HK$0.01 each | 16,976,891 | 169,769 | 12,254,516 | 122,545 |
| Issue of new shares: | | | | |
| – pursuant to acquisition transaction *(Note (a))* | 380,000 | 3,800 | 1,901,250 | 19,013 |
| – upon conversion of convertible bonds *(Note (b))* | 509,279 | 5,093 | – | – |
| – pursuant to share subscriptions *(Note (c))* | – | – | 1,420,000 | 14,200 |
| – upon exercise of share options *(Note (d))* | – | – | 1,125 | 11 |
| – pursuant to share placement *(Note (e))* | – | – | 1,400,000 | 14,000 |
| At end of the reporting period Ordinary shares of HK$0.01 each | 17,866,170 | 178,662 | 16,976,891 | 169,769 |

*Notes:*

(a) On 7 May 2014, 380,000,000 new ordinary shares of the Company of HK$0.01 each were issued at an issue price of HK$0.50 per share as consideration for the acquisition of Giant Industry, a company incorporated in the British Virgin Islands with limited liability. The fair value of the issued shares is calculated based on the closing market price of the ordinary share of the Company of HK$0.48 on 7 May 2014, the date of completion of the acquisition.

On 7 March 2014, 1,901,250,000 new ordinary shares of the Company of HK$0.01 each were issued at an issue price of HK$0.32 per share as consideration for the acquisition of 58.50% equity interest in Agnita, a company incorporated in the British Virgin Islands with limited liability. The fair value of the issued shares is calculated based on the closing market price of the ordinary share of the Company of HK$0.67 on 7 March 2014, the date of completion of the acquisition.

(b) During the year ended 31 March 2015, the convertible bonds with principal amount of approximately HK$254,640,000 were converted at a conversion price of HK$0.50 per share, resulting in approximately 509,279,000 ordinary shares of HK$0.01 each being issued by the Company (Note 39(b)).

(c) During the year ended 31 March 2014, the Company issued a total of 1,420,000,000 ordinary shares pursuant to the following subscription agreements:

– on 30 September 2013, the Company issued 220,000,000 ordinary shares of HK$0.01 each at the subscription price of HK$0.294 per share pursuant to the subscription agreement dated 19 September 2013.

– on 6 May 2013, the Company issued 1,200,000,000 ordinary shares of HK$0.01 each at the subscription price of HK$0.22 per share to five subscribers pursuant to the subscription agreements dated 23 April 2013.

(d) During the year ended 31 March 2014, share options to subscribe for 1,125,000 ordinary shares of the Company were exercised. The net consideration was HK$69,000 of which HK$11,000 was credited to share capital account and the balance of HK$58,000 was credited to the share premium account. The amount of HK$35,000 was transferred from share option reserve account to share premium account upon exercise of share options.

(e) On 31 March 2014, the Company issued 1,400,000,000 ordinary shares of HK$0.01 each at the price of HK$0.50 per share pursuant to the placing agreement dated 20 March 2014.

All the new ordinary shares issued and allotted during the year rank pari passu in all respects with the then existing ordinary shares of the Company.

## 43. RESERVES

The reconciliation between the opening and closing balances of each component of the Group's consolidated reserves is set out in the consolidated statement of changes in equity. Details of changes in the Company's individual components of reserves between the beginning and the end of the reporting period are set out below:

**COMPANY**

| | Share premium *HK$'000* | Contributed surplus *HK$'000* | Capital redemption reserve *HK$'000* | Equity component of convertible bonds *HK$'000* | Share option reserve *HK$'000* | Accumulated losses *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|---|---|---|
| At 1 April 2013 | 3,925,882 | 15,506 | 1,868 | – | 18,361 | (3,751,970) | 209,647 |
| Issue of ordinary shares related to acquisition transaction *(Note 42(a))* | 1,254,825 | – | – | – | – | – | 1,254,825 |
| Shares issued pursuant to subscriptions and placement *(Notes 42(c) &(e))* | 1,000,480 | – | – | – | – | – | 1,000,480 |
| Shares issued upon exercise of share options *(Note 42(d))* | 93 | – | – | – | (35) | – | 58 |
| Transaction costs attributable to issue of new shares | (7,155) | – | – | – | – | – | (7,155) |
| Share options lapsed | – | – | – | – | (223) | 223 | – |
| Equity-settled share-based payments | – | – | – | – | 3,736 | – | 3,736 |
| Loss and total comprehensive loss for the year | – | – | – | – | – | (914,123) | (914,123) |
| At 31 March 2014 and 1 April 2014 | 6,174,125 | 15,506 | 1,868 | – | 21,839 | (4,665,870) | 1,547,468 |
| Issue of ordinary shares related to acquisition transaction *(Note 42(a))* | 178,600 | – | – | – | – | – | 178,600 |
| Issue of convertible bonds | – | – | – | 601,894 | – | – | 601,894 |
| Issue of ordinary shares related to conversion of convertible bonds *(Note 42(b))* | 251,536 | – | – | (90,715) | – | – | 160,821 |
| Share options lapsed | – | – | – | – | (15,076) | 15,076 | – |
| Equity-settled share-based payments | – | – | – | – | 13,860 | – | 13,860 |
| Loss and total comprehensive loss for the year | – | – | – | – | – | (623,566) | (623,566) |
| **At 31 March 2015** | 6,604,261 | 15,506 | 1,868 | 511,179 | 20,623 | (5,274,360) | 1,879,077 |

*Notes:*

(a) Share premium

The application of share premium account is governed by the relevant provisions set out in the Company's Bye-laws and the Companies Act 1981 of Bermuda.

(b) Exchange reserve

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

(c) Contributed surplus

The contributed surplus represents the surplus arising from capital reductions pursuant to the Group's reorganisation in 2004 and 2005.

(d) Capital redemption reserve

In prior years, the Company repurchased its own shares. The capital redemption reserve represents the amount equivalent to the nominal value of the shares cancelled from repurchases of own shares transferred from retained profits.

(e) Equity component of convertible bonds

The reserve comprises the value of the unexercised equity component of convertible bonds issued by the Group recognised in accordance with the accounting policy adopted for convertible bonds in Note 4(m).

(f) Share option reserve

The share option reserve comprises the fair value of unexercised share options granted by the Company.

(g) Accumulated losses

Accumulated losses comprises i) an accumulated amount of profit or loss for the current and prior years exclude amounts distributed to shareholders as dividend; and ii) reserves arose from the acquisition of additional interests in subsidiaries that do not result in a change of control by the Group, and represents any differences between the amount by which the non-controlling interests are adjusted (to reflect the changes in the interests in the subsidiaries) and the fair value of the consideration paid or received.

(h) Distributability of reserve

The Company had no reserves available for distribution as at 31 March 2015 and 2014. Under the Companies Act 1981 of Bermuda, contributed surplus is available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if the Company is, or would after the payment be, unable to pay its liabilities as they become due; or the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

## 44. SHARE OPTION SCHEME

Pursuant to the approval by the shareholders of the Company at the special general meeting held on 28 February 2014, the previous share option scheme adopted by the Company on 30 March 2004 was terminated and a share option scheme (the "Scheme") which was in compliance with the requirements set out in the Listing Rules was adopted by the Company, both effective on 28 February 2014. No further options can be granted under the previous share option scheme. Howsoever, the options granted before 28 February 2014 remains exercisable under the Scheme.

A summary of the principal terms of the Scheme is set out below:

### PURPOSE

The purpose of the Scheme is to enable the Group to grant option(s) to the Eligible Participants (as defined below) to subscribe for shares of the Company (i) in recognition of their contribution to the Group; (ii) to attract and retain or otherwise maintain an on-going relationship with them for the benefit of the Group; and (iii) to align their interests with the shareholders of the Company, thereby encouraging them to work towards enhancing the value of the shares of the Company.

### PARTICIPANTS

The Board may, at its absolute discretion, invite any persons belonging to any of the following classes of participants (the "Eligible Participants") to take up options to subscribe for shares of the Company:

(a) any employee (whether full-time or part-time) of, or any individual for the time being seconded to work for, the Company, or any of its subsidiaries, or any entity in which any member of the Group holds an equity interest (the "Invested Entity") (the persons are collectively referred to as "Eligible Employees");

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

(c) any supplier of goods or services to any member of the Group or any Invested Entity;

(d) any customer, agent or distributor of any member of the Group or any Invested Entity;

(e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;

(f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity who has contributed or may contribute to the Group or the applicable Invested Entity;

(g) any adviser (professional or otherwise) or consultant to any member of the Group or any Invested Entity; and

(h) any joint venture or business partner of any member of the Group or any Invested Entity who has contributed or may contribute to the Group or the applicable Invested Entity,

and, for the purposes of the Scheme, an offer for the grant of an option may be made to any company wholly owned by one or more Eligible Participants.

**TOTAL NUMBER OF SHARES AVAILABLE FOR ISSUE**

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes must not in aggregate exceed 30% of the share capital of the Company in issue from time to time.

The total number of shares which may be issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Scheme and any other share option schemes) to be granted under the Scheme and any other share option schemes must not in aggregate exceed 10% of the shares of the Company in issue as at the date of refreshment of share option mandates from time to time.

As at the date of approval of the financial statements, the total number of shares of the Company that may be issued upon exercise of all options granted and vested but not yet exercised was 40,700,000, which represented approximately 0.22% of the issued share capital of the Company on that date.

**MAXIMUM ENTITLEMENT OF EACH PARTICIPANT**

An offer for the grant of an option to any director, chief executive or substantial shareholder of the Company, or any of their respective associates must be approved by the independent non-executive directors (excluding any independent non-executive director who or whose associate is the proposed grantee of an option). Where any grant of options to a substantial shareholder of the Company or an independent non-executive director, or any of their respective associates, would result in the shares issued and to be issued upon the exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) under the Scheme and any other share option schemes to such person in the 12-month period up to and including the date of such grant:

(a) representing in aggregate over 0.1% of the shares in issue; and

(b) having an aggregate value, based on the closing price of the shares at the offer date of each offer for the grant of an option, in excess of HK$5 million,

such further grant of options must be approved by the shareholders in general meeting of the Company.

Subject to the aforesaid, the total number of shares issued and which may fall to be issued upon the exercise of any options granted under the Scheme and any other share option schemes (including both exercised or outstanding options) to each grantee in any 12-month period must not in aggregate exceed 1% of the issued share capital of the Company for the time being. Any further grant of options to a grantee in excess of such limit must be separately approved by shareholders in general meeting of the Company with such grantee and his associates abstaining from voting.

**OPTION PERIOD**

The period within which the shares must be taken up under an option shall be determined and notified by the Board to the grantee thereof, but such period shall end in any event not later than 10 years from the date of offer of the option subject to the provisions for early termination thereof.

**MINIMUM PERIOD FOR WHICH AN OPTION MUST BE HELD BEFORE IT CAN BE EXERCISED**

Unless otherwise determined by the Board and stated in the offer for the grant of an option to a grantee, a grantee is not required to hold an option for any minimum period before the exercise of an option granted to him.

### AMOUNT PAYABLE UPON ACCEPTANCE OF OPTION

A nominal consideration of HK$1 is payable on acceptance of the offer of an option, which shall not be later than 21 days from the offer date.

### SUBSCRIPTION PRICE FOR SHARES

The subscription price for shares under the Scheme will be a price determined by the Board, but shall not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the offer date, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of a share.

### REMAINING LIFE OF THE SCHEME

The Scheme commenced on 28 February 2014 and shall continue in force until the tenth anniversary of such date.

Details of the options and movements in such holdings during the year ended 31 March 2015 are as follows:

| Category of participants | Date of grant | Number of options: Outstanding as at 1.4.2014 | Granted during the year (Note 2) | Exercised during the year | Lapsed during the year | Re-classified during the year | Outstanding as at 31.3.2015 | Exercise period | Exercise price per option HK$ | Weighted average closing price of the shares immediately before the dates on which the options were exercised HK$ |
|---|---|---|---|---|---|---|---|---|---|---|
| **Directors & Substantial Shareholders** | | | | | | | | | | |
| Mr. Cao Zhong | 28.4.2014 | – | 10,000,000 | – | – | – | 10,000,000 | 28.4.2016 – 27.4.2024 *(Note 3)* | 0.630 | – |
| Mr. Miao Zhenguo | 21.4.2011 | 10,000,000 | – | – | (10,000,000) | – | – | 21.4.2012 – 20.4.2014 *(Note 4)* | 0.810 | – |
| | 4.9.2013 | 12,000,000 | – | – | – | – | 12,000,000 | 4.9.2015 – 3.9.2023 *(Note 3)* | 0.450 | – |
| | 28.4.2014 | – | 3,000,000 | – | – | – | 3,000,000 | 28.4.2016 – 27.4.2024 *(Note 3)* | 0.630 | – |
| **Directors** | | | | | | | | | | |
| Dr. Chen Yanping | 28.4.2014 | – | – | – | – | 12,000,000 *(Note 5)* | 12,000,000 | 28.4.2016 – 27.4.2024 *(Note 3)* | 0.630 | – |

| Category of participants | Date of grant | Number of options: Outstanding as at 1.4.2014 | Granted during the year (Note 2) | Exercised during the year | Lapsed during the year | Re-classified during the year | Outstanding as at 31.3.2015 | Exercise period | Exercise price per option HK$ | Weighted average closing price of the shares immediately before the dates on which the options were exercised HK$ |
|---|---|---|---|---|---|---|---|---|---|---|
| Mr. Lo Wing Yat | 23.8.2007 | 14,600,000 | – | – | – | – | 14,600,000 | 23.8.2008 – 22.8.2017 *(Note 6)* | 0.230 | – |
| | 8.5.2009 | 16,200,000 | – | – | – | – | 16,200,000 | 8.5.2010 – 7.5.2019 *(Note 6)* | 0.061 | – |
| | 21.4.2011 | 20,000,000 | – | – | (20,000,000) | – | – | 21.4.2012 – 20.4.2014 *(Note 4)* | 0.810 | – |
| | 4.9.2013 | 8,000,000 | – | – | – | – | 8,000,000 | 4.9.2015 – 3.9.2023 *(Note 3)* | 0.450 | – |
| | 28.4.2014 | – | 4,000,000 | – | – | – | 4,000,000 | 28.4.2016 – 27.4.2024 *(Note 3)* | 0.630 | – |
| Mr. Xu Donghui | 21.4.2011 | 20,000,000 | – | – | (20,000,000) | – | – | 21.4.2012 – 20.4.2014 *(Note 4)* | 0.810 | – |
| | 4.9.2013 | 8,000,000 | – | – | – | (8,000,000) *(Note 7)* | – | 4.9.2015 – 3.9.2023 *(Note 3)* | 0.450 | – |
| Mr. Jaime Che | 21.4.2011 | 20,000,000 | – | – | (20,000,000) | – | – | 21.4.2012 – 20.4.2014 *(Note 4)* | 0.810 | – |
| | 4.9.2013 | 12,000,000 | – | – | – | – | 12,000,000 | 4.9.2015 – 3.9.2023 *(Note 3)* | 0.450 | – |
| | 28.4.2014 | – | 4,000,000 | – | – | – | 4,000,000 | 28.4.2016 – 27.4.2024 *(Note 3)* | 0.630 | – |
| Professor Chen Guohua | 4.9.2013 | 6,000,000 | – | – | – | – | 6,000,000 | 4.9.2015– 3.9.2023 *(Note 3)* | 0.450 | – |
| | 28.4.2014 | – | 4,000,000 | – | – | – | 4,000,000 | 28.4.2016 – 27.4.2024 *(Note 3)* | 0.630 | – |
| Mr. Chan Yuk Tong | 8.5.2009 | 900,000 | – | – | – | – | 900,000 | 8.11.2010 – 7.5.2019 *(Note 8)* | 0.061 | – |
| | 21.4.2011 | 10,000,000 | – | – | (10,000,000) | – | – | 21.4.2012 – 20.4.2014 *(Note 4)* | 0.810 | – |
| | 4.9.2013 | 8,000,000 | – | – | – | – | 8,000,000 | 4.9.2015 – 3.9.2023 *(Note 3)* | 0.450 | – |
| | 28.4.2014 | – | 4,000,000 | – | – | – | 4,000,000 | 28.4.2016 – 27.4.2024 *(Note 3)* | 0.630 | – |

| Category of participants | Date of grant | Number of options: Outstanding as at 1.4.2014 | Granted during the year | Exercised during the year | Lapsed during the year | Re-classified during the year | Outstanding as at 31.3.2015 | Exercise period | Exercise price per option | Weighted average closing price of the shares immediately before the dates on which the options were exercised |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | *(Note 2)* | | | | | | *HK$* | *HK$* |
| Mr. Fei Tai Hung | 8.5.2009 | 900,000 | – | – | – | – | 900,000 | 8.11.2010 – 7.5.2019 *(Note 8)* | 0.061 | – |
| | 21.4.2011 | 10,000,000 | – | – | (10,000,000) | – | – | 21.4.2012 – 20.4.2014 *(Note 4)* | 0.810 | – |
| | 4.9.2013 | 8,000,000 | – | – | – | – | 8,000,000 | 4.9.2015 – 3.9.2023 *(Note 3)* | 0.450 | – |
| | 28.4.2014 | – | 4,000,000 | – | – | – | 4,000,000 | 28.4.2016 – 27.4.2024 *(Note 3)* | 0.630 | – |
| Mr. Tse Kam Fow | 8.5.2009 | 900,000 | – | – | – | – | 900,000 | 8.11.2010 – 7.5.2019 *(Note 8)* | 0.061 | – |
| | 21.4.2011 | 10,000,000 | – | – | (10,000,000) | – | – | 21.4.2012 – 20.4.2014 *(Note 4)* | 0.810 | – |
| | 4.9.2013 | 8,000,000 | – | – | – | – | 8,000,000 | 4.9.2015 – 3.9.2023 *(Note 3)* | 0.450 | – |
| | 28.4.2014 | – | 4,000,000 | – | – | – | 4,000,000 | 28.4.2016 – 27.4.2024 *(Note 3)* | 0.630 | – |
| **Employees** | 21.4.2011 | 50,300,000 | – | – | (50,300,000) | – | – | 21.4.2012 – 20.4.2014 *(Note 4)* | 0.810 | – |
| | 21.4.2011 | 13,400,000 | – | – | (13,400,000) | – | – | 21.4.2013 – 20.4.2014 *(Note 9)* | 0.810 | – |
| | 4.9.2013 | 193,300,000 | – | – | (12,200,000) *(Note 10)* | 8,000,000 *(Note 7)* | 189,100,000 | 4.9.2015 – 3.9.2023 *(Note 3)* | 0.450 | – |
| | 28.4.2014 | – | 138,200,000 | – | (3,400,000) *(Note 10)* | (12,000,000) *(Note 5)* | 122,800,000 | 28.4.2016 – 27.4.2024 *(Note 3)* | 0.630 | – |
| **Others** | 23.8.2007 | 7,200,000 | – | – | – | – | 7,200,000 | 23.8.2008 – 22.8.2017 *(Note 6)* | 0.230 | – |
| | 21.4.2011 | 101,000,000 | – | – | (101,000,000) | – | – | 21.4.2012 – 20.4.2014 *(Note 4)* | 0.810 | – |
| | 4.9.2013 | 10,000,000 | – | – | – | – | 10,000,000 | 4.9.2015 – 3.9.2023 *(Note 3)* | 0.450 | – |
| | 28.4.2014 | – | 8,000,000 | – | – | – | 8,000,000 | 28.4.2016 – 27.4.2024 *(Note 3)* | 0.630 | – |
| | | 578,700,000 | 183,200,000 | – | (280,300,000) | – | 481,600,000 | | | |
| Weighted average exercise price (HK$) | | 0.594 | 0.630 | – | 0.792 | – | 0.492 | | | |
| Exercisable as at 31.3.2015 | | | | | | | 21,800,000<br>18,900,000 | | 0.230<br>0.061 | |

Details of the options and movements in such holdings during the year ended 31 March 2014 are as follows:

| Category of participants | Date of grant | Number of options: Outstanding as at 1.4.2013 | Granted during the year | Exercised during the year | Lapsed during the year | Re-classified during the year | Outstanding as at 31.3.2014 | Exercise period | Exercise price per option | Weighted average closing price of the shares immediately before the dates on which the options were exercised |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | *(Note 2)* | | | | | | *HK$* | *HK$* |
| **Director & Substantial Shareholder** | | | | | | | | | | |
| Mr. Miao Zhenguo | 21.4.2011 | 10,000,000 | – | – | – | – | 10,000,000 | 21.4.2012 – 20.4.2014 *(Note 4)* | 0.810 | – |
| | 4.9.2013 | – | 12,000,000 | – | – | – | 12,000,000 | 4.9.2015 – 3.9.2023 *(Note 3)* | 0.450 | – |
| **Directors** | | | | | | | | | | |
| Mr. Lo Wing Yat | 23.8.2007 | 14,600,000 | – | – | – | – | 14,600,000 | 23.8.2008 – 22.8.2017 *(Note 6)* | 0.230 | – |
| | 8.5.2009 | 16,200,000 | – | – | – | – | 16,200,000 | 8.5.2010 – 7.5.2019 *(Note 6)* | 0.061 | – |
| | 21.4.2011 | 20,000,000 | – | – | – | – | 20,000,000 | 21.4.2012 – 20.4.2014 *(Note 4)* | 0.810 | – |
| | 4.9.2013 | – | 8,000,000 | – | – | – | 8,000,000 | 4.9.2015 – 3.9.2023 *(Note 3)* | 0.450 | – |
| Mr. Xu Donghui | 21.4.2011 | 20,000,000 | – | – | – | – | 20,000,000 | 21.4.2012 – 20.4.2014 *(Note 4)* | 0.810 | – |
| | 4.9.2013 | – | 8,000,000 | – | – | – | 8,000,000 | 4.9.2015 – 3.9.2023 *(Note 3)* | 0.450 | – |
| Mr. Jaime Che | 21.4.2011 | 20,000,000 | – | – | – | – | 20,000,000 | 21.4.2012 – 20.4.2014 *(Note 4)* | 0.810 | – |
| | 4.9.2013 | – | 12,000,000 | – | – | – | 12,000,000 | 4.9.2015 – 3.9.2023 *(Note 3)* | 0.450 | – |
| Professor Chen Guohua | 4.9.2013 | – | 6,000,000 | – | – | – | 6,000,000 | 4.9.2015– 3.9.2023 *(Note 3)* | 0.450 | – |
| Mr. Chan Yuk Tong | 8.5.2009 | 900,000 | – | – | – | – | 900,000 | 8.11.2010 – 7.5.2019 *(Note 8)* | 0.061 | – |
| | 21.4.2011 | 10,000,000 | – | – | – | – | 10,000,000 | 21.4.2012 – 20.4.2014 *(Note 4)* | 0.810 | – |
| | 4.9.2013 | – | 8,000,000 | – | – | – | 8,000,000 | 4.9.2015 – 3.9.2023 *(Note 3)* | 0.450 | – |
| Mr. Fei Tai Hung | 8.5.2009 | 900,000 | – | – | – | – | 900,000 | 8.11.2010 – 7.5.2019 *(Note 8)* | 0.061 | – |
| | 21.4.2011 | 10,000,000 | – | – | – | – | 10,000,000 | 21.4.2012 – 20.4.2014 *(Note 4)* | 0.810 | – |
| | 4.9.2013 | – | 8,000,000 | – | – | – | 8,000,000 | 4.9.2015 – 3.9.2023 *(Note 3)* | 0.450 | – |

| Category of participants | Date of grant | Number of options: Outstanding as at 1.4.2013 | Granted during the year *(Note 2)* | Exercised during the year | Lapsed during the year | Re-classified during the year | Outstanding as at 31.3.2014 | Exercise period | Exercise price per option *HK$* | Weighted average closing price of the shares immediately before the dates on which the options were exercised *HK$* |
|---|---|---|---|---|---|---|---|---|---|---|
| Mr. Tse Kam Fow | 8.5.2009 | 900,000 | – | – | – | – | 900,000 | 8.11.2010 – 7.5.2019 *(Note 8)* | 0.061 | – |
| | 21.4.2011 | 10,000,000 | – | – | – | – | 10,000,000 | 21.4.2012 – 20.4.2014 *(Note 4)* | 0.810 | – |
| | 4.9.2013 | – | 8,000,000 | – | – | – | 8,000,000 | 4.9.2015 – 3.9.2023 *(Note 3)* | 0.450 | – |
| **Employees** | 8.5.2009 | 1,125,000 | – | (1,125,000) | – | – | – | 8.5.2011 – 7.5.2019 *(Note 13)* | 0.061 | 0.310 |
| | 21.4.2011 | 50,300,000 | – | – | – | – | 50,300,000 | 21.4.2012 – 20.4.2014 *(Note 4)* | 0.810 | – |
| | 21.4.2011 | 15,200,000 | – | – | (1,800,000) *(Note 14)* | – | 13,400,000 | 21.4.2013 – 20.4.2014 *(Note 9)* | 0.810 | – |
| | 4.9.2013 | – | 197,400,000 | – | (4,100,000) *(Note 14)* | – | 193,300,000 | 4.9.2015 – 3.9.2023 *(Note 3)* | 0.450 | – |
| **Others** | 23.8.2007 | 7,200,000 | – | – | – | – | 7,200,000 | 23.8.2008 – 22.8.2017 *(Note 6)* | 0.230 | – |
| | 21.4.2011 | 101,000,000 | – | – | – | – | 101,000,000 | 21.4.2012 – 20.4.2014 *(Note 4)* | 0.810 | – |
| | 4.9.2013 | – | 10,000,000 | – | – | – | 10,000,000 | 4.9.2015 – 3.9.2023 *(Note 3)* | 0.450 | – |
| | | 308,325,000 | 277,400,000 | (1,125,000) | (5,900,000) | – | 578,700,000 | | | |
| Weighted average exercise price (HK$) | | 0.720 | 0.450 | 0.061 | 0.560 | – | 0.594 | | | |
| Exercisable as at 31.3.2014 | | | | | | | 21,800,000 | | 0.230 | |
| | | | | | | | 18,900,000 | | 0.061 | |
| | | | | | | | 264,700,000 | | 0.810 | |

*Notes:*

1. Number of options refers to the number of underlying shares of the Company covered by the options under the Scheme.

2. Options to subscribe for 183,200,000 shares of the Company were granted on 28 April 2014. The Company received an aggregate consideration of HK$95 for the grant of these options. The closing price of the shares of the Company on the trading day immediately before the date on which these options were granted was HK$0.520.

3. Options granted are subject to a vesting period up to five years with half of the options becoming exercisable 24 months after the relevant date of grant and the remainder becoming exercisable 60 months after the relevant date of grant.

4. Options granted are subject to a vesting period of one year and are exercisable 12 months after the relevant date of grant. These options were lapsed on 21 April 2014 upon the expiry of the exercise period concerned.

5. Dr. Chen Yanping was an employee of the Company prior to his appointment as a director of the Company on 28 May 2014. His outstanding options entitling him to subscribe for a total of 12,000,000 shares of the Company were therefore re-classified from the category of "Employees" to the category of "Directors" during the year ended 31 March 2015.

6. Options granted are subject to a vesting period up to two years with 50%, 25% and 25% of the options becoming exercisable 12 months, 18 months and 24 months after the date of grant respectively.

7. Mr. Xu Donghui resigned as a director of the Company on 28 May 2014 but remained as an employee of the Company. His outstanding options entitling him to subscribe for a total of 8,000,000 shares of the Company were therefore re-classified from the category of "Directors" to the category of "Employees" during the year ended 31 March 2015.

8. Options granted are subject to a vesting period of two years with half of the options becoming exercisable 18 months after the date of grant and the remainder becoming exercisable 24 months after the date of grant.

9. Options granted are subject to a vesting period up to two years and are exercisable 24 months after the relevant date of grant. These options were lapsed on 21 April 2014 upon the expiry of the exercise period concerned.

10. A total of 15,600,000 unvested options lapsed during the year ended 31 March 2015 following the cessation of optionholders to be employees of the Company or eligible participants of the Scheme.

11. The weighted average fair values of the options granted during the years ended 31 March 2015 and 2014 calculated using the Binomial Option-Pricing Model and the inputs into such model were as follows:

| | **2015** | | **2014** | |
|---|---|---|---|---|
| | **Options granted on 28 April 2014 with vesting period of two years** | **Options granted on 28 April 2014 with vesting period of five years** | **Options granted on 4 September 2013 with vesting period of two years** | **Options granted on 4 September 2013 with vesting period of five years** |
| Weighted average fair value | HK$0.098 | HK$0.223 | HK$0.045 | HK$0.128 |
| Share price on grant date | HK$0.480 | HK$0.480 | HK$0.295 | HK$0.295 |
| Exercise price | HK$0.630 | HK$0.630 | HK$0.450 | HK$0.450 |
| Expected volatility | 53.58% | 62.26% | 52.62% | 63.99% |
| Option life | 10 years | 10 years | 10 years | 10 years |
| Risk free rate | 0.37% | 1.42% | 0.38% | 1.39% |
| Expected dividend yield | 0% | 0% | 0% | 0% |

Expected volatility was determined by using the annualised standard deviations of the continuously compounded rates of return on the share prices of three other comparable companies. The result of the Binomial Option-Pricing Model can be materially affected by changes in these variables and assumptions. Therefore, an option's actual value may differ from the estimated fair value of the options due to limitations of the Binomial Option-Pricing Model.

12. No options were exercised or cancelled during the year ended 31 March 2015, and no options were cancelled during the year ended 31 March 2014.

13. Options granted are subject to a vesting period of two years and are exercisable 24 months after the relevant date of grant.

14. A total of 1,800,000 vested options and 4,100,000 unvested options lapsed during the year ended 31 March 2014 following the cessation of optionholders to be employees of the Company or eligible participants of the Old Scheme.

15. The Group recognised total expenses of approximately HK$13,860,000 for the year ended 31 March 2015 (2014: HK$3,736,000) in relation to the options granted by the Company. The options outstanding as at 31 March 2015 had a weighted average remaining contractual life of 8.2 years (2014: 4.8 years). As at 31 March 2015, a total of 40,700,000 (2014: 305,400,000) options were exercisable with weighted-average exercise price of HK$0.152 (2014: HK$0.722) per option.

## 45. COMMITMENTS

### (a) COMMITMENTS UNDER OPERATING LEASES

At the end of the reporting period, the Group and the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of rental premises falling due as follows:

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Within one year | 12,854 | 9,985 | 7,367 | 7,367 |
| In the second to fifth year inclusive | 14,133 | 20,702 | 12,053 | 19,420 |
| | 26,987 | 30,687 | 19,420 | 26,787 |

Leases are negotiated for terms from one to four years with a fixed monthly rental over the terms of the leases. None of the leases include contingent rentals.

### (b) CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

| | **2015** | **2014** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Capital commitments in respect of capital expenditure of the Group's factories in the PRC | | |
| Contracted, but not provided for | 2,103,739 | 899,878 |
| Authorised, but not contracted for | 1,340,103 | 14,045 |
| | 3,443,842 | 913,923 |

The Company did not have any material capital commitments at the end of the reporting period (2014: nil).

**46. LITIGATIONS**

The Company and two of its subsidiaries are currently involved in several litigations with Mr. Winston Chung (formerly known as Chung Hing Ka) ("Mr. Chung") and companies which are controlled and/or owned by him (together with Mr. Chung, the "Chung Parties"). The summaries of litigations are as follows:

– The Company and two of its subsidiaries have instituted legal proceedings against the Chung Parties in the HK Court for, inter alia, breaches of various agreements in relation to the acquisition completed by the Group on 25 May 2010. The Chung Parties has made a counterclaim based on certain documents.

– The Chung Parties has filed a lawsuit against a subsidiary of the Company in the HK Court and alleged that the Company's subsidiary is not entitled to use certain patents.

– The Chung Parties has filed a lawsuit against a subsidiary of the Company in the Shenzhen Intermediate Court of the PRC (the "SZ Court") for breaches of various agreements in relation to the production of battery products (the "SZ Case").

In these litigations, the allegations and defenses of the Chung Parties are primarily based on certain documents (the "Questioned Documents") which the Group denied that they are the versions executed by the Group and the Chung Parties. The Group has strong reasons to believe that the Questioned Documents are fraudulently altered and/or completely fabricated. On 2 June 2015, the SZ Court has ruled that the Questioned Documents are not the bona fide agreements the parties have entered into and thus, there are no sufficient evidence to support the Chung Parties' claims. The SZ Court has dismissed the SZ Case and ordered the Chung Parties to pay the SZ Court's cost.

On 27 February 2013, the HK Court has made an order for bankruptcy against Mr. Chung (the "Bankruptcy"). Despite Mr. Chung was adjudged bankrupt over two years, Mr. Chung neither submitted a substantive statement of affairs, an annual report of his earnings and acquisitions nor delivered any substantial property to the Trustee as required by the Bankruptcy Ordinance. Subsequently, on 4 September 2014, the HK Court issued a warrant of arrest to apprehend Mr. Chung.

The litigations involving Mr. Chung were stayed as a result of his Bankruptcy. On 29 January 2015, the Group has re-commenced the litigation in Hong Kong and the Group is of the view that the Company and two of its subsidiaries, as the plaintiffs of such litigation, can start pursuing it in a more straight-forward and efficient manner.

Based on legal advice and the latest SZ Court's order, the directors of the Company are of the view that the allegations and defenses of the Chung Parties are frivolous, vexations and based on unsubstantiated and invalid grounds, and the directors of the Company do not believe it is probable that the courts will find against them. No provision has therefore been made in respect of these litigations.

## 47. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

**KEY MANAGEMENT PERSONNEL REMUNERATION**

Remuneration of key management personnel, including amounts paid to the Company's directors as disclosed in Note 17(a) and certain of the highest paid employees as disclosed in Note 17(b), is as follows:

| | **2015** | **2014** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Short-term employee benefits | 11,750 | 5,911 |
| Retirement benefit schemes contributions | 135 | 60 |
| Equity-settled share-based payments | 3,948 | 1,067 |
| | 15,833 | 7,038 |

## 48. EVENTS AFTER THE REPORTING PERIOD

The Group had the following material events subsequent to the end of the reporting period and up to the date of approval of these financial statements:

(a) On 20 April 2015, Union Grace Holdings Limited ("Union Grace"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Cherrylink Investments Limited ("Cherrylink"), a wholly-owned subsidiary of CGL, pursuant to which Union Grace conditionally agreed to sell and Cherrylink conditionally agreed to purchase 25% of the issued share capital of Synergy Dragon Limited ("SDL"), an indirect wholly-owned subsidiary of the Company. In accordance with the terms and conditions thereof, the consideration for the transaction is HK$750,000,000, which shall be satisfied by convertible bonds with 8% coupon per annum to be issued by CGL to Union Grace (or its nominee) on the completion date. As at the date of this report, the transaction has not yet completed. Following completion, the issued shares of SDL will be owned as to 25% by CGL and as to 75% by Union Grace. SDL and its subsidiaries are principally engaged in research and development, production and sales of lithium-ion batteries and its related products.

(b) On 29 April 2015, the Company entered into a placing agreement with the placing agent to place up to 150,000,000 shares of CGL, representing approximately 15.99% of issued share capital of CGL, held indirectly by the Company to parties independent from and not a connected person to the Company at a placing price of HK$1.70 per share. On 7 May 2015, 150,000,000 shares of CGL held indirectly by the Company had been placed through the placing agent to not less than six placees who are neither connected persons of the Company nor parties acting in concert with the Company, at the placing price of HK$1.70 per share. The net amount of approximately HK$248,600,000 was raised by the Group. After the placing, the shareholding of the Group in CGL decreased from approximately 89.54% to approximately 73.55%.

(c) On 4 May 2015, the Company announced that it has formed a joint venture, Orng EV Solutions, Inc., (the "JV") with Smith Electric Vehicles Corp. ("Smith") in the US to sell electric vehicles by leveraging the Group's electric vehicle designs and combining it with Smith's technologies and sales network.

Accordingly, the Company and Smith entered into the FDG contribution agreement and the Smith contribution agreement with the JV respectively. Pursuant to the FDG contribution agreement, the Company has conditionally agreed to (i) enter into the licence agreement pursuant to which the Company will contribute, convey, assign, transfer and deliver the exclusive right to use the Group's current design specifications for passenger van, mini bus, panel van and cab/chassis and their respective variations in the US (including 50 states, the District of Columbia, Puerto Rico, Guam and the American Virgin Islands) (collectively, the "Territory") and provide relevant engineering access and support to the JV in accordance with the terms and conditions therein; (ii) enter into a battery supply agreement no later than 30 June 2015; (iii) enter into the semi knock down kit (the "SKD Kit") supply agreement no later than 30 June 2015 with an expected demand for the SKD Kits of 3,000, 5,000, 10,000 units in the calendar year 2016, 2017 and 2018, respectively; (iv) contribute US$5,000,000 in cash to the JV; and (v) contribute an additional US$10,000,000 in cash to the JV upon, inter alia, the execution of the battery supply agreement and the SKD Kit supply agreement (collectively, the "FDG Contributed Assets"), and the JV has conditionally agreed to issue an aggregate of 22,500,000 shares to the Company (or its nominee) upon the closing of the contributions of the FDG Contributed Assets and/or the Smith Contributed Assets (as defined below) as specified in the FDG contribution agreement and/or the Smith contribution agreement (the "Effective Time"). Pursuant to the Smith contribution agreement, Smith has conditionally agreed to contribute, convey, assign, transfer and deliver to the JV (i) an exclusive licence for the use of the Smith intellectual property (including all know-hows and trade secrets) in the Territory; (ii) an exclusive licence for the use of the brand "Smith" and all related goodwill in the Territory; (iii) the executed original equipment manufacturing supply agreement no later than 30 June 2015; (iv) the exclusive sales and distribution rights of electric vehicles in the Territory; (v) the exclusive rights to form a battery rental business in the Territory; (vi) goodwill including but not limited to Smith's customers; and (vii) executed offer letters from certain employees (collectively, the "Smith Contributed Assets"), and the JV has conditionally agreed to issue 20,000,000 shares to Smith upon the Effective Time.

Up to the date of this report, the JV has been formed in the US and contributions of the FDG Contributed Assets were completed save for the contribution of the additional US$10,000,000 in cash, and the execution of the battery supply agreement and the SKD Kit supply agreement between the Company and the JV. The agreements are still under negotiations and the signing deadlines of which have been extended. In addition, the contributions of the Smith Contributed Assets were completed save for the execution of the original equipment manufacturing supply agreement between the JV and Smith. It is still under negotiations and the signing deadline of which has been extended.

(d) On 29 June 2015, the Board proposed to reduce the entire amount standing to the credit of the share premium account of the Company to nil (the "Share Premium Reduction") and part of the credit arising from the Share Premium Reduction will be applied to offset the entire amount of the accumulated losses of the Company and the remaining balance will be credited to the contributed surplus account of the Company. The Share Premium Reduction is conditional upon, inter alia, the passing of a special resolution by the shareholders at the coming annual general meeting and compliance with the relevant law and regulations. Further details are set out in the Company's announcement dated 29 June 2015.

**49. CAPITAL MANAGEMENT**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances.

The management of the Group reviews the capital structure and considers the cost of capital regularly. The Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, issue new shares as well as the raising of debts and bank borrowings. No material changes were made in the objectives, policies or processes during the years ended 31 March 2015 and 2014.

Neither the Company nor any other subsidiary is subject to externally imposed capital requirements.

The Group monitors its capital structure on the basis of net debt to equity ratio, which is net debt divided by capital. Net debt includes the Group's total borrowings (including bank loans and other borrowings, loan from a holder of non-controlling interests and obligations under redeemed convertible bonds) less cash and cash equivalents and deposit in a security account as shown in consolidated statement of financial position. Total capital includes all components of equity attributable to owners of the Company and the liability components of convertible bonds. The net debt to equity ratio as at end of the reporting period is as follows:

| | **2015** | **2014** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Bank loans and other borrowings | 880,203 | 372,181 |
| Loan from a holder of non-controlling interests | – | 150,000 |
| Obligations under redeemed convertible bonds *(Note)* | 760,752 | 760,752 |
| Total borrowings | 1,640,955 | 1,282,933 |
| Less: Cash and cash equivalents | (411,478) | (1,069,623) |
| Deposit in a security account | (320,019) | – |
| Net debt | 909,458 | 213,310 |
| Total equity attributable to owners of the Company | 2,071,146 | 1,733,800 |
| Liability components of convertible bonds | 1,156,011 | – |
| Adjusted capital | 3,227,157 | 1,733,800 |
| Net debt to equity ratio | 28% | 12% |

*Note:* Based on a court judgment dated 5 March 2013, the Group has been given an unconditional leave to defend to the extent of the Set-Off (as defined in Note 37) and based on which, the Group is entitled to a stay of execution of payment for the obligations under the redeemed convertible bonds before the conclusion of relevant legal proceedings.

**50. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform with current year's presentation.

**51. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements were approved and authorised for issue by the Board on 29 June 2015.

*Note:* With effect from 17 December 2015, "CIAM Group Limited" ("CGL") has changed its company name to "FDG Kinetic Limited" ("FDG Kinetic").

## 3. UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

The following is the full text of the unaudited consolidated financial information of the Group for the six months ended 30 September 2015 as extracted from the interim report of the Company for the six months ended 30 September 2015.

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the six months ended 30 September 2015*

| | | Six months ended | |
|---|---|---|---|
| | | **30.9.2015** | **30.9.2014** |
| | | **(unaudited)** | **(unaudited)** |
| | *Note* | *HK$'000* | *HK$'000* |
| | | | (Restated) |
| **Revenue** | *2* | 136,696 | 138,637 |
| Cost of sales | | (82,070) | (121,552) |
| **Gross profit** | | 54,626 | 17,085 |
| Other income | | 15,037 | 11,498 |
| Selling and distribution costs | | (17,033) | (12,196) |
| General and administrative expenses | | (157,589) | (93,691) |
| Research and development expenses | | (18,343) | (7,612) |
| Finance costs | *3* | (176,682) | (39,802) |
| Amortisation of intangible assets | *8* | (83,054) | (89,746) |
| Gain on disposal of intangible assets | *4* | 82,948 | – |
| Share of loss of joint ventures | | (4,105) | – |
| **Loss before tax** | *4* | (304,195) | (214,464) |
| Income tax | *5* | (12,935) | 22,511 |
| **Loss for the period** | | (317,130) | (191,953) |
| **Attributable to:** | *6(a)* | | |
| Owners of the Company | | 181,923 | (153,195) |
| Non-controlling interests | | (499,053) | (38,758) |
| | | (317,130) | (191,953) |

| | | Six months ended | |
|---|---|---|---|
| | | **30.9.2015** | **30.9.2014** |
| | | **(unaudited)** | **(unaudited)** |
| | *Note* | *HK cents* | *HK cents* |
| **Earnings/(loss) per share attributable to owners of the Company** | *6(b)* | | |
| – Basic | | 1.00 | (0.89) |
| – Diluted | | 1.00 | (0.89) |

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the six months ended 30 September 2015*

| | Six months ended | |
|---|---|---|
| | **30.9.2015** | **30.9.2014** |
| | **(unaudited)** | **(unaudited)** |
| | *HK$'000* | *HK$'000* |
| | | (Restated) |
| **Loss for the period** | (317,130) | (191,953) |
| **Other comprehensive (loss)/income for the period, net of nil tax:** | | |
| Items that may be reclassified subsequently to profit or loss: | | |
| Exchange differences on translation of financial statements of foreign operations | (110,361) | 4,596 |
| Share of other comprehensive loss of joint ventures | (3,831) | – |
| | (114,192) | 4,596 |
| **Total comprehensive loss for the period** | (431,322) | (187,357) |
| **Attributable to:** | | |
| Owners of the Company | 74,612 | (147,845) |
| Non-controlling interests | (505,934) | (39,512) |
| **Total comprehensive loss for the period** | (431,322) | (187,357) |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
*As at 30 September 2015*

| | Note | 30.9.2015 (unaudited) HK$'000 | 31.3.2015 (audited) HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Goodwill | | 856,112 | 871,647 |
| Intangible assets | 8 | 798,560 | 932,447 |
| Fixed assets: Property, plant and equipment | 9 | 2,110,617 | 1,849,768 |
| Fixed assets: Interest in leasehold land held for own use under operating lease | 9 | 352,337 | 369,622 |
| Interests in joint ventures | 10 | 298,667 | 107,866 |
| Available-for-sale investments | | 93,634 | 93,634 |
| Financial assets at fair value through profit or loss | 11 | 47,586 | 48,249 |
| Deposits paid for non-current assets | 12 | 231,500 | 76,265 |
| Loan receivable | 14 | 451 | 467 |
| Other non-current assets | | 8,820 | 9,731 |
| | | 4,798,284 | 4,359,696 |
| **Current assets** | | | |
| Inventories | | 305,965 | 192,715 |
| Trade and bills receivables | 13 | 150,117 | 148,185 |
| Loan and other receivables | 14 | 599,631 | 399,060 |
| Financial assets at fair value through profit or loss | 11 | 10,059 | 10,569 |
| Derivative financial instruments | 18 | 33,567 | 53,862 |
| Pledged bank deposits | | 80,925 | 128,871 |
| Deposit in a security account | | – | 320,019 |
| Cash and cash equivalents | | 640,468 | 411,478 |
| | | 1,820,732 | 1,664,759 |
| **Current liabilities** | | | |
| Bank loans and other borrowings | | (985,398) | (880,203) |
| Trade and bills payables | 15 | (215,496) | (139,189) |
| Accruals and other payables | 16 | (713,433) | (493,158) |
| Tax payable | | (13,119) | (13,101) |
| Obligations under redeemed convertible bonds | 17 | (760,752) | (760,752) |
| | | (2,688,198) | (2,286,403) |

| | Note | 30.9.2015 (unaudited) HK$'000 | 31.3.2015 (audited) HK$'000 |
|---|---|---|---|
| **Net current liabilities** | | (867,466) | (621,644) |
| **Total assets less current liabilities** | | 3,930,818 | 3,738,052 |
| **Non-current liabilities** | | | |
| Other non-current liability | | (50,873) | (52,718) |
| Liability components of convertible bonds | *18* | (1,066,988) | (1,156,011) |
| Deferred tax liabilities | | (225,022) | (215,118) |
| | | (1,342,883) | (1,423,847) |
| **NET ASSETS** | | 2,587,935 | 2,314,205 |
| **CAPITAL AND RESERVES** | | | |
| Issued capital | *19* | 182,928 | 178,662 |
| Reserves | | 1,844,811 | 1,892,484 |
| **Total equity attributable to owners of the Company** | | 2,027,739 | 2,071,146 |
| **Non-controlling interests** | | 560,196 | 243,059 |
| **TOTAL EQUITY** | | 2,587,935 | 2,314,205 |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 September 2015*

| | Unaudited | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Attributable to owners of the Company | | | | | | | | | | |
| | Issued capital *HK$'000* | Share premium *HK$'000* | Exchange reserve *HK$'000* | Contributed surplus *HK$'000* | Capital redemption reserve *HK$'000* | Equity component of convertible bonds *HK$'000* | Share option reserve *HK$'000* | Retained profits/ (accumulated losses) *HK$'000* | Total *HK$'000* | Non-controlling interests *HK$'000* | Total equity *HK$'000* |
| As at 1 April 2015 | 178,662 | 6,604,261 | 26,505 | 15,506 | 1,868 | 511,179 | 20,623 | (5,287,458) | 2,071,146 | 243,059 | 2,314,205 |
| Profit/(loss) for the period | – | – | – | – | – | – | – | 181,923 | 181,923 | (499,053) | (317,130) |
| Other comprehensive loss for the period | | | | | | | | | | | |
| – Exchange differences on translation of financial statements of foreign operations | – | – | (103,480) | – | – | – | – | – | (103,480) | (6,881) | (110,361) |
| – Share of other comprehensive loss of joint ventures | – | – | (3,831) | – | – | – | – | – | (3,831) | – | (3,831) |
| Total other comprehensive loss for the period | – | – | (107,311) | – | – | – | – | – | (107,311) | (6,881) | (114,192) |
| Total comprehensive (loss)/income for the period | – | – | (107,311) | – | – | – | – | 181,923 | 74,612 | (505,934) | (431,322) |
| Capital contribution from non-controlling interests | – | – | – | – | – | – | – | – | – | 36,752 | 36,752 |
| Cancellation of share premium *(Note (a))* | – | (6,824,625) | – | 6,824,625 | – | – | – | – | – | – | – |
| Transfers *(Note (a))* | – | – | – | (5,420,546) | – | – | – | 5,420,546 | – | – | – |
| Conversion of convertible bonds *(Note 19)* | 4,266 | 220,729 | – | – | – | (75,764) | – | – | 149,231 | – | 149,231 |
| Changes in ownership interests in subsidiaries without change of control *(Note (b))* | – | – | – | – | – | – | – | (273,757) | (273,757) | 786,319 | 512,562 |
| Equity-settled share-based payments | – | – | – | – | – | – | 6,507 | – | 6,507 | – | 6,507 |
| As at 30 September 2015 | 182,928 | 365 | (80,806) | 1,419,585 | 1,868 | 435,415 | 27,130 | 41,254 | 2,027,739 | 560,196 | 2,587,935 |

| | Unaudited | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Attributable to owners of the Company | | | | | | | | | | |
| | Issued capital | Share premium | Exchange reserve | Contributed surplus | Capital redemption reserve | Equity component of convertible bonds | Share option reserve | Retained profits/ (accumulated losses) | Total | Non-controlling interests | Total equity |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| As at 1 April 2014 | 169,769 | 6,174,125 | 20,047 | 15,506 | 1,868 | – | 21,839 | (4,669,354) | 1,733,800 | 329,039 | 2,062,839 |
| Loss for the period | – | – | – | – | – | – | – | (153,195) | (153,195) | (38,758) | (191,953) |
| Other comprehensive income/(loss) for the period – Exchange differences on translation of financial statements of foreign operations | – | – | 5,350 | – | – | – | – | – | 5,350 | (754) | 4,596 |
| Total comprehensive income/(loss) for the period | – | – | 5,350 | – | – | – | – | (153,195) | (147,845) | (39,512) | (187,357) |
| Non-controlling interests arising on the acquisition | – | – | – | – | – | – | – | – | – | 48,103 | 48,103 |
| Shares issued pursuant to acquisition | 3,800 | 178,600 | – | – | – | – | – | – | 182,400 | – | 182,400 |
| Issue of convertible bonds | – | – | – | – | – | 86,075 | – | – | 86,075 | – | 86,075 |
| Share options lapsed | – | – | – | – | – | – | (15,076) | 15,076 | – | – | – |
| Equity-settled share-based payments | – | – | – | – | – | – | 6,830 | – | 6,830 | – | 6,830 |
| As at 30 September 2014 | 173,569 | 6,352,725 | 25,397 | 15,506 | 1,868 | 86,075 | 13,593 | (4,807,473) | 1,861,260 | 337,630 | 2,198,890 |

*Notes:*

(a) Pursuant to the special resolution passed at the annual general meeting of the Company held on 28 August 2015 and with effect from 31 August 2015, the amount of approximately HK$6,824,625,000 standing to the credit of the share premium account was transferred to contributed surplus account of the Company, of which, an amount of approximately HK$5,420,546,000 was applied to offset the accumulated losses of the Company.

(b) The changes in ownership interests in subsidiaries without change of control (as stated in the non-controlling interests) in the current period mainly arise from (i) a completion of placing of 150,000,000 shares of CIAM Group Limited ("CGL") held by a wholly-owned subsidiary of the Company on 7 May 2015 which made the shareholdings of CGL held by the Company changed from approximately 89.54% to approximately 73.55%; and (ii) a completion of top-up placing of 35,000,000 new shares of CGL on 5 August 2015 which made the shareholdings of CGL held by the Company changed from approximately 73.55% to approximately 70.91%.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*For the six months ended 30 September 2015*

| | Six months ended | |
|---|---|---|
| | **30.9.2015** | **30.9.2014** |
| | **(unaudited)** | **(unaudited)** |
| | *HK$'000* | *HK$'000* |
| **Operating activities** | | |
| **Net cash used in operating activities** | (149,577) | (143,043) |
| **Investing activities** | | |
| Payments for acquisition of property, plant and equipment | (337,617) | (328,268) |
| Payment of deposit for acquisition of subsidiaries | (186,000) | – |
| Capital contribution to form a joint venture | (38,750) | – |
| Payment of deposit for an investment | – | (77,500) |
| Net cash inflows on acquisition of subsidiaries | – | 13,534 |
| Decrease in deposit in a security account | 320,019 | – |
| Other cash flows generated from/(used in) investing activities | 4,741 | (89,863) |
| **Net cash used in investing activities** | (237,607) | (482,097) |
| **Financing activities** | | |
| Net proceeds from issuance of convertible bonds | – | 392,000 |
| Net proceeds from partial disposal of interest in a subsidiary | 248,370 | – |
| Net proceeds from issuance of new shares by a subsidiary | 264,192 | – |
| Capital contribution from non-controlling interests | 36,752 | – |
| Proceeds from bank loans and other borrowings | 299,020 | 190,547 |
| Repayment of bank loans and other borrowings | (183,963) | (372,181) |
| Other cash flows (used in)/generated from financing activities | (44,617) | 59,782 |
| **Net cash generated from financing activities** | 619,754 | 270,148 |
| **Net increase/(decrease) in cash and cash equivalents** | 232,570 | (354,992) |
| Effect of foreign exchange rate changes | (3,580) | (103) |
| Cash and cash equivalents at the beginning of the period | 411,478 | 1,069,623 |
| **Cash and cash equivalents at the end of the period** | 640,468 | 714,528 |

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The interim financial statements are unaudited, condensed and have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The condensed consolidated interim financial statements should be read in conjunction with the Group's audited financial statements for the year ended 31 March 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

In preparing the condensed consolidated interim financial statements, the Board has considered the Group's future liquidity in light of the fact that the Group had net current liabilities of approximately HK$867,466,000 as at 30 September 2015, which included obligations under redeemed convertible bonds of approximately HK$760,752,000 (the "Redemption Amount"). Based on a court judgment dated 5 March 2013, the Company has been given an unconditional leave to defend to the extent of the set-off portion of the damages to be claimed by the Group against the Redemption Amount in the legal proceedings against the holder of such redeemed convertible bonds and its associates and based on which the Company is entitled to a stay of execution of payment for the Redemption Amount before the conclusion of the relevant legal proceedings. Therefore, the Board considers that it is not likely for the Company to settle the Redemption Amount in cash in the coming year. Subsequent to the end of the reporting period, as disclosed in Note 23(b), the Group has raised fund of approximately HK$491,500,000 by placing 1,000,000,000 new ordinary shares of the Company. After having considered the Group's business plans, internal financial resources, fund raising activities and the financial support from the substantial shareholders of the Company, the Board is of the view that the Group has sufficient cash resources to satisfy their working capital and other financial obligations for the next twelve months from the date of this report. Accordingly, the Board is of the view that it is appropriate to prepare these condensed consolidated interim financial statements on a going concern basis.

The accounting policies and basis of preparation adopted in the preparation of these condensed consolidated interim financial statements are consistent with those used in the Group's audited consolidated financial statements for the year ended 31 March 2015, except in relation to the following new and revised HKFRSs, HKASs and Interpretations (hereinafter collectively referred to as the "new and revised HKFRSs"), which have become effective for accounting periods beginning on or after 1 April 2015, that are adopted for the first time in the current period's financial statements:

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

The adoption of the above new and revised HKFRSs has no material impact on the accounting policies of the Group and the methods of recognition and measurement in the Group's interim financial statements for current or prior reporting periods.

The Group has not early adopted any other new and revised HKFRSs that have been issued but are not yet effective in these interim financial statements.

### 2. REVENUE AND SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents the aggregate of gross proceeds from sales of lithium-ion batteries and its related products, service income from vehicle design, rental income from leasing of electric vehicles and income from direct investments.

| | Six months ended 30.9.2015 (unaudited) HK$'000 | 30.9.2014 (unaudited) HK$'000 (Restated) |
|---|---|---|
| Sales of lithium-ion batteries and its related products | 127,470 | 135,537 |
| Service income from vehicle design | – | 2,494 |
| Rental income from leasing of electric vehicles | 540 | 606 |
| Income from direct investments | 8,686 | – |
| Total | 136,696 | 138,637 |

Operating segments are identified on the basis of internal reports which provide information about components of the Group. These information are reported to and reviewed by the Board, the chief operating decision maker of the Group, for the purposes of resource allocation and performance assessment. During the current period, the Board considered that the treasury investment segment is no longer as a reportable operating segment for the Group, some of the comparative figures of the segment and financial information are restated accordingly to reflect such changes. The Board considers that the Group is organised into business units based on their products and services, and has reportable operating segments as follows:

(i) the battery products segment includes the research and development, manufacture and sales of lithium-ion batteries and its related products;

(ii) the vehicle design and electric vehicle production segment includes the vehicle design and the design, manufacture and sales of electric vehicles;

(iii) the electric vehicle leasing segment represents the provision of leasing service of electric vehicles; and

(iv) the direct investments segment represents various direct investments, including loan financing, securities trading and assets investment (a new business segment which was acquired in February 2015).

Reportable segment loss before tax represents the loss from each segment without the allocation of central administration costs, central finance costs and other income earned by the central office.

**(a) Segment information**

| | For the six months ended 30.9.2015 (unaudited) | | | | |
|---|---|---|---|---|---|
| | **Battery products** *HK$'000* | **Vehicle design & electric vehicle production** *HK$'000* | **Electric vehicle leasing** *HK$'000* | **Direct investments** *HK$'000* | **Total** *HK$'000* |
| **Revenue from external customers** | 127,470 | – | 540 | 8,686 | 136,696 |
| **Inter-segment revenue** | 54,420 | – | – | 15,215 | 69,635 |
| **Reportable segment revenue** | 181,890 | – | 540 | 23,901 | 206,331 |
| **Reportable segment loss before tax** | (60,834) | (19,932)* | (1,545) | (12,067) | (94,378) |

* Included a one-off non-cash gain on disposal of intangible assets of approximately HK$82,948,000 represented the excess of the agreed consideration of such intangible assets over the carrying amount of such intangible assets (the "Excess") contributed by the Group and a joint venture partner to a joint venture, namely Orng EV Solutions, Inc., after eliminating the Group's interest in the Excess of such intangible assets contributed by the Group.

| | For the six months ended 30.9.2014 (unaudited) (Restated) | | | | |
|---|---|---|---|---|---|
| | **Battery products** *HK$'000* | **Vehicle design & electric vehicle production** *HK$'000* | **Electric vehicle leasing** *HK$'000* | **Direct investments** *HK$'000* | **Total** *HK$'000* |
| Revenue from external customers | 135,537 | 2,494 | 606 | – | 138,637 |
| Inter-segment revenue | 884 | – | – | – | 884 |
| Reportable segment revenue | 136,421 | 2,494 | 606 | – | 139,521 |
| Reportable segment loss before tax | (80,683) | (82,115) | (1,935) | – | (164,733) |

| | As at 30.9.2015 (unaudited) | | | | |
|---|---|---|---|---|---|
| | **Battery products** | **Vehicle design & electric vehicle production** | **Electric vehicle leasing** | **Direct investments** | **Total** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Reportable segment assets** | 1,636,723 | 3,425,245 | 5,881 | 1,387,944 | 6,455,793 |
| **Reportable segment liabilities** | (1,492,237) | (653,488) | (1,329) | (8,720) | (2,155,774) |

| | As at 31.3.2015 (audited) (Restated) | | | | |
|---|---|---|---|---|---|
| | **Battery products** | **Vehicle design & electric vehicle production** | **Electric vehicle leasing** | **Direct investments** | **Total** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Reportable segment assets | 1,501,810 | 3,018,066 | 4,487 | 1,192,540 | 5,716,903 |
| Reportable segment liabilities | (1,336,911) | (468,203) | (1,336) | (17,328) | (1,823,778) |

**(b) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities**

| | Six months ended | |
|---|---|---|
| | **30.9.2015 (unaudited)** | **30.9.2014 (unaudited)** |
| | *HK$'000* | *HK$'000* (Restated) |
| **Revenue** | | |
| Reportable segment revenue | 206,331 | 139,521 |
| Elimination of inter-segment revenue | (69,635) | (884) |
| Consolidated revenue | 136,696 | 138,637 |
| **Loss** | | |
| Reportable segment loss before tax | (94,378) | (164,733) |
| Other income | 246 | 4,878 |
| Depreciation of property, plant and equipment | (748) | (640) |
| Finance costs | (171,330) | (23,633) |
| Unallocated corporate expenses | (37,985) | (30,336) |
| Consolidated loss before tax | (304,195) | (214,464) |

| | 30.9.2015 (unaudited) HK$'000 | 31.3.2015 (audited) HK$'000 (Restated) |
|---|---|---|
| **Assets** | | |
| Reportable segment assets | 6,455,793 | 5,716,903 |
| Unallocated corporate assets: | | |
| Available-for-sale investments | 93,634 | 93,634 |
| Derivative financial instruments | 33,567 | 53,862 |
| Other unallocated corporate assets | 36,022 | 160,056 |
| Consolidated total assets | 6,619,016 | 6,024,455 |
| **Liabilities** | | |
| Reportable segment liabilities | (2,155,774) | (1,823,778) |
| Unallocated corporate liabilities: | | |
| Other borrowings | (784,379) | (689,566) |
| Liability components of convertible bonds | (1,066,988) | (1,156,011) |
| Other unallocated corporate liabilities | (23,940) | (40,895) |
| Consolidated total liabilities | (4,031,081) | (3,710,250) |

**(c) Seasonality of operations**

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

**3. FINANCE COSTS**

| | Six months ended 30.9.2015 (unaudited) HK$'000 | 30.9.2014 (unaudited) HK$'000 |
|---|---|---|
| Interest expenses on convertible bonds *(Note 18)* | 77,047 | 23,633 |
| Interest on bank loans and other borrowings wholly repayable within five years | 80,176 | 16,169 |
| Total interest expenses on financial liabilities not at fair value through profit or loss | 157,223 | 39,802 |
| Fair value loss on derivative financial instruments *(Note 18)* | 19,459 | – |
| | 176,682 | 39,802 |

## 4. LOSS BEFORE TAX

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

| | Six months ended | |
|---|---|---|
| | **30.9.2015** | **30.9.2014** |
| | **(unaudited)** | **(unaudited)** |
| | *HK$'000* | *HK$'000* |
| Interest income | (11,298) | (6,035) |
| Cost of inventories recognised as expenses | | |
| – included in cost of sales | 80,565 | 118,468 |
| – included in research and development expenses | 1,950 | 1,450 |
| – included in selling and distribution costs | 701 | 1,495 |
| Write-down of inventories | 171 | – |
| Amortisation of intangible assets | 83,054 | 89,746 |
| Impairment on loan and other receivables | 8,035 | – |
| Depreciation of property, plant and equipment | 30,819 | 26,558 |
| Amortisation of interest in leasehold land held for own use under operating lease | 4,467 | 3,927 |
| Gain on disposal of property, plant and equipment | – | (566) |
| Gain on disposal of intangible assets *(Note)* | (82,948) | – |
| Exchange losses/(gains), net | 5,094 | (1,539) |
| Net loss on held-for-trading investments | 513 | – |
| Fair value loss on derivative financial instruments | 19,459 | – |

*Note:*

The one-off non-cash gain on disposal of intangible assets represented the Excess contributed by the Group and a joint venture partner to a joint venture, namely Orng EV Solutions, Inc., after eliminating the Group's interest in the Excess of such intangible assets contributed by the Group.

## 5. INCOME TAX

| | Six months ended | |
|---|---|---|
| | **30.9.2015** | **30.9.2014** |
| | **(unaudited)** | **(unaudited)** |
| | *HK$'000* | *HK$'000* |
| Tax charge for the period | – | – |
| Deferred tax | 12,935 | (22,511) |
| Tax charge/(credit) for the period | 12,935 | (22,511) |

No provision for the Hong Kong profits tax or the People's Republic of China (the "PRC") enterprise income tax has been made as the Group sustained losses for taxation purposes in Hong Kong and the PRC for the six months ended 30 September 2015 and 2014. The deferred tax of approximately HK$12,935,000 (six months ended 30 September 2014: credit of approximately HK$22,511,000) that has been charged to the condensed consolidated statement of profit or loss arose from origination and reversal of temporary differences.

### 6(a). EARNINGS/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY AND NON-CONTROLLING INTERESTS

The Group recorded a net loss for the period of approximately HK$317,130,000 (six months ended 30 September 2014: net loss of approximately HK$191,953,000). However, it recorded an attributable profit to owners of the Company of approximately HK$181,923,000 (six months ended 30 September 2014: loss of approximately HK$153,195,000) with an attributable loss to the non-controlling interests of the Group of approximately HK$499,053,000 (six months ended 30 September 2014: loss of approximately HK$38,758,000).

In addition to the profit/loss contribution through the normal and ordinary course of business of the Group, the change from attributable loss to owners of the Company to attributable profit to owners of the Company during the period is primarily due to certain material one-off transactions and the accounting policy adopted by the Group which is in accordance with HKFRSs, namely:

(i) the one-off non-cash gain on disposal of intangible assets of approximately HK$82,948,000 which is only attributable to owners of the Company as disclosed in Note 4; and

(ii) an impairment loss of approximately HK$1,693,113,000 recorded in CIAM Group Limited ("CGL"), a non-wholly-owned listed subsidiary of the Company, in connection with the Sinopoly Transaction as disclosed in the following paragraph. Such impairment loss is proportionally shared by the non-controlling interests of CGL, in accordance with the accounting policy adopted by the Group, which is consistent with the Group's past practice in relation to the intra-company transactions involving non-wholly-owned subsidiaries.

On 29 April 2015, Union Grace Holdings Limited (a wholly-owned subsidiary of the Company) as the vendor, the Company as the guarantor of the vendor, Cherrylink Investments Limited (a wholly-owned subsidiary of CGL) as the purchaser and CGL as the guarantor of the purchaser, entered into a sale and purchase agreement pursuant to which the vendor conditionally agreed to sell and the purchaser conditionally agreed to purchase the 25% of the issued share capital of Synergy Dragon Limited at a consideration of HK$750,000,000 (the "Sinopoly Transaction"). Such consideration was to be satisfied by the 8% coupon per annum convertible bonds of CGL with an aggregate principal amount of HK$750,000,000 (the "CGL Convertible Bonds"). The Sinopoly Transaction is a connected transaction under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and was approved by CGL's independent shareholders on 27 July 2015 and completed on 4 August 2015.

Upon completion of the Sinopoly Transaction, an initial recognition of the fair value of the CGL Convertible Bonds was approximately HK$2.44 billion based on a preliminary valuation report prepared by an external valuer, which was approximately HK$1.69 billion more than the HK$750,000,000 face value of the CGL Convertible Bonds. The board of CGL expected the fair value of its interest in Synergy Dragon Limited to be approximately HK$750,000,000, which is the same as the consideration of the Sinopoly Transaction. Accordingly, an impairment loss has been recognised in the consolidated financial statements of CGL. The details of such impairment are set out in the announcement of CGL dated 27 November 2015.

### 6(b). EARNINGS/(LOSS) PER SHARE

The calculation of the basic and diluted earnings/(loss) per share is based on the following data:

| | Six months ended | |
|---|---|---|
| | **30.9.2015** | **30.9.2014** |
| | **(unaudited)** | **(unaudited)** |
| | *HK$'000* | *HK$'000* |
| **Earnings/(loss)** | | |
| Earnings/(loss) for the purpose of basic and diluted earnings/(loss) per share | | |
| – Consolidated profit/(loss) for the period attributable to owners of the Company | 181,923 | (153,195) |
| | *'000* | *'000* |
| **Number of ordinary shares** | | |
| Issued ordinary shares at beginning of the reporting period | 17,866,170 | 16,976,891 |
| Effect of issue of shares upon conversion of convertible bonds | 270,434 | – |
| Effect of issue of shares upon acquisition transaction | – | 305,247 |
| **Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share** | 18,136,604 | 17,282,138 |
| Effect of dilutive share options | 99,712 | – |
| **Weight average number of ordinary shares for the purpose of diluted earnings/(loss) per share** | 18,236,316 | 17,282,138 |

The calculation of diluted earnings per share does not assume the conversion of the Company's outstanding convertible bonds which would have an anti-dilutive as its net interest per ordinary share obtainable on conversion exceeds basic earnings per share for the period ended 30 September 2015.

The calculation of diluted loss per share does not assume the exercise of the Company's outstanding share options or conversion of outstanding convertible bonds which had anti-dilutive effect and would result in a reduction in loss per share for the period ended 30 September 2014. Therefore, the diluted loss per share is the same as the basic loss per share for the period ended 30 September 2014.

### 7. INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the period (six months ended 30 September 2014: nil).

**8. INTANGIBLE ASSETS**

| | Patents and exclusive patent using rights | Industrial proprietary rights | Technical know-hows | Lease contractual right | Total |
|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Cost** | | | | | |
| At 1 April 2014 | 3,642,090 | 29,435 | 391,381 | – | 4,062,906 |
| Additions through acquisition of subsidiaries | – | 27,906 | – | 37,311 | 65,217 |
| Additions from internal developments | – | – | 65,459 | – | 65,459 |
| Exchange adjustments | 2 | 79 | 707 | 60 | 848 |
| At 31 March 2015 and 1 April 2015 | 3,642,092 | 57,420 | 457,547 | 37,371 | 4,194,430 |
| Additions from internal developments | – | – | 44,240 | – | 44,240 |
| Disposals | – | – | (96,155) | – | (96,155) |
| Exchange adjustments | (71) | (2,010) | (19,029) | (1,308) | (22,418) |
| **At 30 September 2015** | 3,642,021 | 55,410 | 386,603 | 36,063 | 4,120,097 |
| **Accumulated amortisation and impairment losses** | | | | | |
| At 1 April 2014 | 3,073,866 | – | 6,477 | – | 3,080,343 |
| Charge for the year | 92,231 | 2,014 | 76,068 | 11,198 | 181,511 |
| Exchange adjustments | 1 | 4 | 104 | 20 | 129 |
| At 31 March 2015 and 1 April 2015 | 3,166,098 | 2,018 | 82,649 | 11,218 | 3,261,983 |
| Charge for the period | 46,245 | 1,048 | 29,581 | 6,180 | 83,054 |
| Disposals | – | – | (19,116) | – | (19,116) |
| Exchange adjustments | (16) | (100) | (3,706) | (562) | (4,384) |
| **At 30 September 2015** | 3,212,327 | 2,966 | 89,408 | 16,836 | 3,321,537 |
| **Carrying amount** | | | | | |
| **At 30 September 2015** | 429,694 | 52,444 | 297,195 | 19,227 | 798,560 |
| At 31 March 2015 | 475,994 | 55,402 | 374,898 | 26,153 | 932,447 |

As there is no indication that the carrying amount of the intangible assets may not be recovered, the Board believes that no provision for impairment is necessary at the end of the reporting periods.

### 9. FIXED ASSETS: PROPERTY, PLANT AND EQUIPMENT AND INTEREST IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASE

During the period, the Group's additions to property, plant and equipment and interest in leasehold land held for own use under operating lease amounted to approximately HK$366,505,000 (six months ended 30 September 2014: approximately HK$164,318,000), including an amount of approximately HK$45,262,000 (six months ended 30 September 2014: approximately HK$9,791,000) being transferred from deposits paid for non-current assets.

As at 30 September 2015, certain land and buildings with carrying amounts of approximately HK$308,696,000 (31 March 2015: approximately HK$315,210,000) were pledged as securities for the Group's bank loans of approximately HK$201,020,000 (31 March 2015: approximately HK$190,637,000).

### 10. INTERESTS IN JOINT VENTURES

| | **30.9.2015** **(unaudited)** *HK$'000* | **31.3.2015** **(audited)** *HK$'000* |
|---|---|---|
| Share of net assets | 298,667 | 107,866 |

Saved as the existing principal joint venture, namely 華能壽光風力發電有限公司, disclosed in the annual report 2014/15 of the Company, the Group formed another joint venture, namely Orng EV Solutions, Inc, in the United States of America with its joint venture partner, Smith Electric Vehicles Corp., during the period. Details of which were disclosed in the announcement of the Company dated 4 May 2015.

### 11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | **30.9.2015** **(unaudited)** *HK$'000* | **31.3.2015** **(audited)** *HK$'000* |
|---|---|---|
| **Non-current** | | |
| *Securities designated at fair value through profit or loss:* | | |
| Unlisted debt securities with embedded options | 29,074 | 29,311 |
| Unlisted equity securities | 18,512 | 18,938 |
| | 47,586 | 48,249 |
| **Current** | | |
| *Held-for-trading investment:* | | |
| Unlisted funds | 10,059 | 10,569 |

All unlisted securities classified as financial assets at fair value through profit or loss are issued by corporate entities. The fair value changes of these securities are recognised as "Income from direct investments" included in "Revenue".

As at 30 September 2015, the Group's unlisted equity securities amounting to a fair value of approximately HK$18,512,000 (31 March 2015: approximately HK$18,938,000) was an investment in an associate, 天津銘度科技有限公司. This investment, as being held by an entity that is a venture capital organisation, was exempted from applying the equity method and was recognised as a financial asset at fair value through profit or loss.

**12. DEPOSITS PAID FOR NON-CURRENT ASSETS**

As at 30 September 2015, the deposits of approximately HK$45,500,000 were paid mainly for the acquisition of machineries, equipment and mouldings for the Group's production plants and the deposit of HK$186,000,000 was paid as part of the cash consideration for the Acquisition (as defined in Note 23(a)).

As at 31 March 2015, the deposits of approximately HK$76,265,000 were paid mainly for the acquisition of machineries and equipment and mouldings for the Group's production plants.

**13. TRADE AND BILLS RECEIVABLES**

| | **30.9.2015** | **31.3.2015** |
|---|---|---|
| | **(unaudited)** | **(audited)** |
| | *HK$'000* | *HK$'000* |
| Trade receivables | 145,488 | 131,207 |
| Bills receivable | 2,287 | 14,551 |
| Trade and bills receivables | 147,775 | 145,758 |
| Amounts due from customers for contract work | 2,342 | 2,427 |
| | 150,117 | 148,185 |

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

| | **30.9.2015** | **31.3.2015** |
|---|---|---|
| | **(unaudited)** | **(audited)** |
| | *HK$'000* | *HK$'000* |
| Within 1 month | 40,354 | 7,523 |
| Between 1 and 3 months | 2,577 | 49,843 |
| Over 3 months | 104,844 | 88,392 |
| | 147,775 | 145,758 |

Trading terms with customers are either on a cash basis or on credit. For those customers who trade on credit, a credit period generally ranging from 30 days to 90 days is allowed. Credit limits are set for those customers. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. Overdue balances are regularly reviewed by senior management and the Board believes that no impairment allowance is necessary as there has not been a significant change in credit quality for these customers. The carrying amounts of the receivables approximate their fair values.

## 14. LOAN AND OTHER RECEIVABLES

| | 30.9.2015 (unaudited) *HK$'000* | 31.3.2015 (audited) *HK$'000* |
|---|---|---|
| Loan receivables | 223,912 | 66,050 |
| Loan to a joint venture | 2,325 | – |
| Other receivables | 143,793 | 129,537 |
| Less: Allowance for doubtful debts for other receivables | (38,362) | (30,276) |
| Deposits and prepayments | 33,415 | 33,556 |
| Value-added-tax receivables | 234,999 | 200,660 |
| | 600,082 | 399,527 |
| **Presented by:** | | |
| Non-current assets | 451 | 467 |
| Current assets | 599,631 | 399,060 |
| | 600,082 | 399,527 |

## 15. TRADE AND BILLS PAYABLES

| | 30.9.2015 (unaudited) *HK$'000* | 31.3.2015 (audited) *HK$'000* |
|---|---|---|
| Trade payables | 190,322 | 111,459 |
| Bills payable | 25,174 | 27,730 |
| | 215,496 | 139,189 |

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

| | 30.9.2015 (unaudited) *HK$'000* | 31.3.2015 (audited) *HK$'000* |
|---|---|---|
| Within 1 month | 49,728 | 37,659 |
| Between 1 and 3 months | 70,708 | 39,474 |
| Over 3 months | 95,060 | 62,056 |
| | 215,496 | 139,189 |

The carrying amounts of trade and bills payables approximate their fair values. As at 30 September 2015, bills payable of approximately HK$25,174,000 (31 March 2015: approximately HK$27,730,000) were secured by an equivalent amount of bank deposits.

## 16. ACCRUALS AND OTHER PAYABLES

| | 30.9.2015 (unaudited) *HK$'000* | 31.3.2015 (audited) *HK$'000* |
|---|---|---|
| Bills and other payables for acquisition of non-current assets | 416,956 | 339,285 |
| Other payables and accrued expenses | 241,634 | 132,133 |
| Receipts in advance | 52,542 | 20,320 |
| Warranty provision | 2,301 | 1,420 |
| | 713,433 | 493,158 |

As at 30 September 2015, the bills payable for acquisition of non-current assets of approximately HK$55,021,000 (31 March 2015: approximately HK$98,395,000) were secured by an equivalent amount of bank deposits.

## 17. OBLIGATIONS UNDER REDEEMED CONVERTIBLE BONDS

On 8 March 2011, the Company issued a redemption notice to Mei Li New Energy Limited ("Mei Li") which was beneficially wholly-owned by Mr. Winston Chung (formerly known as Chung Hing Ka) ("Mr. Chung") for the redemption of convertible bonds at face value of approximately HK$760,752,000 (the "Redemption Amount") held by Mei Li for the protection of the Company. Further, in the legal proceedings against Mr. Chung and/or companies which are controlled and/or owned by him, the damages claimed (the "Claim Amount") by the Group, as supported by an independent forensic accountant report commissioned by the Group, are estimated to be substantially larger than the Redemption Amount. The Group has sought to set off portion of the Claim Amount against the Redemption Amount (the "Set-Off").

On 5 March 2013, the High Court of Hong Kong (the "HK Court") issued a judgment in favour of the Company. The Company has been given an unconditional leave to defend to the extent of the Set-Off, based on which the Company is entitled to a stay of execution of payment for obligation under the redeemed convertible bonds.

On 27 February 2013, the HK Court has made an order for bankruptcy against Mr. Chung. As a result, all litigations involving Mr. Chung have been stayed. The Company is currently awaiting the trustee (the "Trustee") in Mr. Chung's bankruptcy to wind up his assets and take over the litigations involving Mr. Chung (the "Winding Up"). Despite Mr. Chung was adjudged bankrupt on 27 February 2013, Mr. Chung neither submitted a substantive statement of affairs, an annual report of his earnings and acquisitions nor delivered any substantial property to the Trustee as required by the Bankruptcy Ordinance. The Company has consequently filed a complaint with the Trustee and the Official Receiver and urged them to take immediate actions to expedite the Winding Up.

**18. CONVERTIBLE BONDS**

| | 30.9.2015 | | 31.3.2015 | |
|---|---|---|---|---|
| | **Liability component (unaudited)** | **Derivative financial instruments (unaudited)** | **Liability component (audited)** | **Derivative financial instruments (audited)** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Convertible bonds due in 2017 *(Note (a))* | 362,090 | (28,074) | 351,240 | (19,383) |
| Convertible bonds due in 2018 *(Note (b))* | 704,898 | (5,493) | 804,771 | (34,479) |
| | 1,066,988 | (33,567) | 1,156,011 | (53,862) |

*Notes:*

(a) Convertible bonds due in 2017

On 14 April 2014, the Company issued convertible bonds with an aggregate principal amount of HK$400,000,000 (the "2017 Due CB") pursuant to the agreement dated 20 March 2014 entered between the Company and a subscriber, which is an independent third party to the Company. Details of which were disclosed in the 2014/15 annual report of the Company.

At initial recognition, the liability component of the 2017 Due CB is measured as the present value of the future interest and principal payments, discounted at the market rate for equivalent non-convertible bonds that do not have a conversion option. The derivative component of the 2017 Due CB, which are early redemption and mandatory conversion options held by the Company, are measured at fair value and presented as derivative financial instruments in current assets. Such derivative financial instruments are re-measured to fair value at the end of each reporting period. The equity component was the residual amount after deducting the fair values of the liability and derivative components from the consideration received for the 2017 Due CB. The effective interest rate of the liability component of the 2017 Due CB is 14.31% per annum. The valuations of the 2017 Due CB were performed by Asset Appraisal Limited, an independent firm of professional qualified valuers.

The 2017 Due CB have been split as follows:

| | Liability component | Equity component | Derivative financial instruments | Total |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Issued during the year ended 31 March 2015 | 338,747 | 87,755 | (26,502) | 400,000 |
| Less: Transaction costs | (6,320) | (1,680) | – | (8,000) |
| Add: Interest expenses | 49,673 | – | – | 49,673 |
| Less: Interest payable | (30,860) | – | – | (30,860) |
| Less: Fair value loss on derivative financial instruments | – | – | 7,119 | 7,119 |
| **At 31 March 2015 and 1 April 2015 (audited)** | 351,240 | 86,075 | (19,383) | 417,932 |
| Add: Interest expenses *(Note 3)* | 26,853 | – | – | 26,853 |
| Less: Interest payable | (16,003) | – | – | (16,003) |
| Add: Fair value gain on derivative financial instruments *(Note 3)* | – | – | (8,691) | (8,691) |
| **At 30 September 2015 (unaudited)** | 362,090 | 86,075 | (28,074) | 420,091 |

None of the 2017 Due CB was exercised during the six months ended 30 September 2015 and the year ended 31 March 2015.

(b) Convertible bonds due in 2018

On 23 February 2015, a voluntary conditional offer made by VMS Securities Limited on behalf of Sinopoly Strategic Investment Limited (a wholly-owned subsidiary of the Company) to acquire all the issued ordinary shares of CGL and to cancel the options which are outstanding under the share option scheme adopted by CGL was closed and the convertible bonds with principal amount of approximately HK$1,432,171,000 (the "2018 Due CB") were issued by the Company. Details of which were disclosed in the 2014/15 annual report of the Company.

At initial recognition, the liability component of the 2018 Due CB is measured as the present value of the future interest and principal payments, discounted at the market rate for equivalent non-convertible bonds that do not have a conversion option. The derivative component of the 2018 Due CB, which are early redemption and mandatory conversion options held by the Company, are measured at fair value and presented as derivative financial instruments in current assets. Such derivative financial instruments are re-measured to fair value at the end of each reporting period. The equity component was the residual amount after deducting the fair values of the liability and derivative components from the fair value of the 2018 Due CB. The effective interest rate of the liability component of the 2018 Due CB are ranged from 13.07% to 13.64% per annum. The valuations of the 2018 Due CB were performed by Asset Appraisal Limited, an independent firm of professional qualified valuers.

The 2018 Due CB have been split as follows:

| | Liability component HK$'000 | Equity component HK$'000 | Derivative financial instruments HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| Issued during the year ended 31 March 2015 | 961,330 | 515,819 | (44,978) | 1,432,171 |
| Add: Interest expenses | 16,885 | – | – | 16,885 |
| Less: Converted during the year | (173,444) | (90,715) | 7,531 | (256,628) |
| Less: Fair value loss on derivative financial instruments | – | – | 2,968 | 2,968 |
| **At 31 March 2015 and 1 April 2015 (audited)** | 804,771 | 425,104 | (34,479) | 1,195,396 |
| Add: Interest expenses *(Note 3)* | 50,194 | – | – | 50,194 |
| Less: Converted during the period | (150,067) | (75,764) | 836 | (224,995) |
| Less: Fair value loss on derivative financial instruments *(Note 3)* | – | – | 28,150 | 28,150 |
| **At 30 September 2015 (unaudited)** | 704,898 | 349,340 | (5,493) | 1,048,745 |

During the six months ended 30 September 2015, the 2018 Due CB with principal amount of HK$213,317,000 (year ended 31 March 2015: approximately HK$254,640,000) was converted into 426,634,000 ordinary shares (year ended 31 March 2015: approximately 509,279,000 ordinary shares) of the Company at the conversion price of HK$0.50 per share.

## 19. SHARE CAPITAL

| | 30.9.2015 | | 31.3.2015 | |
|---|---|---|---|---|
| | (unaudited) *No. of shares '000* | (unaudited) *HK$'000* | (audited) *No. of shares '000* | (audited) *HK$'000* |
| **Authorised:** | | | | |
| At beginning and at end of the reporting period Ordinary shares of HK$0.01 each | 50,000,000 | 500,000 | 50,000,000 | 500,000 |
| **Issued and fully paid:** | | | | |
| At beginning of the reporting period Ordinary shares of HK$0.01 each | 17,866,170 | 178,662 | 16,976,891 | 169,769 |
| Issue of new shares: | | | | |
| – pursuant to acquisition transaction *(Note (a))* | – | – | 380,000 | 3,800 |
| – upon conversion of convertible bonds *(Note (b))* | 426,634 | 4,266 | 509,279 | 5,093 |
| At end of the reporting period Ordinary shares of HK$0.01 each | 18,292,804 | 182,928 | 17,866,170 | 178,662 |

*Notes:*

(a) On 7 May 2014, 380,000,000 new ordinary shares of the Company of HK$0.01 each were issued at an issue price of HK$0.50 per share as consideration for the acquisition of Giant Industry Holdings Limited, a company incorporated in the British Virgin Islands with limited liability. The fair value of the issued shares is calculated based on the closing market price of the ordinary share of the Company of HK$0.48 on 7 May 2014, the date of completion of the acquisition of Giant Industry Holdings Limited.

(b) During the six months ended 30 September 2015, the 2018 Due CB with principal amount of HK$213,317,000 was converted at a conversion price of HK$0.50 per share, resulting in 426,634,000 ordinary shares of HK$0.01 each being issued by the Company.

During the year ended 31 March 2015, the 2018 Due CB with principal amount of approximately HK$254,640,000 was converted at a conversion price of HK$0.50 per share, resulting in approximately 509,279,000 ordinary shares of HK$0.01 each being issued by the Company.

All the new ordinary shares issued and allotted during the above reporting periods rank pari passu in all respects with the then existing issued ordinary shares of the Company.

**20. CAPITAL COMMITMENTS**

The Group had the following capital commitments at the end of the reporting period:

| | **30.9.2015** **(unaudited)** *HK$'000* | **31.3.2015** **(audited)** *HK$'000* |
|---|---|---|
| Capital commitments in respect of capital expenditure of the Group's plants in the PRC | | |
| Contracted, but not provided for | 1,976,619 | 2,103,739 |
| Authorised, but not contracted for | 1,281,781 | 1,340,103 |
| | 3,258,400 | 3,443,842 |

In addition, the Group also had the following capital commitments at the end of the reporting period:

(a) On 4 May 2015, the Company announced that it has formed a joint venture, namely Orng EV Solutions, Inc. (the "JV"), in the United States of America (the "US") with its joint venture partner, Smith Electric Vehicles Corp. ("Smith") to sell electric vehicles by leveraging the Group's electric vehicle designs and combining it with Smith's technologies and sales network. Up to the date of this report, the JV has been formed in the US and contributions from the Company were completed save for the contribution of the additional US$10,000,000 (equivalent to approximately HK$77,500,000) in cash and the execution of certain supply agreements between the Company and the JV. Further details of the transaction are set out in the Company's announcement dated 4 May 2015.

(b) As disclosed in Note 23(a), a remaining cash consideration of HK$186,000,000 and share consideration of approximately HK$350,000,000 in relation to the Acquisition (as defined in Note 23(a)) has yet been made as at 30 September 2015. Such amounts have been paid to the Vendors (as defined in Note 23(a)) on 29 October 2015, being the completion date of the Acquisition.

## 21. RELATED PARTY TRANSACTIONS

In addition to the material transactions and balances disclosed elsewhere in this interim report, the Group had the following transactions with related parties during the period:

**Key management personnel remuneration**

Remuneration of key management personnel, including amounts paid to the Company's directors, is as follows:

| | Six months ended | |
|---|---|---|
| | **30.9.2015** | **30.9.2014** |
| | **(unaudited)** | **(unaudited)** |
| | *HK$'000* | *HK$'000* |
| Short-term employee benefits | 12,767 | 4,589 |
| Retirement benefit schemes contributions | 78 | 48 |
| Equity-settled share-based payments | 1,845 | 1,719 |
| | 14,690 | 6,356 |

## 22. FAIR VALUE MEASUREMENT

### (a) Financial assets and liabilities measured at fair value

*(i) Fair value hierarchy*

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

- Level 1 valuations: Fair value measured using only Level 1 inputs, that is unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs, that is, observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

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

An external independent valuation company, with appropriate recognised professional qualifications, is engaged to value the derivative financial instruments at each financial reporting period. Appropriate valuation methods and assumptions with reference to market conditions existing at each financial reporting period to determine the fair value of the derivative financial instruments are adopted.

| | 30.9.2015 (unaudited) | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Recurring fair value measurements** | | | | |
| Held-for-trading investment: | | | | |
| – Unlisted funds | – | 10,059 | – | 10,059 |
| Financial assets designated at fair value through profit or loss: | | | | |
| – Unlisted debt securities with embedded options | – | – | 29,074 | 29,074 |
| – Unlisted equity securities | – | – | 18,512 | 18,512 |
| Derivative financial instruments: | | | | |
| – Redemption and mandatory conversion options embedded in convertible bonds | – | – | 33,567 | 33,567 |
| | – | 10,059 | 81,153 | 91,212 |

| | 31.3.2015 (audited) | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Recurring fair value measurements** | | | | |
| Held-for-trading investment: | | | | |
| – Unlisted funds | – | 10,569 | – | 10,569 |
| Financial assets designated at fair value through profit or loss: | | | | |
| – Unlisted debt securities with embedded options | – | – | 29,311 | 29,311 |
| – Unlisted equity securities | – | – | 18,938 | 18,938 |
| Derivative financial instruments: | | | | |
| – Redemption and mandatory conversion options embedded in convertible bonds | – | – | 53,862 | 53,862 |
| | – | 10,569 | 102,111 | 112,680 |

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

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

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

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

The fair value of unlisted debt securities with embedded options and unlisted equity securities are estimated on the basis of an analysis of the investee's financial position and results, risk profile, prospects and other factors, adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 30 September 2015, if the discount for lack of marketability had been 5% higher/lower, with all other variable held constant, the Group's loss after tax for the six months ended 30 September 2015 would have been HK$2,379,000 (six months ended 30 September 2014: nil) higher/lower.

The fair value of redemption and mandatory conversion options embedded in convertible bonds is determined using binomial pricing model and the significant unobservable input used in the fair value measurement is expected volatility. The fair value measurement is positively correlated to the expected volatility. As at 30 September 2015, it is estimated that with all other variables held constant, an increase/decrease in the expected volatility by 10%, the Group's loss after tax for the six months ended 30 September 2015 would have decreased by HK$4,216,000 (six months ended 30 September 2014: nil)/increased by HK$11,530,000 (six months ended 30 September 2014: nil), respectively.

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

| | **30.9.2015** | **31.3.2015** |
|---|---|---|
| | **(unaudited)** | **(audited)** |
| | *HK$'000* | *HK$'000* |
| **Unlisted debt securities with embedded options** | | |
| At the beginning of reporting period | 29,311 | – |
| Additions from acquisition of subsidiaries | – | 29,087 |
| Exchange adjustments | (237) | 224 |
| At the end of reporting period | 29,074 | 29,311 |
| Total (loss)/gain for the reporting period included in other comprehensive income for assets held at the end of the reporting period | (237) | 224 |

| | 30.9.2015 (unaudited) HK$'000 | 31.3.2015 (audited) HK$'000 |
|---|---|---|
| **Unlisted equity securities** | | |
| At the beginning of reporting period | 18,938 | – |
| Additions from acquisition of subsidiaries | – | 18,743 |
| Exchange adjustments | (426) | 195 |
| At the end of reporting period | 18,512 | 18,938 |
| Total (loss)/gain for the reporting period included in other comprehensive income for assets held at the end of the reporting period | (426) | 195 |

Exchange adjustments of the unlisted debt securities with embedded options and the unlisted equity securities are presented in "Exchange differences on translation of financial statements of foreign operations" in the condensed consolidated statement of profit or loss and other comprehensive income.

| | 30.9.2015 (unaudited) HK$'000 | 31.3.2015 (audited) HK$'000 |
|---|---|---|
| **Derivative financial instruments** | | |
| At the beginning of reporting period | 53,862 | – |
| Additions from issue of convertible bonds | – | 71,480 |
| Transferred to equity upon conversion of convertible bonds | (836) | (7,531) |
| Changes in fair value recognised in statement of profit or loss during the reporting period | (19,459) | (10,087) |
| At the end of reporting period | 33,567 | 53,862 |
| Total loss for the reporting period included in profit or loss for assets held at the end of the reporting period | (19,459) | (10,087) |

The gains or losses arising from the remeasurement of the derivative financial instruments are presented in "Fair value loss on derivative financial instruments" included in "Finance costs" in the condensed consolidated statement of profit or loss.

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

The directors of the Company consider that the carrying amounts of the Group's financial assets and liabilities carried at cost or amortised cost approximate their fair values as at 30 September 2015 and 31 March 2015.

## 23. EVENTS AFTER THE REPORTING PERIOD

(a) On 5 September 2015, the Group announced that Kingspark Group Limited ("Kingspark", as purchaser), and CIAM Group Limited ("CGL", as guarantor), both are non-wholly-owned subsidiaries of the Company, entered into a sale and purchase agreement with SK China Company Limited and SKC Co., Ltd. (collectively, the "Vendors"), pursuant to which Kingspark conditionally agreed to purchase and the Vendors conditionally agreed to sell the entire issued share of Premier Property Management Limited including its wholly-owned subsidiary, SK (Chongqing) Lithium Battery Material Company Limited (the "Target Group"). The Target Group is principally engaged in the manufacturing of the cathode materials, which are key raw materials for nickel-cobalt-manganese lithium-ion battery. The acquisition consideration is approximately HK$722,000,000, which shall be satisfied partly by cash consideration of HK$372,000,000 and partly by the issuance of the shares of CGL as share consideration of approximately HK$350,000,000 to the Vendors (the "Acquisition"). As at 30 September 2015, a cash consideration of HK$186,000,000 was paid in an escrow account as deposit for the Acquisition. Such amount was recorded in the deposits paid for non-current assets under the non-current assets of the Group. On 29 October 2015, the Acquisition was completed in accordance with the sale and purchase agreement. The Target Group became wholly-owned subsidiaries of CGL. Up to the date of this report, the initial accounting for the business combination of the Acquisition has not yet been completed as the Group is still in the process of assessing the fair value of the Target Group.

(b) On 22 October 2015, the Company entered into a placing agreement with a placing agent to place up to 1,000,000,000 new ordinary shares of the Company at a placing price of HK$0.50 per share. On 5 November 2015, 1,000,000,000 new ordinary shares of the Company had been placed through the placing agent to not less than six placees who are independent of and not connected with the Company at the placing price of HK$0.50 per share. The net amount of approximately HK$491,500,000 was raised by the Group.

(c) On 16 November 2015, CGL, being a non-wholly-owned subsidiary of the Company, entered into a non-legally binding memorandum of understanding (the "MOU") with Advanced Lithium Electrochemistry (Cayman) Co., Ltd (英屬蓋曼群島商立凱電能科技股份有限公司) ("ALE"), a company incorporated in Cayman Islands with limited liability, whose shares are listed on the Taipei Exchange (Stock Code: 5227), in relation to a proposed transaction under which ALE will be consolidated into CGL. The total consideration will be approximately NT$7,405.81 million (equivalent to approximately HK$1,747.68 million) by way of the issuance of the shares of CGL. However, the consideration has yet to be finalised and may deviate from that set out in the MOU. If the proposed transaction is successful, ALE will become a wholly-owned subsidiary of CGL.

ALE is principally engaged in the business of production, research and development and sales and marketing of cathode materials for lithium ferrous phosphate batteries as well as manufacture, research & development and sales of electric buses, batteries and battery charging/swap systems, which all falls under the emerging industry of new energy technologies. It is one of the largest cathode materials manufacturers in the world. It is also a primary supplier of cathode materials for the Group's battery operation.

The MOU does not constitute any legally binding commitment of CGL and ALE (the "Parties") in relation to the proposed transaction. Once the formal agreement has been entered into, the formal agreement shall bind on the Parties and shall replace and substitute the MOU and any other memorandum or agreement that has been agreed by the Parties.

*Note:* With effect from 17 December 2015, "CIAM Group Limited" ("CGL") has changed its company name to "FDG Kinetic Limited" ("FDG Kinetic").

## 4. INDEBTEDNESS STATEMENT

### Debt securities

As at the close of business on 30 November 2015, being the latest practicable date for the purpose of the statement of indebtedness, the Group had issued the convertible bonds in the outstanding principal amount of HK$400 million due 2017, bearing an interest at 8% per annum, with a maturity date on the third anniversary from the date of issue (i.e., 14 April 2017) and entitle the holder to convert them, in whole or in part, into ordinary shares of the Company at a conversion price of HK$0.60 per share (subject to adjustments). These convertible bonds are unsecured and unguaranteed.

The Group had issued the zero coupon convertible bonds in the outstanding principal amount of approximately HK$961.8 million (including the convertible bonds under Conversion) due 2018, with a maturity date on the third anniversary from the date of commencement of the offer (i.e., 30 January 2018) and entitle the holder to convert them, in whole or in part, into ordinary shares of the Company at a conversion price of HK$0.50 per share (subject to adjustments). These convertible bonds are unsecured and unguaranteed.

### Borrowings

As at the close of business on 30 November 2015, the Group had outstanding bank loans of approximately HK$764.5 million, all of which were secured by certain lands and buildings, machineries and construction in progress in the PRC and certain shares of a subsidiary of the Company. The bank loans are unguaranteed.

As at the close of business on 30 November 2015, the Group had outstanding secured and guaranteed other borrowings of HK$700 million, all of which were secured by, inter alia, the debentures in favour of the lender by way of the first fixed and floating charges over all the undertaking, property and assets of the Company and two wholly-owned subsidiaries of the Company and a share mortgage over certain shares of FDG Kinetic. The Group had outstanding unsecured and unguaranteed other borrowings of approximately HK$130.6 million. The Group had outstanding bills payable of approximately HK$150.8 million which were secured by certain amounts of bank deposits. The outstanding bills payable is unguaranteed.

### Contingent liabilities

Save as aforesaid and apart from intra-group liabilities, as at the close of business on 30 November 2015, the Group did not have other outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

## 5. MATERIAL CHANGE

"The Directors confirm that there has been no material change in the financial or trading position or outlook of the Group since 31 March 2015, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date, save for the followings:

(i) The disposal of 25% of the issued shares of Synergy Dragon Limited to Cherrylink Investments Limited, a non-wholly owned subsidiary of the Group at a consideration of HK$750,000,000, details of which are disclosed in FDG Kinetic and the Company's joint announcement dated 20 April 2015;

(ii) On 29 April 2015, Sinopoly Strategic Investment Limited ("Sinopoly"), a wholly-owned subsidiary of the Company, entered into a placing agreement with the placing agent to place up to 150,000,000 shares of FDG Kinetic, representing approximately 15.99% of issued share capital of FDG Kinetic, held indirectly by the Company to parties independent from and not a connected person to Sinopoly and FDG Kinetic at a placing price of HK$1.70 per share. On 7 May 2015, 150,000,000 shares of FDG Kinetic held indirectly by the Company had been placed through the placing agent to not less than six placees who are neither connected persons of FDG Kinetic nor parties acting in concert with Sinopoly, at the placing price of HK$1.70 per share. The net amount of approximately HK$248 million was raised by the Group;

(iii) The formation of a joint venture ("JV") with Smith Electric Vehicles Corp and other agreements, pursuant to which the Company conditionally agreed to provide a contribution of a total of US$15,000,000 in cash to the JV, details of which are disclosed in the Company's announcement dated 4 May 2015;

(iv) On 23 July 2015, Sinopoly (as vendor), FDG Kinetic and Guotai Junan Securities (Hong Kong) Limited (the "Placing Agent") entered into a placing and top-up subscription agreement pursuant to which the Placing Agent agreed to procure the placing of up to 35,000,000 shares of FDG Kinetic held by Sinopoly at the placing price of HK$7.73 per placing share; and Sinopoly agreed to subscribe for up to 35,000,000 new shares of FDG Kinetic at the subscription price of HK$7.73 per subscription share (the "Top-up Subscription"). Completion of the placing and the Top-up Subscription took place on 28 July 2015 and 5 August 2015 respectively and, as a result, the equity interest of FDG Kinetic held by the Company reduced from approximately 73.55% to approximately 70.91% and FDG Kinetic remained as a subsidiary of the Company. Details of the placing and Top-up Subscription are disclosed in the joint announcement of the Company and FDG Kinetic dated 23 July 2015;

(v) The acquisition of 100% interest in Premier Property Management Limited from SK China Company Limited and SKC Co., Ltd. at a total consideration of approximately HK$722,000,000 as disclosed in FDG Kinetic and the Company's joint announcement dated 5 September 2015;

(vi) On 22 October 2015, the Company entered into a placing agreement with a placing agent to place up to 1,000,000,000 new ordinary shares of the Company at a placing price of HK$0.50 per share. On 5 November 2015, 1,000,000,000 new ordinary shares of the Company had been placed through the placing agent to not less than six placees who are independent of and not connected with the Company at the placing price of HK$0.50 per share. The net amount of approximately HK$491,500,000 was raised by the Group; and

(vii) the Company's net loss of HK$317 million for the six months ended 30 September 2015 and other changes in financial position and business updates as disclosed in the interim report of the Company for the six months ended 30 September 2015.

*The following is the text of a letter and valuation certificates, prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer and consultant, in connection with its valuation as at 31 December 2015 of the property interests held by the Group.*

JLL®
仲量聯行

**Jones Lang LaSalle Corporate Appraisal and Advisory Limited**
6/F Three Pacific Place 1 Queen's Road East Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Licence No.: C-030171

29 January 2016

**FDG Electric Vehicles Limited**
Rooms 3001–3005, 30th Floor
China Resources Building
26 Harbour Road, Wanchai
Hong Kong

Dear Sirs,

FDG Electric Vehicles Limited (the "**Company**") entered into an agreement with Star Mercury Investments Ltd., a wholly-owned subsidiary of CITIC Limited, for the subscription of 1,000,000,000 new Shares at HK$0.465 per Share. Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("**JLL**" or "**we**") is instructed by the Company to provide valuation service on the properties in which the Company and its subsidiaries (hereinafter together referred to as the "**Group**") have interests in the PRC for disclosure purpose. As confirmed by the Company, the Group has no property interests other than those held by the Group in the PRC. We confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the market values of the property interests as at 31 December 2015 (the "**valuation date**").

Our valuation is carried out on a market value basis. Market value is defined as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Due to the nature of the buildings and structures of the properties in Group I and the particular location in which they are situated, there are unlikely to be relevant market comparable sales readily available, the relevant property interests have been valued by the Cost Approach with reference to their depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization." It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the improvements, less deduction for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the value of the land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of the property interests is subject to adequate potential profitability of the concerned business. In our valuation, it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

We have adopted the comparison approach in the valuation of the property interest in Group II which is held for investment by making reference to comparable market transactions. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

In valuing the properties in Group III which were under construction as at the valuation date, we have assumed that they will be developed and completed in accordance with the latest development proposals provided to us by the Group. In arriving at our opinion of values, we have taken into account the land value, construction cost and professional fees relevant to the stage of construction as at the valuation date and the remainder of the cost and fees to be expended to complete the developments.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; Rule 11 of the Code on Takeovers and Mergers issued by Securities and Futures Commission; the RICS Valuation – Professional Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group, and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including the State-owned Land Use Rights Certificates, Building Ownership Certificates and Real Estate Title Certificates relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing titles to the property interests in the PRC and any material encumbrance that might be attached to the property interests. We have relied considerately on the advice dated 27 January 2016 (the "**PRC Legal Opinion**") given by the Company's PRC legal advisers – Shanghai Jia Hua Law Firm, concerning the validity of the property interests in the PRC.

We have no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

The site inspection was carried out from 13 January to 16 January 2016 by Mr. Aaron Lin who is a China Certified Public Valuer and has 3 years' experience in property valuation in the PRC, Mr. Bryan Yan who is a probationer of the RICS and has 1 year's experience in the valuation of properties in the PRC and Ms. Jun Yang who has 1 year's experience in property valuation in the PRC.

All monetary figures stated in this report are in Renminbi ("**RMB**").

Our valuation is summarized below and the valuation certificates are attached.

As advised by the Company, the potential tax liabilities which would arise if the property interests of the Company specified in the Groups I, II and III of this report were to be sold at the amount of the valuation is estimated to be approximately RMB177,574,000. The taxes mainly include business tax (5% of the transaction amount), land appreciation tax (30% to 60% of appreciated amount) and stamp duty (0.05% of the transaction amount). As confirmed by the Company, they have no intention to sell the properties as those properties are mainly occupied for research and development, and production of electric vehicles and batteries. Therefore, the possibility of incurrence of such tax liabilities is very small.

Yours faithfully,
for and on behalf of
**Jones Lang LaSalle Corporate Appraisal and Advisory Limited**
**Eddie T. W. Yiu**
*MRICS MHKIS RPS (GP)*
*Director*

*Note:*

Eddie T. W. Yiu is a Chartered Surveyor who has 22 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

## SUMMARY OF VALUES

**Group I – Property interests held and occupied by the Group in the PRC**

| **No.** | **Property** | **Market value in existing state as at 31 December 2015** *RMB* |
|---|---|---|
| 1. | An industrial complex located at No. 6 Gaoxin 2nd Road Beijing International Information Industry Base Changping District Beijing The PRC | 91,205,000 |
| 2. | An industrial complex located at No. 587 Liangjiang Avenue Longxing Town Yubei District Chongqing The PRC | 15,903,000 *(Notes 1, 2)* |
| 3. | An industrial complex located at No. 1056 Caifu Road, Youyi Park Liaoyuan Economic Development Zone Liaoyuan City Jilin Province The PRC | 96,085,000 |
| 4. | An industrial complex located at No. 20 Huangshan North Road Hangu Binhai New Area Tianjin The PRC | 84,983,000 |
| | **Sub-total:** | 288,176,000 *(Note 2)* |

**Group II – Property interest held for investment by the Group in the PRC**

| No. | Property | Market value in existing state as at 31 December 2015 |
|---|---|---|
| | | *RMB* |
| 5. | Room 103,<br>East Entrance, Building No. 105<br>Desheng Community<br>Gongshu District<br>Hangzhou City<br>Zhejiang Province<br>The PRC | 894,000 |
| | **Sub-total:** | 894,000 |

**Group III – Property interests held under development by the Group in the PRC**

| No. | Property | | Market value in existing state as at 31 December 2015 *RMB* |
|---|---|---|---|
| 6. | An industrial complex under construction located at the northern side of Nanhuan Road and eastern side of Binhe Road Hangu Binhai New Area Tianjin The PRC | | 302,317,000 |
| 7. | An industrial complex under construction located at No. 116 Hongda Road Yuhang District Hangzhou City Zhejiang Province The PRC | | 928,660,000 |
| | | **Sub-total:** | 1,230,977,000 |
| | | **Grand total:** | 1,520,047,000 *(Note 2)* |

*Notes:*

1. We have attributed no commercial value to the buildings of this property as the Building Ownership Certificates not been obtained by FDG Chongqing. However, for reference purpose, we are of the opinion that the market value of the buildings (excluding the land portion) as at the valuation date would be RMB95,381,000 assuming all relevant title certificates have been obtained and this property could be freely transferred.

2. The amount does not contain the valuation figure of RMB95,381,000 mentioned in note 1.

## VALUATION CERTIFICATE

### Group I – Property interests held and occupied by the Group in the PRC

| No. | Property | Description and tenure | Particulars of occupancy | Market value in existing state as at 31 December 2015 *RMB* |
|---|---|---|---|---|
| 1. | An industrial complex located at No. 6 Gaoxin 2nd Road Beijing International Information Industry Base Changping District Beijing The PRC | The property comprises a parcel of land with a site area of approximately 23,063.3 sq.m. and 5 buildings and various ancillary structures erected thereon completed in 2008.<br><br>The buildings have a total gross floor area of approximately 17,980.41 sq.m. They include a R&D building, a composite building, a factory building, a guard house and a pump room.<br><br>The major structures include roads, boundary walls and light poles.<br><br>The land use rights of the property have been granted for a term expiring on 21 May 2057 for industrial use. | The property is currently occupied by the Group for design and research, office and ancillary purposes. | 91,205,000 |

*Notes:*

1. Pursuant to a State-owned Land Use Rights Certificate – Jing Chang Guo Yong (2007 Chu) Di No. 062, the land use rights of a parcel of land with a site area of approximately 23,063.3 sq.m. have been granted to Jasmin International Auto R&D (Beijing) Co., Ltd. ("**Jasmin Beijing**"), an 80% owned subsidiary of the Company, for a term expiring on 21 May 2057 for industrial use.

2. Pursuant to a Building Ownership Certificate – X Jing Fang Quan Zheng Chang Zi Di No. 381476, 5 buildings of the property with a total gross floor area of approximately 17,980.41 sq.m. is owned by Jasmin Beijing.

3. Pursuant to a Mortgage Contract entered into between Hangu Branch of Tianjin Bank (the "**Bank**") and Jasmin Beijing, the property is subject to a mortgage in favor of the Bank as security to guarantee the principal obligation under a Working Capital Lending Contract for a loan of RMB60,000,000 with a term from 18 September 2015 to 17 September 2016.

4. Our valuation is carried out based on the PRC Legal Opinion, the land use rights and building ownership rights of the property are legally held by Jasmin Beijing and the property can be freely transferred, leased or disposed of without payment of any outstanding fees after obtaining the mortgagee's consent.

5. The property contributes a significant portion of revenue to the Group, we are of the view that the property is the material property held by the Group:

Details of the material property

| | | | |
|---|---|---|---|
| (a) | General description of location of the property | : | The property is located at No. 6 Gaoxin 2nd Road of Beijing International Information Industry Base. The area of the property is clustered with many companies of design, research and information, etc. The property is situated on the south of Dingsi Road and near Beijing-Tibet Expressway. It is about 2.5 kilometers far from Zhuxinzhuang Station of Subway Line 8. |
| (b) | Details of encumbrances, liens, pledges, mortgages against the property | : | The property is subject to a mortgage as stated in note 3. |
| (c) | Details of investigations, notices, pending litigation, breaches of law or title defects | : | Nil |
| (d) | Future plans for construction, renovation, improvement or development of the property | : | As advised by Jasmin Beijing, there is no plan for new major development in the next 12 months from the date of this document. |

## VALUATION CERTIFICATE

| No. | Property | Description and tenure | Particulars of occupancy | Market value in existing state as at 31 December 2015 *RMB* |
|---|---|---|---|---|
| 2. | An industrial complex located at No. 587 Liangjiang Avenue Longxing Town Yubei District Chongqing The PRC | The property comprises a parcel of land with a site area of approximately 27,000 sq.m. and 5 buildings and various structures erected thereon completed in 2013.<br><br>The buildings have a total gross floor area of approximately 21,235.13 sq.m. They include an office building, a R&D building, a factory building, a canteen/dormitory building and a guard house.<br><br>The major structures include roads, boundary walls and landscaped area.<br><br>The land use rights of the property have been granted for a term expiring on 27 March 2063 for industrial use. | The property is currently occupied by the Group for production, research, office and ancillary purposes. | 15,903,000 (Refer to note 7) |

*Notes:*

1. Pursuant to a State-owned Land Use Rights Grant Contract dated 13 March 2013, the land use rights of a parcel of land, on which the property is situated, were contracted to be granted to Chongqing Yuhan Lithium Battery Material Company Limited ("Chongqing Yuhan") (the former name of SK (Chongqing) Lithium Battery Material Company Limited, ("SK Chongqing"), currently named as FDG Kinetic (Chongqing) Lithium Battery Material Company Limited ("FDG Chongqing"), a 67.19% indirectly owned subsidiary of the Company) for a term of 50 years at a consideration of RMB7,360,000.

2. Pursuant to a Real Estate Title Certificate – 108 Fang Di Zheng 2013 Zi Di No. 00600, the land use rights of the parcel of land with a site area of approximately 27,000 sq.m. have been granted to Chongqing Yuhan for a term expiring on 27 March 2063 for industrial use.

3. Pursuant to a Construction Work Completion and Inspection Certificate – Jian Jun Bei Zi (2014) No. LJ15 in favour of SK Chongqing, the construction of the buildings of the property with a total gross floor area of approximately 21,272.94 sq.m. has been completed and passed the inspection acceptance.

4. As advised by FDG Chongqing, they are in the process of applying the Building Ownership Certificates of the property.

5. Pursuant to 5 Real Estate Survey Reports dated 4 September 2015 registered in Chongqing Land Resources and Building Management Bureau, the total gross floor area of the 5 buildings of the property was 21,235.13 sq.m.

6. Pursuant to a Mortgage Contract, its supplementary and a Fixed Asset Lending Contract entered into between Chongqing Liangjiang Branch of Industrial & Commercial Bank of China (the "**Bank**") and SK Chongqing, the property is subject to a mortgage in favor of the Bank as security to guarantee the principal obligation under the Fixed Asset Lending Contract for a loan of RMB69,000,000 with a term of 5 years from 1 December 2013.

7. We have attributed no commercial value to the buildings of the property as the Building Ownership Certificates have not been obtained by FDG Chongqing. However, for reference purpose, we are of the opinion that the market value of the buildings (excluding the land portion) as at the valuation date would be RMB95,381,000 assuming all relevant title certificates have been obtained and the property could be freely transferred.

8. The property contributes a significant portion of revenue to the Group, we are of the view that the property is the material property held by the Group:

Details of the material property

| | | | |
|---|---|---|---|
| (a) | General description of location of the property | : | The property is located at Longxing Zone of Liangjiang New Area. Liangjiang New Area is a national level development area established in 2010 and Longxing Zone is catering for advanced manufacturing industry. The surrounding area of the property is in a developing stage. The property is close to Liangjiang Avenue and Chongqing round-city highway. It is about 30 kilometers from the Chongqing International airport and 28 kilometers far from Chongqing North Railway Station. |
| (b) | Details of encumbrances, liens, pledges, mortgages against the property | : | The property is subject to a mortgage as stated in note 6. |
| (c) | Details of investigations, notices, pending litigation, breaches of law or title defects | : | FDG Chongqing has not obtained the Building Ownership Certificates to the buildings of the property. Please refer to note 4. |
| (d) | Future plans for construction, renovation, improvement or development of the property | : | As advised by FDG Chongqing, there is no plan for new major development in the next 12 months from the date of this document. |

## VALUATION CERTIFICATE

| No. | Property | Description and tenure | Particulars of occupancy | Market value in existing state as at 31 December 2015 *RMB* |
|---|---|---|---|---|
| 3. | An industrial complex located at No. 1056 Caifu Road, Youyi Park Liaoyuan Economic Development Zone Liaoyuan City Jilin Province The PRC | The property comprises two parcels of land with a total site area of approximately 67,510 sq.m. and 11 buildings and various ancillary structures erected thereon completed in 2008 and 2012.<br><br>The buildings have a total gross floor area of approximately 34,265.47 sq.m. They mainly include factory buildings, office buildings, a guard house and ancillary facilities.<br><br>The major structures include roads, boundary walls and transformer station.<br><br>The land use rights of the property have been granted for terms expiring on 17 December 2056 and 30 August 2056 for industrial use. | The property is currently occupied by the Group for production, office and ancillary purposes. | 96,085,000 |

*Notes:*

1. Pursuant to 2 State-owned Land Use Rights Certificates – Liao Guo Yong (2011) Di Nos. 040200088 and 040200040, the land use rights of two parcels of land with a total site area of approximately 67,510 sq.m. have been granted to Jilin Sinopoly New Energy Technology Co., Ltd. ("**Jilin Sinopoly**"), a subsidiary of the Company, for terms expiring on 17 December 2056 and 30 August 2056 for industrial use.

2. Pursuant to 11 Building Ownership Certificates – Fang Quan Zheng Liao Fang Zi Di Nos. 141641, 141657, 141695 to 141697, 264332, 135233 and 135236 to 135239, 11 buildings with a total gross floor area of approximately 34,265.47 sq.m. are owned by Jilin Sinopoly.

3. Pursuant to a Mortgage Contract and a Renminbi Lending Contract entered into between Liaoyuan Xining Branch of Jilin Bank (the "**Bank**") and Jilin Sinopoly, the property is subject to a mortgage in favor of the Bank as security to guarantee the principal obligation under the Renminbi Lending Contract for a loan of RMB55,000,000 with a term from 15 June 2015 to 14 June 2016.

4. Our valuation is carried out based on the PRC Legal Opinion, the land use rights and building ownership rights of the property are legally held by Jilin Sinopoly and the property can be freely transferred, leased or disposed of without payment of any outstanding fees after obtaining the mortgagee's consent.

5. The property contributes a significant portion of revenue to the Group, we are of the view that the property is the material property held by the Group:

Details of the material property

| | | | |
|---|---|---|---|
| (a) | General description of location of the property | : | The property is located at Liaoyuan Economic Development Zone, which has clustered with many manufacturing enterprises. The property is close to the artery roads of Caifu Road and 2nd Nanhuan Road. It is about 1.8 kilometers from the property to the railway station of Liaoyuan City. |
| (b) | Details of encumbrances, liens, pledges, mortgages against the property | : | The property is subject to a mortgage as stated in note 3. |
| (c) | Details of investigations, notices, pending litigation, breaches of law or title defects | : | Nil |
| (d) | Future plans for construction, renovation, improvement or development of the property | : | As advised by Jilin Sinopoly, there is no plan for new major development in the next 12 months from the date of this document. |

## VALUATION CERTIFICATE

| **No.** | **Property** | **Description and tenure** | **Particulars of occupancy** | **Market value in existing state as at 31 December 2015** *RMB* |
|---|---|---|---|---|
| 4. | An industrial complex located at No. 20 Huangshan North Road Hangu Binhai New Area Tianjin The PRC | The property comprises a parcel of land with a site area of approximately 21,863.20 sq.m. and 4 buildings and various ancillary structures erected thereon completed in 2013 and 2014.<br><br>The buildings have a total gross floor area of approximately 18,429.62 sq.m. They include an industrial building, an office building, a R&D center and a canteen.<br><br>The major structures include roads, boundary walls and a guard house.<br><br>The land use rights of the property have been granted for a term expiring on 19 November 2056 for industrial use. | The property is currently occupied by the Group for production, office and ancillary purposes. | 84,983,000 |

*Notes:*

1. Pursuant to a Real Estate Title Certificate – Fang Di Zheng Jin Zi Di No. 108031404235, 4 buildings of the property with a total gross floor area of approximately 18,429.62 sq.m. is owned by Tianjin Sinopoly New Energy Technology Co., Ltd. ("**Tianjin Sinopoly**"), a subsidiary of the Company. The relevant land use rights of a parcel of land with a site area of approximately 21,863.20 sq.m. have been granted to Tianjin Sinopoly for a term expiring on 19 November 2056 for industrial use.

2. Pursuant to a Mortgage Contract entered into between Haigang Branch of Tianjin Binhai Rural Commercial Bank (the "**Bank**") and Tianjin Sinopoly, the property is subject to a mortgage in favor of the Bank as security to guarantee the principal obligation under a Working Capital Lending Contract for a loan of RMB50,000,000 with a term from 14 September 2015 to 13 September 2016.

3. Our valuation is carried out based on the PRC Legal Opinion, the land use rights and building ownership rights of the property are legally held by Tianjin Sinopoly and the property can be freely transferred, leased or disposed of without payment of any outstanding fees after obtaining the mortgagee's consent.

4. The property contributes a significant portion of revenue to the Group, we are of the view that the property is the material property held by the Group:

Details of the material property

| | | | |
|---|---|---|---|
| (a) | General description of location of the property | : | The property is located at Binhai New Area, near Hangu Ring Road. It is about 5 kilometers far from Binhai North Railway Station and about 18 kilometers far from Tianjin Port. The surrounding area of the property is clustered with many energy and chemical plants. |
| (b) | Details of encumbrances, liens, pledges, mortgages against the property | : | The property is subject to a mortgage as stated in note 2. |
| (c) | Details of investigations, notices, pending litigation, breaches of law or title defects | : | Nil |
| (d) | Future plans for construction, renovation, improvement or development of the property | : | As advised by the Tianjin Sinopoly, there is no plan for new major development in the next 12 months from the date of this document. |

## VALUATION CERTIFICATE

### Group II – Property interest held for investment by the Group in the PRC

| No. | Property | Description and tenure | Particulars of occupancy | Market value in existing state as at 31 December 2015 *RMB* |
|---|---|---|---|---|
| 5. | Room 103, East Entrance, Building No. 105 Desheng Community Gongshu District Hangzhou City Zhejiang Province The PRC | The property comprises a residential unit on Level 1 of a 5-storey residential building completed in 1988.<br><br>The unit has a gross floor area of approximately 55.77 sq.m.<br><br>The land use rights of the property have been granted for a term expiring on 19 February 2057 for residential use. | The property is currently rented to an independent third party for residential purpose. | 894,000 |

*Notes:*

1. Pursuant to a State-owned Land Use Rights Certificate – Hang Gong Chu Guo Yong (2001) Zi Di No. 002841, the land use rights of the property with an apportioned land area of approximately 28.9 sq.m. have been granted to Hangzhou Changjiang Automobile Co., Ltd ("**Changjiang**"), a 49.94% owned subsidiary of the Company, for a term expiring on 19 February 2057 for residential use.

2. Pursuant to a Building Ownership Certificate – Hang Fang Quan Zheng Gong Yi Zi Di No. 0078091, the property with a gross floor area of approximately 55.77 sq.m. is owned by Changjiang.

3. Pursuant to a Tenancy Agreement entered into between Changjiang and an independent third party, the property was rented for a term commencing from 20 June 2015 and expiring on 19 June 2016 at an annual passing rent of RMB20,400 for residential purpose.

4. Our valuation is carried out based on the PRC Legal Opinion, the land use rights and building ownership rights of the property are legally held by Changjiang and the property can be freely transferred, leased or disposed of without payment of any outstanding fees.

## VALUATION CERTIFICATE

### Group III – Property interests held under development by the Group in the PRC

| No. | Property | Description and tenure | Particulars of occupancy | Market value in existing state as at 31 December 2015 *RMB* |
|---|---|---|---|---|
| 6. | An industrial complex under construction located at the northern side of Nanhuan Road and eastern side of Binhe Road Hangu Binhai New Area Tianjin The PRC | The property comprises a parcel of land with a site area of approximately 204,128.1 sq.m. and an industrial complex under construction (the "**CIP**") thereon.<br><br>The CIP is scheduled to be completed in October 2016. Upon completion, the industrial complex will comprise various factory buildings, office buildings and ancillary buildings which will have a total gross floor area of approximately 128,499 sq.m. As advised by the Group, the total estimated construction cost is RMB508,350,000, of which RMB169,259,000 had been incurred up to the date of valuation.<br><br>The land use rights of the property have been granted for a term expiring on 8 February 2062 for industrial use. | The property is currently under construction. | 302,317,000 |

*Notes:*

1. Pursuant to Real Estate Title Certificate – Fang Di Zheng Jin Zi Di No. 108051300150, the land use rights of a parcel of land with a site area of approximately 204,128.1 sq.m. have been granted to Tianjin Sinopoly New Energy Technology Co., Ltd. ("**Tianjin Sinopoly**") for a term expiring on 8 February 2062 for industrial use.

2. Pursuant to a Construction Work Planning Permit – 2015 Bin Hai Jian Zheng 0001 in favour of Tianjin Sinopoly, an industrial complex (17 buildings) with a total gross floor area of approximately 128,499 sq.m. has been approved for construction.

3. Pursuant to a Construction Work Commencement Permit – No. 1211082015050801111 in favour of Tianjin Sinopoly, permission by the relevant local authority was given to commence the construction work of the industrial complex.

4. The market value of the property as if completed as at the valuation date according to the development proposal and which can be freely transferred in the market, would be RMB589,800,000.

5. We have been provided with the PRC Legal Opinion that:

   a. Tianjin Sinopoly has legally obtained the land use rights of the land of the property;

   b. Tianjin Sinopoly has legally obtained all relevant authorities' permits to the development of the CIP mentioned in notes 2 and 3; and

   c. the property is not subject to mortgage or any other restriction.

6. The property will contribute a significant portion of revenue to the Group, we are of the view that the property is the material property held by the Group:

   Details of the material property

| | | | |
|---|---|---|---|
| (a) | General description of location of the property | : | The property is located at Binhai New Area, near Hangu Ring Road. It is about 5 kilometers far from Binhai North Railway Station and about 18 kilometers far from Tianjin Port. The surrounding area of the property is clustered with many energy and chemical plants. |
| (b) | Details of encumbrances, liens, pledges, mortgages against the property | : | The property is not subject to any mortgage or pledges. |
| (c) | Details of investigations, notices, pending litigation, breaches of law or title defects | : | Nil |
| (d) | Future plans for construction, renovation, improvement or development of the property | : | As advised by Tianjin Sinopoly, the capital expenditure required for the development of the plant in the next 12 months from the date of this document would be RMB448,217,000. |

## VALUATION CERTIFICATE

| No. | Property | Description and tenure | Particulars of occupancy | Market value in existing state as at 31 December 2015 *RMB* |
|---|---|---|---|---|
| 7. | An industrial complex under construction located at No. 116 Hongda Road Yuhang District Hangzhou City Zhejiang Province The PRC | The property comprises a parcel of land with a site area of approximately 467,086.9 sq.m. and an industrial complex under construction (the "**CIP**") thereon.<br><br>The CIP is scheduled to be completed in May 2016. Upon completion, the industrial complex will comprise various factory buildings, office buildings and ancillary buildings which will have a total gross floor area of approximately 254,809.05 sq.m. As advised by the Group, the total estimated construction cost is RMB708,857,000, of which RMB539,757,000 had been incurred up to the valuation date.<br><br>The land use rights of the property have been granted for a term expiring on 24 June 2064 for industrial use. | The property is currently under construction. | 928,660,000 |

*Notes:*

1. Pursuant to a State-owned Land Use Rights Certificate – Hang Yu Chu Guo Yong (2014) Di No. 101-649, the land use rights of a parcel of land with a site area of approximately 467,086.9 sq.m. have been granted to Hangzhou Changjiang Automobile Co., Ltd ("**Changjiang**"), a 49.94% owned subsidiary of the Company, for a term expiring on 24 June 2064 for industrial use.

2. Pursuant to 5 Construction Work Planning Permits – Jian Zi Di Nos. 201401537032, 201401537048, 201501537004, 201501537007 and 201501537018 in favour of Changjiang, the construction work of an industrial complex (21 buildings) with a total gross floor area of approximately 254,809.05 sq.m. have been approved.

3. Pursuant to 10 Construction Work Commencement Permits – Bian Hao Nos. 330110201506080501, 330110201506250301, 330110201505290101, 330110201505190201, 330110201505290201, 330110201506250201, 330110201501050101, 330110201506250401, 330125201407110101 and

330110201506250101 in favour of Changjiang, the commencement of the construction work of the industrial complex has been permitted.

4. Pursuant to a Mortgage Contract, the property is subject to a mortgage in favour Hangzhou branch of China Minsheng Bank (the "**Bank**"), as a security to guarantee the principal obligation under the lending contract for a loan of RMB700,000,000 for a term from 10 November 2015 to 10 October 2020.

5. The market value of the property as if completed as at the valuation date according to the development proposal and which can be freely transferred in the market, would be RMB1,078,721,000.

6. We have been provided with the PRC Legal Opinion that:

   a. Changjiang has legally obtained the land use rights of the land of the property;

   b. Changjiang has legally obtained all relevant authorities' permits to the development of the CIP mentioned in notes 2 and 3;

   c. the property is subject to a mortgage and Changjiang could occupy, use, lease or otherwise dispose of the property after obtaining the mortgagee's consent; and

   d. the property is not subject to any other restriction or security except for the abovementioned mortgage.

7. The property will contribute a significant portion of revenue to the Group, we are of the view that the property is the material property held by the Group:

   Details of the material property

| | | | |
|---|---|---|---|
| (a) | General description of location of the property | : | The property is located at No. 116 Hongda Road, Yuhang Economic Development District. The area of the property is clustered with many companies of manufacturing and production, etc. The property is situated on Xinhe Road and near Shanghai-Hangzhou Expressway. It is about 6.7 kilometres from Linping Station of Subway Line 1. |
| (b) | Details of encumbrances, liens, pledges, mortgages against the property | : | The property is subject to a mortgage as stated in note 4. |
| (c) | Details of investigations, notices, pending litigation, breaches of law or title defects | : | Nil |
| (d) | Future plans for construction, renovation, improvement or development of the property | : | As advised by Changjiang, the capital expenditure required for the development of the plant in the next 12 months from the date of this document would be RMB195,978,000. |

## 1. RESPONSIBILITY STATEMENT

The directors of the Company jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than that relating to the Subscriber and CITIC Limited) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular (other than that expressed by the directors of the Subscriber and CITIC Pacific Limited) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statements in this circular misleading.

The directors of the Subscriber jointly and severally accept full responsibility for the accuracy of the information relating to the Subscriber contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed by them in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statements in this circular misleading.

The directors of CITIC Pacific Limited, of which the Subscriber is a wholly-owned subsidiary, jointly and severally accept full responsibility for the accuracy of the information relating to the Subscriber and CITIC Limited contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed by them in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statements in this circular misleading.

## 2. MARKET PRICES

The closing prices of the Shares quoted on the Stock Exchange (i) at the end of each of the calendar months during the Relevant Period; (ii) on the Last Trading Day; and (iii) on the Latest Practicable Date.

| **Date** | **Closing price per Share** *HK$* |
|---|---|
| 30 June 2015 | 0.710 |
| 31 July 2015 | 0.510 |
| 31 August 2015 | 0.480 |
| 30 September 2015 | 0.560 |
| 30 October 2015 | 0.540 |
| 30 November 2015 | 0.500 |
| 9 December 2015 (being the Last Trading Day) | 0.465 |
| 31 December 2015 | 0.480 |
| 26 January 2016 (being the Latest Practicable Date) | 0.330 |

The lowest and highest closing market prices of the Shares recorded on the Stock Exchange during the Relevant Period were HK$0.33 on 26 January 2016 and HK$0.80 on 25 June 2015, respectively.

## 3. SHARE CAPITAL, OPTIONS, WARRANTS AND CONVERTIBLE SECURITIES

### (a) Share capital

Set out below were the authorised and issued share capital of the Company as at (i) the Latest Practicable Date; and (ii) upon completion of the Subscription and the Conversion:

***(i) As at the Latest Practicable Date***

*Authorised:*

| | | |
|---|---|---|
| 50,000,000,000 | Shares | HK$500,000,000 |

*Issued and fully paid or credited as fully paid:*

| | | |
|---|---|---|
| 19,370,000,734 | Shares | HK$193,700,007.34 |

***(ii) Upon completion of the Subscription and the Conversion***

*Authorised:*

| | | |
|---|---|---|
| 50,000,000,000 | Shares | HK$500,000,000 |

*Issued and fully paid or credited as fully paid:*

| | | |
|---|---|---|
| 19,370,000,734 | Shares | HK$193,700,007.34 |
| 1,593,491,124 | Shares to be allotted and issued pursuant to the Conversion | HK$15,934,911.24 |
| 1,000,000,000 | Shares to be allotted and issued pursuant to the Subscription | HK$10,000,000.00 |
| 21,963,491,858 | | HK$219,634,918.58 |

All the issued Shares rank pari passu with each other in all respects including the rights in respect of capital, dividend and voting.

The Shares are listed on and traded on the Main Board of the Stock Exchange. No Shares are listed on or dealt in, nor is any listing of or permission to deal in the Shares being, or proposed to be, sought on any other stock exchange.

Since 31 March 2015 (being the end of the last financial year of the Company) and up to the Latest Practicable Date, 1,000,000,000 new Shares, representing approximately 5.16% of the issued share capital of the Company as at the Latest Practicable Date, were allotted and issued at HK$0.50 per placing share on 5 November 2015 pursuant to the terms and conditions of the placing agreement made between the Company and VMS Securities Limited dated 22 October 2015.

**(b) Options, warrants and convertible securities**

As at the Latest Practicable Date, the Company had:

(i) 457,600,000 outstanding share options entitling holders to subscribe a total of 457,600,000 Shares. Details of which are as follows:

| Category of participants | Date of grant | Outstanding as at the Latest Practicable Date | Exercise period | Exercise price per option |
|---|---|---|---|---|
| | | | | *HK$* |
| **Directors & Substantial Shareholders** | | | | |
| Mr. Cao Zhong | 28.4.2014 | 10,000,000 | 28.4.2016–27.4.2024 *(Note 2)* | 0.630 |
| Mr. Miao Zhenguo | 4.9.2013 | 12,000,000 | 4.9.2015–3.9.2023 *(Note 2)* | 0.450 |
| | 28.4.2014 | 3,000,000 | 28.4.2016–27.4.2024 *(Note 2)* | 0.630 |
| **Directors** | | | | |
| Dr. Chen Yanping | 28.4.2014 | 12,000,000 | 28.4.2016–27.4.2024 *(Note 2)* | 0.630 |
| Mr. Lo Wing Yat | 23.8.2007 | 14,600,000 | 23.8.2008–22.8.2017 *(Note 3)* | 0.230 |
| | 8.5.2009 | 16,200,000 | 8.5.2010–7.5.2019 *(Note 3)* | 0.061 |

| Category of participants | Date of grant | Outstanding as at the Latest Practicable Date | Exercise period | Exercise price per option |
|---|---|---|---|---|
| | | | | *HK$* |
| | 4.9.2013 | 8,000,000 | 4.9.2015–3.9.2023 *(Note 2)* | 0.450 |
| | 28.4.2014 | 4,000,000 | 28.4.2016–27.4.2024 *(Note 2)* | 0.630 |
| Mr. Jaime Che | 4.9.2013 | 12,000,000 | 4.9.2015–3.9.2023 *(Note 2)* | 0.450 |
| | 28.4.2014 | 4,000,000 | 28.4.2016–27.4.2024 *(Note 2)* | 0.630 |
| Mr. Chan Yuk Tong | 8.5.2009 | 900,000 | 8.11.2010–7.5.2019 *(Note 4)* | 0.061 |
| | 4.9.2013 | 8,000,000 | 4.9.2015–3.9.2023 *(Note 2)* | 0.450 |
| | 28.4.2014 | 4,000,000 | 28.4.2016–27.4.2024 *(Note 2)* | 0.630 |
| Mr. Fei Tai Hung | 8.5.2009 | 900,000 | 8.11.2010–7.5.2019 *(Note 4)* | 0.061 |
| | 4.9.2013 | 8,000,000 | 4.9.2015–3.9.2023 *(Note 2)* | 0.450 |
| | 28.4.2014 | 4,000,000 | 28.4.2016–27.4.2024 *(Note 2)* | 0.630 |
| Mr. Tse Kam Fow | 8.5.2009 | 900,000 | 8.11.2010–7.5.2019 *(Note 4)* | 0.061 |
| | 4.9.2013 | 8,000,000 | 4.9.2015– 3.9.2023 *(Note 2)* | 0.450 |
| | 28.4.2014 | 4,000,000 | 28.4.2016–27.4.2024 *(Note 2)* | 0.630 |
| **Employees** | 4.9.2013 | 175,100,000 | 4.9.2015–3.9.2023 *(Note 2)* | 0.450 |
| | 28.4.2014 | 112,800,000 | 28.4.2016–27.4.2024 *(Note 2)* | 0.630 |
| **Others** | 23.8.2007 | 7,200,000 | 23.8.2008–22.8.2017 *(Note 3)* | 0.230 |
| | 4.9.2013 | 16,000,000 | 4.9.2015–3.9.2023 *(Note 2)* | 0.450 |
| | 28.4.2014 | 12,000,000 | 28.4.2016–27.4.2024 *(Note 2)* | 0.630 |

*Notes:*

1. Number of share options refers to the number of underlying Shares of the Company.

2. Share options granted are subject to a vesting period up to five years with half of the options becoming exercisable 24 months after the relevant date of grant and the remainder becoming exercisable 60 months after the relevant date of grant.

3. Share options granted are subject to a vesting period up to two years with 50%, 25% and 25% of the options becoming exercisable 12 months, 18 months and 24 months after the date of grant respectively.

4. Share options granted are subject to a vesting period up to two years with half of the options becoming exercisable 18 months after the date of grant and the remainder becoming exercisable 24 months after the date of grant.

(ii) convertible bonds in the outstanding principal amount of HK$400,000,000 due 2017 convertible into Shares at the initial conversion price of HK$0.60 per Share; and

(iii) convertible bonds in the outstanding principal amount of HK$928,616,491.80 due 2018 convertible into Shares at the initial conversion price of HK$0.50 per Share.

Save as disclosed above, as at the Latest Practicable Date, the Company had no outstanding options, warrants or conversion rights affecting the Shares.

## 4. ADDITIONAL DISCLOSURE UNDER THE TAKEOVERS CODE

As at the Latest Practicable Date:

(a) there was no agreement, arrangement or understanding that any Shares acquired by the Subscriber in pursuance of the Subscription will be transferred, charged or pledged to any other persons;

(b) except for the Conversion, no agreement, arrangement or understanding (including any compensation arrangement) existed between (i) the Whitewash Applicants or parties acting in concert with any of them; and (ii) any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Subscription and/or the Whitewash Waiver;

(c) there was no benefit to be given to any Directors as compensation for loss of office or otherwise in connection with the Subscription and/or the Whitewash Waiver;

(d) except for the Conversion, there was no agreement or arrangement between any Directors and any other persons which is conditional on or dependent upon the outcome of the Subscription and/or the Whitewash Waiver or otherwise connected with the Subscription and/or the Whitewash Waiver;

(e) except for the Subscription Agreement, there was no material contract entered into by the Whitewash Applicants in which any Director had a material personal interest;

(f) except as disclosed in the table under the section headed "CHANGES IN SHAREHOLDING" in the "Letter from the Board", none of the Whitewash Applicants, directors of any body corporate members of the Whitewash applicants, and parties acting in concert with any of them were interested in, owned or controlled any issued Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company respectively;

(g) except as disclosed below, none of the Whitewash Applicants, directors of any body corporate members of the Whitewash applicants, and parties acting in concert with any of them had dealt for value in any issued Shares or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period:

On 14 August 2015, Mr. Miao disposed of an aggregate of 800,000,000 Shares to two independent parties not connected with the Company or any of its connected persons at the price of HK$0.46 per Share for a total consideration of HK$368,000,000; and

On 23 October 2015, Ms. Chong Sok Un, Mr. Che's Close Relative disposed of an aggregate of 20,000,000 Shares at an average price of HK$0.5505 for a total amount of HK$11,010,000;

(h) no person had irrevocably committed themselves to vote for or against the resolutions to be proposed at the SGM to approve the Subscription and/or the Whitewash Waiver;

(i) no member of the Whitewash Applicants or parties acting in concert with any of them had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any person;

(j) no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company had been borrowed or lent by any of the Company, the Directors, the Whitewash Applicants and parties acting in concert with any of them;

(k) the Company did not have any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of any body corporate member of the Whitewash Applicants and had no dealings in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of any body corporate member of the Whitewash Applicants during the Relevant Period;

(l) except as disclosed under the section headed "INFORMATION ON THE PARTIES INVOLVED IN THE SUBSCRIPTION AND THE CONVERSION" in the "Letter from the Board", none of the Directors had any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of any body corporate member of the Whitewash Applicants;

(m) none of the Directors had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of any body corporate member of the Whitewash Applicants during the Relevant Period;

(n) except as disclosed under the section headed "5. DISCLOSURE OF INTERESTS (i) Interests of Directors and chief executives" of this appendix, none of the Directors had any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;

(o) except as disclosed below, none of the Directors had dealt in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period:

On 14 August 2015, Mr. Miao disposed of an aggregate 800,000,000 Shares to two independent parties not connected with the Company or any of its connected persons at the price of HK$0.46 per Share for a total consideration of HK$368,000,000;

(p) none of the subsidiaries of the Company and none of the pension funds of the Company or its subsidiaries, nor any adviser to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code, owned or controlled any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;

(q) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of "associate" under the Takeovers Code;

(r) no fund which was managed on a discretionary basis by any fund manager connected with the Company had any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company; and

(s) Mr. Cao, Mr. Miao, Dr. Chen, Mr. Che and Mr. Lo will be required to abstain from voting on the resolution approving the transactions contemplated under the Subscription Agreement and the Whitewash Waiver at the SGM. None of the other Directors were interested in any Shares, and hence no Director would be entitled to vote for or against any of the resolutions to be proposed at the SGM to approve the Subscription and the Whitewash Waiver.

## 5. DISCLOSURE OF INTERESTS

### (i) Interests of Directors and chief executives

As at the Latest Practicable Date, the following Directors or chief executive of the Company or their associates had interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO including interest and short positions which were taken or deemed to have been taken under such provisions of the SFO; (ii) recorded in the register to be kept under Section 352 of the SFO; (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") adopted by the Company; or (iv) disclosed in this circular pursuant to the requirements of the Takeovers Code.

| Name of directors | Capacity | Number of Shares | Number of underlying Shares | Total number of Shares and underlying Shares | Approximate percentage of issued ordinary share capital of the Company as at the Latest Practicable Date |
|---|---|---|---|---|---|
| Mr. Cao | Interest of controlled corporations | 2,311,059,998 *(Note 1)* | 340,000,000 *(Notes 1 and 6)* | 2,651,059,998 | 13.69% |
| | Beneficial owner | – | 16,800,000 *(Notes 1, 5 and 6)* | 16,800,000 | 0.09% |
| Mr. Miao | Interest of controlled corporations | 1,970,551,043 *(Note 2)* | – | 1,970,551,043 | 10.17% |
| | Beneficial owner | – | 15,000,000 *(Notes 2 and 5)* | 15,000,000 | 0.08% |
| Dr. Chen | Interest of controlled corporation | 658,125,000 *(Note 3)* | – | 658,125,000 | 3.40% |
| | Beneficial owner | – | 12,000,000 *(Notes 3 and 5)* | 12,000,000 | 0.06% |
| Mr. Lo | Beneficial owner | – | 49,379,000 *(Notes 4, 5 and 6)* | 49,379,000 | 0.25% |

| Name of directors | Capacity | Number of Shares | Number of underlying Shares | Total number of Shares and underlying Shares | Approximate percentage of issued ordinary share capital of the Company as at the Latest Practicable Date |
|---|---|---|---|---|---|
| Mr. Che | Beneficial owner | 1,000,000 | 16,000,000 *(Note 5)* | 17,000,000 | 0.09% |
| Mr. Chan Yuk Tong | Beneficial owner | – | 12,900,000 *(Note 5)* | 12,900,000 | 0.07% |
| Mr. Fei Tai Hung | Beneficial owner | – | 12,900,000 *(Note 5)* | 12,900,000 | 0.07% |
| Mr. Tse Kam Fow | Beneficial owner | – | 12,900,000 *(Note 5)* | 12,900,000 | 0.07% |

*Notes:*

1. Mr. Cao is interested or deemed to be interested in a total of 2,667,859,998 Shares/underlying Shares including: (i) 2,311,059,998 Shares held by Long Hing International Limited which is wholly owned by Mr. Cao who is a director; (ii) 340,000,000 Shares upon conversion of the convertible bonds *(note 6)* held by Champion Rise which is wholly owned by Mr. Cao who is a director; and (iii) 16,800,000 underlying Shares including 10,000,000 share options *(note 5)* and 6,800,000 Shares upon conversion of the convertible bonds *(note 6)*. Upon completion of the Subscription, the Convertible Bonds held by Champion Rise and Mr. Cao will be converted into 340,000,000 and 6,800,000 Conversion Shares.

2. Mr. Miao is interested or deemed to be interested in a total of 1,985,551,043 Shares/underlying Shares including: (i) 1,806,301,043 Shares held by Union Ever Holdings Limited which is wholly owned by Mr. Miao who is a director; (ii) 164,250,000 Shares held by Infinity Wealth International Limited which is wholly owned by Mr. Miao who is a director; and (iii) 15,000,000 share options *(note 5)*.

3. Dr. Chen is interested or deemed to be interested in a total of 670,125,000 Shares/underlying Shares of the Company including: (i) 658,125,000 Shares held by Captain Century Limited which is owned as to 60% by Dr. Chen and 40% by his spouse, Ms. Zhang Lu; and (ii) 12,000,000 share options *(note 5)*.

4. Mr. Lo is interested in a total of 49,379,000 underlying Shares of the Company including: (i) 42,800,000 share options *(note 5)*; and (ii) 6,579,000 Shares upon conversion of the convertible bonds *(note 6)*. Upon completion of the Subscription, the Convertible Bonds held by Mr. Lo will be converted into 6,579,000 Conversion Shares.

5. The interests in underlying Shares represent interests in share options granted to the Directors to subscribe for Shares.

6. The interests in underlying Shares represent interests in the Shares which will be allotted and issued to the relevant Director or his wholly-owned company upon conversion of the Convertible Bonds.

Save as disclosed above, at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have been taken under such provisions of the SFO) or the Model Code adopted by the Company; (ii) entered in the register required to be kept under section 352 of the SFO; or (iii) disclosed in this circular pursuant to the requirements of the Takeovers Code.

**(ii) Substantial Shareholders**

As at the Latest Practicable Date, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO:

| Name of substantial shareholders | Capacity | Number of Shares | Number of underlying Shares | Total number of Shares and underlying Shares | Approximate percentage of issued ordinary share capital of the Company as at the Latest Practicable Date |
|---|---|---|---|---|---|
| CITIC Group Corporation *(Note 1)* | Interest of controlled corporations | 1,448,780,000 | 1,026,116,124 | 2,474,896,124 | 12.78% |
| Long Hing International Limited *(Note 2)* | Beneficial owner | 2,311,059,998 | – | 2,311,059,998 | 11.93% |
| Union Ever Holdings Limited *(Note 3)* | Beneficial owner | 1,806,301,043 | – | 1,806,301,043 | 9.33% |

| Name of substantial shareholders | Capacity | Number of Shares | Number of underlying Shares | Total number of Shares and underlying Shares | Approximate percentage of issued ordinary share capital of the Company as at the Latest Practicable Date |
|---|---|---|---|---|---|
| Mr. Li Ka-shing *(Note 4)* | Interest of controlled corporations | 1,456,810,000 | – | 1,456,810,000 | 7.52% |

*Notes:*

1. For the purpose of Divisions 2, 3 and 4 of Part XV of the SFO, CITIC Group Corporation is deemed to be interested in a total of 1,448,780,000 Shares and 1,026,116,124 underlying Shares, of which (i) 448,780,000 Shares are held by CIAM; (ii) 1,000,000,000 Shares are to be subscribed for by the Subscriber; and (iii) 3,128,000 underlying Shares are held by CIAM and 1,022,988,124 underlying Shares are held by Right Precious. These interests in the underlying Shares are in connection with interests in the Convertible Bonds that they hold.

   Right Precious is a wholly-owned subsidiary of CIAM of which CITIC International Financial Holdings Limited owns 40%. CITIC International Financial Holdings Limited is 100% owned by China CITIC Bank Corporation Limited which, in turn, is as at 22 January 2016, 64.20% owned by CITIC Limited through its wholly-owned subsidiaries. CITIC Group Corporation owns 58.13% of CITIC Limited through its wholly-owned subsidiaries, CITIC Polaris Limited and CITIC Glory Limited.

   Upon completion of the Subscription, the Convertible Bonds held by CIAM and Right Precious will be converted into 3,128,000 and 1,022,988,124 Conversion Shares respectively upon the Conversion.

   The Subscriber is a wholly-owned subsidiary of CITIC Limited. It will hold 1,000,000,000 Shares upon completion of the Subscription.

2. Long Hing International Limited ("**Long Hing**") is wholly owned by Mr. Cao. The 2,311,059,998 Shares held by Long Hing are deemed to be owned by Mr. Cao who is a director of Long Hing.

3. Union Ever Holdings Limited ("**Union Ever**") is wholly owned by Mr. Miao. The 1,806,301,043 Shares held by Union Ever are deemed to be owned by Mr. Miao who is a director of Union Ever.

4. For the purpose of the SFO, Mr. Li Ka-shing is deemed to be interested in a total of 1,456,810,000 Shares, of which 6,660,000 Shares are held by Lion Cosmos Limited ("**Lion Cosmos**"), 707,150,000 Shares are held by Li Ka Shing (Canada) Foundation ("**LKSCF**") and 743,000,000 Shares are held by Lucky River Holdings Limited ("**Lucky River**").

   Lion Cosmos is a wholly-owned subsidiary of Li Ka Shing (Overseas) Foundation ("**LKSOF**"). By virtue of the terms of the constituent documents of LKSOF and LKSCF, Mr. Li Ka-shing may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of LKSOF and LKSCF respectively.

   Lucky River is a wholly-owned subsidiary of Mayspin Management Limited, which in turn is wholly owned by Mr. Li Ka-shing.

Save as disclosed above, as at the Latest Practicable Date, there was no person known to the Directors or the chief executive of the Company (other than a Director or chief executive of the Company) who had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

## 6. DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors (except for Mr. Lo) has entered into a service agreement with the Company as follows:

(i) a service agreement dated 15 April 2014 entered into between the Company and Mr. Cao for a term of three years commencing on 15 April 2014 and ending on 14 April 2017. Mr. Cao is entitled to an annual salary of HK$5,200,000 for his services as executive Director, and an annual discretionary bonus of a sum to be determined by the Board. No other variable remuneration is payable under this agreement;

(ii) a service agreement dated 24 May 2013 entered into between the Company and Mr. Miao for a term of three years commencing on 25 May 2013 and ending on 24 May 2016. Mr. Miao is entitled to an annual salary of HK$3,900,000 for his services as executive Director, and an annual discretionary bonus of a sum to be determined by the Board. No other variable remuneration is payable under this agreement;

(iii) a service agreement dated 28 May 2014 entered into between the Company and Dr. Chen for a term of three years commencing on 28 May 2014 and ending on 27 May 2017. Dr. Chen is entitled to an annual salary of HK$3,900,000 for his services as executive Director, and an annual discretionary bonus of a sum to be determined by the Board. No other variable remuneration is payable under this agreement; and

(iv) a service agreement dated 7 March 2014 entered into between the Company and Mr. Che for a term of three years commencing on 8 March 2014 and ending on 7 March 2017. Mr. Che is entitled to an annual salary of HK$3,250,000 for his services as executive Director, and an annual discretionary bonus of a sum to be determined by the Board. No other variable remuneration is payable under this agreement.

Such service agreements shall be terminated by either party by giving three months' notice in writing to each other in accordance with the terms of the service agreements.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any of its subsidiaries or associated companies:

(a) which (including both continuous and fixed term contracts) had been entered into or amended within six months before 10 December 2015, being the date of the Suspension Announcement;

(b) which were continuous contracts with a notice period of 12 months or more; or

(c) which were fixed term contracts with more than 12 months to run irrespective of the notice period.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had entered or proposed to enter into a service contract with any member of the Group which would not expire or was not determinable by the employer within one year without payment of compensation (other than statutory compensation).

## 7. COMPETING BUSINESS OR INTERESTS

Orng EV Solutions, Inc., a joint venture owned by the Company as to 52.00% as at the Latest Practicable Date, is engaged in the business of sales and distribution of electric vehicles in the United States of America, in which Mr. Cao Zhong acts as Chairman and Mr. Jaime Che is a director, both appointed on 4 May 2015.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any business or interest of the Directors and their respective associates (as defined under the Listing Rules) that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

## 8. MATERIAL LITIGATION

As at the Latest Practicable Date, the Company and two of its subsidiaries are currently involved in several litigations with Mr. Winston Chung (formerly known as Chung Hing Ka) ("**Mr. Chung**") and companies which are controlled and/or owned by him (together with Mr. Chung, the "**Chung Parties**").

The summaries of litigations are as follows:

– The Company and two of its subsidiaries have instituted legal proceedings against the Chung Parties in the HK Court for, inter alia, breaches of various agreements in relation to the acquisition completed by the Group on 25 May 2010. The Chung Parties has made a counterclaim based on certain documents.

– The Chung Parties has filed a lawsuit against a subsidiary of the Company in the HK Court and alleged that the Company's subsidiary is not entitled to use certain patents.

– The Chung Parties has filed a lawsuit against a subsidiary of the Company in the Shenzhen Intermediate Court of the PRC (the "**SZ Court**") for breaches of various agreements in relation to the production of battery products (the "**SZ Case**").

In these litigations, the allegations and defenses of the Chung Parties are primarily based on certain documents (the "**Questioned Documents**") which the Group denied that they are the versions executed by the Group and the Chung Parties. The Group has strong reasons to believe that the Questioned Documents are fraudulently altered and/or completely fabricated. On 2 June 2015, the SZ Court has ruled that the Questioned Documents are not the bona fide agreements the parties have entered into and thus, there are no sufficient evidence to support the Chung Parties' claims. The SZ Court has dismissed the SZ Case and ordered the Chung Parties to pay the SZ Court's cost.

On 27 February 2013, the HK Court has made an order for bankruptcy against Mr. Chung (the "**Bankruptcy**"). Despite Mr. Chung was adjudged bankrupt over two years, Mr. Chung neither submitted a substantive statement of affairs, an annual report of his earnings and acquisitions nor delivered any substantial property to the Trustee as required by the Bankruptcy Ordinance. Subsequently, on 4 September 2014, the HK Court issued a warrant of arrest to apprehend Mr. Chung.

The litigations involving Mr. Chung were stayed as a result of his Bankruptcy. On 29 January 2015, the Group has re-commenced the litigation in Hong Kong and the Group is of the view that the Company and two of its subsidiaries, as the plaintiffs of such litigation, can start pursuing it in a more straight-forward and efficient manner. As at the Latest Practicable Date, court hearing for the relevant litigation is scheduled in May 2016.

Save as disclosed above, as at the Latest Practicable Date, neither the Company nor its subsidiaries was involved in any litigation or arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

## 9. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion and advice, which is contained in this circular:

| Name | Qualification |
|---|---|
| Goldin Financial Limited | a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO |
| Jones Lang LaSalle Corporate Appraisal and Advisory Limited | property valuer |

Each of the experts listed above has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the experts listed above had no shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of the experts listed above did not have any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2015, the date to which the latest published audited financial statements of the Group were made up.

## 10. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following are the material contracts entered into after the date 2 years before the date of the Suspension Announcement, not being a contract entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries:

(a) the Subscription Agreement;

(b) the placing agreement dated 22 October 2015 entered into between the Company and VMS Securities Limited for the placing of a maximum of 1,000,000,000 new Shares at a price of HK$0.50 per Share;

(c) the sale and purchase agreement dated 5 September 2015 entered into by and among the Kingspark Group Limited, FDG Kinetic, SK China Company Limited and SKC Co., Ltd. in relation to the acquisition by Kingspark Group

Limited from SK China Company Limited and SKC Co., Ltd. of 100% Premier Property Management Limited at a total consideration of HK$722,000,000;

(d) the placing and top-up subscription agreement dated 23 July 2015 entered into by Sinopoly Strategic Investment Limited, FDG Kinetic and Guotai Junan Securities (Hong Kong) Limited in relation to the placing of up to 35,000,000 existing ordinary shares of FDG Kinetic held by Sinopoly Strategic Investment Limited and the subscription of the new ordinary shares of FDG Kinetic to be subscribed by Sinopoly Strategic Investment Limited, which number was equivalent to the number of ordinary shares of FDG Kinetic actually placed by Guotai Junan Securities (Hong Kong) Limited;

(e) the contribution agreement dated 4 May 2015 entered into between the Company and Orng EV Solutions, Inc. (the "**JV**") in relation to, among others, (i) contribute, convey, assign, transfer and deliver the exclusive right to use the Group's current design specifications for passenger van, mini bus, panel van and cab/chassis and their respective variations in the United States of America (provide relevant engineering access and support) to the JV, (ii) enter into the battery supply agreement, (iii) enter into the exclusive supply agreement with an expected demand for the semi knock down kits of a vehicle of 3,000, 5,000, 10,000 units in the calendar year 2016, 2017 and 2018 respectively, (iv) contribute US$5,000,000 in cash to the JV, and (v) contribute an additional US$10,000,000 in cash to the JV, subject to the execution of the battery supply agreement and the exclusive supply agreement;

(f) the contribution agreement dated 4 May 2015 entered into between Smith Electric Vehicles Corp ("**Smith**") and the JV in relation to the contribution of, among others, (i) an exclusive licence for the use of the certain of Smith's intellectual property (including all know how and trade secrets) in the United States of America; (ii) an exclusive licence for the use of the brand "Smith" and all related goodwill in the United States of America; (iii) the executed original equipment manufacturing supply agreement no later than 30 June 2015; (iv) the exclusive sales and distribution rights of certain electric vehicles in the United States of America; (v) the exclusive rights to form a battery rental business in the United States of America; (vi) goodwill including but not limited to Smith's customers; and (vii) executed offer letters from certain employees, by Smith to the JV;

(g) the placing agreement dated 29 April 2015 entered into by Sinopoly Strategic Investment Limited and VMS Securities Limited for the placing of a maximum of 150,000,000 shares of FDG Kinetic held by Sinopoly Strategic Investment Limited to parties independent from and not a connected person to Sinopoly Strategic Investment Limited and FDG Kinetic at HK$1.70 per share;

(h) the sale and purchase agreement dated 20 April 2015 entered into by Cherrylink Investments Limited, Union Grace Holdings Limited, the Company and FDG

Kinetic in relation to the acquisition of 25% of the issued shares of Synergy Dragon Limited by Cherrylink Investments Limited from Union Grace Holdings Limited;

(i) the sale and purchase agreement dated 31 October 2014 and supplemented by the two letter agreements dated 29 December 2014 and 27 January 2015, entered into among Preferred Market Limited ("**Preferred Market**"), the Company, CIAM Investment (BVI) Limited ("**CIAM BVI**") and FDG Kinetic in relation to, among other things, the sale and purchase of 41.5% of issued share capital of Agnita Limited ("**Agnita**") and the assignment of the shareholder's loan extended to Agnita to Preferred Market and the cancellation of certain call options previously granted to CIAM BVI for a total consideration of HK$520 million;

(j) the loan agreement dated 19 December 2013 entered into between CIAM BVI, as lender, and Agnita, as borrower and the supplemental agreements dated 23 September 2014 and 29 December 2014 entered into between CIAM BVI and Agnita;

(k) the deed of undertaking dated 31 October 2014 and supplemented by a supplemental deed dated 30 December 2014 entered into among Right Precious, CIAM, the Company and Sinopoly Strategic Investment Limited, pursuant to which Right Precious and CIAM provided an irrevocable undertaking to accept in respect of the 300,878,860 ordinary shares of FDG Kinetic and 920,000 ordinary shares of FDG Kinetic that they hold respectively in exchange for convertible bonds convertible to shares of the Company;

(l) the deed of undertaking dated 31 October 2014 and supplemented by a supplemental deed dated 30 December 2014 entered into among Champion Rise, Mr. Cao, the Company and Sinopoly Strategic Investment Limited, pursuant to which Champion Rise and Mr. Cao provided an irrevocable undertaking to accept in respect of the 100,000,000 ordinary shares of FDG Kinetic and 2,000,000 ordinary shares of FDG Kinetic that they hold respectively in exchange for convertible bonds convertible to shares of the Company;

(m) the deed of undertaking dated 31 October 2014 and supplemented by a supplemental deed dated 30 December 2014 entered into among Fame Depot Investments Limited, China Innovation Foundation Limited, the Company and Sinopoly Strategic Investment Limited, pursuant to which Fame Depot Investments Limited provided an irrevocable undertaking to accept in respect of the 35,000,000 ordinary shares of FDG Kinetic that it holds in exchange for convertible bonds convertible to shares of the Company;

(n) the deed of undertaking dated 31 October 2014 and supplemented by a supplemental deed dated 30 December 2014 entered into among Silvanus

Enterprises, Ms. Chong Sok Un (莊舜而), the Company and Sinopoly Strategic Investment Limited, pursuant to which Silvanus Enterprises provided an irrevocable undertaking to accept in respect of the 62,940,000 ordinary shares of FDG Kinetic that it holds in exchange for convertible bonds convertible to shares of the Company;

(o) the deed of undertaking dated 31 October 2014 and supplemented by a supplemental deed dated 30 December 2014 entered into among Mr. Lo, the Company and Sinopoly Strategic Investment Limited, pursuant to which Mr. Lo provided an irrevocable undertaking to accept in respect of all the 1,935,000 ordinary shares of FDG Kinetic that he holds in exchange for convertible bonds convertible to shares of the Company;

(p) the agreement dated 11 May 2014 entered into between the Company and Smith in relation to, (i) the subscription by the Company of the series AA notes for a total subscription price of US$2,000,000; (ii) the conditional subscription by the Company of the series E preferred shares for a total subscription amount of US$10,000,000; and (iii) the conditional subscription by the Company of the common shares in a post-qualified merger holding company for a total subscription amount of US$30,000,000; (iv) an exclusive battery supply contract; and (v) a memorandum of understanding in relation to the supply of electric vehicle components;

(q) the conditional sale and purchase agreement dated 15 April 2014 entered into among Preferred Market, Mr. Kam Chi Yip (金子頁) and Mr. Huang Jianmeng (黃健明) in relation to the acquisition of the entire issued share capital of Giant Industry Holdings Limited at the consideration of HK$190 million to be settled by the issue of 380,000,000 new Shares at the price at HK$0.50 per Share;

(r) the convertible bonds agreement dated 20 March 2014 in relation to the convertible bonds due in 2017 entered into between the Company and VMS Investment Group Limited for the subscription of convertible bonds with a principal amount of HK$400 million;

(s) the placing agreement dated 20 March 2014 entered into between the Company and Guotai Junan Securities (Hong Kong) Limited for the placing of a maximum of 1,400,000,000 new Shares at a price of HK$0.50 per Share; and

(t) the subscription agreement between 事安投資諮詢(深圳)有限公司 (formerly known as 逸百年投資諮詢(深圳)有限公司), an indirect wholly-owned subsidiary of the Company and 天津銘度科技有限公司 dated 22 January 2014, pursuant to which 事安投資諮詢(深圳)有限公司 agreed to invest RMB15 million (equivalent to approximately HK$19.1 million) in cash into 天津銘度科技有限公司 to subscribe for 20% of the enlarged equity interest in 天津銘度科技有限公司.

## 11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Company's principal place of business in Hong Kong situated at Rooms 3001–3005, 30th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong during normal business hours between 9:00 am to 5:00 pm on any Business Day from the date of this circular up to and including the date of SGM. Copies of the following documents will also be available for inspection on the website of the Securities and Futures Commission at http://www.sfc.hk and the website of the Company at http://www.fdgev.com from the date of this circular up to and including the date of the SGM:

(a) the Bye-laws of the Company;

(b) the memorandum and articles of association of Long Hing International Limited;

(c) the memorandum and articles of association of Champion Rise;

(d) the memorandum and articles of association of Union Ever Holdings Limited;

(e) the memorandum and articles of association of Infinity Wealth International Limited;

(f) the memorandum and articles of association of Captain Century Limited;

(g) the memorandum and articles of association of Designer Touch Limited;

(h) the memorandum and articles of association of Silvanus Enterprises;

(i) the memorandum and articles of association of the Subscriber;

(j) the memorandum and articles of association of CIAM;

(k) the memorandum and articles of association of Right Precious;

(l) annual reports of the Company for each of the two financial years ended 31 March 2014 and 31 March 2015;

(m) interim report of the Company for the six months ended 30 September 2015;

(n) the letter from the Board, the text of which is set out on pages 6 to 20 of this circular;

(o) the letter from the Independent Board Committee, the text of which is set out on page 21 to 22 of this circular;

(p) the letter from the Independent Financial Adviser, the text of which is set out on pages 23 to 44 of this circular;

(q) the property valuation report, the text of which is set out on pages II-1 to II-20 of this circular;

(r) the service contracts as referred to in the section headed "Directors' service contracts" in this appendix;

(s) the written consent from the Independent Financial Adviser that it has given and has not withdrawn its written consent to the issue of this circular with the inclusion of and references to its name and letter in the form and context in which they respectively appear;

(t) the written consent from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the independent property valuer, that it has given and has not withdrawn its written consent to the issue of this circular with the inclusion of and references to its name and letter in the form and context in which they respectively appear; and

(u) the material contracts as referred to in the section headed "Material contracts" in this appendix.

**12. MISCELLANEOUS**

(a) The correspondence address of each of the members of the Concert Party Group is as follows:

| | |
|---|---|
| Mr. Cao (including Long Hing International Limited and Champion Rise) | Rooms 3001–3005, 30th Floor<br>China Resources Building<br>26 Harbour Road, Wanchai<br>Hong Kong |
| Mr. Miao (including Union Ever Holdings Limited and Infinity Wealth International Limited) | Rooms 3001–3005, 30th Floor<br>China Resources Building<br>26 Harbour Road, Wanchai<br>Hong Kong |
| Dr. Chen, his Close Relatives and companies controlled by them as described in footnote (e) of the table under the paragraph headed "CHANGES IN SHAREHOLDING" in the letter from the Board | 22nd Floor, World-wide House<br>Central<br>Hong Kong |

| | |
|---|---|
| Mr. Che, his Close Relative and a company controlled by her as described in footnote (f) of the aforementioned table (including Silvanus Enterprises) | Rooms 3001–3005, 30th Floor<br>China Resources Building<br>26 Harbour Road, Wanchai<br>Hong Kong |
| the Subscriber | 30th Floor, CITIC Tower<br>1 Tim Mei Avenue<br>Central<br>Hong Kong |
| CIAM (including Right Precious) | 23rd Floor<br>Bank of America Tower<br>12 Harcourt Road<br>Central<br>Hong Kong |
| Mr. Lo | 23rd Floor<br>Bank of America Tower<br>12 Harcourt Road<br>Central<br>Hong Kong |

(b) the sole director of Long Hing International Limited is Mr. Cao. Long Hing International Limited is a wholly-owned investment holding company of Mr. Cao;

(c) the sole director of Champion Rise is Mr. Cao. Champion Rise is a wholly-owned investment holding company of Mr. Cao;

(d) the sole director of Union Ever Holdings Limited is Mr. Miao. Union Ever Holdings Limited is a wholly-owned investment holding company of Mr. Miao;

(e) the sole director of Infinity Wealth International Limited is Mr. Miao. Infinity Wealth International Limited is a wholly-owned investment holding company of Mr. Miao;

(f) the directors of Captain Century Limited are Dr. Chen and Ms. Zhang Lu. Captain Century Limited is owned as to 60% by Dr. Chen and 40% by his spouse, Ms. Zhang Lu;

(g) the sole director of Designer Touch Limited is Mr. Chen Cheng. Designer Touch Limited is wholly-owned by a Close Relative of Dr. Chen;

(h) the sole director of Silvanus Enterprises is Ms. Chong Sok Un. Silvanus Enterprises is a wholly-owned investment holding company of a Close Relative of Mr. Che;

(i) the directors of the Subscriber are Mr. Vernon Francis Moore and Mr. Kwok Ka Wa. The Subscriber is a wholly-owned subsidiary of CITIC Limited;

(j) the directors of CIAM are Mr. Chang Zhenming, Mr. Lo, Mr. Juma Hasan Ali Abul, Mr. Scott Anderberg Callon, Mr. Huang Bin, Mr. Khaled Abdulla Janahi, Mr. Shuichi Kato and Mr. Hideyuki Okuhara. CIAM is 40% owned by CITIC International Financial Holdings Limited (a subsidiary of CITIC Limited), 25% owned by ICH Company Limited (a subsidiary of ITOCHU Corporation which is a company listed on the Tokyo Stock Exchange), 20% owned by Ithmaar Bank B.S.C. (a company listed on the Bahrain Bourse and the Kuwait Stock Exchange) and 15% owned by Ichigo Inc. (a company listed on the Tokyo Stock Exchange);

(k) the sole director of Right Precious is Mr. Lo. Right Precious is a wholly-owned subsidiary of CIAM;

(l) the directors of CITIC Pacific Limited are Mr. Zhang Jijing (Chairman), Mr. Vernon Francis Moore, Mr. Liu Jifu, Mr. Zeng Chen, Mr. Kwok Man Leung, Mr. Fei Yiping, Mr. Luan Zhenjun, Mr. Yu Yapeng, Mr. Liu Yong, Mr. Li Yajun and Ms. Chen Meng; and

(m) The English text of this circular shall prevail over the Chinese text in case of inconsistency.

# FDG Electric Vehicles Limited
# 五龍電動車（集團）有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 729)**

**NOTICE IS HEREBY GIVEN** that the special general meeting of FDG Electric Vehicles Limited (the "**Company**") to be held at Tianshan room and Lushan room, 5/F, Island Shangri-la Hotel Hong Kong, Pacific Place, Supreme Court Road, Central, Hong Kong on Friday, 19 February 2016 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without modifications the following resolutions of the Company:

## ORDINARY RESOLUTIONS

Words and expressions that are not expressly defined in this notice shall bear the same meaning as that defined in the circular dated 29 January 2016 published by the Company (the "**Circular**").

1. "**THAT** subject to and conditional upon the passing of resolution numbered 2,

   (a) the Subscription Agreement (a copy of which has been tabled at the meeting marked "**A**" and signed by the chairman of the meeting for identification purpose) and all transactions contemplated thereunder, be and are hereby approved, ratified and confirmed, and any one Director be and is authorised to do all such things and take all such actions as he may consider necessary or desirable to implement and/or give effect to the Subscription Agreement and all transactions contemplated thereunder; and

   (b) subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited approving the listing of, and granting permission to deal in the 1,000,000,000 new Shares under the Subscription Agreement, the allotment and issue of the 1,000,000,000 new Shares under the Subscription Agreement be and is hereby approved, and any one Director be and is authorised to do all such things and take all such actions as he may consider necessary or desirable to implement and/or give effect to any of the matters relating to or incidental to the allotment and issue of the 1,000,000,000 new Shares under the Subscription Agreement."

2. "**THAT** subject to and conditional upon the passing of resolution numbered 1 above, the Whitewash Waiver granted or to be granted by the Executive be and is hereby approved and any one Director be and is hereby authorised to do all such things and take all such actions as he may consider necessary or desirable to implement and/or give effect to any of the matters relating to or incidental to the Whitewash Waiver."

By order of the Board
**FDG Electric Vehicles Limited**
**Cao Zhong**
*Chairman & Chief Executive Officer*

Hong Kong, 29 January 2016

*Notes:*

1. Any shareholder of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A proxy needs not be a shareholder of the Company.

2. To be valid, a proxy form, together with any power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or that authority shall be deposited at the Company's Hong Kong branch share registrar and transfer office, Union Registrars Limited at A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong not less than 48 hours before the time for holding the meeting or any adjournment thereof.

3. Delivery of the proxy form shall not preclude a shareholder from attending and voting in person at the meeting or upon the poll concerned and, in such event, the relevant proxy form shall be deemed to be revoked.