THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your securities in Sinogreen Energy International Group Limited, you should at once hand this Composite Document together with the accompanying Form of Acceptance to the purchaser(s) or the transferee(s) or to the bank, 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). This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the provisions of which form part of the terms of the Share Offer contained herein.

SGE
綠能國際

Reach Luck International Limited

(Incorporated in the British Virgin Islands with limited liability)

Sinogreen Energy International Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1159)

COMPOSITE DOCUMENT RELATING TO UNCONDITIONAL MANDATORY CASH OFFER BY FORTUNE (HK) SECURITIES LIMITED ON BEHALF OF REACH LUCK INTERNATIONAL LIMITED TO ACQUIRE ALL THE ISSUED SHARES OF SINOGREEN ENERGY INTERNATIONAL GROUP LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY REACH LUCK INTERNATIONAL LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

Financial adviser to
Reach Luck International Limited

富強金融資本
FORTUNE FINANCIAL CAPITAL

Financial adviser to
Sinogreen Energy International Group Limited

OPTIMA CAPITAL
Optima Capital Limited

Independent financial adviser to the Independent Board Committee

VEDA | CAPITAL
智略資本

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

A letter from Fortune Securities containing, among other things, the details of the terms of the Share Offer is set out on pages 8 to 20 of this Composite Document.

A letter from the Board is set out on pages 21 to 27 of this Composite Document.

A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on pages 28 to 29 of this Composite Document.

A letter from Veda containing its opinion on the Share Offer and its recommendation to the Independent Board Committee is set out on pages 30 to 54 of this Composite Document.

The procedures for acceptance and settlement of the Share Offer and other related information are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance. Acceptances of the Share Offer should be received by the Registrar by no later than 4:00 p.m. on Friday, 17 October 2014 or such later time and/or date(s) as the Offeror may determine and announce in accordance with the requirements under the Takeovers Code.

Persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form of Acceptance to any jurisdiction outside Hong Kong should read the details in this regard which are contained in the paragraph headed "Overseas Shareholders" of the section headed "Letter from Fortune Securities" of this Composite Document before taking any action. It is the responsibility of each Overseas Shareholder wishing to accept the Share Offer to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including but not limited to the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements. Each Overseas Shareholder is advised to seek professional advice on deciding whether or not to accept the Share Offer.

26 September 2014

CONTENTS

The expected timetable set out below is indicative only and may be subject to changes. Further announcement(s) will be made in the event of any changes to the timetable as and when appropriate. Unless otherwise specified, all times and dates refer to Hong Kong local time and dates.

	2014
Despatch date of this Composite Document and the Form of Acceptance and the commencement date of the Share Offer *(Note 1)*	Friday, 26 September
Latest time and date for acceptance of the Share Offer *(Notes 2 and 4)*	4:00 p.m. on Friday, 17 October
Closing Date of the Share Offer *(Notes 2 and 4)*	Friday, 17 October
Announcement of the results of the Share Offer and the level of acceptances as at the Closing Date to be posted on the website of the Stock Exchange *(Note 2)*	no later than 7:00 p.m. on Friday, 17 October
Latest date for posting of remittances in respect of valid acceptances received under the Share Offer *(Notes 3 and 4)*	Tuesday, 28 October

Notes:

(1) The Share Offer, which is unconditional in all respects, is made on the date of posting of this Composite Document, and is capable of acceptance on and from that date until the Closing Date. Acceptances of the Share Offer shall be irrevocable and shall not be capable of being withdrawn, except in the circumstances set out in the section headed "6. Right of Withdrawal" in Appendix I to this Composite Document.

(2) In accordance with the Takeovers Code, the Share Offer must initially be opened for acceptance for at least 21 days following the date on which this Composite Document is posted. The latest time and date for acceptance of the Share Offer is 4:00 p.m. on Friday, 17 October 2014. An announcement will be published on the website of the Stock Exchange by 7:00 p.m. on Friday, 17 October 2014 stating whether the Share Offer has been extended, revised or expired. In the event that the Offeror decides to extend the Share Offer and the announcement does not specify the next closing date, at least 14 days' notice by way of an announcement will be given before the Share Offer is closed to those Independent Shareholders who have not accepted the Share Offer.

(3) Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty) payable for the Offer Shares tendered under the Share Offer will be despatched to the accepting Shareholder(s) by ordinary post at their own risk as soon as possible but in any event within 7 Business Days after the date of receipt of a duly completed acceptance in accordance with the Takeovers Code. Please refer to the section headed "2. Settlement" in Appendix I to this Composite Document.

(4) If there is a tropical cyclone warning signal number 8 or above, or a black rainstorm warning:

(a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Share Offer and the latest date for posting of remittances for the amounts due under the Share Offer in respect of valid acceptances, the latest time for acceptance of the Share Offer and the posting of remittances will remain at 4:00 p.m. on the same Business Day;

(b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Share Offer and the latest date for posting of remittances for the amounts due under the Share Offer in respect of valid acceptances, the latest time for acceptance of the Share Offer and the posting of remittances will be rescheduled to 4:00 p.m. on the following Business Day.

Save as mentioned above, if the latest time for the acceptance of the Share Offer and the posting of remittances do not take effect on the date and time as stated above, the other dates mentioned above may be affected. The Offeror and the Company will notify the Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

In this Composite Document, unless the context otherwise requires, the following expressions have the following meanings:

"acting in concert"	has the meaning ascribed to it under the Takeovers Code
"associate"	has the meaning ascribed to it under the Listing Rules, unless otherwise specified
"Board"	the board of the Directors
"Business Day"	a day (other than a Saturday, Sunday, public holidays and days on which a tropical cyclone warning signal no.8 or above or a black rainstorm warning signal is issued in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
"Capital Reduction"	the reduction of the issued share capital of the Company whereby the par value of each consolidated share was reduced from HK$0.50 to HK$0.10 by cancelling HK$0.40 of the paid-up capital on each consolidated share and elimination of any fraction of a consolidated share in the issued share capital of the Company arising from the Share Consolidation in order to round down the total number of consolidated shares to a whole number
"Capital Reorganisation"	the reorganisation of the share capital of the Company involving (i) the Share Consolidation; (ii) the Capital Reduction; (iii) the Share Premium Reduction; and (iv) the Transfer, which became effective on 12 September 2014
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"close associate"	has the meaning ascribed to it under the Listing Rules, unless otherwise specified
"Closing Date"	17 October 2014 or any subsequent closing date as may be announced jointly by the Offeror and the Company and approved by the Executive

"CN Subscription"	the subscription of the Convertible Notes by the Offeror
"Companies Act"	the Companies Act 1981 of Bermuda, as amended, modified or supplemented from time to time
"Company"	Sinogreen Energy International Group Limited (stock code: 1159), a company incorporated in Bermuda with limited liability, the Shares of which are listed and traded on the Stock Exchange
"Composite Document"	this composite offer and response document dated 26 September 2014 jointly issued by the Offeror and the Company to the Shareholders in connection with the Share Offer
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Controller" or "Dr. Lam"	Dr. Lam Yin Lok, the ultimate legal and beneficial owner of the entire issued share capital of the Offeror
"Conversion Price"	HK$0.35 per Conversion Share
"Conversion Share(s)"	assuming the conversion rights attaching to the Convertible Notes are exercised in full at the initial Conversion Price, a maximum of 159,000,000 Shares to be allotted and issued, representing approximately 32.21% of the entire issued share capital of the Company as at the Latest Practicable Date and approximately 24.37% of the entire issued share capital as enlarged by the Conversion Shares
"Convertible Notes"	three (3) years to maturity, zero coupon convertible notes with principal amount of HK$55,650,000 and initial conversion price of HK$0.35 per Conversion Share issued by the Company on the Subscription Completion Date to the Offeror pursuant to the terms and conditions as set out in the Subscription Agreement and remained outstanding as at the Latest Practicable Date

"Creative Cosmo"	Creative Cosmo Limited, a company incorporated in the British Virgin Islands with limited liability
"Deed of Non-Competition"	deed of non-competition executed by the Offeror and the Controller both as covenantors in favour of the Group as covenantee on 19 September 2014
"Director(s)"	the director(s) of the Company
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
"Form of Acceptance"	the form of acceptance and transfer of Share(s) in respect of the Share Offer accompanying with this Composite Document
"Fortune Financial Capital"	Fortune Financial Capital Limited, a company incorporated in Hong Kong with limited liability and is licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO
"Fortune Securities"	Fortune (HK) Securities Limited, a company incorporated in Hong Kong with limited liability and is licensed to carry out Type 1 (dealing in securities) regulated activities under the SFO
"Group"	the Company and its subsidiaries
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	The Hong Kong Special Administrative Region of the People's Republic of China
"Independent Board Committee"	an independent board committee of the Board formed to make recommendation to the Independent Shareholders in respect of the Share Offer
"Independent Financial Adviser" or "Veda"	Veda Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO

"Independent Shareholder(s)"	holders of the Offer Shares
"Independent Third Party(ies)"	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Group and its connected persons in accordance with the Listing Rules
"Joint Announcement"	the announcement dated 25 July 2014, jointly issued by the Company and the Offeror in relation to, among others, the Capital Reorganisation, the Subscriptions, and the possible Share Offer
"Latest Practicable Date"	23 September 2014, being the latest practicable date prior to the despatch of this Composite Document for the purpose of ascertaining certain information contained herein
"Last Trading Date"	11 July 2014, being the last trading date of the Shares on the Stock Exchange prior to the suspension of trading of the Shares pending the release of the Joint Announcement
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Macau"	the Macau Special Administrative Region of the People's Republic of China
"Material Adverse Change"	any change, event, circumstance or other matter that has, or would reasonably be expected to have, either individually or in the aggregate, a material adverse effect on: (a) the ability of the Company to perform its obligations under the Subscription Agreement; or (b) the business, assets and liabilities, financial condition, results of operations of the Group as a whole

"New Elect"	New Elect International Limited, a company incorporated in the British Virgin Islands with limited liability
"Offer Period"	has the meaning ascribed to it under the Takeovers Code
"Offer Price"	the cash amount of HK$0.35 payable by the Offeror for each Share accepted under the Share Offer
"Offer Share(s)"	all the Shares in issue as at the date of this Composite Document, other than (i) the Subscription Shares held by the Offeror, Dr. Lam and parties acting in concert with any of them; and (ii) an aggregate of 67,882,400 Shares held by Mega Start Limited and Fount Holdings Limited, each of the Shareholders who has confirmed and undertaken to the Company and the Offeror that (a) it will not dispose of all or any Shares prior to completion of the Share Offer; (b) it shall not accept the Share Offer to transfer to the Offeror all or any of the Shares; (c) it has not created any lien, charges, encumbrances, claims, equities, rights of pre-emption and/or any other form of encumbrance or third party right of any nature against the Shares held in its name; (d) it will not create any lien, charges, encumbrances, claims, equities, rights of pre-emption and/or any other form of encumbrance or third party right of any nature against the Shares held in its name prior to completion of the Share Offer; and (e) it shall not make available for acceptance all or any Shares held in its name for the Share Offer
"Offeror" or "Reach Luck"	Reach Luck International Limited, a company incorporated in the British Virgin Islands with limited liability and as at the Latest Practicable Date was wholly owned by Dr. Lam
"Old Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company immediately before the Capital Reorganisation becoming effective
"Optima Capital"	a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO which is the financial adviser to the Company

"Overseas Shareholder(s)"	Shareholder(s) whose registered address(es) is/are in jurisdiction outside Hong Kong
"Registrar"	Tricor Secretaries Limited, the Hong Kong branch share registrar and transfer office of the Company, with its addresses at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong
"Relevant Period"	the period commencing on the date falling six months preceding 25 July 2014, being the date of the Joint Announcement, and ending on the Latest Practicable Date
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company convened and held on 11 September 2014 which approved (i) the Capital Reorganisation; and (ii) the Subscription Agreement and the transactions contemplated thereunder
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Share Consolidation"	the consolidation of every five (5) issued Old Shares into one (1) consolidated share of par value of HK$0.50 per consolidated share
"Share Offer"	the unconditional mandatory cash offer made by Fortune Securities on behalf of the Offeror to acquire all the Offer Shares in accordance with the Takeovers Code
"Share Premium Reduction"	the cancellation of the entire amount standing to the credit of the share premium account of the Company during the Capital Reorganisation
"Share Subscription"	the subscription of the Subscription Shares by the Subscribers
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Subscribers"	Reach Luck, Creative Cosmo and New Elect
"Subscription Agreement"	the subscription agreement dated 11 July 2014 entered into among the Company and the Subscribers in relation to, among other things, the Subscriptions
"Subscription Completion Date"	19 September 2014, being the date of completion of the Subscriptions
"Subscription Price"	HK$0.35 per Subscription Share
"Subscription Share(s)"	325,000,000 Shares subscribed by and allotted to the Subscribers pursuant to the terms and conditions as set out in the Subscription Agreement, representing (i) approximately 65.85% of the entire issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 49.80% of the entire issued share capital of the Company as enlarged by the Conversion Shares
"Subscriptions"	the Share Subscription and the CN Subscription
"subsidiary(ies)"	has the meaning as ascribed to it under the Listing Rules
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Transfer"	the transfer of the entire amount of the credit arising from the Capital Reduction and the Share Premium Reduction to the contributed surplus account of the Company and the application of entire amount standing to the contributed surplus account of the Company to set off against part of the accumulated losses of the Company
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"%"	per cent.

富強證券
FORTUNE (HK) SECURITIES

35th Floor
Office Tower, Convention Plaza
1 Harbour Road, Wanchai
Hong Kong

26 September 2014

To the Independent Shareholders

Dear Sir/Madam,

UNCONDITIONAL MANDATORY CASH OFFER BY FORTUNE (HK) SECURITIES LIMITED ON BEHALF OF REACH LUCK INTERNATIONAL LIMITED TO ACQUIRE ALL THE ISSUED SHARES OF SINOGREEN ENERGY INTERNATIONAL GROUP LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY REACH LUCK INTERNATIONAL LIMITED AND PARTIES ACTING CONCERT WITH IT)

INTRODUCTION

Reference is made to (i) the Joint Announcement dated 25 July 2014 in relation to, among other things, the Subscriptions and the possible Share Offer; and (ii) the announcement of the Company dated 19 September 2014 in relation to the completion of the Subscriptions.

The completion of the Subscriptions took place on 19 September 2014 upon which the Offeror, Dr. Lam and parties acting in concert with any of them became the owners of 325,000,000 Shares in aggregate as a result of the Share Subscription, representing approximately 65.85% of the entire issued share capital of the Company as at the Latest Practicable Date. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make an unconditional mandatory cash offer for all the Offer Shares.

This letter sets out, among other things, the details of the Share Offer, information on the Offeror and the intention of the Offeror regarding the Group. The terms of the Share Offer and the procedures of acceptances are set out in this letter, Appendix I to this Composite Document and the Form of Acceptance.

The Independent Shareholders are strongly advised to carefully consider the information contained in the "Letter from the Board", the "Letter from the Independent Board Committee" and the "Letter from Veda" as set out in this Composite Document before reaching a decision as to whether or not to accept the Share Offer.

THE SHARE OFFER

Fortune Securities, on behalf of the Offeror and in compliance with the Takeovers Code, hereby makes the Share Offer for all the Offer Shares on the following basis:

For each Offer Share . . . . HK$0.35 in cash

The Share Offer is unconditional in all respects and is not conditional upon acceptances being received in respect of a minimum number.

The Offer Price of HK$0.35 per Offer Share under the Share Offer is equal to the Subscription Price paid by the Offeror for the Subscription Shares and the initial Conversion Price under the Convertible Notes issued to the Offeror pursuant to the Subscription Agreement.

The Share Offer will be extended to all Independent Shareholders. The Shares to be acquired under the Share Offer are fully paid and free from any liens, charges and encumbrances and together with all rights attaching to them including all dividends and distributions which may be declared, made or paid at any time on or after the date on which the Share Offer is made.

As at the Latest Practicable Date, the Company had a total of 493,564,800 Shares in issue; and outstanding Convertible Notes which confer the right to the Offeror, being the holder of the Convertible Notes, to subscribe for a maximum of 159,000,000 Shares at the initial Conversion Price of HK$0.35 per Conversion Share. As at the Latest Practicable Date, there was no conversion of any part of the Convertible Notes. Other than the Convertible Notes, the Company had no outstanding securities, options, derivatives or warrants which are convertible or exchangeable into the Shares and had not entered into any agreement for the issue of such securities, options, derivatives or warrants of the Company.

As at the Latest Practicable Date, Mega Start Limited and Fount Holdings Limited were interested in 49,693,600 Shares (representing approximately 10.07% of the issued share capital of the Company) and 18,188,800 Shares (representing approximately 3.69% of the issued share capital of the Company) respectively. By way of an undertaking dated 14 July 2014 (as supplemented by the supplemental undertaking dated 25 July 2014), each of Mega Start Limited and Fount Holdings Limited had irrevocably confirmed and undertaken with the Company and the Offeror that (i) it will not dispose of all or any Shares prior to completion of the Share Offer; (ii) it shall not accept the Share Offer to transfer to the Offeror all or any of the Shares; (iii) it has not created any lien, charges, encumbrances, claims, equities, rights of pre-emption and/or any other form of encumbrance or third party right of any nature against the Share held in its name; (iv) it will not create any lien, charges, encumbrances, claims, equities, rights of pre-emption and/or any other form of encumbrance or third party right of any nature against the Share held in its name prior to completion of the Share Offer; and (v) it shall not make available for acceptance all or any Shares held in its name for the Share Offer (the "**Irrevocable Undertakings**").

Comparison of value

The Offer Price of HK$0.35 per Offer Share represents:

(a) a premium of approximately 414.71% over the audited net asset value attributable to owners of the Company as at 31 December 2013 of approximately HK$0.068 per Share based on the audited net asset value attributable to owners of the Company as at 31 December 2013 of approximately HK$33,353,000 and 493,564,800 Shares in issue as at the Latest Practicable Date;

(b) a premium of approximately 614.29% over the unaudited net asset value attributable to owners of the Company as at 30 June 2014 of approximately HK$0.049 per Share based on the unaudited net asset value attributable to owners of the Company as at 30 June 2014 of approximately HK$24,070,000 and 493,564,800 Shares in issue as at the Latest Practicable Date;

(c) a discount of approximately 94.31% to the adjusted closing price of HK$6.150 per Share (taken into account the effect of the Capital Reorganisation) on the Last Trading Date based on the closing price of the Share as quoted on the Stock Exchange on the Last Trading Date of HK$1.230 per Share (prior to the Capital Reorganisation became effective);

(d) a discount of approximately 94.40% to the average of the adjusted closing prices of the Shares for the last 5 trading days up to and including the Last Trading Date of approximately HK$6.250 per Share (taken into account the effect of the Capital Reorganisation) based on the average of the closing prices of the Shares as quoted on the Stock Exchange of last 5 trading days up to and including the Last Trading Date of approximately HK$1.250 per Share (prior to the Capital Reorganisation became effective);

(e) a discount of approximately 93.98% to the average of the adjusted closing prices of the Shares for the last 10 trading days up to and including the Last Trading Date of approximately HK$5.810 per Share (taken into account the effect of the Capital Reorganisation) based on the average of the closing prices of the Shares as quoted on the Stock Exchange of last 10 trading days up to and including the Last Trading Date of approximately HK$1.162 per Share (prior to the Capital Reorganisation became effective);

(f) a discount of approximately 92.19% to the average of the adjusted closing prices of the Shares for the last 30 trading days up to and including the Last Trading Date of approximately HK$4.483 per Share (taken into account the effect of the Capital Reorganisation) based on the average of the closing prices of the Shares as quoted on the Stock Exchange of last 30 trading days up to and including the Last Trading Date of approximately HK$0.896 per Share (prior to the Capital Reorganisation became effective);

(g) a discount of approximately 90.25% to the average of the adjusted closing prices of the Shares for the last 90 trading days up to and including the Last Trading Date of approximately HK$3.589 per Share (taken into account the effect of the Capital Reorganisation) based on the average of the closing prices of the Shares as quoted on the Stock Exchange of last 90 trading days up to and including the Last Trading Date of approximately HK$0.718 per Share (prior to the Capital Reorganisation became effective); and

(h) a discount of approximately 97.20% to the closing price of HK$12.500 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

Consideration for the Share Offer

On the basis of 100,682,400 Offer Shares, the Offer Price of HK$0.35 per Offer Share and assuming all holders of the Offer Shares accept the Share Offer, the amount of cash required for the Share Offer will be HK$35,238,840.

Confirmation of financial resources

The consideration payable by the Offeror in respect of acceptances under the Share Offer will be satisfied by a facility granted by Fortune Securities (the "**Facility**"). Fortune Financial Capital has been appointed as the financial adviser to the Offeror in respect of the Share Offer and is satisfied that sufficient financial resources are available to the Offeror to satisfy the amount of funds required for the Subscriptions and full acceptance of the Share Offer. The payment of interest on, repayment of, or security for any liability (contingent or otherwise) for, such loan facility will not depend on any significant extent on the business of the Group.

Other agreements or arrangements

As at the Latest Practicable Date, unless otherwise required by the Listing Rules with regard to the public float requirements and save for the Facility, pursuant to which the Offer Shares to be acquired through the Share Offer using the funds under the Facility shall be deposited into a designated securities account maintained at Fortune Securities, there was no agreement, arrangement or understanding to charge, pledge or transfer the Shares acquired in the Share Offer to any other persons.

Shareholding structure of the Company

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) upon the appointment of Mr. Hung Ching Fung ("**Mr. Hung**") as a Director and (iii) upon the appointment of Mr. Hung as a Director and assuming the conversion rights attaching to the Convertible Notes are exercised in full at the initial Conversion Price:

	(i) As at the Latest Practicable Date		(ii) Upon the appointment of Mr. Hung as a Director		(iii) Upon the appointment of Mr. Hung as a Director and assuming the conversion rights attaching to the Convertible Notes are exercised in full at the initial Conversion Price *(Note 5)*	
	Number of Shares	*%*	*Number of Shares*	*%*	*Number of Shares*	*%*
The Offeror	295,000,000	59.77	295,000,000	59.77	454,000,000	69.57
Creative Cosmo *(Note 3)*	23,500,000	4.76	23,500,000	4.76	23,500,000	3.60
New Elect *(Note 4)*	6,500,000	1.32	6,500,000	1.32	6,500,000	1.00
The Offeror, Dr. Lam and parties acting in concert with any of them	325,000,000	65.85	325,000,000	65.85	484,000,000	74.17
Mega Start Limited *(Note 1)*	49,693,600	10.07	49,693,600	10.07	49,693,600	7.62
Fount Holdings Limited *(Note 2)*	18,188,800	3.69	18,188,800	3.69	18,188,800	2.79
Other Shareholders	100,682,400	20.39	100,682,400	20.39	100,682,400	15.42
Total	**493,564,800**	**100.00**	**493,564,800**	**100.00**	**652,564,800**	**100.00**
Public Shareholders *(Note 4)*	130,682,400	26.47	124,182,400	25.15	124,182,400	19.02

Notes:

1. The entire issued share capital of Mega Start Limited is wholly and beneficially owned by Mr. Chau Chit, an executive Director.

2. The entire issued share capital of Fount Holdings Limited is wholly and beneficially owned by Mr. Tang Hao, an executive Director.

3. The entire issued share capital of Creative Cosmo is wholly and beneficially owned by Mr. Tse On Kin ("**Mr. Tse**"), who is an Independent Third Party. Given that Mr. Tse is independent of each of the Offeror and Dr. Lam, the interests of Creative Cosmo in the Shares shall be included in the public shareholding.

4. Mr. Hung is the ultimate beneficial owner of New Elect and is the nephew-in-law of Dr. Lam. As at the Latest Practicable Date, the Offeror had indicated an intention to nominate Mr. Hung as a Director with effect from the date immediately following despatch of this Composite Document. Upon the appointment of Mr. Hung as a Director becoming effective, the interests of New Elect in the Shares would not be included in the public shareholding and the issued share capital of the Company to be held by public Shareholders will be decreased from approximately 26.47% to 25.15%.

5. According to the terms and conditions of the Convertible Notes, the conversion rights shall not be exercised by the holder of the Convertible Notes, or if exercised by virtue of a conversion notice having been given, the Company shall not be obliged to issue any Conversion Shares but may treat that conversion notice as invalid, if it comes to the notice of the Company that immediately following such conversion: (a) the Company will be unable to meet the public float requirement under the Listing Rules; or (b) a mandatory general offer obligation under the Takeovers Code will be triggered on the part of the holder of the Convertible Notes together with the parties acting in concert with it.

Effect of accepting the Share Offer

By accepting the Share Offer, the Independent Shareholders will sell their Shares free from all liens, charges, options, claims, equities, adverse interests, third-party rights or encumbrances whatsoever and together with all rights attaching to them including all dividends and distributions which may be declared, made or paid at any time on or after the date on which the Share Offer is made, being the date of this Composite Document.

Acceptance of the Share Offer by any Independent Shareholder will be deemed to constitute a warranty by such person that all Shares sold by such person under the Share Offer are free from all liens, charges, options, claims, equities, adverse interests, third-party rights or encumbrances whatsoever and together with all rights accruing or attaching thereto, including, without limitation, the right to receive future dividends and other distributions recommended, declared, made or paid, if any, on or after the date on which the Share Offer is made. Acceptances of the Share Offer shall be irrevocable and not capable of being withdrawn, except in the circumstances set out in the section headed "6. Right of Withdrawal" in Appendix I to this Composite Document.

Stamp duty

Seller's ad valorem stamp duty payable by the Independent Shareholders who accept the Share Offer and calculated at a rate of 0.1% of (i) the market value of the Offer Shares; or (ii) consideration payable by the Offeror in respect of the relevant acceptances of the Share Offer, whichever is higher, will be deducted from the amount payable by the Offeror to the relevant Independent Shareholders accepting the Share Offer (where the stamp duty calculated includes a fraction of HK$1, the stamp duty would be rounded up to the nearest HK$1). The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant Independent Shareholders accepting the Share Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptances of the Share Offer and the transfers of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

Payment

Payment in cash in respect of duly completed and valid acceptance of the Share Offer, net of the stamp duty, will be made as soon as practicable and in any event no later than seven (7) Business Days (as defined in the Takeovers Code) from the date of receipt of a duly completed acceptance form. Relevant documents evidencing title must be received by or on behalf of the Offeror to render such acceptance of the Share Offer complete and valid and in accordance with the Takeovers Code.

Overseas Shareholders

As the Share Offer to persons not residing in Hong Kong may be affected by the laws of the relevant jurisdiction in which they are resident, the Overseas Shareholders who are citizens or residents or nationals of a jurisdiction outside Hong Kong should inform themselves about and observe any applicable legal or regulatory requirements and where necessary seek legal advice. The entitlement of the Shareholders who wish to participate in the Share Offer but with registered address outside Hong Kong may be subject to, or limited by, the laws or regulations of their respective jurisdictions. It is the responsibility of the Overseas Shareholders who wish to accept the Share Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith (including but not limited to the obtaining of any governmental, exchange control or other consent and any registration or filing which may be required and the compliance with all necessary formalities, regulatory and/or legal requirements and the payment of any transfer or other taxes and duties due in respect of the relevant jurisdiction).

Any acceptance by any Independent Shareholder will be deemed to constitute a representation and warranty from such Independent Shareholder to the Offeror that the local laws and requirements have been complied with, and such acceptance shall be valid and binding in accordance with all applicable laws. The Independent Shareholders should consult their professional advisers if in doubt.

Compulsory acquisition

The Offeror does not intend to avail itself of any power of compulsory acquisition of any Shares outstanding after the close of the Share Offer.

Further terms of the Share Offer

Further terms of the Share Offer including, among other things, procedures for acceptance and settlement, the acceptance period and taxation matters are set out in Appendix I to this Composite Document and in the Form of Acceptance.

Dealing and interests in the Company's securities

Save for the Subscription Shares and the Convertible Notes under the Subscription Agreement, none of the Offeror, Dr. Lam (who is the beneficial owner and the sole director of the Offeror) and parties acting in concert with any of them has dealt in the Shares, options, convertible note, derivatives, warrants or other securities convertible into Shares, during the Relevant Period.

INFORMATION ON THE GROUP

Details of the information on the Group are set out in the "Letter from the Board" in this Composite Document.

INFORMATION OF THE OFFEROR AND PARTIES ACTING IN CONCERT WITH IT

The Offeror

The Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Dr. Lam. As at the Latest Practicable Date, save for entering into of the Subscription Agreement and the transactions contemplated thereunder, and entering into of the financial arrangement with Fortune Securities in relation to the Share Offer, the Offeror did not engage in any other business activities. The Offeror was interested in 295,000,000 Shares and was the holder of the Convertible Notes at the Latest Practicable Date.

As at the Latest Practicable Date, Dr. Lam was the sole director and sole legal and beneficial owner of the Offeror. Dr. Lam has over 30 years of experience in the gaming industry including casino operations and gaming promotion business in Macau, the Philippines and Australia. He also has engaged in other businesses and has investments in real estate development, hotel and resort operation, and securities and investments covering markets in Hong Kong, the PRC and the Philippines. Dr. Lam serves as 中國人民政治協商會議廣東省委員會委員 (a Member of Guangdong Provincial Committee of The Chinese People's Political Consultative Conference*), 澳門娛樂博彩業中介人協會榮譽會長 (the Honorable President of the Association of Gaming & Entertainment Promoters of Macau*), the Honorable President of the General Association of Administrators and Promoters for Macau Gaming Industry, the Permanent Honorable President, General Chairman and Council Member of the Federation of Hong Kong Guangdong Community Organisations and a Director of the China Overseas Friendship Association. Dr. Lam was awarded as an Honorable Doctor of Sinte Gleska University of California, United States of America and received a World Outstanding Chinese Award, both in 2007.

Creative Cosmo

Creative Cosmo is an investment holding company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Tse. As at the Latest Practicable Date, save for entering into of the Subscription Agreement and the transactions contemplated thereunder, Creative Cosmo did not engage in any other business activities. Creative Cosmo was interested in 23,500,000 Shares as at the Latest Practicable Date.

* *For identification purposes only*

Mr. Tse is the sole director and sole legal and beneficial owner of Creative Cosmo. Mr. Tse has over 20 years of management experience covering corporate planning, business development and merger and acquisition. Mr. Tse is currently the Chairman of the board of directors and independent non-executive director of China Bio Cassava Holdings Limited (stock code: 8129) and a non-executive director of Asia Energy Logistics Group Limited (stock code: 351) and both companies are listed on the Stock Exchange.

New Elect

New Elect is an investment holding company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Hung. As at the Latest Practicable Date, save for entering into of the Subscription Agreement and the transactions contemplated thereunder, New Elect did not engage in any other business activities. New Elect was interested in 6,500,000 Shares as at the Latest Practicable Date.

Mr. Hung is the sole director and sole legal and beneficial owner of New Elect. Background of Mr. Hung is further disclosed in the paragraph headed "Proposed change of the Board composition of the Company" of this letter below.

INTENTION OF THE OFFEROR IN RELATION TO THE GROUP

The Offeror intends that the Group will continue its existing principal activities. The Offeror will, following the completion of the Subscriptions, conduct a detailed review of the business operations and financial position of the Group for the purpose of developing a sustainable business plan or strategy for the Group. Subject to the result of the review and should suitable investment or business opportunities arise, the Offeror may diversify the business of the Group with the objective of broadening its sources of income and enhancing its profitability.

It is the intention of the Offeror that, leveraged on the expertise and experience in gaming business of Dr. Lam, the Group would explore the opportunity of developing the gaming promotion business in Macau. Taking into consideration of the aforesaid review and subject to the financial resources requirement and relevant laws and regulations of gaming promotion business in Macau, the Offeror may consider establishing the gaming promotion business by indirectly participating in the gaming promotion business in Macau through contractual (or variable interest entity) arrangements subject to relevant necessary regulatory approvals. However, as at the Latest Practicable Date, no definitive proposals, terms or timetable in relation to the gaming promotion business had been determined or agreed nor had the Offeror entered into any agreement, arrangements, understandings or negotiation in relation to the injection of any assets or business into the Group. The Offeror has not entered into any agreement, arrangements, understandings or negotiations in relation to the continued employment and/or discontinue the employment of the existing employees, disposal and/or redeployment of the assets (including fixed assets) of the Group, or termination or scaling down of any of the Group's business other than in the ordinary course of business.

Proposed change of the Board composition of the Company

The Board is currently made up of five Directors, comprising two executive Directors and three independent non-executive Directors. The Offeror has the intention to appoint Mr. Hung as an executive Director (the "**New Director**") with effect from the date immediately following the despatch of this Composite Document. Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules and will be announced accordingly.

Biography of the Mr. Hung is set out below:

Mr. Hung Ching Fung (洪清峰), aged 30, obtained a Bachelor Degree in Commerce from Macquarie University in Australia in 2007. He has been the Financial Controller of Jimei Group since 2010 and has been an executive director of China Bio Cassava Holdings Limited, a company listed on the Stock Exchange, (stock code: 8129) since August 2013. Prior to joining Jimei Group, he worked as an auditor in Deloitte Touche Tohmatsu and Grant Thornton from 2007 to 2010. He is a full member of CPA Australia. Mr. Hung is the sole director and beneficial owner of New Elect, which was interested in 6,500,000 Shares as at the Latest Practicable Date. He is also the nephew-in-law of Dr. Lam who is the beneficial owner and sole director of the Offeror.

Save as disclosed above, the Offeror does not intend to implement any material changes to the existing management and the Board composition of the Group following the close of the Share Offer.

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror intends to maintain the listing of the Shares on the Stock Exchange after the close of the Share Offer.

If, at the close of the Share Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public, or if the Stock Exchange believes that:

– **a false market exists or may exist in the trading of the Shares;**

or

– **there are insufficient Shares in public hands to maintain an orderly market,**

the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares.

As the Company and the Offeror are unable to ascertain at this stage the level of acceptances by the Independent Shareholders under the Share Offer, they have not decided the exact steps/actions that will be taken by them after the close of the Share Offer to restore the public float of the Shares, if required. In the event that after the close of the Share Offer, the public float of the Company falls below 25%, each of the sole director of the Offeror, the New Director to be appointed to the Board and the existing Directors will jointly and severally undertake to the Stock Exchange to take appropriate steps including, among others, placing down the Shares to Independent Third Parties to ensure that sufficient public float exists in the Shares. Notwithstanding this, the Company and the Offeror consider that the appropriate actions to be taken shall include placing down of sufficient number of accepted Shares by the Offeror and/or issue of additional Shares by the Company for this purpose. The Company and the Offeror will issue a separate announcement as and when necessary in this regard.

TAX IMPLICATIONS

The Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the tax implications that may arise from accepting the Share Offer. It is emphasised that the Offeror, its beneficial owner and parties acting in concert with any of them, the Company, Fortune Securities, or any of their respective directors or professional advisers or any other parties involved in the Share Offer or any of their respective agents do not accept any responsibility for any tax effect on, or liabilities of, the Independent Shareholders as a result of their acceptance of the Share Offer.

ACCEPTANCE AND SETTLEMENT

Your attention is drawn to the further details regarding the procedures for acceptance and settlement and acceptance period as set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

GENERAL

To ensure equality of treatment of all Independent Shareholders, those registered Independent Shareholders who hold the Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Share Offer.

Attention of the Overseas Shareholders is drawn to the paragraph headed "Overseas Shareholders" above in this letter.

All documents and remittances to be sent to the Independent Shareholders will be sent to them by ordinary post at their own risk. Such documents and remittances will be sent to the Independent Shareholders at their respective addresses as they appear in the register of members of the Company or in the case of joint holders, to such Independent Shareholder whose name appears first in the register of members of the Company. The Offeror, its beneficial owner and parties acting in concert with any of them, the Company, Fortune Securities, or any of their respective directors or professional advisers or any other parties involved in the Share Offer or any of their respective agents will not be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof or in connection therewith.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in appendices to this Composite Document which form part of this Composite Document. You are reminded to carefully read the "Letter from the Board", the "Letter from the Independent Board Committee", the "Letter from Veda" and other information about the Group which are set out in this Composite Document before deciding whether or not to accept the Share Offer.

Yours faithfully,
For and on behalf of
Fortune (HK) Securities Limited

Raymond Kwok
Director

SINOGREEN ENERGY INTERNATIONAL GROUP LIMITED
中國綠能國際集團有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 1159)

Executive Directors:
Mr. Chau Chit
Mr. Tang Hao

Independent non-executive Directors:
Mr. Lum Pak Sum
Mr. Wong Wai Kwan
Ms. Zhou Jianhong

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal place of business in Hong Kong:
Room 703-704, 7th Floor
Shanghai Industrial Investment Building
48-62 Hennessy Road, Wanchai
Hong Kong

26 September 2014

To the Shareholders

Dear Sirs,

UNCONDITIONAL MANDATORY CASH OFFER BY FORTUNE (HK) SECURITIES LIMITED ON BEHALF OF REACH LUCK INTERNATIONAL LIMITED TO ACQUIRE ALL THE ISSUED SHARES OF SINOGREEN ENERGY INTERNATIONAL GROUP LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY REACH LUCK INTERNATIONAL LIMITED AND PARTIES ACTING CONCERT WITH IT)

INTRODUCTION

The Company and the Offeror jointly announced on 25 July 2014, among other things, that the Company and the Subscribers entered into the Subscription Agreement on 11 July 2014, pursuant to which (i) the Company had conditionally agreed to issue to each Subscriber, and each Subscriber had conditionally agreed to subscribe for the Subscription Shares; and (ii) the Company had conditionally agreed to issue to the Offeror, and the Offeror had conditionally agreed to subscribe for, the Convertible Notes.

The Company further announced on 19 September 2014 that completion of the Subscriptions took place on 19 September 2014. Immediately after the completion of the Share Subscription, the Offeror, Dr. Lam and parties acting in concert with any of them became interested in aggregate 325,000,000 Shares, representing approximately 65.85% of the entire issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make an unconditional mandatory cash offer for all the issued Shares not already owned or agreed to be acquired by the Offeror, Dr. Lam and parties acting in concert with any of them.

The purpose of this Composite Document is to provide you with, among other things, (i) information relating to the Share Offer and the Group; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Share Offer; and (iii) a letter of advice from Veda to the Independent Board Committee in relation to the Share Offer.

THE SHARE OFFER

According to the letter from Fortune Securities contained in this Composite Document, Fortune Securities is, on behalf of the Offeror, making the Share Offer in compliance with the Takeovers Code on the following basis:

For each Offer Share . . . . **HK$0.35 in cash**

The Offer Price of HK$0.35 per Offer Share under the Share Offer is equal to the Subscription Price paid by the Offeror for the Subscription Shares and the Conversion Price under the Convertible Notes.

By accepting the Share Offer, the relevant Independent Shareholders will sell their Shares to the Offeror free from all encumbrances and with all rights attached to them, including the right to receive all dividends and distributions declared, made or paid at any time on or after on which the Share Offer is made.

As at the Latest Practicable Date, Mega Start Limited and Fount Holdings Limited were interested in 49,693,600 Shares (representing approximately 10.07% of the existing issued share capital of the Company) and 18,188,800 Shares (representing approximately 3.69% of the existing issued share capital of the Company) respectively. By way of an undertaking dated 14 July 2014 (as supplemented by the supplemental undertaking dated 25 July 2014), each of Mega Start Limited and Fount Holdings Limited had irrevocably confirmed and undertaken with the Company and the Offeror that (i) it will not dispose of all or any Shares prior to completion of the Share Offer; (ii) it shall not accept the Share Offer to transfer to the Offeror all or any of the Shares; (iii) it has not created any lien, charges, encumbrances, claims, equities, rights of pre-emption and/or any other form of encumbrance or third party right of any nature against the Share held in its name; (iv) it will not create any lien, charges, encumbrances, claims, equities, rights of pre-emption and/or any other form of encumbrance or third party right of any nature against the Share held in its name prior to completion of the Share Offer; and (v) it shall not make available for acceptance all or any Shares held in its name for the Share Offer.

Shareholders are advised to refer to the letter from Fortune Securities and Appendix I to this Composite Document for further details and procedures for acceptance and settlement of the Share Offer.

SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) upon the appointment of Mr. Hung as a Director and (iii) upon the appointment of Mr. Hung as a Director and assuming the conversion rights attaching to the Convertible Notes are exercised in full at the initial Conversion Price:

	(i) As at the Latest Practicable Date		**(ii) Upon the appointment of Mr. Hung as a Director**		**(iii) Upon the appointment of Mr. Hung as a Director and assuming the conversion rights attaching to the Convertible Notes are exercised in full at the initial Conversion Price** *(Note 5)*	
	Number of Shares	*%*	*Number of Shares*	*%*	*Number of Shares*	*%*
The Offeror	295,000,000	59.77	295,000,000	59.77	454,000,000	69.57
Creative Cosmo *(Note 3)*	23,500,000	4.76	23,500,000	4.76	23,500,000	3.60
New Elect *(Note 4)*	6,500,000	1.32	6,500,000	1.32	6,500,000	1.00
The Offeror, Dr. Lam and parties acting in concert with any of them	325,000,000	65.85	325,000,000	65.85	484,000,000	74.17
Mega Start Limited *(Note 1)*	49,693,600	10.07	49,693,600	10.07	49,693,600	7.62
Fount Holdings Limited *(Note 2)*	18,188,800	3.69	18,188,800	3.69	18,188,800	2.79
Other Shareholders	100,682,400	20.39	100,682,400	20.39	100,682,400	15.42
Total	**493,564,800**	**100.00**	**493,564,800**	**100.00**	**652,564,800**	**100.00**
Public Shareholders *(Note 4)*	130,682,400	26.47	124,182,400	25.15	124,182,400	19.02

Notes:

1. The entire issued share capital of Mega Start Limited is wholly and beneficially owned by Mr. Chau Chit, an executive Director.

2. The entire issued share capital of Fount Holdings Limited is wholly and beneficially owned by Mr. Tang Hao, an executive Director.

3. The entire issued share capital of Creative Cosmo is wholly and beneficially owned by Mr. Tse, who is an Independent Third Party. Given that Mr. Tse is independent of each of the Offeror and Dr. Lam, the interests of Creative Cosmo in the Shares shall be included in the public shareholding.

4. Mr. Hung is the ultimate beneficial owner of New Elect and is the nephew-in-law of Dr. Lam. As at the Latest Practicable Date, the Offeror had indicated an intention to nominate Mr. Hung as a Director with effect from the date immediately following despatch of this Composite Document. Upon the appointment of Mr. Hung as a Director becoming effective, the interests of New Elect in the Shares would not be included in the public shareholding and the issued share capital of the Company to be held by public Shareholders will be decreased from approximately 26.47% to 25.15%.

5. According to the terms and conditions of the Convertible Notes, the conversion rights shall not be exercised by the holder of the Convertible Notes, or if exercised by virtue of a conversion notice having been given, the Company shall not be obliged to issue any Conversion Shares but may treat that conversion notice as invalid, if it comes to the notice of the Company that immediately following such conversion: (a) the Company will be unable to meet the public float requirement under the Listing Rules; or (b) a mandatory general offer obligation under the Takeovers Code will be triggered on the part of the holder of the Convertible Notes together with the parties acting in concert with it.

INFORMATION ON THE GROUP

The Company is an investment holding company and the Group is principally engaged in trading of chemical products, and energy conservation and environmental protection products.

During the year of 2013, while the Group continued its chemical trading business of conductive silicon rubber keypads, it also strived to expand its product portfolio by trading various types of other chemical products. In addition, the Group also involved in trading of energy conservation and environmental protection products such as air-conditioning equipment, water purification & filtration equipment and energy conservation systems in the PRC. For the year ended 31 December 2013, the revenue from trading of energy conservation and environmental protection products amounted to approximately HK$18.8 million or 24.8% of the total revenue of the Group, with a gross profit margin of approximately 4.3%. For the six months ended 30 June 2014, the revenue from trading of energy conservation and environmental protection products amounted to approximately HK$9.3 million or 18.7% of the total revenue of the Group, with a gross profit margin of approximately 6.1%.

Set out below are the audited consolidated revenue, profit/(loss) before taxation and profit/(loss) attributable to the Shareholders for each of the two years ended 31 December 2012 and 2013 as extracted from the annual report of the Company for the year ended 31 December 2013 and the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2014 as extracted from the interim report of the Company dated 10 September 2014:

	For the year ended 31 December		For the six months ended 30 June
	2012	**2013**	**2014**
	audited	**audited**	**unaudited**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	10,078	75,791	49,422
(Loss)/Profit before tax	(40,664)	338,037	(8,282)
(Loss)/Profit attributable to the Shareholders	(35,285)	344,311	(8,282)

Following completion of the unwinding of the acquisition of the entire issued share capital of Pacific Choice Holdings Limited in June 2013, the Company recorded a gain on derecognition of promissory notes of approximately HK$87.5 million and a gain on derecognition of convertible bonds of approximately HK$271.9 million which had been included in the profit attributable to the Shareholders for the year ended 31 December 2013. While the Directors were of the opinion that it is remote that the Group would be able to recover the amounts of HK$275,000,000 paid to the vendors of the aforesaid acquisition and therefore it was determined that no receivable should be recognized by the Group in this respect. As advised by the Directors, there was no further update which should bring to the attention of the Shareholders as at the Latest Practicable Date. As at 30 June 2014, the unaudited total equity of the Company was approximately HK$24.1 million.

INFORMATION ON THE OFFEROR AND ITS INTENTION REGARDING THE GROUP

Your attention is drawn to the letter from Fortune Securities in this Composite Document for the information on the Offeror and its intention regarding the Group. In particular, as stated in the letter from Fortune Securities, the Offeror intends to maintain the listing status of the Company. Each of the sole director of the Offeror, the new Director to be appointed to the Board and the existing Directors will jointly and severally undertake that it will be responsible for maintaining the 25% public float requirement upon closing of the Share Offer under Rule 8.08 of the Listing Rules.

If, at the close of the Share Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public, or if the Stock Exchange believes that:

– **a false market exists or may exist in the trading of the Shares;**

or

– **there are insufficient Shares in public hands to maintain an orderly market,**

the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares.

The Board is also aware of the Offeror's intention in relation to the Group and its employees, and is willing to render co-operation with the Offeror and would continue to act in the best interests of the Group and the Shareholders as a whole.

RECOMMENDATION

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Lum Pak Sum, Mr. Wong Wai Kwan and Ms. Zhou Jianhong, has been set up to advise the Independent Shareholders as to whether the terms of the Share Offer are fair and reasonable and as to the acceptance of the Share Offer. The Company has also appointed Veda as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Share Offer.

Your attention is drawn to the letter of recommendation from the Independent Board Committee set out on pages 28 and 29 of this Composite Document and the letter of advice from Veda set out on pages 30 to 54 of this Composite Document, which contains, among other things, its advice to the Independent Board Committee in relation to the Share Offer and the principal factors considered by it in arriving at its advice.

ADDITIONAL INFORMATION

Your attention is drawn to the letter from Fortune Securities set out in this Composite Document and the accompanying Form of Acceptance which contain further details of the Share Offer and the procedures for acceptance of the Share Offer.

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

Yours faithfully,
For and on behalf of the Board
Sinogreen Energy International Group Limited
Chau Chit
Chairman

綠能國際

SINOGREEN ENERGY INTERNATIONAL GROUP LIMITED
中國綠能國際集團有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 1159)

26 September 2014

To the Independent Shareholders

Dear Sirs,

UNCONDITIONAL MANDATORY CASH OFFER BY FORTUNE (HK) SECURITIES LIMITED ON BEHALF OF REACH LUCK INTERNATIONAL LIMITED TO ACQUIRE ALL THE ISSUED SHARES OF SINOGREEN ENERGY INTERNATIONAL GROUP LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY REACH LUCK INTERNATIONAL LIMITED AND PARTIES ACTING CONCERT WITH IT)

We refer to the Composite Document dated 26 September 2014 jointly issued by the Company and the Offeror, of which this letter forms part. Terms defined in the Composite Document shall bear the same meanings when used herein unless the context requires otherwise.

We have been appointed as the Independent Board Committee to consider the terms of the Share Offer and to advise the Independent Shareholders as to whether, in our opinion, the terms of the Share Offer are fair and reasonable and as to the acceptance of the Share Offer. Veda has been appointed as the independent financial adviser to recommend us in this respect. Details of its recommendation and the principal factors and reasons taken into consideration in arriving at its recommendation are set out in the letter from Veda set out on pages 30 to 54 of the Composite Document.

We also wish to draw your attention to the letter from the Board, the letter from Fortune Securities and additional information set out in the appendices to the Composite Document.

Taking into account the terms of the Share Offer and the independent advice from Veda, we consider that the terms of the Share Offer are not fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Shareholders not to accept the Share Offer. Independent Shareholders are recommended to read the full text of the letter from Veda set out in the Composite Document.

Yours faithfully
For and on behalf of
Independent Board Committee

Mr. Lum Pak Sum	**Mr. Wong Wai Kwan**	**Ms. Zhou Jianhong**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the full text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee in relation to the Share Offer, which has been prepared for the purpose of inclusion in this Composite Document.

VEDA | CAPITAL
智略資本

Veda Capital Limited
Suite 3711, 37/F.,
Tower Two, Times Square,
1 Matheson Street, Causeway Bay,
Hong Kong

26 September 2014

To the Independent Board Committee of
Sinogreen Energy International Group Limited

Dear Sirs,

UNCONDITIONAL MANDATORY CASH OFFER BY FORTUNE (HK) SECURITIES LIMITED ON BEHALF OF REACH LUCK INTERNATIONAL LIMITED TO ACQUIRE ALL THE ISSUED SHARES OF SINOGREEN ENERGY INTERNATIONAL GROUP LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY REACH LUCK INTERNATIONAL LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee in relation to the Share Offer, details of which are set out in the letter from Fortune Securities and the letter from the Board contained in the Composite Document dated 26 September 2014 to the Independent Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Composite Document unless the context requires otherwise.

The Company and the Offeror jointly announced on 25 July 2014, among other things, that the Company and the Subscribers entered into the Subscription Agreement on 11 July 2014 (after trading hours), pursuant to which (i) the Company has conditionally agreed to issue to each Subscriber, and each Subscriber has conditionally agreed to subscribe for the Subscription Shares; and (ii) the Company has conditionally agreed to issue to the Offeror, and the Offeror has conditionally agreed to subscribe for, the Convertible Notes.

The Company further announced on 19 September 2014 that completion of the Subscriptions took place on 19 September 2014. Immediately after the completion of the Share Subscription, the Offeror, Dr. Lam and parties acting in concert with any of them became interested in aggregate 325,000,000 Shares, representing approximately 65.85% of the entire issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make an unconditional mandatory cash offer for all the issued Shares not already owned or agreed to be acquired by the Offeror, Dr. Lam and parties acting in concert with any of them.

As at the Latest Practicable Date, the Company had 493,564,800 Shares in issue and outstanding Convertible Notes which confer the right to the Offeror, being the holder of the Convertible Notes, to subscribe for a maximum of 159,000,000 Shares at the initial Conversion Price of HK$0.35 per Conversion Share. As at the Latest Practicable Date, there was no conversion of any part of the Convertible Notes. Other than the Convertible Notes, the Company had no outstanding securities, options, derivatives or warrants which are convertible or exchangeable into the Shares and had not entered into any agreement for the issue of such securities, options, derivatives or warrants of the Company.

As at the Latest Practicable Date, Mega Start Limited and Fount Holdings Limited were interested in 49,693,600 Shares (representing approximately 10.07% of the issued share capital of the Company) and 18,188,800 Shares (representing approximately 3.69% of the issued share capital of the Company) respectively. By way of an undertaking dated 14 July 2014 (as supplemented by the supplemental undertaking dated 25 July 2014), each of Mega Start Limited and Fount Holdings Limited had irrevocably confirmed and undertaken with the Company and the Offeror that (i) it will not dispose of all or any Shares prior to completion of the Share Offer; (ii) it shall not accept the Share Offer to transfer to the Offeror all or any of the Shares; (iii) it has not created any lien, charges, encumbrances, claims, equities, rights of pre-emption and/or any other form of encumbrance or third party right of any nature against the Share held in its name; (iv) it will not create any lien, charges, encumbrances, claims, equities, rights of pre-emption and/or any other form of encumbrance or third party right of any nature against the Share held in its name prior to completion of the Share Offer; and (v) it shall not make available for acceptance all or any Shares held in its name for the Share Offer.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Lum Pak Sum, Mr. Wong Wai Kwan and Ms. Zhou Jianhong, has been set up to advise the Independent Shareholders as to whether the terms of the Share Offer are fair and reasonable and as to the acceptance of the Share Offer.

We, Veda Capital Limited, have been appointed by the Company with approval of the Independent Board Committee to advise the Independent Board Committee as to whether the terms of the Share Offer are fair and reasonable and whether the Independent Shareholders should accept or not to accept the Share Offer.

BASIS OF OUR ADVICE

In formulating our opinion and recommendation, we have relied on the accuracy of the information, opinions and representations contained or referred to in the Composite Document and provided to us by the Company, the Directors and the management of the Company. We have assumed that all information, representations and opinions contained or referred to in the Composite Document, which have been provided by the Company, the Directors and the management of the Company and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be true up to the Latest Practicable Date and should there be any material changes after the Latest Practicable Date, Shareholders would be notified as soon as possible. We have also assumed that all statements of belief, opinion and intention made by the Directors and the Offeror in the Composite Document were reasonably made after due enquiries and considerations. We have no reasons to doubt that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. We consider that we have reviewed sufficient information to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in the Composite Document to provide a reasonable basis for our opinion and recommendation. Having made all reasonable enquiries, the Directors have confirmed that, to the best of their knowledge, there are no other facts or representations the omission of which would make any statement in the Composite Document, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Company, the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs, financial condition and future prospects of the Company and/or the Offeror.

In formulating our opinion, we have not considered the taxation implications on the Independent Shareholders arising from acceptances or non-acceptances of the Share Offer as these are particular to their individual circumstances. It is emphasized that we will not accept responsibility for any tax effect on or liability of any person resulting from his or her acceptance or non-acceptance of the Share Offer. In particular, the Independent Shareholders who are overseas residents or are subject to overseas taxation or Hong Kong taxation on securities dealings should consult their own tax positions, and if in any doubt, should consult their own professional advisers.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Share Offer, and except for its inclusion in the Composite Document, this letter 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 assessing the Share Offer and in giving our recommendation to the Independent Board Committee, we have taken into account of the following principal factors and reasons:

Historical financial performance and prospects of the Group

The Company is an investment holding company and the Group is principally engaged in trading of chemical products, and energy conservation and environmental protection products.

(i) For the six months period ended 30 June 2014

As set out in the Company's interim report 2014 for the six months period ended 30 June 2014 ("**IR 2014**"), the Group recorded an unaudited revenue of approximately HK$49.42 million for the six months period ended 30 June 2014, representing an increase of approximately 39.22 times as compared to the revenue of approximately HK$1.26 million for the six months period ended 30 June 2013. As set out in the IR 2014, the significant increase in revenue for the six months period ended 30 June 2014 was due to the development of the Group's trading business in relation to chemical products, and energy conservation and environmental protection products.

For the six months period ended 30 June 2014, the Group recorded a loss of approximately HK$8.28 million as compared to a profit of approximately HK$350.2 million for the six months period ended 30 June 2013. As advised by the Company, despite the Group has significantly improved the revenue for the six months period ended 30 June 2014, the gross profit margin is still on low level, thus it is not able to cover the operating costs of the Group and hence recording a loss for the six months period ended 30 June 2014. Also, as noted from the IR 2014, the huge amount of profits of HK$350.2 million for the six months ended 30 June 2013 was mainly attributable to the credit amounts of HK$359.4 million derived from derecognition of convertible bonds and promissory notes of the Company.

As at 30 June 2014, the Group's bank balances and cash amounted to approximately HK$24,380,000, representing an increase of approximately 2.41 times as compared to approximately HK$10,101,000 recorded as at 31 December 2013. As at 30 June 2014, the Group had loans of approximately HK$37,501,000 which were scheduled to be repaid within one year.

(ii) For the year ended 31 December 2013

As set out in the Company's annual report 2013 for the year ended 31 December 2013 ("**AR 2013**"), the Group recorded revenue of approximately HK$75.79 million for the year ended 31 December 2013, representing an increase of approximately 7.52 times as compared to a revenue of approximately HK$10.08 million for the year ended 31 December 2012. As set out in the AR 2013, the increase in revenue for the year ended 31 December 2013 was due to the Group (i) continued its plastics trading business of conductive silicon rubber keypads and also strived to expand its product portfolio by trading various types of other plastics products; and (ii) started to involve in trading of environmental protection and energy conservation products in 2013.

For the year ended 31 December 2013, the Group recorded profit attributable to equity shareholders of the Company of approximately HK$344.31 million as compared to the loss attributable to equity shareholders of the Company of approximately HK$35.29 million for the year ended 31 December 2012. As noted from the AR 2013, the record of profit by the Group for the year ended 31 December 2013 was due to the completion of (i) the disposal of the patents related to the liquid crystal on silicon ("**LCoS**") television production to Taiwan Micro Display Corp. ("**TMDC**") (the "**LCoS Disposal**"); and (ii) the High Court judgment against the China Eagle Development Limited and Fairtime International Limited (the "**Vendors**") for the acquisition of the entire issued share capital of Pacific Choice Holdings Limited (the "**High Court Judgment**"), such that the Group cancelled the convertible bonds of HK$187,200,000 issued to TMDC, as well as the convertible bonds of HK$112,800,000 and promissory notes of HK$87,500,000.

As at 31 December 2013, the Group's bank balances and cash amounted to approximately HK$10,101,000, representing an increase of approximately 1.86% as compared to approximately HK$9,917,000 recorded as at 31 December 2012. As at 31 December 2013, the Group had loans of approximately HK$88,129,000 which were scheduled to be repaid within one year.

(iii) For the year ended 31 December 2012

As set out in the Company's annual report 2012 for the year ended 31 December 2012 ("**AR 2012**"), the Group recorded revenue of approximately HK$10.08 million for the year ended 31 December 2012, representing an increase of approximately 100.40% as compared to a revenue of approximately HK$5.03 million for the year ended 31 December 2011. As set out in the AR 2012, the increase in revenue for the year ended 31 December 2012 was because the Group had taken proactive measures to increase sales of its conductive silicon rubber keypads products.

For the year ended 31 December 2012, the Group recorded loss attributable to equity shareholders of the Company of approximately HK$35.29 million as compared to the loss attributable to equity shareholders of the Company of approximately HK$75.42 million for the year ended 31 December 2011. As noted from the AR 2012, the huge loss for the year ended 31 December 2011 was because the Group has cancelled a formal agreement on the disposal of the LCoS television operations with an independent third party, pursuant to which the Group had to return HK$35,000,000 of a HK$50,000,000 deposit previously paid to the Group by the purchaser of the LCoS television operations.

(iv) Prospects and outlook

During the year of 2013, while the Group continued its chemical trading business of conductive silicon rubber keypads, it also strived to expand its product portfolio by trading various types of other chemical products. In addition, the Group also involved in trading of energy conservation and environmental protection products such as air-conditioning equipment, water purification & filtration equipment and energy conservation systems in the PRC. For the year ended 31 December 2013, the revenue from trading of energy conservation and environmental protection products amounted to approximately HK$18.8 million or approximately 24.8% of the total revenue of the Group, with a gross profit margin of approximately 4.3%. The remaining revenue of approximately HK$57 million or approximately 75.2% of the total revenue of the Group was contributed from the chemical products trading business of the Group. For the six months ended 30 June 2014, the revenue from trading of energy conservation and environmental protection products amounted to approximately HK$9.3 million or approximately 18.7% of the total revenue of the Group, with a gross profit margin of approximately 6.1%. The remaining revenue of approximately HK$40.1 million or approximately 81.3% of the total revenue of the Group was contributed from the chemical products trading business.

As noted from the IR 2014, the Group will continue to diversify its trading businesses by exploring various sales channel and possible related products for trading and at the same time, diversify its business and revenue base by developing and providing green solutions to recent critical challenges of energy efficiency and environmental protection. Furthermore, the Company will continue to explore opportunities for investments in companies or projects with solid business platforms and prospects in energy conservation and environmental protection industry as part of its strategies for long-term development.

According the research report "Chemical Industry Outlook 2014 – Posed for growth; structural realignment to continue" conducted by The Smart Cube, a firm specializes in delivering custom research and analytics services to corporations, financial services, and management consulting firms that helps organizations in strategic and tactical decision-making, the prolonged adverse macroeconomic climate in Europe and slowdown in Chinese and other emerging economies during 2011 to 2013 have influenced the global chemical output. In 2013, global volume was expected to rise 2.4%, against 2.7% in 2012. With improving economic conditions, growth is further likely to improve to 3.8% in 2014. According to the American Chemistry Council (ACC), Asia Pacific, the Middle East, and Africa will lead this growth.

According to an article in relation to the China's chemical industry produced by the KPMG Germany Chemicals & Pharmaceuticals department, a global recognized firm which delivers a globally consistent set of multidisciplinary services based on deep industry knowledge, between 2007 and 2012, revenues for China's chemical industry grew at a compound annual growth rate (CAGR) of 21% to reach $1.2 trillion in 2012. In comparison, over the same period, the Japanese and Indian markets grew at a pace of 4% CAGR to $230.2 billion and 13.8% CAGR to $100 billion respectively.

In addition to the article, as more China moves toward a consumption-led economy, the higher the demand for high-end sophisticated products and advanced materials will be, resulting in the growth of specialty and high-end chemical segments, such that the long-term growth prospects for the chemical industry remain high and are expected to reach a volume of $1.9 trillion in 2016 - at a CAGR of 13% from 2012 to 2016. Hence, the trading in chemical products segment, which the Group is principally engaged in, remains positive.

In addition, as understood from the IR 2014, the PRC injected an extra RMB200 billion into environmental protection each year during the first three years of the national "12th Five-Year Plan" and the total fund to be injected during the "12th Five-Year Plan" period will be expected to exceed RMB5 trillion. At the same time, as being the core element of energy conservation and environmental protection industry, the water industry has been dragging more and more attention from capital markets under the facilitation of national strategy.

In March 2011, the PRC's National People's Congress approved the "12th Five-Year Plan". It states that China has been looking for around RMB3.4 trillion of investments to protect its environment in next five years, with around RMB1.5 trillion of which will be first injected into eight types of "green projects", including:

– Major pollutants reduction.

– Living environment improvement.

– Environmental protection in rural areas.

– Ecological preservation.

– Environment risk prevention.

– Nuclear safety.

– Environmental infrastructure.

– Environmental monitoring.

The PRC Government also plans to launch a series of environmental friendly economic policies, in a bid to encourage the development of "green" industries and make polluters pay a higher price. Some of these policies include:

– Offering incentives to enterprises to engage in sewage treatment, sludge treatment, desulfurization, denitrification and waste disposal.

– Improving the pollution charging system so that high-pollution production faces higher costs.

– Encouraging bank loan issuance to "green" projects.

– Increasing the portion of "green products" on government's procurement list.

Based on the abovementioned plans under the "12th Five-Year Plan", it is believed that the PRC's investment on environmental projects is part of a campaign to move the world's second-large economy away from a model that derived most of its growth from exports and investments for roads, railways and airports.

In March 2014, the PRC's Environmental Protection Official announced that the PRC Government is expected to invest more than RMB5 trillion in environmental protection during the "12th Five-Year Plan". It is also announced that China has been increasing its spending on environmental protection steadily, with an investment of RMB602.6 billion in 2011, RMB825.3 billion in 2012 and an estimated sum of RMB1 trillion in 2013, and the PRC Government's investment in this area will increase substantially in 2014 with the introduction of a water pollution prevention and control action plan.

In addition, the PRC Government Officials are in the progress of compiling the PRC's "13th Five-Year Plan", covering the period from 2016-2020, and it is anticipated that both environmental protection and the promotion of clean energy will remain critical matters under the latest five-year plan. Given the strong policy support from the PRC Government in relation to the environmental protection matters, the prospect of trading business of energy conservation and environmental protection products, which contributed approximately 24.8% to the Group's total revenue for the financial year ended 31 December 2013, also remains optimistic.

Besides, as disclosed in the circular of the Company dated 18 August 2014 (the "**Circular**"), the Subscriptions had brought new capital to the Group for diversification of its business into Macau gaming market. In particular, it is expected that the extensive experience and business network in the gaming industry possessed by the Controller will help the Group gradually diversify its business into Macau gaming market. The information of the Controller is outlined in the section headed "Background of the Offeror and parties acting in concert with it and the Offeror's intention regarding the future of the Group".

As at the Latest Practicable Date, the Offeror has no concrete plan in relation to the Macau gaming business for the Group. However, it is noted from the letter from Fortune Securities that upon the completion of the Subscriptions, the Offeror will conduct a detailed review of the Group for the purpose of developing a sustainable business plan for the Group and it is believed that subsequent to the assessment, the Offeror is able to figure out the most suitable business investment for the Group, including but not limited to the Macau gaming business, which is the Offeror's expertise. Therefore, we have conducted independent research regarding the prospects of Macau gaming industry, the business area which the Group is potentially diversifying into, and we consider that the research also enables us to understand the potential business prospect of the Group which directly affects the analysis of the Share Offer.

According to the Statistics and Census Service of the Macau Government, visitors to Macau from the PRC and Hong Kong accounted for 63.5% and 23.1% respectively, of the total arrivals in 2013. Driven by the continued development and prosperity of the PRC, total visitors to Macau from China grew at CAGR of 12.5% from 2003 to 2013. Macau's proximity to major cities in Asia improves its appeal as a popular gaming destination for overseas travelers. International visitation levels have also experienced rapid growth from 2003 to 2013. Macau's economy and gaming sector anticipated to continue to benefit from the fast growing visitations driver by continued economic growth in China and other Asian countries.

Macau is the world's largest gaming market in terms of gross gaming revenues and it is now 7 times bigger than Las Vegas. It is currently the only location in Greater China to offer legalized casino gaming. According to the Gaming Inspection and Coordination Bureau, the Macau market generated HK$350.2 billion in gross gaming revenues in 2013, an 18.6% increase from 2012 and a 34.7% increase from 2011. Macau also provides various non-gaming amenities in the form of retail, hotel, conference and entertainment facilities, and is supported by various Macau Government infrastructure initiatives.

In addition, the construction of Hong Kong-Zhuhai-Macau Bridge will shorten the travel distance from Hong Kong to Macau to 30 km. The under-construction Hong Kong-Zhuhai-Macau Bridge is a series of bridges and tunnels that will connect the west side of Hong Kong to Macau and Zhuhai, the PRC and upon completion, it would shorten the distance from Hong Kong to Macau from 60 km to 30 km, and reduce the travel time to within half an hour.

According to a Macau gaming industry report conducted by one of the largest investment banks in the PRC, showing that the Macau gaming industry is expected to expand in the near future, with the anticipated total number of (i) casinos to grow from 35 in 2013 to 42 in 2016; (ii) gaming tables increase from 5,750 in 2013 to 8,916 in 2016; (iii) slot machines increase from 13,106 in 2013 to 23,606 in 2016; and (iv) the hotel rooms increase from 27,137 in 2013 to 45,227 in 2016.

In view that (i) the Group had completed the LCoS Disposal and the High Court Judgment; (ii) the chemical products trading business which the Group principally engaged in remains optimistic; (iii) the PRC Government is putting a great effort and investment amount on environmental protection aspect under the "12th Five-Year Plan"; (iv) the Subscriptions allow the Group to potentially diversify its business into the Macau gaming industry; (v) the solid and extensive background of the Controller in the Macau gaming sector provides great support to the Group's potential diversification, if the Offeror considers that entering into the Macau gaming segment is most suitable for the Group upon the detailed assessment; and (vi) the optimistic development outlook of the Macau gaming industry, we therefore consider that the prospect of the Group would be positive. However, we would like to remind the Independent Shareholders that as at the Latest Practicable Date, there is no concrete plan for the Group to enter into the Macau gaming business and therefore, the Group may or may not diversify their business into such industry.

The Offer Price

Fortune Securities, on behalf of the Offeror and in compliance with the Takeovers Code, is making the Share Offer for all the Offer Shares on the following basis:

For each Offer Share . . . . HK$0.35 in cash

The Share Offer is unconditional in all respects and is not conditional upon acceptances being received in respect of a minimum number.

The Offer Price of HK$0.35 per Offer Share under the Share Offer is equal to the Subscription Price paid by the Offeror for the Subscription Shares and the initial Conversion Price under the Convertible Notes issued to the Offeror pursuant to the Subscription Agreement.

The Offer Price of HK$0.35 per Offer Share represents:

(i) a premium of approximately 414.71% over the audited net asset value attributable to owners of the Company as at 31 December 2013 of approximately HK$0.068 per Share based on the audited net asset value attributable to owners of the Company as at 31 December 2013 of approximately HK$33,353,000 and 493,564,800 Shares in issue as at the Latest Practicable Date;

(ii) a premium of approximately 614.29% over the unaudited net asset value attributable to owners of the Company as at 30 June 2014 of approximately HK$0.049 per Share based on the unaudited net asset value attributable to owners of the Company as at 30 June 2014 of approximately HK$24,070,000 and 493,564,800 Shares in issue as at the Latest Practicable Date;

(iii) a discount of approximately 94.31% to the adjusted closing price of HK$6.150 per Share (taken into account the effect of the Capital Reorganisation) on the Last Trading Date based on the closing price of the Share as quoted on the Stock Exchange on the Last Trading Date of HK$1.230 per Share (prior to the Capital Reorganisation became effective);

(iv) a discount of approximately 94.40% to the average of the adjusted closing prices of the Shares for the last 5 trading days up to and including the Last Trading Date of approximately HK$6.250 per Share (taken into account the effect of the Capital Reorganisation) based on the average of the closing prices of the Shares as quoted on the Stock Exchange of last 5 trading days up to and including the Last Trading Date of approximately HK$1.250 per Share (prior to the Capital Reorganisation became effective) (the "**5 Days Average Closing Price**");

(v) a discount of approximately 93.98% to the average of the adjusted closing prices of the Shares for the last 10 trading days up to and including the Last Trading Date of approximately HK$5.810 per Share (taken into account the effect of the Capital Reorganisation) based on the average of the closing prices of the Shares as quoted on the Stock Exchange of last 10 trading days up to and including the Last Trading Date of approximately HK$1.162 per Share (prior to the Capital Reorganisation became effective) (the "**10 Days Average Closing Price**");

(vi) a discount of approximately 92.19% to the average of the adjusted closing prices of the Shares for the last 30 trading days up to and including the Last Trading Date of approximately HK$4.483 per Share (taken into account the effect of the Capital Reorganisation) based on the average of the closing prices of the Shares as quoted on the Stock Exchange of last 30 trading days up to and including the Last Trading Date of approximately HK$0.896 per Share (prior to the Capital Reorganisation became effective) (the "**30 Days Average Closing Price**");

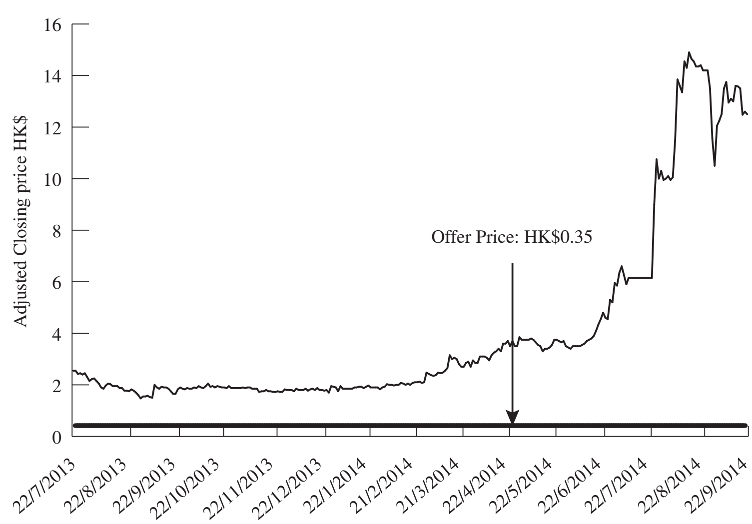
(vii) a discount of approximately 90.25% to the average of the adjusted closing prices of the Shares for the last 90 trading days up to and including the Last Trading Date of approximately HK$3.589 per Share (taken into account the effect of the Capital Reorganisation) based on the average of the closing prices of the Shares as quoted on the Stock Exchange of last 90 trading days up to and including the Last Trading Date of approximately HK$0.718 per Share (prior to the Capital Reorganisation became effective) (the "**90 Days Average Closing Price**"); and

(viii) a discount of approximately 97.20% to the closing price of HK$12.500 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

Further terms and conditions of the Share Offer, including the procedures for acceptance, are set out in the "Letter from Fortune Securities" and Appendix I to the Composite Document.

Historical share price performance

The graph below shows the adjusted daily closing price of the Shares upon the effective of the Capital Reorganisation ("**Adjusted Closing Prices**") as quoted on the Stock Exchange from 11 July 2013, being the twelve-month period leading up to 11 July 2014, (being the 12 calendar months period prior to the entering into of the Subscription Agreement) (both dates inclusive) (the "**Pre-Announcement Period**") and from 28 July 2014, being the first day of trading in the Shares after the publication of the Joint Announcement, to the Latest Practicable Date (both dates inclusive) (the "**Post-Announcement Period**"), collectively known as the ("**Review Period**").



Source: Bloomberg and website of the Stock Exchange (www.hkex.com.hk)

Note: The trading of the Shares was suspended from 14 July 2014 to 25 July 2014.

The Pre-Announcement Period

The Adjusted Closing Price rose gradually from HK$1.925 on 6 February 2014 to HK$6.15 on 11 July 2014, being the trading day before the suspension of the Shares, which has surged by approximately 3.19 times. During the Pre-Announcement Period, the Adjusted Closing Prices ranged from the lowest of HK$1.475 on 2 September 2013 to the highest of HK$6.6 on 8 July 2014, representing approximately 4.47 times increase throughout the Pre-Announcement Period. Save for the Company's positive profit alert announcement dated 26 July 2013, the memorandum of intent in relation to a possible acquisition announcement dated 10 September 2013 and the announcement in relation to the change of Company's name, logo and stock short name on 19 November 2013, we are not aware of any published announcements made by the Company that were price sensitive in nature. Save for the aforesaid published announcements and as advised by the Company, they are not aware of any other factors which were price sensitive in nature.

On 14 July 2014, trading in the Shares on the Stock Exchange was suspended pending the release of the Joint Announcement.

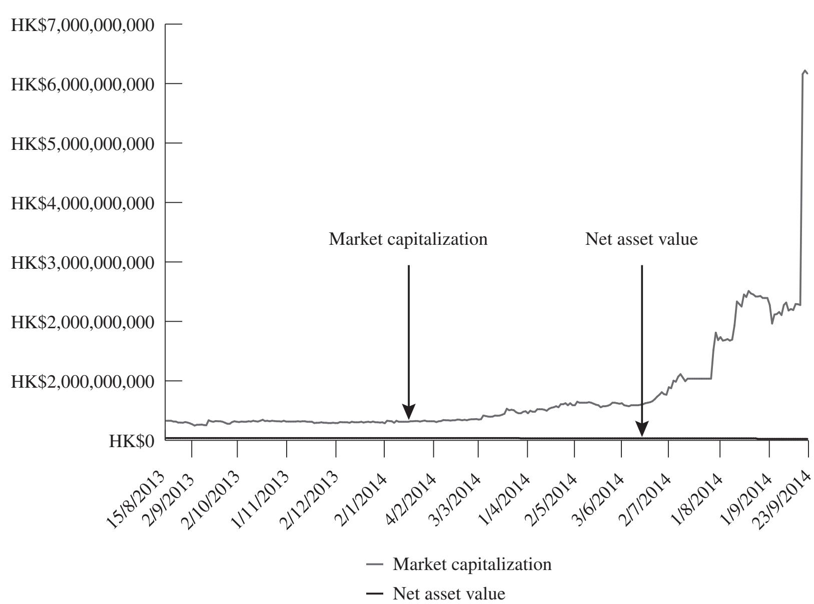
The Post-Announcement Period

For the Post-Announcement Period, the highest and the lowest Adjusted Closing Price as quoted on the Stock Exchange were HK$14.9 on 18 August 2014 and HK$9.0 on 28 July 2014 respectively. Save for the Joint Announcement and the profit warning announcement of the Company dated 30 July 2014 ("**Profit Warning Announcement**"), we are not aware of any published announcements made by the Company that were price sensitive in nature. In addition, as advised by the Company, save for the potential change in shareholding of the Company, they are also not aware of any other factors which were price sensitive in nature.

We would like to remind the Independent Shareholders that the Offer Price is at deep discount to the Adjusted Closing Prices for the entire Review Period and to the closing price of the Shares as at the Latest Practicable Date. However, given the substantial increase in the closing price of the Shares after the publication of the Joint Announcement and the Capital Reorganisation became effective, there is no guarantee that the trading price of the Shares will sustain and will or will not be higher than the Offer Price during and after the period of the Share Offer. The Independent Shareholders, in particular those who may wish to realize their investments in the Shares, are thus reminded to closely monitor the market price of the Shares during the period of the Share Offer remains open for acceptance.

Historical price performance as compared to net asset value of the Group

We noted that the Offer Price represents approximately 12.07 times to the net asset value per share of the Company as at 30 June 2014 i.e. based on net asset value of approximately HK$24.07 million and the number of outstanding Shares of 842,824,000 on 30 June 2014. As noted from the Group's interim results announcement for the six months period ended 30 June 2014 published on 22 August 2014, the annual results announcement of the Company for the year ended 31 December 2013 published on 25 March 2014 and the interim result announcement of the Company for the six months ended 30 June 2013 published on 15 August 2013, the net asset value of the Group for the six months ended 30 June 2014, the year ended 31 December 2013 and the six months ended 30 June 2013 amounted to approximately HK$24.07 million, HK$33.35 million and HK$38.36 million respectively. We have compared market capitalization of the Shares, which is based on the daily closing price of the Shares and the number of issued Shares, since 15 August 2013 (being the 12-month period prior to the latest published net asset value of the Group and approximately 12-month period prior to the date of the Subscription Agreement) and up to the Latest Practicable Date (the "**NAV Review Period**"). The comparison is illustrated in the chart below:



Source: Bloomberg

Notes:

1. From 15 August 2013 to 11 September 2014, the total number of issued Shares is based on 842,824,000 Shares.

2. From 12 September 2014, being the first day the Capital Reorganisation becoming effective, to 18 September 2014, the total number of issued Shares is based on 168,564,800 Shares.

3. From 19 September 2014, being the Subscription Completion Date, up to and including the Latest Practicable Date, the total number of issued Shares is based on 493,564,800 Shares.

From the above chart, we can see that the market capitalization of the Shares have lied considerably above the net asset value of the Group, particularly upon Subscription Completion Date on 19 September 2014, which means the Shares have been traded above the net asset value of the Group during the NAV Review Period. During the NAV Review Period, the market capitalization of the Shares represents maximum of approximately 258.37 times and minimum of approximately 6.48 times respectively, with an average of approximately 24.48 times, to the net asset value of the Group.

Given that there is a huge discrepancy between the market capitalization of the Shares and the net asset value of the Group, we consider that is it not reasonable to take net asset value of the Group into consideration.

Liquidity of the Shares

We have reviewed the historical trading volume of the Shares during the period from 11 July 2013 and up to and including the Latest Practicable Date (being the 12 month period prior to the Last Trading Day and up to and including the Latest Practicable Date). The average daily trading volume of the Shares and the percentages of the average daily trading volume of the Shares as compared to the total number of issued Shares on (i) the preceding day to the Capital Reorganisation becoming effective; (ii) the date the Capital Reorganisation becoming effective; and (iii) the Subscription Completion Date and up to and including the Latest Practicable Date are shown in table below.

Month/Period	**Average daily trading volume** *(Shares)*	**Approximate % of average daily trading volume to the total number of issued Shares** *(Note 1, 2 & 3)* *(%)*	**Number of trading days of the Shares in the relevant month** *(days)*
2013			
11 July to 31 July	9,230,133.33	1.095%	15
August	5,126,285.71	0.608%	21
September	5,389,600.00	0.639%	20
October	2,734,476.19	0.324%	21
November	811,789.47	0.096%	21
December	526,200.00	0.062%	20

Month/Period	Average daily trading volume *(Shares)*	Approximate % of average daily trading volume to the total number of issued Shares *(Note 1, 2 & 3)* *(%)*	Number of trading days of the Shares in the relevant month *(days)*
2014			
January	1,222,588.24	0.145%	21
February	1,378,666.67	0.164%	19
March	9,306,095.24	1.104%	21
April	3,215,200.00	0.381%	20
May	2,552,775.00	0.303%	20
June	2,999,000	0.356%	20
July *(Note 4)*	16,011,958	1.900%	12
August	5,773,857	0.685%	21
1 September to 11 September	3,761,562.5	0.446%	8
12 September to 18 September	207,960	0.123%	5
19 September and up to and including the Latest Practicable Date	231,333.33	0.047%	3

Source: Bloomberg and website of the Stock Exchange (www.hkex.com.hk)

Notes:

1. From 15 August 2013 to 11 September 2014, the total number of issued Shares is based on 842,824,000 Shares.

2. From 12 September 2014, being the first day the Capital Reorganisation becoming effective, to 18 September 2014, the total number of issued Shares is based on 168,564,800 Shares.

3. From 19 September 2014, being the Subscription Completion Date, up to and including the Latest Practicable Date, the total number of issued Shares is based on 493,564,800 Shares.

4. The trading of the Shares was suspended from 14 July 2014 to 25 July 2014.

During the Review Period and before publication of the Joint Announcement, the monthly average daily trading volume of the Shares ranged from 0.062% to approximately 1.104% of the total number of 842,824,000 Shares. As shown in the table, the average daily trading volume has been substantially increased upon publication of the Joint Announcement. Also, the Company published the Profit Warning Announcement on 30 July 2014, indicating that the Group is expected to record a significant decrease in consolidated net profit of the Group for the six months ended 30 June 2014 as compared with that for the corresponding period in 2013 or even record a loss for the six-month period ended 30 June 2014 as a result of the absence from a one-off gain for the six-month period ended 30 June 2014. Save for the Joint Announcement and the Profit Warning Announcement, we are not aware of any other published announcements made by the Company that were price sensitive in nature during the Post-Announcement Period and thus, we consider the increase in trading in Shares during the period from July 2014 up to the Latest Practicable Date, to a large extent, may likely due to the market speculation on the possible change in control of the Company and in general, the trading volume of the Shares during the Review Period was thin.

Given the generally low liquidity of the Shares, we consider that Independent Shareholders who might wish to realize their investment in the Company, especially those with relatively sizeable shareholdings, might not be able to do so without having an adverse impact on the market price of the Shares. Therefore, we consider that the Share Offer provides an alternative for the Independent Shareholders who would like to realize their investment in the Shares. Nevertheless, Independent Shareholders who intend to dispose part or all of their Shares are reminded to monitor closely the market price and the liquidity of the Shares during the Offer Period remains open to acceptance and consider selling Offer Shares in the open market, instead of accepting the Share Offer, if the net proceeds from the disposal of such Shares in the open market would exceed that receivable under the Share Offer.

Comparable analysis

Price-to-earnings ("**P/E**") ratio and price-to-book ("**P/B**") ratio are the two most commonly used benchmarks in valuing a company, with the P/E ratio calculated based on the audited profits attributable to owners from the most recent financial year and the P/B ratio calculated based on the respective net asset values attributable to shareholders from the latest published annual/interim reports or results announcements. Based on the price of HK$0.35 per Offer Share and the total number of issued Shares of 493,564,800 as at the Latest Practicable Date, the Company is valued at approximately HK$172.75 million. The P/E ratio of the Company implied by the Offer Price (the "**Implied P/E**") is approximately 0.50 times based on the audited profit attributable to owners of the Company of approximately HK$344.31 million for the year ended 31 December 2013. The P/B ratio of the Company implied by the Offer Price (the "**Implied P/B**") is approximately 0.92 times based on the value of approximately HK$188.47 million, being the sum of the unaudited net asset value of the Group of approximately HK$24.07 million as at 30 June 2014 and the net proceeds from the Subscriptions of approximately HK$164.4 million. On the Last Trading Day and as at the Latest Practicable Date, the market capitalisation of the Company is approximately HK$1,036.67 million and HK$6,169.56 million respectively.

However, based on the fact that (i) the Group is principally engaged in trading of chemical products, and energy conservation and environmental protection products which we consider the trading business itself is not capital intensive in nature; (ii) there is a huge discrepancy between the market capitalization of the Shares and the net asset value of the Group as depicted on the chart under the above section "***Historical price performance as compared to net asset value of the Group***"; and (iii) the Group recorded net liabilities for four consecutive financial years ended 31 December 2009, 2010, 2011 and 2012, whilst the Group recorded net assets for the six months period ended 30 June 2013 and 2014, and for the financial year ended 31 December 2013, we consider that comparing P/B ratio with other listed companies cannot provide a full picture of the analysis such that we have not taken P/B ratio into consideration in such circumstances.

In assessing the fairness and reasonableness of the Share Offer, we have attempted to compare the Implied P/E ratio with comparable companies listed on the Stock Exchange and engaged in the similar business to the Group. We have identified the companies listed on the Stock Exchange, which are engaged in the sales/trading of chemical plastic products (the "**Business Comparables**") for comparison purposes. We consider the Business Comparables that we have identified and reviewed are exhaustive. However, given the fact that the principal business i.e. sales/trading of chemical plastic products is quite unique, we could only identify two Business Comparables, with one of the Business Comparables being loss making during the most recent financial year. As the sample base is limited, we consider that it is not reasonable for us to make comparisons of the Business Comparables with the Share Offer, and the table below could only provide general information to the Independent Shareholders.

Business Comparables (Stock code)	**Market capitalization** *(Note 1)*	**Principal business**	**P/E ratio (times)** *(Note 2)*
China Aerospace International Holdings Limited (31)	HK$2,776,519,694	Manufacturing and distribution of plastic products, liquid crystal display, printed circuit boards, intelligent chargers, polyimide films and other products; property investment and trading of electronic products.	4.5
Ta Yang Group Holdings Limited (1991)	HK$490,480,830	Design and manufacture of silicone rubber input devices, mainly used in consumer electronic devices, keypads for computers and notebooks, mobile phone handsets and automotive peripheral products.	Loss making
The Share Offer	HK$172,747,680	Implied P/E	0.50 *(Note 3)*

Source: website of the Stock Exchange (www.hkex.com.hk)

Notes:

1. The market capitalisation of the Business Comparables are calculated on the basis of their respective closing prices of the shares and their total number of issued shares as at Latest Practicable Date.

2. P/E Ratio of the Business Comparables are calculated based on their respective market capitalization as at the Latest Practicable Date divided by the audited profits attributable to owners from the respective latest annual reports of the Business Comparables for the most recent financial year. No P/E Ratio was calculated for those Business Comparables which recorded a loss for the most recent financial year.

3. Based on the audited profit attributable to owners of the Company of approximately HK$344.31 million for the year ended 31 December 2013 as set out in the AR 2013.

Background of the Offeror and parties acting in concert and the Offeror's intention regarding the future of the Group

(a) Information on the Offeror and parties acting in concert

The Offeror

As set out in the letter from Fortune Securities, the Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Dr. Lam. As at the Latest Practicable Date, save for entering into of the Subscription Agreement and the transactions contemplated thereunder, and entering into of the financial arrangement with Fortune Securities in relation to the Share Offer, the Offeror did not engage in any other business activities. The Offeror was interested in 295,000,000 Shares and was the holder of the Convertible Notes as at the Latest Practicable Date.

As at the Latest Practicable Date, Dr. Lam was the sole director and sole legal and beneficial owner of the Offeror. Dr. Lam has over 30 years of experience in the gaming industry including casino operations and gaming promotion business in Macau, the Philippines and Australia. He also has engaged in other businesses and has investments in real estate development, hotel and resort operation, and securities and investments covering markets in Hong Kong, the PRC and the Philippines. Dr. Lam serves as 中國人民政治協商會議廣東省委員會委員 (a Member of Guangdong Provincial Committee of The Chinese People's Political Consultative Conference*), 澳門娛樂博彩業中介人協會榮譽會長 (the Honorable President of the Association of Gaming & Entertainment Promoters of Macau*), the Honorable President of the General Association of Administrators and Promoters for Macau Gaming Industry, the Permanent Honorable President, General Chairman and Council Member of the Federation of Hong Kong Guangdong Community Organisations and a Director of the China Overseas Friendship Association. Dr. Lam was awarded as an Honorable Doctor of Sinte Gleska University of California, United States of America and received a World Outstanding Chinese Award, both in 2007.

Creative Cosmo

Creative Cosmo is an investment holding company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Tse. As at the Latest Practicable Date, save for entering into of the Subscription Agreement and the transactions contemplated thereunder, Creative Cosmo did not engage in any other business activities. Creative Cosmo was interested in 23,500,000 Shares as at the Latest Practicable Date.

Mr. Tse is the sole director and sole legal and beneficial owner of Creative Cosmo. Mr. Tse has over 20 years of management experience covering corporate planning, business development and merger and acquisition. Mr. Tse is currently the Chairman of the board of directors and independent non-executive director of China Bio Cassava Holdings Limited (stock code: 8129) and a non-executive director of Asia Energy Logistics Group Limited (stock code: 351) and both companies are listed on the Stock Exchange.

New Elect

New Elect is an investment holding company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Hung. As at the Latest Practicable Date, save for entering into of the Subscription Agreement and the transactions contemplated thereunder, New Elect did not engage in any other business activities. New Elect was interested in 6,500,000 Shares as at the Latest Practicable Date.

Mr. Hung is the sole director and sole legal and beneficial owner of New Elect. Background of Mr. Hung is further disclosed in the paragraph headed "Proposed change of the Board composition of the Company" below.

(b) Intention of the Offeror

As set out in the letter from Fortune Securities, the Offeror intends that the Group will continue its existing principal activities. The Offeror will, following the completion of the Subscriptions, conduct a detailed review of the business operations and financial position of the Group for the purpose of developing a sustainable business plan or strategy for the Group. Subject to the result of the review and should suitable investment or business opportunities arise, the Offeror may diversify the business of the Group with the objective of broadening its sources of income and enhancing its profitability.

It is the intention of the Offeror that, leveraged on the expertise and experience in gaming business of Dr. Lam, the Group would explore the opportunity of developing the gaming promotion business in Macau. Taking into consideration of the aforesaid review and subject to the financial resources requirement and relevant laws and regulations of gaming promotion business in Macau, the Offeror may consider establishing the gaming promotion business by indirectly participating in the gaming promotion business in Macau through contractual (or variable interest entity) arrangements subject to relevant necessary regulatory approvals. However, as at the date of Latest Practicable Date, no definitive proposals, terms or timetable in relation to the gaming promotion business have been determined or agreed nor had the Offeror entered into any agreement, arrangements, understandings or negotiation in relation to the injection of any assets or business into the Group. The Offeror has not entered into any agreement, arrangements, understandings or negotiations in relation to the continued employment and/or discontinue the employment of the existing employees, disposal and/or redeployment of the assets (including fixed assets) of the Group, or termination or scaling down of any of the Group's business other than in the ordinary course of business.

(c) Proposed change of the Board composition of the Company

As set out in the letter from Fortune Securities, the Board is currently made up of five Directors, comprising two executive Directors and three independent non-executive Directors. The Offeror has the intention to appoint Mr. Hung as an executive Director (the "**New Director**") with effect from the date immediately following the despatch of this Composite Document. Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules and will be announced accordingly.

Biography of Mr. Hung is set out below:

Mr. Hung Ching Fung (洪清峰), aged 30, obtained a Bachelor Degree in Commerce from Macquarie University in Australia in 2007. He has been the Financial Controller of Jimei Group since 2010 and has been an executive director of China Bio Cassava Holdings Limited, a company listed on the Stock Exchange (stock code: 8129) since August 2013. Prior to joining Jimei Group, he worked as an auditor in Deloitte Touche Tohmatsu and Grant Thornton from 2007 to 2010. He is a full member of CPA Australia. Mr. Hung is the sole director and beneficial owner of New Elect, which was interested in 6,500,000 Shares as at the Latest Practicable Date. He is also the nephew in-law of Dr. Lam who is the beneficial owner and sole director of the Offeror.

Save as disclosed above, the Offeror does not intend to implement any material changes to the existing management and the Board composition of the Group following the close of the Share Offer.

(d) Maintaining the listing status of the Company

As set out in the letter from Fortune Securities, the Offeror intends to maintain the listing of the Shares on the Stock Exchange after the close of the Share Offer.

As the Company and the Offeror are unable to ascertain at this stage the level of acceptances by the Independent Shareholders under the Share Offer, they have not decided the exact steps/actions that will be taken by them after the close of the Share Offer to restore the public float of the Shares, if required. In the event that after the close of the Share Offer, the public float of the Company falls below 25%, each of the sole director of the Offeror, the New Director to be appointed to the Board and the existing Directors will jointly and severally undertake to the Stock Exchange to take appropriate steps including, among others, placing down the Shares to Independent Third Parties to ensure that sufficient public float exists in the Shares. Notwithstanding this, the Company and the Offeror consider that the appropriate actions to be taken shall include placing down of sufficient number of accepted Shares by the Offeror and/or issue of additional Shares by the Company for this purpose. The Company and the Offeror will issue a separate announcement as and when necessary in this regard.

RECOMMENDATION

Taking into consideration the above-mentioned principal factors and reasons of the Share Offer, being:

(i) the prospect of the existing business segment of the Group is positive and being supported by the PRC Government's policy;

(ii) the outlook of the Macau gaming industry, which the Group might diversify into, is positive;

(iii) the solid background and extensive experience of Dr. Lam in the Macau gaming industry;

(iv) the Offer Price is at a deep discount i.e. 97.20% to the closing price of the Share as at the Latest Practicable Date;

(v) the Offer Price represents deep discount to the closing prices per Share for the Last Trading Date, the 5 Days Average Closing Price, the 10 Days Average Closing Price, the 30 Days Average Closing Price and the 90 Average Closing Price; and

(vi) the Offer Price is traded at deep discount to the Adjusted Closing Price for the entire Review Period,

we are of the opinion that the terms of the Share Offer are not fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders not to accept the Share Offer.

However, Independent Shareholders in particular those who intend to accept the Share Offer, are reminded to note the recent fluctuation in the Share price after the publication of the Joint Announcement and the effective of the Capital Reorganisation became effective, and that there is no guarantee that the current market price will or will not sustain and will or will not be higher than the Offer Price during and after the close of the Share Offer. Independent Shareholders who intend to accept the Share Offer are reminded to closely monitor the market price and the liquidity of the Shares during the period of the Share Offer remain open for acceptance and shall, having regard to their own circumstances, consider selling the Offer Shares in the open market, instead of accepting the Share Offer, if the net proceeds from the sale of such Shares would be higher than that receivable under the Share Offer.

Yours faithfully,
For and on behalf of
Veda Capital Limited
Julisa Fong
Managing Director

Note: Ms. Julisa Fong is a licensed person under the SFO to engage in Type 6 (advising on corporate finance) regulated activities and has over 17 years of experience in investment banking and corporate finance.

1. PROCEDURES FOR ACCEPTANCE OF THE SHARE OFFER

To accept the Share Offer, you should complete and sign the Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the Share Offer.

(a) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Share Offer, you must send the duly completed and signed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, by post or by hand, marked "Sinogreen Share Offer" on the envelope, as soon as possible and in any event not later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.

(b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Share Offer whether in full or in part of your Shares, you must either:

(i) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Share Offer on your behalf and requesting it to deliver in an envelope marked "Sinogreen Share Offer" the duly completed and signed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

(ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver in an envelope marked "Sinogreen Share Offer" the duly completed and signed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

(iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Share Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or

(iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.

(c) If the share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost and you wish to accept the Share Offer in respect of your Shares, the Form of Acceptance should nevertheless be duly completed and signed and delivered in an envelope marked "Sinogreen Share Offer" to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Registrar as soon as possible thereafter. If you have lost your share certificate(s), you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.

(d) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Share Offer in respect of your Shares, you should nevertheless complete and sign the Form of Acceptance and deliver it in an envelope marked "Sinogreen Share Offer" to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable instruction and authority to each of Fortune Securities and/or the Offeror and/or any of their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such certificate(s) to the Registrar and to authorise and instruct the Registrar to hold such share certificate(s), subject to the terms and conditions of the Share Offer, as if it was/they were delivered to the Registrar with the Form of Acceptance.

(e) Acceptance of the Share Offer will be treated as valid only if the duly completed and signed Form of Acceptance is received by the Registrar by no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code and the Registrar has recorded that the Form of Acceptance and any relevant documents required have been so received, and is:

(i) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if those Share certificate(s) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in your favour executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or

(ii) from a registered Shareholder or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under the other subparagraph of this paragraph (e)); or

(iii) certified by the Registrar or the Stock Exchange. If the Form of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (such as grant of probate or certified copy of power of attorney) to the satisfaction of the Registrar must be produced.

(f) In Hong Kong, seller's ad valorem stamp duty arising in connection with acceptances of the Share Offer will be payable by the relevant Independent Shareholders at a rate of 0.1% of (i) the market value of the Offer Shares; or (ii) consideration payable by the Offeror in respect of the relevant acceptances of the Share Offer, whichever is higher, will be deducted from the amount payable by the Offeror to the relevant Independent Shareholders accepting the Share Offer (where the stamp duty calculated includes a fraction of HK$1; the stamp duty would be rounded up to the nearest HK$1). The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant Independent Shareholders accepting the Share Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptances of the Share Offer and the transfers of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

(g) No acknowledgement of receipt of any Form of Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

(h) The address of the Registrar, Tricor Secretaries Limited, is Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

2. SETTLEMENT

(a) Provided that a valid Form of Acceptance and the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) have been received by the Registrar no later than the latest time for acceptance, a cheque for the amount due to each accepting Shareholder, less the seller's ad valorem stamp duty payable by him/her/it, will be despatched to such Shareholder by ordinary post at his/her/its own risk as soon as possible but in any event within 7 Business Days of the date on which all the relevant documents are received by the Registrar to render such acceptance complete and valid and in accordance with the Takeovers Code.

(b) Settlement of the consideration to which any Shareholders are entitled under the Share Offer will be implemented in full in accordance with the terms of the Share Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Shareholders.

3. ACCEPTANCE PERIOD AND REVISIONS

(a) Unless the Share Offer has previously been revised or extended with the consent of the Executive, all acceptances of the Share Offer must be received by the Registrar by 4:00 p.m. on Friday, 17 October 2014, being the Closing Date.

(b) If the Share Offer is extended or revised, the announcement of such extension or revision shall state the next Closing Date or that the Share Offer will remain open until further notice. For the latter case, at least 14 days' notice in writing will be given to the Shareholders who have not accepted the Share Offer before the Share Offer is closed, and an announcement in respect thereof shall be released. If the Offeror revises the terms of the Share Offer, all Independent Shareholders, whether or not they have already accepted the Share Offer, will be entitled to accept the revised Share Offer under the revised terms.

(c) If the Closing Date is extended, any reference in this Composite Document and in the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the Closing Date so extended.

4. NOMINEE REGISTRATION

To ensure equality of treatment of all Independent Shareholders, those registered Independent Shareholders who hold the Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Share Offer.

5. ANNOUNCEMENTS

(a) By 6:00 p.m. on 17 October 2014 (or such later time and/or date as the Executive may in exceptional circumstances permit) which is the Closing Date, the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the expiry, revision or extension of the Share Offer. The Offeror must post an announcement on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating the results of the Share Offer and whether the Share Offer have been revised or extended.

The announcement must state the total number of Shares and rights over Shares:

(i) for which acceptances of the Share Offer have been received;

(ii) held, controlled or directed by the Offeror, Dr. Lam or persons acting in concert with any of them before the Offer Period; and

(iii) acquired or agreed to be acquired during the Offer Period by the Offeror, Dr. Lam or persons acting in concert with any of them.

The announcement must also include details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror, Dr. Lam or any person acting in concert with any of them has borrowed or lent (save for any borrowed Shares which have been either onlent or sold) and specify the percentages of the issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers.

(b) In computing the total number of Shares represented by acceptances, only valid acceptances that have been received by the Registrar no later than 4:00 p.m. on the Closing Date shall be included.

(c) As required under the Takeovers Code, all announcements in respect of the Share Offer must be made in accordance with the requirements of the Takeovers Code and the Listing Rules.

6. RIGHT OF WITHDRAWAL

(a) Acceptance of the Share Offer tendered by any Independent Shareholders or by their agent(s) on their behalves shall be irrevocable and cannot be withdrawn, except in the circumstances set out below.

(b) If the Offeror is unable to comply with the requirements set out in the paragraph headed "Announcements" above, as set out in Rule 19.2 of the Takeovers Code, the Executive may require that the Independent Shareholders who have tendered acceptances to the Share Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that rule are met.

In such case, if the Independent Shareholders withdraw their acceptances, the Offeror or Registrar (as the case may be) shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the Shares lodged with the Form of Acceptance to the relevant Independent Shareholders.

7. GENERAL

(a) All communications, notices, Form of Acceptance, share certificates, transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Share Offer to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from them, or their designated agents by post at their own risk, and the Offeror, its ultimate beneficial owner and parties acting in concert with any of them, Fortune Securities, or any of their respective directors or professional advisers or any other parties involved in the Share Offer or any of their respective agents do not accept any liability for any loss or delay in postage or any other liabilities that may arise as a result thereof.

(b) The provisions set out in the Form of Acceptance form part of the terms of the Share Offer.

(c) The accidental omission to despatch this Composite Document and/or Form of Acceptance or any of them to any person to whom the Share Offer are made will not invalidate the Share Offer in any way.

(d) The Share Offer is, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.

(e) Due execution of the Form of Acceptance will constitute an authority to the Offeror or its agent to complete, amend and execute any document on behalf of the person or persons accepting the Share Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as it may direct, the Shares in respect of which such person or persons has/have accepted the Share Offer.

(f) Acceptance of the Share Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror and the Company that the Shares under the Share Offer are free from all liens, charges, options, claims, equities, adverse interests, third party rights or encumbrances whatsoever and together with all rights accruing or attaching thereto including the rights to receive in full all dividends and distributions recommended, declared, made or paid on or after the date on which the Share Offer are made.

(g) References to the Share Offer in this Composite Document and the Form of Acceptance shall include any revision and/or extension thereof.

(h) The making of the Share Offer to the Overseas Shareholders may be prohibited or affected by the laws of the relevant jurisdictions. The Overseas Shareholders should inform themselves about and observe any applicable legal or regulatory requirements. It is the responsibility of each Overseas Shareholder who wishes to accept the Share Offer to satisfy himself/herself/itself as to the full observance of the laws and regulations of all relevant jurisdictions in connection therewith, including, but not limited to the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required and the compliance with all necessary formalities, regulatory and/or legal requirements. Such Overseas Shareholders shall be fully responsible for the payment of any transfer or other taxes and duties due by such Overseas Shareholders in respect of the relevant jurisdictions. The Overseas Shareholders are recommended to seek professional advice on deciding whether or not to accept the Share Offer.

(i) Acceptances of the Share Offer by any persons will be deemed to constitute a warranty by such persons that such persons are permitted under all applicable laws and regulations to receive and accept the Share Offer, and any revision thereof, and such acceptances shall be valid and binding in accordance with all applicable laws and regulations. Any such persons will be responsible for any such issue, transfer and other applicable taxes or other governmental payments payable by such persons.

(j) The English texts of this Composite Document and the Form of Acceptance shall prevail over their respective Chinese texts for the purpose of interpretation in case of inconsistency.

1. FINANCIAL SUMMARY

The following is a summary of (i) the audited financial results of the Group for each of the three years ended 31 December 2011, 2012 and 2013, and the unaudited financial results of the Group for the six months ended 30 June 2014; and (ii) the audited assets and liabilities of the Group as at 31 December 2011, 2012 and 2013, and the unaudited assets and liabilities of the Group as at 30 June 2014, as extracted from the published annual reports of the Company for the years ended 31 December 2011, 2012 and 2013 and the published interim report of the Company for the six months ended 30 June 2014, respectively, which are available on both the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.aplushk.com/clients/1159).

(a) Operating results

	For the year ended 31 December *HK$'000* (audited)			For the six months ended 30 June *HK'000* (unaudited)
	2011	**2012**	**2013**	**2014**
Turnover	5,025	10,078	75,791	49,422
Net profit/(loss) before taxation	(47,067)	(40,664)	338,037	(8,282)
Income tax credit	6,644	5,379	6,274	–
Profit/(loss) for the year/period attributable to owners of the Company	(75,423)	(35,285)	344,311	(8,282)
Earnings/(loss) per Share				
– Basic *(in HK cents)*	(10.74)	(5.02)	44.42	(0.98)
– Diluted *(in HK cents)*	(10.74)	(5.02)	7.77	(0.98)
Dividend	Nil	Nil	Nil	Nil

(b) **Assets and liabilities**

	As at 31 December			As at 30 June
	HK$'000			*HK$'000*
	(audited)			(unaudited)
	2011	**2012**	**2013**	**2014**
Non-current assets	5,236	6,733	18,359	17,594
Current assets	21,631	11,505	121,098	45,086
Total assets	26,867	18,238	139,457	62,680
Current liabilities	90,793	89,194	106,104	38,610
Non-current liabilities	242,931	269,694	–	–
Total liabilities	333,724	358,888	106,104	38,610
Net assets/(liabilities)	(306,857)	(340,650)	33,353	24,070

Profit attributable to the Shareholders for the year ended 31 December 2013 included a gain on derecognition of promissory notes of approximately HK$87.5 million and a gain on derecognition of convertible bonds of approximately HK$271.9 million. Save for the aforesaid, the Group had no items which are exceptional because of size, nature or incidence, did not record any non-controlling interests, and no dividend had been paid or declared by the Company and no amount has been absorbed by dividends for each of the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014.

The auditors of the Company, Deloitte Touche Tohmatsu and BDO Limited, issued qualified opinion on the consolidated financial statements of the Company for the years ended 31 December 2011, 2012 and 2013, respectively. The qualified opinion issued by Deloitte Touche Tohmatsu and BDO Limited for the years ended December 2011, 2012 and 2013, respectively, are reproduced in the section headed "Modifications to the opinion in the independent auditor's reports" in this appendix.

2. MODIFICATIONS TO THE OPINION IN THE INDEPENDENT AUDITOR'S REPORTS

The following is a reproduction of the qualified opinion issued by Deloitte Touche Tohmatsu and BDO Limited on the consolidated financial statements of the Company for the years ended 31 December 2011, 2012 and 2013, respectively, which are contained in the 2011, 2012 and 2013 annual reports of the Company respectively.

(a) In respect of the consolidated financial statements of the Company for the year ended 31 December 2013

Basis for Disclaimer of Opinion on the Profit and Cash Flows

(a) Limitation of Scope – Deconsolidation of a Subsidiary during the year ended 31 December 2009

As set out in note 3(i) to the consolidated financial statements, the Group completed the acquisition of Pacific Choice Holdings Limited ("Pacific Choice") and its subsidiaries (collectively referred to as the "Pacific Choice Group") on 15 January 2009 for a total consideration of HK$604,616,000 which mainly comprised cash, promissory notes issued by the Group and convertible bonds issued by the Company.

As further set out in note 3(ii) to the consolidated financial statements, the directors of the Company were unable to obtain and access to the books and records of 聯合光電(蘇州)有限公司 United Opto-Electronics (Suzhou) Co., Ltd. (the "PRC Subsidiary"), being the directly and indirectly wholly owned subsidiary of Precise Media Limited ("Precise Media") and Pacific Choice respectively, after 30 November 2009 and resolved that the Group no longer had the power to govern the financial and operating policies of the PRC Subsidiary, and accordingly the control over the PRC Subsidiary was lost on that date.

The PRC Subsidiary has therefore been deconsolidated and recognised as an available-for-sale investment from 1 December 2009 onwards. Besides, since the assets of the PRC Subsidiary and the planned operations thereof predominantly accounted for the reason for which the Group acquired Pacific Choice Group, the loss of control over the PRC Subsidiary effectively impaired any practical value of the entire Pacific Choice Group, if any, and therefore, the directors of the Company considered that assets of the entities comprising Pacific Choice Group other than the PRC Subsidiary (the "Pacific Choice Remaining Group") should be fully impaired on the same date the Group lost control over the PRC Subsidiary.

As a result of the circumstances described above, the directors of the Company have been unable to provide us with a complete set of accounting books and records of the PRC Subsidiary. As a result, we were therefore unable to carry out audit procedures to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether:

(i) the accumulated losses of the Group as at 31 December 2012, which included the losses (i) on deconsolidation of the PRC Subsidiary and (ii) incurred by the PRC Subsidiary for the period from 15 January 2009 (date of acquisition) to 30 November 2009 (date of deconsolidation) was free from material misstatement; and

(ii) the Group had lost its control over the PRC Subsidiary and whether it was appropriate to deconsolidate the assets and liabilities and cease to record results of operations of the PRC Subsidiary from the consolidated financial statements of the Group and be recognised as an available-for-sale investment until the date of disposal of Precise Media as stated below.

These matters caused us to disclaim our audit opinion on the consolidated financial statements for the year ended 31 December 2012.

As detailed in note 3(vii)(a)(i) to the consolidated financial statements, the Group disposed of Precise Media and the return of intangible assets (see (d) below) as part of the Termination Transactions with TMDC on 28 February 2013 in return for cancellation of the relevant convertible bonds (see (b) below). Accordingly, the Group retained no further equity interests in Precise Media and the PRC Subsidiary which is Precise Media's wholly owned subsidiary. Due to the limitations stated above and these limitations remained as of 5 March 2013 (the date when equity interests in Precise Media were transferred to TMDC), we were unable to satisfy ourselves as to whether any results of operation relating to the PRC Subsidiary for the year ended 31 December 2013 would have been recognised had it not been deconsolidated on 30 November 2009 and whether the effects on consolidated statement of comprehensive income for the year ended 31 December 2013 arising from the Termination Transactions with TMDC were free from material misstatements.

We were therefore unable to determine whether any adjustments were necessary to be made to the accumulated losses as at 31 December 2012 and the results of operations for the year ended 31 December 2013 that might have a significant effect on the state of the Group's affairs as at 31 December 2012 and on its profit for the year ended 31 December 2013.

(b) *Limitation of Scope – Fair Value and Carrying Amounts of Convertible Bonds, Interest Charge and Gain on Derecognition of Convertible Bonds for the year ended 31 December 2013*

As set out in note 3(i) to the consolidated financial statements, on 15 January 2009, the Company issued zero-coupon convertible bonds due in 2014 with a principal amount of HK$300,000,000, subject to a downward adjustment, as part of the consideration for acquisition of Pacific Choice Group. As set out in note 27 to the consolidated financial statements, the directors of the Company appointed an independent valuer to perform a valuation of the fair value of the convertible bonds issued at the date of issue of 15 January 2009. However, in our audit of the consolidated financial statements for the year ended 31 December 2012, we were not provided with the explanation that we considered necessary for the assessment of the valuation of the convertible bonds and there were no alternative audit procedures that we could perform to obtain sufficient audit evidence to satisfy ourselves as to whether the valuation was properly prepared and accordingly, we were unable to satisfy ourselves as to whether:

(i) the fair value of the liability component of the convertible bonds on initial recognition was reliably measured in accordance with the relevant requirements of Hong Kong Accounting Standard ("HKAS") 39 "Financial Instruments: Recognition and Measurement" issued by the HKICPA ("HKAS 39") and whether their carrying values of HK$261,725,000 as at 31 December 2012 was free from material misstatement;

(ii) convertible bonds reserve of HK$120,398,000 as at 31 December 2012 representing equity component of the convertible bonds (net of related deferred tax liabilities arising from the issue of the convertible bonds) recognised directly in equity and the deferred tax liabilities arising from the issue of the convertible bonds of HK$6,316,000 as at 31 December 2012 was free from material misstatement;

(iii) any other embedded derivatives of the convertible bonds issued for the acquisition of Pacific Choice Group would have been recognised in accordance with HKAS 39 as at 31 December 2012;

(iv) goodwill of HK$77,685,000 arising from the acquisition of Pacific Choice Group as at 15 January 2009 (date of acquisition) as disclosed in note 17 to the consolidated financial statements was reliably measured in accordance with the relevant requirements of Hong Kong Financial Reporting Standard 3 "Business Combinations" issued by the HKICPA and whether the impairment loss on this goodwill of HK$77,685,000 recognised in the profit or loss for the year ended 31 December 2009 and included in the accumulated losses as at 31 December 2012 were free from material misstatement;

These matters caused us to disclaim our audit opinion on the consolidated financial statements for the year ended 31 December 2012. These limitations remained as of 5 March 2013 and 19 June 2013.

As set out in note 3(vii) to the consolidated financial statements, following the completion of the Termination Transactions with TMDC on 5 March 2013 and the High Court Judgment against the Vendors (as defined in note 3 to the consolidated financial statements) held on 19 June 2013, the convertible bonds with the total principal amount of HK$300,000,000 were returned and cancelled. As a result of these, gains on derecognition of the liability component of the convertible bonds of HK$271,909,000 and the resulting release of deferred tax liabilities of HK$4,635,000 were recognised in the profit or loss for the year ended 31 December 2013. However, due to the limitation on our work on obtaining evidence about the carrying amounts of the convertible bonds and related deferred tax liabilities as at 5 March 2013 and 19 June 2013, as applicable, stated above, we were unable to satisfy ourselves as to whether:

(v) the gain of HK$276,544,000 on derecognition of the liability component of the convertible bonds of HK$271,909,000 and the resulting release of deferred tax liabilities of HK$4,635,000 recognised in the profit or loss for the year ended 31 December 2013 were free from material misstatement;

(vi) any gain or loss on derecognition of any other embedded derivatives of the convertible bonds would have been recognised in the profit or loss for the year ended 31 December 2013, had they been recognised in accordance with HKAS 39 as at 31 December 2012; and

(vii) the interest charge of HK$10,184,000 in respect of the liability component of the convertible bonds as set out in note 27 to the consolidated financial statements and the resulting release of deferred tax liabilities of HK$1,681,000 recognised in the profit or loss for the year ended 31 December 2013 were free from material misstatement.

We were therefore unable to determine whether any adjustments were necessary to be made to the accumulated losses as at 31 December 2012 and the results of operations for the year ended 31 December 2013 that might have a significant effect on the state of the Group's affairs as at 31 December 2012 and on its profit for the year ended 31 December 2013.

(c) Limitation of Scope – Carrying Amounts of Promissory Notes and its Gain on Derecognition of Promissory Notes for the year ended 31 December 2013

As set out in note 3(i) to the consolidated financial statements, on 15 January 2009, the Group issued zero-coupon promissory notes due in 2011 with a principal amount of HK$375,000,000 as part of the consideration for the acquisition of Pacific Choice Group of which HK$250,000,000 was early settled in 2009 with the subsequent extension of maturity of the remaining balance of HK$87,500,000 (after the cancellation of a principal amount of HK$37,500,000 as detailed in note 25 to the consolidated financial statements) to January 2012. Neither the Group settled nor the noteholder or its representative demanded payment of the matured balance.

In our audit of the consolidated financial statements for the year ended 31 December 2012, we circulated direct confirmations to the noteholder but did not receive a reply and there were no alternative audit procedures that we could perform to obtain sufficient audit evidence to satisfy ourselves as to whether the promissory notes of HK$87,500,000 included in the consolidated statement of financial position as at 31 December 2012 was free from material misstatement.

This matter caused us to disclaim our audit opinion on the consolidated financial statements for the year ended 31 December 2012. In our audit of the consolidated financial statements for the year ended 31 December 2013, these uncertainties remained.

As set out in note 3(vii)(b) to the consolidated financial statements, the High Court Judgment was handed down on 19 June 2013 which entitled the Group to the return of the promissory notes. As a result of this, the Group was legally released from the obligations arising from the promissory notes and a gain on derecognition of HK$87,500,000 was recognised in the profit or loss for the year ended 31 December 2013.

Due to the limitation on our work on obtaining evidence about the carrying amount of the promissory notes as at 19 June 2013, we were unable to satisfy ourselves as to whether the gain on derecognition of the promissory notes of HK$87,500,000 recognised in the profit or loss for the year ended 31 December 2013 was free from material misstatement.

Any adjustment that might have been found to be necessary in respect of the above may have a significant effect on the state of the Group's affairs as at 31 December 2012 and on its profit for the year ended 31 December 2013.

(d) Limitation of Scope – Carrying Amount of Intangible Asset and Loss on Disposal of Intangible Asset during the year ended 31 December 2013

The Group acquired an intangible asset costing HK$668,000,000 in the acquisition of Pacific Choice Group in 2009. The carrying amount of this intangible asset was fully impaired in the year ended 31 December 2009 and included in the accumulated losses as at 31 December 2012 (see (a) above).

We were not provided with an assessment of recoverable amount of the intangible asset as at 31 December 2012 prepared in accordance with HKAS 36 "Impairment of Assets", we were therefore unable to satisfy ourselves as to whether:

(i) the impairment losses of HK$668,000,000 included in the accumulated losses as at 31 December 2012 was properly determined in accordance with the requirements of HKAS 36; and

(ii) the carrying values of the intangible asset has been properly stated in accordance with HKAS 38 "Intangible Assets" as at 31 December 2012.

These matters caused us to disclaim our audit opinion on the consolidated financial statements for the year ended 31 December 2012. These uncertainties remained in our audit of the consolidated financial statements for the year ended 31 December 2013.

As further detailed in notes 3(vii)(a) to the consolidated financial statements, the intangible asset and equity interests in Precise Media (see (a) above) were returned to TMDC as part of the Termination Transactions with TMDC on 5 March 2013 in return for cancellation of relevant convertible bonds (see limitation of scope (b) above). Due to the limitation on our work on obtaining evidence about the carrying amount of the intangible asset as of 1 January 2013 and 5 March 2013, we were therefore unable to satisfy ourselves as to whether the effects on consolidated statement of comprehensive income for the year ended 31 December 2013 arising from the Termination Transactions with TMDC were free from material misstatements.

Any adjustment that might have been found to be necessary in respect of the above may have a significant effect on the state of the Group's affairs as at 31 December 2012 and on its profit for the year ended 31 December 2013.

Disclaimer of Opinion on the Profit and Cash Flows

Because of the significance of the matters described in the Basis for Disclaimer of Opinion on the Profit and Cash Flows paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on profit and cash flows for the year ended on 31 December 2013. Accordingly, we do not express an opinion on the consolidated statement of comprehensive income and the consolidated statement of cash flows for the year ended 31 December 2013.

Opinion on the Financial Position

In our opinion, the consolidated statements of financial position give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013 in accordance with Hong Kong Financial Reporting Standards.

In all other respects, in our opinion the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

(b) In respect of the consolidated financial statements of the Company for the year ended 31 December 2012

Basis for Disclaimer of Opinion

(a) Limitation of Scope – Deconsolidation of a Subsidiary during the Year Ended 31 December 2009

As set out in note 3(i) to the consolidated financial statements, the Group completed the acquisition of Pacific Choice Holdings Limited ("Pacific Choice") and its subsidiaries (collectively referred to as the "Pacific Choice Group") on 15 January 2009 for a total consideration of HK$604,616,000 which mainly comprised cash, promissory notes issued by the Group and convertible bonds issued by the Company.

As set out in note 3(ii) to the consolidated financial statements, the directors of the Company have been unable to obtain and access to the books and records of 聯合光電(蘇州)有限公司 United Opto-Electronics (Suzhou) Co., Ltd. (the "PRC Subsidiary"), an indirectly owned subsidiary of Pacific Choice, after 30 November 2009 and resolved that the Group no longer had the power to govern the financial and operating policies of the PRC Subsidiary, and accordingly the control over the PRC Subsidiary was lost on that date.

The PRC Subsidiary has therefore been deconsolidated from the consolidated financial statements of the Group and recognised as an available-for-sale investment from 1 December 2009 onwards. Besides, since the assets of the PRC Subsidiary and the planned operations thereof predominantly accounted for the reason for which the Group acquired the Pacific Choice Group, the loss of control over the PRC Subsidiary effectively impaired any practical value of the entire Pacific Choice Group, if any, and therefore, the directors of the Company considered that assets of the entities comprising the Pacific Choice Group other than the PRC Subsidiary (the "Pacific Choice Remaining Group") should be fully impaired on the same date the Group lost control over the PRC Subsidiary.

As a result of the circumstances described above, the directors of the Company have been unable to provide us with a complete set of accounting books and records of the PRC Subsidiary. We were appointed as auditors of the Company pursuant to an ordinary resolution passed at the special general meeting of the Company held on 18 March 2013. We have therefore been unable to carry out audit procedures to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether:

(i) the accumulated losses of the Group as at 31 December 2012, 31 December 2011 and 1 January 2011 resulted from the losses on (i) deconsolidation of the PRC Subsidiary and (ii) incurred by the PRC Subsidiary for the period from 15 January 2009 (date of acquisition) to 30 November 2009 (date of deconsolidation) were free from material misstatement; and

(ii) the Group had lost its control over the PRC Subsidiary and whether it was appropriate to deconsolidate the assets and liabilities and cease to record results of operations of the PRC Subsidiary from the consolidated financial statements of the Group and be recognised as an available-for-sale investment.

We were therefore unable to determine whether any adjustments were necessary to be made to the accumulated losses as at 1 January 2011 and the results of operations for the years ended 31 December 2012 and 31 December 2011 that might have a significant effect on the state of the Group's affairs as at 31 December 2012, 31 December 2011 and 1 January 2011 and on its loss for the years ended 31 December 2012 and 31 December 2011. The predecessor auditor disclaimed their audit opinion on the consolidated financial statements for the years ended 31 December 2011 and 31 December 2010.

(b) Limitation of Scope – Fair Value and Carrying Amounts of Convertible Bonds as at 31 December 2012 and 31 December 2011 and Interest Charge for the years ended 31 December 2012 and 31 December 2011

As set out in note 3(i) to the consolidated financial statements, on 15 January 2009, the Company issued zero-coupon convertible bonds due in 2014 with a principal amount of HK$300,000,000, subject to a downward adjustment, as part of the consideration for acquisition of the Pacific Choice Group. As set out in note 26 to the consolidated financial statements, the directors of the Company appointed an independent valuer to perform a valuation of the fair value of the convertible bonds issued at the date of issue on 15 January 2009. However, we were not provided with the explanation that we considered necessary for the assessment of the valuation of the convertible bonds and there were no alternative audit procedures that we could perform to obtain sufficient audit evidence to satisfy ourselves as to whether the valuation was properly prepared and accordingly, we were unable to satisfy ourselves as to whether:

(i) the fair value of the liability component of the convertible bonds on initial recognition was reliably measured in accordance with the relevant requirements of Hong Kong Accounting Standard ("HKAS") 39 "Financial Instruments: Recognition and Measurement" issued by the HKICPA ("HKAS 39") and whether their carrying values of HK$261,725,000, HK$229,583,000 and HK$201,389,000 as at 31 December 2012, 31 December 2011 and 1 January 2011, respectively, as disclosed in note 26 to the consolidated financial statements were free from material misstatement;

(ii) convertible bonds reserve of HK$120,398,000 as at 31 December 2012, 31 December 2011 and 1 January 2011 representing equity component of the convertible bonds (net of related deferred tax liabilities arising from the issue of the convertible bonds) recognised directly in equity, income tax credit of HK$5,303,000 and HK$4,652,000 recognised in the profit or loss for the years ended 31 December 2012 and 31 December 2011 respectively, and the deferred tax liabilities arising from the issue of the convertible bonds of HK$6,316,000, HK$11,619,000 and HK$16,271,000 as at 31 December 2012, 31 December 2011 and 1 January 2011, respectively, were free from material misstatement;

(iii) any other embedded derivatives of the convertible bonds issued for the acquisition of the Pacific Choice Group would have been recognised in accordance with HKAS 39 as at 31 December 2012, 31 December 2011 and 1 January 2011;

(iv) goodwill of HK$77,685,000 arising from the acquisition of the Pacific Choice Group as at 15 January 2009 (date of acquisition) as disclosed in note 18 to the consolidated financial statements was reliably measured in accordance with the relevant requirements of Hong Kong Financial Reporting Standard 3 "Business Combinations" issued by the HKICPA and whether the impairment loss on this goodwill of HK$77,685,000 recognised in the profit or loss for the year ended 31 December 2009 and included in the accumulated losses as at 31 December 2012, 31 December 2011 and 1 January 2011 was free from material misstatement; and

(v) the interest charge recognised in the profit or loss in respect of the liability component of the convertible bonds, as set out in note 26 to the consolidated financial statements, amounting to HK$32,142,000 and HK$28,194,000 for the years ended 31 December 2012 and 31 December 2011, respectively, were free from material misstatement.

We were therefore unable to determine whether any adjustments were necessary to be made to the carrying amounts of the liability component of the convertible bonds as at 31 December 2012, December 2011 and 1 January 2011, the accumulated losses as at 1 January 2011 and the results of operations for the years ended 31 December 2012 and 31 December 2011 that might have a significant effect on the state of the Group's affairs as at 31 December 2012, 31 December 2011 and 1 January 2011 and on its loss for the years ended 31 December 2012 and 31 December 2011. The predecessor auditor disclaimed their audit opinion on the consolidated financial statements for the years ended 31 December 2011 and 31 December 2010.

(c) Limitation of Scope – Carrying Amounts of Promissory Notes as at 31 December 2012 and 31 December 2011 and Interest Charge and Income Tax Credit for the years ended 31 December 2012 and 31 December 2011

As set out in note 3(i) to the consolidated financial statements, on 15 January 2009, the Group issued zero-coupon promissory notes due in 2011 with a principal amount of HK$375,000,000 as part of the consideration for the acquisition of the Pacific Choice Group. As further set out in note 25 to the consolidated financial statements, principal amounts of HK$250,000,000 and HK$37,500,000 of the promissory notes were early settled and cancelled respectively in 2009, and the maturity of the remaining promissory notes with a principal amount of HK$87,500,000 was extended to January 2012 without further extension granted during the year. However, this liability has neither been settled nor, in the opinion of the directors, a demand for claims has been received from the noteholder or its representative up to the date of this report.

We circulated direct confirmations to the noteholder but did not receive a reply and there were no alternative audit procedures that we could perform to obtain sufficient audit evidence to satisfy ourselves as to whether the promissory notes of HK$87,500,000 and HK$87,036,000 included in the consolidated statement of financial position as at 31 December 2012 and 31 December 2011, respectively, and the pertinent interest charge of HK$464,000 and HK$12,072,000 and income tax credit of HK$76,000 and HK$1,992,000 recognised in the profit or loss for the years ended 31 December 2012 and 31 December 2011, respectively, were free from material misstatement. Any adjustment that might have been found to be necessary in respect of the above may have a significant effect on the state of the Group's affairs as at 31 December 2012 and 31 December 2011 and on its loss for the years ended 31 December 2012 and 31 December 2011. The predecessor auditor disclaimed their audit opinion on the consolidated financial statements for the years ended 31 December 2011 and 31 December 2010.

(d) Limitation of Scope – Reversal of Impairment Loss Recognised in respect of Intangible Asset during the Year Ended 31 December 2010 and Impairment Loss Recognised in respect of Intangible Asset during the Year Ended 31 December 2011 and Carrying Value of Intangible Asset as at 31 December 2012 and 31 December 2011

The Group acquired an intangible asset in the acquisition of the Pacific Choice Group in 2009. The carrying amount of this intangible asset was fully impaired in the year ended 31 December 2009. (See limitation of scope (a) above).

Included in the consolidated statement of financial position as at 1 January 2011 as set out in note 17 to the consolidated financial statements, the carrying value of this intangible asset amounted to HK$50,000,000. This HK$50,000,000 uplift arose from the partial reversal of the impairment loss recognised during the year ended 31 December 2010. The amount of reversal was determined by the directors of the Company based on the amount of the non-refundable deposit received in January 2011 for the proposed disposal of Sourcestar Profits Limited ("Sourcestar") and its subsidiaries, the Pacific Choice Group. As detailed in note 3(iv) to the consolidated financial statements, the total consideration of the proposed disposal was more than HK$50,000,000. We were not provided with an assessment of recoverable amount of the intangible asset prepared in accordance with HKAS 36 "Impairment of Assets" issued by the HKICPA ("HKAS 36"), we therefore were unable to satisfy ourselves as to whether any reversal of impairment loss should be recognised and whether the reversal amount of HK$50,000,000 included in the accumulated losses as at 1 January 2011 was free from material misstatement and the carrying value of the intangible asset as at 1 January 2011 had been properly stated in accordance with HKAS 38 "Intangible Assets" issued by the HKICPA ("HKAS 38").

As set out in notes 3(v) and 17 to the consolidated financial statements, the proposed disposal of Sourcestar and the Pacific Choice Group was terminated upon the lapse of the relevant agreement during the year ended 31 December 2011 and the directors of the Company determined that the then carrying value of the intangible asset of HK$50,000,000 was fully impaired. Due to the circumstances described in the above paragraph and we were not provided with an assessment of recoverable amount of the intangible asset prepared in accordance with HKAS 36 by the directors of the Company, we were therefore unable to satisfy ourselves as to whether:

(i) the impairment of such amount (as disclosed in note 11 to the consolidated financial statements) recognised in the profit or loss for the year ended 31 December 2011 and included in the accumulated losses as at 31 December 2012 and 31 December 2011 was properly determined in accordance with the requirements of HKAS 36; and

(ii) the carrying values of the intangible asset has been properly stated in accordance with HKAS 38 as at 31 December 2012 and 31 December 2011.

Any adjustment that might have been found to be necessary in respect of the above may have a significant effect on the state of the Group's affairs as at 31 December 2012, 31 December 2011 and 1 January 2011 and on its loss for the years ended 31 December 2012 and 31 December 2011. The predecessor auditor disclaimed their audit opinion on the consolidated financial statements for the years ended 31 December 2011 and 31 December 2010.

Going Concern

As set out in note 2 to the consolidated financial statements, the Group incurred a loss of approximately HK$35,285,000 during the year ended 31 December 2012 and, as of that date, had net current liabilities and net liabilities of approximately HK$77,689,000 and approximately HK$340,650,000 respectively. The Company is pursuing certain measures to improve the Group's liquidity and financial position. The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the successful implementation of these measures. The consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern and therefore do not include any adjustments relating to the realisation of assets and the recognition of further liabilities that may be necessary if the Group is unable to continue as a going concern.

Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised other than at the amounts at which they are currently recorded in the consolidated statement of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and liabilities as current assets and liabilities.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

(c) In respect of the consolidated financial statements of the Company for the year ended 31 December 2011

Basis for Disclaimer of Opinion

Limitation of Scope – Deconsolidation of a Subsidiary during the Year Ended 31 December 2009

As set out in note 3 (i) to the consolidated financial statements, the Group completed the acquisition of Pacific Choice Holdings Limited ("Pacific Choice") and its subsidiaries (collectively referred to as the "Pacific Choice Group") on 15 January 2009 for a total consideration of HK$604,616,000 which mainly comprised cash, promissory notes issued by the Group and convertible bonds issued by the Company.

As set out in note 3 (ii) to the consolidated financial statements, the directors of the Company have been unable to obtain and access to the books and records of 聯合光電（蘇州）有限公司 United Opto-Electronics (Suzhou) Co., Ltd. (the "PRC Subsidiary"), an indirectly owned subsidiary of Pacific Choice, after 30 November 2009 and resolved that the Group no longer had the power to govern the financial and operating policies of the PRC Subsidiary, and accordingly the control over the PRC Subsidiary was lost on that date. The PRC Subsidiary has therefore been deconsolidated from the consolidated financial statements of the Group and recognised as an available-for-sale investment from 1 December 2009 onwards. Besides, since the assets of the PRC Subsidiary and the planned operations thereof predominantly accounted for the reason for which the Group acquired the Pacific Choice Group, the loss of control over the PRC Subsidiary effectively impaired any practical value of the entire Pacific Choice Group, if any, and therefore, the directors of the Company considered that assets of the entities comprising the Pacific Choice Group other than the PRC Subsidiary (the "Pacific Choice Remaining Group") should be fully impaired on the same date the Group lost control over the PRC Subsidiary.

We were appointed as auditors of the Group pursuant to an ordinary resolution passed at the special general meeting of the Company held on 21 September 2010 and as a result of the circumstances described above, the directors of the Company have been unable to provide us with a complete set of accounting books and records of the PRC Subsidiary. We have therefore been unable to carry out audit procedures to obtain sufficient reliable audit evidence to satisfy ourselves as to whether:

(i) the accumulated losses of the Group as at 1 January 2010 resulted from the losses on (i) deconsolidation of the PRC Subsidiary and (ii) incurred by the PRC Subsidiary for the period from 15 January 2009 (date of acquisition) to 30 November 2009 (date of deconsolidation) are free from material misstatement; and

(ii) the Group had lost its control over the PRC Subsidiary and whether it was appropriate to deconsolidate the assets and liabilities and cease to record results of operations of the PRC Subsidiary from the consolidated financial statements of the Group and be recognised as an available-for-sale investment.

We were therefore unable to determine whether any adjustments were necessary to be made to the accumulated losses as at 1 January 2010 and the results of operations for the years ended 31 December 2011 and 2010 that might have a significant effect on the state of the Group's affairs as at 31 December 2011, 31 December 2010 and 1 January 2010 and on its loss for the year ended 31 December 2011 and profit for the year ended 31 December 2010. These matters caused us to disclaim our audit opinion on the consolidated financial statements for the year ended 31 December 2010.

Limitation of Scope – Fair Value and Carrying Amounts of Convertible Bonds as at 31 December 2011 and 31 December 2010 and Interest Charge for the years ended 31 December 2011 and 31 December 2010

As set out in note 3(i) to the consolidated financial statements, on 15 January 2009, the Company issued zero-coupon convertible bonds due in 2014 with a principal amount of HK$300,000,000, subject to a downward adjustment, as part of the consideration for acquisition of the Pacific Choice Group. As set out in note 25 to the consolidated financial statements, the directors of the Company appointed an independent valuer to perform a valuation of the fair value of the convertible bonds issued at the date of issue on 15 January 2009. However, we were unable to obtain sufficient evidence to satisfy ourselves as to whether the valuation methodology and the assumptions adopted by the valuer in this valuation was appropriate and accordingly, we were unable to satisfy ourselves as to whether:

(i) the fair value of the liability component of the convertible bonds on initial recognition was reliably measured in accordance with the relevant requirements of Hong Kong Accounting Standard ("HKAS") 39 "Financial Instruments: Recognition and Measurement" issued by the HKICPA ("HKAS 39") and whether their carrying values of HK$229,583,000, HK$201,389,000 and HK$176,785,000 as at 31 December 2011, 31 December 2010 and 1 January 2010, respectively, as disclosed in note 25 to the consolidated financial statements were free from material misstatement;

(ii) convertible bonds reserve representing equity component of the convertible bonds, net of deferred tax liabilities arising from the issue of the convertible bonds thereof, amounting to HK$120,398,000 as at 31 December 2011, 31 December 2010 and 1 January 2010 as recognised in the consolidated statement of changes in equity was free from material misstatement;

(iii) any other embedded derivatives of the convertible bonds issued for the acquisition of the Pacific Choice Group would have been recognised in accordance with HKAS 39 as at 31 December 2011, 31 December 2010 and 1 January 2010;

(iv) goodwill of HK$77,685,000 arising from the acquisition of the Pacific Choice Group as at 15 January 2009 (date of acquisition) as disclosed in note 18 to the consolidated financial statements was reliably measured in accordance with the relevant requirements of Hong Kong Financial Reporting Standard 3 "Business Combinations" issued by the HKICPA and whether the impairment loss of HK$77,685,000 recognised in respect of goodwill during the year ended 31 December 2009 and included in the accumulated losses as at 31 December 2011, 31 December 2010 and 1 January 2010 was free from material misstatement; and

(v) the interest charge recognised in respect of the liability component of the convertible bonds, as set out in note 25 to the consolidated financial statements, amounting to HK$28,194,000 and HK$24,604,000 for the years ended 31 December 2011 and 2010, respectively, was free from material misstatement.

We were therefore unable to determine whether any adjustments were necessary to be made to the accumulated losses as at 1 January 2010 and the results of operations for the years ended 31 December 2011 and 2010 that might have a significant effect on the state of the Group's affairs as at 31 December 2011, 31 December 2010 and 1 January 2010 and on its loss for the year ended 31 December 2011 and profit for the year ended 31 December 2010. These matters caused us to disclaim our audit opinion on the consolidated financial statements for the year ended 31 December 2010.

Limitation of Scope – Carrying Amount of Promissory Notes as at 31 December 2011 and Interest Charge and Income Tax Credit for the year ended 31 December 2011

As set out in note 3(i) to the consolidated financial statements, on 15 January 2009, the Group issued zero-coupon promissory notes due in 2011 with a principal amount of HK$375,000,000 as part of the consideration for the acquisition of the Pacific Choice Group. As further set out in note 24 to the consolidated financial statements, principal amounts of HK$250,000,000 and HK$37,500,000 of the promissory notes were early settled and cancelled, respectively, in 2009, and the maturity of the remaining promissory notes with a principal amount of HK$87,500,000 was extended to January 2012. As detailed in note 2(i) to the consolidated financial statements, the maturity of the promissory notes was extended to January 2012. However, these liabilities have not been settled, and instead, the directors of the Company have engaged legal counsel to negotiate with the vendors of the Pacific Choice Group to cancel, among other matters, the promissory notes, and therefore is not prepared to settle the liabilities arising from the promissory notes. In the opinion of the directors of the Company, no demand for claims of any amount of the promissory notes has been received from the holder of the promissory notes or its representative up to the date of this report.

We were unable either to obtain direct confirmations from the holder of the promissory notes or other supporting evidence to satisfy ourselves as to whether the promissory notes of HK$87,036,000 included in the consolidated statement of financial position as at 31 December 2011 and the interest charge of HK$12,072,000 and income tax credit of HK$1,992,000 recognised in respect of the promissory notes and included in the consolidated statement of comprehensive income for the year ended 31 December 2011 are free from material misstatements. Any adjustment that might have been found to be necessary in respect of the above may have a significant effect on the state of the Group's affairs as at 31 December 2011 and on its loss for the year then ended.

Limitation of Scope – Reversal of Impairment Loss Recognised in respect of Intangible Asset during the Year Ended 31 December 2010 and Impairment Loss Recognised in respect of Intangible Asset during the Year Ended 31 December 2011 and Carrying Value of Intangible Asset as at 31 December 2011 and 31 December 2010

Included in the consolidated statement of financial position as at 31 December 2010 is an intangible asset, as set out in note 17 to the consolidated financial statements, with a carrying value of HK$50,000,000 arising from the reversal of the impairment loss recognised in respect of intangible asset during the year ended 31 December 2010. The carrying value was determined by the directors of the Company based on the amount of the non-refundable deposit received in January 2011 for the proposed disposal of Sourcestar Profits Limited ("Sourcestar") and its subsidiaries, the Pacific Choice Group. As detailed in note 3(iv) to the consolidated financial statements, the total consideration of the proposed disposal was more than HK$50,000,000. In the absence of a valuation prepared in accordance with HKAS 36 "Impairment of Assets" issued by the HKICPA ("HKAS 36"), we therefore were unable to satisfy ourselves as to whether the reversal of impairment loss of HK$50,000,000 included in the consolidated statement of comprehensive income for the year ended 31 December 2010 was free from material misstatement and whether any additional reversal was necessary and the carrying value of the intangible asset had been reliably measured in accordance with HKAS 38 "Intangible Assets" issued by the HKICPA ("HKAS 38") as at 31 December 2010. These matters caused us to disclaim our audit opinion on the consolidated financial statements for the year ended 31 December 2010.

As set out in notes 3(v) and 17 to the consolidated financial statements, the proposed disposal of Sourcestar was terminated upon the lapse of the relevant agreement during the year ended 31 December 2011 and the directors of the Company determined that the then carrying value of the intangible asset of HK$50,000,000 was fully impaired. Due to the circumstances described in the above paragraph and in the absence of a valuation prepared in accordance with HKAS 36, we were therefore unable to satisfy ourselves as to whether:

(i) the impairment of such amount (as disclosed in note 11 to the consolidated financial statements) included in the consolidated statement of comprehensive income for the year ended 31 December 2011 is recognised in accordance with the requirements of HKAS 38; and

(ii) the carrying value of the intangible asset has been reliably measured in accordance with HKAS 38 as at 31 December 2011.

Any adjustment that might have been found to be necessary in respect of the above may have a significant effect on the state of the Group's affairs as at 31 December 2011 and 31 December 2010 and on its loss for the year ended 31 December 2011 and profit for the year ended 31 December 2010.

Going Concern

As set out in note 2 to the consolidated financial statements, the Group had net current liabilities of approximately HK$69,162,000 and net liabilities of approximately HK$306,857,000 as at 31 December 2011. The Company is pursuing certain measures to improve the Group's liquidity and financial position. The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the successful implementation of these measures. The consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern and therefore do not include any adjustments relating to the realisation of assets that may be necessary if the Group is unable to continue as a going concern.

Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised other than at the amounts at which they are currently recorded in the consolidated statement of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and liabilities as current assets and liabilities.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

3. AUDITED FINANCIAL STATEMENTS

The following is the full text of the audited financial statements of the Group for the year ended 31 December 2013 as extracted from the annual report of the Company for the year ended 31 December 2013:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Revenue	7	75,791	10,078
Cost of goods sold		(74,645)	(10,037)
Gross profit		1,146	41
Other revenue		348	298
Other gains and losses		319	80
Gain on derecognition of promissory notes	25	87,500	–
Gain on derecognition of convertible bonds	27	271,909	–
Administrative expenses		(12,655)	(8,477)
Finance costs	9	(10,530)	(32,606)
Profit/(loss) before taxation	10	338,037	(40,664)
Income tax credit	11	6,274	5,379
Profit/(loss) for the year, attributable to owners of the Company		344,311	(35,285)
Exchange difference on translating of foreign operation		384	–
Increase in fair value of available-for-sale investments, which may be reclassified subsequently to profit or loss, representing other comprehensive income for the year, net of tax		224	1,492
Total comprehensive income for the year, attributable to owners of the Company		344,919	(33,793)
Earning/(loss) per share	14		
– Basic		HK cents 44.42	HK cents (5.02)
– Diluted		HK cents 7.77	HK cents (5.02)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	15	11,423	21
Intangible asset	16	–	–
Goodwill	17	–	–
Available-for-sale investments	18	6,936	6,712
		18,359	6,733
Current assets			
Trade and other receivables	19	51,773	1,588
Pledged bank deposits	21	59,224	–
Bank balances and cash	21	10,101	9,917
		121,098	11,505
Current liabilities			
Trade and other payables	22	17,933	1,694
Borrowings	24	88,129	–
Current tax liabilities		42	–
Promissory notes	25	–	87,500
		106,104	89,194
Net current assets/(liabilities)		14,994	(77,689)
Total assets less current liabilities		33,353	(70,956)

	Notes	2013 HK$'000	2012 HK$'000
Non-current liabilities			
Amount due to a shareholder	*26*	–	1,653
Convertible bonds	*27*	–	261,725
Deferred tax liabilities	*28*	–	6,316
		–	269,694
Net assets/(liabilities)		33,353	(340,650)
Capital and reserves attributable to owners of the Company			
Share capital	*29*	84,283	70,236
Reserves		(50,930)	(410,886)
		33,353	(340,650)

STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	15	313	–
Available-for-sale investments	18	6,936	6,712
Investments in subsidiaries	33	77	77
		7,326	6,789
Current assets			
Other receivables	19	761	966
Amounts due from subsidiaries	20	95,334	1
Bank balances and cash	21	1,458	5,607
		97,553	6,574
Current liabilities			
Other payables	22	1,164	1,579
Amounts due to subsidiaries	23	167,515	165,522
Borrowings	24	70,775	–
		239,454	167,101
Net current liabilities		(141,901)	(160,527)
Total assets less current liabilities		(134,575)	(153,738)
Non-current liabilities			
Convertible bonds	27	–	261,725
Deferred tax liabilities	28	–	6,316
		–	268,041
Net liabilities		(134,575)	(421,779)
Capital and reserves			
Share capital	29	84,283	70,236
Reserves	34	(218,858)	(492,015)
		(134,575)	(421,779)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Share capital HK$'000	Share premium HK$'000 (note i)	Capital redemption reserve HK$'000	Special reserve HK$'000 (note ii)	Investment revaluation reserve HK$'000 (note iii)	Convertible bonds reserve HK$'000 (note iv)	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2012	70,236	102,675	1,564	(123)	(14)	120,398	–	(601,593)	(306,857)
Loss for the year	–	–	–	–	–	–	–	(35,285)	(35,285)
Increase in fair value of available-for-sale investments	–	–	–	–	1,492	–	–	–	1,492
Total comprehensive income for the year	–	–	–	–	1,492	–	–	(35,285)	(33,793)
At 31 December 2012	70,236	102,675	1,564	(123)	1,478	120,398	–	(636,878)	(340,650)
Profit for the year	–	–	–	–	–	–	–	344,311	344,311
Exchange difference on translating of foreign operation	–	–	–	–	–	–	384	–	384
Increase in fair value of available-for-sale investments	–	–	–	–	224	–	–	–	224
Total comprehensive income for the year	–	–	–	–	224	–	384	344,311	344,919
Placing of new shares *(note 29)*	14,047	15,451	–	–	–	–	–	–	29,498
Share issue expenses *(note 29)*	–	(414)	–	–	–	–	–	–	(414)
Transfer of convertible bonds reserve upon derecognition of convertible bonds *(note 27)*	–	–	–	–	–	(120,398)	–	120,398	–
At 31 December 2013	84,283	117,712	1,564	(123)	1,702	–	384	(172,169)	33,353

Notes:

(i) The share premium of the Group (as defined in note 29 to the consolidated financial statements) represents the amount subscribed for share capital in excess of nominal value.

(ii) The special reserve of the Group represents the difference between the nominal amount of the share capital issued by the Company's subsidiaries in exchange for the nominal value of the issued share capital of other subsidiaries pursuant to the Group's reorganisation.

(iii) The investment revaluation reserve represents the cumulative gains/losses arising on recognising financial assets classified as available-for-sale investments at fair value.

(iv) The convertible bonds reserve represents the equity components of the convertible bonds issued. The convertible bonds issued are split into their liability and equity components at initial recognition at the fair values of each of the convertible bonds.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	2013	2012
	HK$'000	*HK$'000*
Operating activities		
Profit/(loss) before taxation	338,037	(40,664)
Adjustments for:		
Depreciation of property, plant and equipment	104	7
Loss on disposals of property, plant and equipment	14	–
Gain on derecognition of promissory notes	(87,500)	–
Gain on derecognition of convertible bonds	(271,909)	–
Reversal of impairment loss of trade receivables, net	–	(79)
Dividend income	(348)	(298)
Finance costs	10,530	32,606
Operating loss before working capital change	(11,072)	(8,428)
Decrease in inventories	–	937
Increase in trade and other receivables	(49,849)	(108)
Increase/(decrease) in trade and other payables	15,875	(2,063)
Cash used in operations and net cash used in operating activities	(45,046)	(9,662)
Investing activities		
Purchase of property, plant and equipment	(11,502)	(12)
Proceeds from sale of property, plant and equipment	2	–
Dividend income	348	298
Net cash (used in)/generated from investing activities	(11,152)	286

	2013 *HK$'000*	2012 *HK$'000*
Financing activities		
Repayment to a shareholder	(1,653)	–
Proceeds from borrowings	88,129	–
Increase in restricted cash for borrowings	(59,224)	–
Proceeds from issue of ordinary shares, net of direct issue costs	29,084	–
Net cash generated from financing activities	56,336	–
Net increase/(decrease) in cash and cash equivalents	138	(9,376)
Cash and cash equivalents at the beginning of the year	9,917	19,293
Effect of exchange rate changes on cash and cash equivalents	46	–
Cash and cash equivalents at the end of the year, represented by bank balances and cash	10,101	9,917

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2013

1. General

Sinogreen Energy International Group Limited (formerly known as Karce International Holdings Company Limited) is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and Room 703-704, 7/F, Shanghai Industrial Investment Building, 48-62 Hennessy Road, Wan Chai, Hong Kong, respectively.

The Company is an investment holding company where the Group, comprising the Company and its subsidiaries as detailed in note 33, is principally engaged in trading of chemical products, and energy conservation and environmental protection products.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

2. Basis of Preparation of Consolidated Financial Statements

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the favourable financial effects arising from the Termination Transactions with TMDC (as defined in note 3(vi) below), the High Court Judgment (as defined in note 3(vii)(b) below), current financial position of the Group and the ability of the Group to realise its assets into cash in the ordinary course of business, future short-term and long-term liquidity and operating and capital commitments of the Group. The directors are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis.

3. Liquid Crystal on Silicon Television Business

On 22 May 2008, the Company announced that Sourcestar Profits Limited ("Sourcestar"), a direct wholly owned subsidiary of the Company, entered into a conditional acquisition agreement dated 30 April 2008 (as supplemented) with China Eagle Development Limited ("China Eagle") and Fairtime International Limited ("Fairtime") (collectively referred as to the "Vendors") for the acquisition of the entire issued share capital of Pacific Choice Holdings Limited ("Pacific Choice") and its shareholders' loans outstanding due to the Vendors at an aggregate total consideration of no more than HK$2,700,000,000 (as detailed in note 3(i) below) (subject to adjustments as detailed in note 3(i)(d) below) (the "Acquisition Agreement").

At the time of acquisition, Pacific Choice was an investment holding company holding the entire shareholding interests in Starwick Development Limited ("Starwick"), Gold Pioneer Enterprises Limited and Sheenway Limited ("Sheenway"), each of which is an investment holding company incorporated in the British Virgin Islands with limited liability. United Opto-Electronics (Suzhou) Co., Ltd. 聯合光電(蘇州)有限公司 (the "PRC Subsidiary"), an indirect wholly-owned subsidiary of Starwick incorporated in the People's Republic of China (the "PRC"), was in the course of setting up the manufacturing base in the PRC for the production of liquid crystal on silicon ("LCoS") television and had not commenced its operations at the time of the acquisition. Upon completion of the setting-up of the manufacturing base in the PRC, the planned principal activities of Pacific Choice and its subsidiaries (collectively referred to as the "Pacific Choice Group") would be the design, installation and manufacturing of high definition projection televisions and related accessories in the PRC.

As at the date of the acquisition, Sheenway held the patents as set out in note 16, representing the single predominant asset of Pacific Choice Group.

Details of the investment in Pacific Choice Group are as follows:

(i) Acquisition of Pacific Choice Group in January 2009

As set out in the announcement of the Company dated 15 January 2009, the Group completed the acquisition of Pacific Choice Group on the same date. Included in the conditions precedent was the completion of the reorganisation whereby certain patents and machineries beneficially owned by Taiwan Micro Display Corp. 台灣微型影像股份有限公司 ("TMDC") be registered under or owned by Pacific Choice Group. Despite certain closing conditions of the acquisition were not fulfilled in their entirety, they were conditionally waived by the Company and the acquisition was considered as completed on 15 January 2009 ("Acquisition Completion Date"). In the opinion of the directors, the Vendors and TMDC were considered as independent to the Group. Details of intangible asset acquired and goodwill arisen in the above transaction are set out in notes 16 and 17, respectively. Under the Acquisition Agreement, the total consideration at fair value was HK$604,616,000 at the Acquisition Completion Date, which consisted of:

a) cash in the amount of HK$25,000,000;

b) zero-coupon promissory notes due in 2011 issued by the Group with the principal amount of HK$375,000,000 ("Promissory Notes");

c) zero-coupon convertible bonds due in 2014 issued by the Company ("Tranche 1 Bonds") with the principal amount of HK$300,000,000, comprising the amounts of HK$67,800,000, HK$45,000,000 and HK$187,200,000 to China Eagle, Fairtime and TMDC respectively, of which a downward adjustment in the amount of US$4,000,000 (equivalent to approximately HK$31,000,000) would be made if the transfer of ownership of certain machineries is not completed within twelve months from the Acquisition Completion Date (see details below); and

d) zero-coupon convertible bonds due in 2014 issued by the Company with the aggregate principal amount of HK$2,000,000,000, which would only be issued if the profit of Pacific Choice Group in certain specific periods during the eighteen months ended 30 June 2010 reached certain predetermined levels ("Targeted Profit Levels").

As set out in note 25, the maturity of the Promissory Notes was subsequently extended to and matured in January 2012 but remained unsettled until the derecognition as a result of the High Court Judgment (as defined in note 3(vii)(b) below) handed down on 19 June 2013.

In the opinion of the directors, the Targeted Profit Levels were not reached and none of the contingently issuable convertible bonds had been issued subsequent to the Acquisition Completion Date.

Since certain of the closing conditions to the completion of the Acquisition Agreement had not been fulfilled but conditionally waived by the Company to proceed with its completion, all of the Tranche 1 Bonds were held by an escrow agent pursuant to an escrow agreement until all conditions (as set out below), as specified in a supplementary agreement to the Acquisition Agreement signed on 24 October 2008 among the Vendors, Sourcestar and the Company, had been fulfilled. Such conditions, among others, including the release of the pledge created on certain machineries in favour of certain banks in Taiwan to be delivered to Pacific Choice Group, and the establishment of the production plant in the PRC in normal operations.

The Vendors agreed to procure the transfer of the ownership of the relevant machineries to be completed within twelve months from the Acquisition Completion Date. Once the transfer of the ownership of the relevant machineries was completed, the fair values of those machineries would be recorded in equipment, and the amount of goodwill arising from the acquisition of Pacific Choice Group would also be adjusted. In the event that the transfer of the ownership of the relevant machineries did not take place within twelve months from the Acquisition Completion Date, the consideration for the acquisition would be reduced by US$4,000,000 (equivalent to approximately HK$31,000,000) pursuant to the Acquisition Agreement (as supplemented). Details of these were set out in the Company's announcement dated 15 January 2009.

During 2009, the Group and China Eagle agreed and transacted accordingly that upon an early repayment of part of the Promissory Notes for a principal amount of HK$250,000,000, 10% of the Promissory Notes (i.e. HK$37,500,000) would be cancelled in favour of the Group.

From the date of completion of the acquisition of Pacific Choice Group on the Acquisition Completion Date until the completion of the part of the Termination Transactions with TMDC (as defined in note 3(vi) below) relating to the transfer of the production machineries on 28 February 2013, the transfer of ownership of those machineries had not been taken place and all certificates of the Tranche 1 Bonds were held under escrow until their derecognition on 28 February 2013 and 19 June 2013.

(ii) Deconsolidation of the PRC Subsidiary and recognition as available-for-sale investment, and impairment loss of Pacific Choice Remaining Group in December 2009

Due mainly to the non-cooperation of the management of the PRC Subsidiary, the directors of the Company had been unable to obtain and access to the books and records of the PRC Subsidiary after 30 November 2009 and resolved that the Group no longer had the power to govern the financial and operating policies of the PRC Subsidiary, and accordingly the control over the PRC Subsidiary was lost on that date.

The PRC Subsidiary had therefore been deconsolidated from the consolidated financial statements of the Group and recognised as an available-for-sale investment from 1 December 2009 onwards. The directors of the Company determined that while it was appropriate to deconsolidate the PRC Subsidiary on the basis of loss of control, the Group did retain control over the holding companies incorporated in the British Virgin Islands, including Sheenway, which holds the patents as set out in note 16.

As the assets of the PRC Subsidiary and the planned operations thereof predominantly accounted for the reason for which the Group acquired Pacific Choice Group, the loss of control over the PRC Subsidiary effectively impaired any practical value of the entire Pacific Choice Group, if any, and therefore, the directors of the Company considered that the assets of the entities comprising Pacific Choice Group other than the PRC Subsidiary (the "Pacific Choice Remaining Group") should be fully impaired on the same date the Group lost control over the PRC Subsidiary. As all of the Group's operations in production of LCoS television were carried out by Pacific Choice Group, the operating segment of LCoS television has been accordingly classified as discontinued operations thereafter.

(iii) Proposed sale of Pacific Choice Group back to the Vendors

As the original production plan had not been realised and certain terms/undertakings of the Acquisition Agreement on the part of the Vendors and TMDC had not been performed, despite the acquisition of Pacific Choice Group had completed in January 2009, and continual requests by the Group's management seeking Pacific Choice Group's assistance and fulfilment of the agreed terms, the Group issued demand letters in April 2009, May 2009, March 2010 and January 2011 to the Vendors and the warrantors requesting them to provide satisfactory explanations and to suggest remedial actions. No reply had ever been received from the Vendors or the warrantors.

The Company held a board meeting on 20 April 2010 and resolved that the Company would first negotiate with the Vendors and the warrantors for a proposal to sell Pacific Choice Group back to the Vendors. Subject to the terms of the proposed disposal to be agreed, the Tranche 1 Bonds and the Promissory Notes issued to the Vendors and TMDC as part of the consideration of the acquisition may be required to be cancelled. Further details are set out in the Company's announcement dated 23 April 2010. However, at no time had the Company been able to come up with terms of agreement with the Vendors.

(iv) Proposed disposal of the Disposal Group

On 25 January 2011, the Company entered into a conditional sale and purchase agreement for the disposal of the entire issued share capital of Sourcestar, whose principal asset was the entire interest in Pacific Choice Group (collectively referred to as the "Disposal Group") to an independent third party, Good Choice Development Ltd. ("Good Choice") at an aggregate consideration of HK$637,500,000 (the "Disposal Agreement"). On the same date, a non-refundable deposit of HK$50,000,000 had been received by the Company. The proposed disposal was subject to the approvals by the shareholders and the Stock Exchange.

(v) Termination of the Disposal Agreement with Good Choice

On 28 June 2011, the Company received a letter from the legal advisers acting for Good Choice, stating that Good Choice would not consider extending the long stop date of the Disposal Agreement and the agreement had therefore lapsed on 30 June 2011. Good Choice demanded the return of the above non-refundable deposit of HK$50,000,000 received by the Company on the basis of, among other matters, the alleged failure on the part of the Company to use its best endeavours to procure the fulfilment of all the conditions precedent to completion of the Disposal Agreement and to execute all acts and deed as may reasonably be required by the Stock Exchange.

On 24 August 2011, the Company and Good Choice entered into a cancellation agreement, pursuant to which the parties agreed that the Disposal Agreement was cancelled to the effect that the Disposal Agreement would have no effect whatsoever and to release each other from their respective obligations towards each other as contained therein. The parties also agreed that a sum of HK$35,000,000, being part of the above non-refundable deposit, shall be returned to Good Choice on the same day as the date of the cancellation agreement, while the remaining HK$15,000,000 of the non-refundable deposit shall be forfeited and retained by the Company and has been recognised in profit or loss for the year ended 31 December 2011.

Under the cancellation agreement, neither of the parties was entitled to make any claim or bring any legal proceedings in relation to the Disposal Agreement in the future.

(vi) Actions to unwind the acquisition of Pacific Choice Group

As highlighted in note 3(iii) above, the Group has put continual efforts to demand the Vendors to provide satisfactory explanations and suggest remedial actions to the breach of the Acquisition Agreement in April 2009, May 2009, March 2010 and January 2011. Despite the Company's good-faith approach to the Vendors to resolve the issues in an amicable manner and the Company's repeated requests for meetings to discuss about the possible alternatives on such resolution, the Vendors have continued to disregard the requests of the Company.

The Group was legally advised that by reason of wrongful breaches by the Vendors and the warrantors to the Vendors in the acquisition of Pacific Choice Group and their failure to take any remedial actions despite repeated demands by the Group, there was a total failure of consideration for what the Group has bargained and paid for under the Acquisition Agreement. A letter was therefore issued by the Group's legal adviser dated 23 July 2012 to terminate the Acquisition Agreement by accepting the wrongful repudiation of the same on the part of the Vendors and the warrantors. In the circumstances, those outstanding convertible bonds in the principal amount of HK$2,000,000,000, namely, Tranche 2 Bonds, Tranche 3 Bonds and Tranche 4 Bonds (i.e. those contingently issuable convertible bonds as mentioned in note 3(i)(d) above), being the remaining balance of the consideration under the Acquisition Agreement will not be issued to the Vendors. A counsel was retained to advise and to issue legal proceedings against the Vendors for claims of rescission and restitution of all consideration paid including cash of HK$275,000,000, Tranche 1 Bonds (excluding the part issued to TMDC) of HK$112,800,000 and the Promissory Notes, to the extent of not being settled, of HK$87,500,000.

Well before the Group issuing the letter mentioned in the foregoing paragraph, the Group negotiated with TMDC whereby the Company proposed to get back the part of Tranche 1 Bonds issued to TMDC and TMDC was willing to co-operate with the Company in order to get back the patents for its use, as one of the remedial actions to the above breaches and to mitigate the loss, the Group entered into certain agreements on 27 July 2012 with TMDC to transfer back the entire issued share capital of Precise Media Limited ("Precise Media") which is the holding company of the PRC Subsidiary, the sales patents (excluding those have already expired) to TMDC, which were originally transferred to the Group from TMDC under the Acquisition Agreement, and to terminate a series of agreements wherein TMDC granted the Group the rights to use its patents, as well as other related agreements signed between TMDC and the Group (collectively known as the "Termination Transactions with TMDC"). In return, TMDC shall tender back the part of the Tranche 1 Bonds issued to TMDC with a principal of HK$187,200,000 to the Group for cancellation.

On 12 September 2012, the Group issued legal proceedings against the Vendors in the High Court of the Hong Kong Special Administrative Region (the "High Court") in regard to the claim of restitution for total failure of consideration and rescission in connection with the Acquisition Agreement (the "Action"). In the statement of claim, the Group claims against the Vendors, among others, for:

a) a declaration that the Acquisition Agreement (as supplemented) be null and void for total failure of consideration;

b) an order that the position of the parties, namely the Company, Sourcestar, the Vendors and the warrantors be restored to the original position prior to the signing of the Acquisition Agreement, including but not limited to the return of all consideration paid to the Vendors for the acquisition totalling HK$475,300,000 which encompasses cash amounting to HK$250,000,000 and HK$25,000,000 paid to China Eagle and Fairtime respectively, Tranche 1 Bonds (excluding those issued to TMDC and subsequently cancelled on 5 March 2013 as mentioned below) amounting to HK$112,800,000 of which HK$67,800,000 was issued to China Eagle and HK$45,000,000 was issued to Fairtime, the Promissory Notes, to the extent of not being settled, amounting to HK$87,500,000 issued to China Eagle;

c) alternatively damages to be assessed; and

d) interests, costs and other relief.

For details of the Action, please refer to the announcement of the Company dated 12 September 2012.

The Vendors did not file an acknowledgement of service or defence before the respective deadlines as stipulated in the relevant rules of the Rules of the High Court and the Group has applied to the High Court for a judgment in default of notice of intention and defence on 8 March 2013 with regard to, amongst other things, its claims of restitution for total failure of consideration and rescission in connection with the Acquisition Agreement.

Court hearing was held on 27 March 2013 and adjourned due to the High Court's queries about the claim during the hearing for the Group's consideration. After seeking legal advice, the Group filed an amended statement of claim on 20 May 2013 (see note 3(vii)(b) below for details).

(vii) Completion of actions to unwind the acquisition of Pacific Choice Group

(a) Completion of the Termination Transactions with TMDC

On 28 February 2013 and 5 March 2013, the Termination Transactions with TMDC as mentioned in note 3(vi) above were completed. Effectively, the Group has:

(i) transferred back the entire issued share capital of Precise Media to TMDC as disposal and accordingly retained no further equity interests in Precise Media and the PRC Subsidiary of which the investment cost of HK$78,406,000 (being part of the consideration paid in the acquisition of Pacific Choice Group), which was classified as an available-for-sale financial asset (note 18) at the time of its deconsolidation on 30 November 2009 and for which full impairment provision was made, was derecognised on 28 February 2013 and has given rise nil gain or loss in the current year profit or loss;

(ii) returned the patents for the production of LCoS television which resulted in the disposal of the intangible asset (note 16) costing HK$668,000,000, which was fully impaired on 30 November 2009 being the time of deconsolidating the PRC Subsidiary. The intangible asset was derecognised on 5 March 2013 and has given rise nil gain or loss in the current year profit or loss;

(iii) cancelled the part of the Tranche 1 Bonds (note 27) issued to TMDC, as held by the escrow agent, with a principal amounting to HK$187,200,000 on 28 February 2013 which has been legally tendered back to the Group from TMDC for extinguishment and a gain of HK$167,218,000, representing the carrying amount measured at amortised cost at 28 February 2013, together with a reversal of deferred tax liabilities of HK$3,297,000 attributable to the equity component of the Tranche 1 Bonds recognised as convertible bonds reserve, were recognised in the current year profit or loss and the related convertible bonds reserve of HK$75,128,000 was transferred to the accumulated losses within the equity;

(iv) as a result of the disposal of Precise Media and the PRC Subsidiary as mentioned in note 3(vii)(a)(i) above, removed the goodwill with the initial carrying amount of HK$77,685,000 (note 17), which was allocated to the cash-generating unit of LCoS television at the time of acquisition completion on 15 January 2009 and was derecognised on 30 November 2009 when the Group determined that it lost control over the PRC Subsidiary and as a result no gain or loss was recognised in the current year profit or loss.

As a result of the above transactions, the Group recognised a gain of HK$170,515,000, comprising the derecognition of the part of Tranche 1 Bonds and the release of deferred tax liabilities, and regarded this as the consideration for the disposal of Precise Media and the patents. The transactions did not have any effect of cash flows to the Group.

(b) Court judgment in respect of the legal proceedings against the Vendors

On 20 May 2013, as highlighted in note 3(vi) above, the Group amended the statement of claim (the "Revised Claim") as follows:

(i) termination of the Acquisition Agreement for total failure of consideration;

(ii) return of convertible bonds in the sum of HK$67,800,000 (being part of the Tranche 1 Bonds issued as mentioned in note 3(i)(c) above) by China Eagle to the Group;

(iii) return of convertible bonds in the sum of HK$45,000,000 (being part of the Tranche Bonds issued as mentioned in note 3(i)(c) above) by Fairtime to the Group;

(iv) return of the outstanding amount of promissory notes in the sum of HK$87,500,000 by China Eagle to the Group;

(v) return of HK$250,000,000, representing the amount of promissory notes redeemed by the Group in 2009 to China Eagle (as mentioned in note 3(i) above);

(vi) return of cash in the sum of HK$25,000,000 (being part of the consideration paid as mentioned in note 3(i)(a) above) from Fairtime to the Group;

(vii) interest at the HSBC prime rate plus 1% from the date of writ until judgment and thereafter at the judgment rate until payment;

(viii) costs of the Action be borne by the Vendors, including those of and occasioned by this application but excluding those of the hearing on 16 May 2013, to be taxed if not agreed.

On 19 June 2013, the High Court made a judgment (the "High Court Judgment") on the basis of the matters pleaded in the Revised Claim, and in default of defence, the Group has been entitled to and granted the declaration for the Revised Claim.

On the basis of the High Court Judgment and a legal opinion sought by the Group afterwards in respect of its release from the obligations and liabilities that arose from the transactions relating to the acquisition of Pacific Choice Group, the Group has effectively:

– with regard to (i) above, terminated the Acquisition Agreement, as mentioned in note 3(i) above;

– with regard to (ii) and (iii) above, cancelled the part of Tranche 1 Bonds issued to China Eagle and Fairtime, as held by the escrow agent, with respective principals of HK$67,800,000 and HK$45,000,000 for extinguishment and the respective gains of HK$62,926,000 and HK$41,765,000, totalling HK$104,691,000 (note 27) which represents the carrying amount measured at amortised cost at 19 June 2013, together with a reversal of deferred tax liabilities of HK$1,338,000 attributable to the equity component of the Tranche 1 Bonds recognised as convertible bonds reserve, were recognised in the current year profit or loss and the related convertible bonds reserve of HK$45,270,000 was transferred to the accumulated losses within the equity;

– with regard to (iv) above, cancelled the outstanding Promissory Notes issued to China Eagle and matured on 14 January 2012 with principal amounting to HK$87,500,000 for extinguishment and a gain of HK$87,500,000 (note 25) was recognised in the current year profit or loss;

– with regard to (v) to (viii) above, the Company held a board meeting on 6 August 2013, to consider the enforceability of the High Court Judgment, which takes account of the Vendors' financial viability. The directors are of the opinion that it is remote that the Group would be able to recover the amounts and therefore it is determined that no receivable should be recognised by the Group in this respect.

Upon the completion of the Termination Transactions with TMDC and the High Court Judgment, the Group was legally advised that it has been completely released from the obligations and liabilities, whether directly or indirectly, contingently or explicitly, that arose from the transactions relating to the acquisition of Pacific Choice Group.

4. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

New and revised HKFRSs applied in the current year

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are relevant to the Group's operations.

Amendments to HKFRSs	Annual Improvements 2009-2011 Cycle
Amendments to HKAS1 (Revised)	Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures

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

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised standards, amendments and interpretation that are relevant to the Group's operations have been issued but are not yet effective:

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures[1]
Amendments to HKFRS 9, HKFRS 7 and HKAS 39	Hedge Accounting
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities[1]
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK (IFRIC) Interpretation 21	Levies[1]
HKFRS 9	Financial Instruments
HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle[3]
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities

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

Amendments to HKAS 36 – Recoverable Amount Disclosures

The amendments limit the requirements to disclose the recoverable amount of an asset or cash generating unit ("CGU") to those periods in which an impairment loss has been recognised or reversed, and expand the disclosures where the recoverable amount of impaired assets or CGUs has been determined based on fair value less costs of disposal. The amendments are effective for annual periods commencing on or after 1 January 2014. The Group has early adopted the amendments to HKAS 36 in the current year. The disclosures about the impairment of property, plant and equipment in note 15 and goodwill in note 17 have been modified accordingly.

HKFRS 9 – Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors so far concluded that the application of these new/revised HKFRSs will have no material impact on the Group's financial statements.

5. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for goods. Financial instruments are measured at fair values as explained in the accounting policies set out below.

The principal accounting policies set out below.

Business combination and basis of consolidation

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

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

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

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

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

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

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

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

Subsidiaries

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

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

Goodwill

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

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

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

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

Revenue recognition

Revenue is measured at the fair value of consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts.

Revenue from sales of goods is recognised when the goods are delivered and title has passed.

Dividend income is recognised when the right to receive the dividend is established.

Property, plant and equipment

Property, plant and equipment are stated at cost or fair value less accumulated depreciation and accumulated impairment losses, if any.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

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

Property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Furniture and fixtures	4 years
Office equipment	4 years
Motor vehicles	$3^1/_3$ years
Land and building	Over unexpired lease term
Leasehold improvements	Over the remaining life of the leases but not exceeding 2 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

Leasing

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

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

Intangible assets

Intangible assets acquired in a business combination

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

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Financial instruments

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

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

Financial assets

The Group's financial assets are classified as loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each end of the reporting period subsequent to initial recognition, loans and receivables (including trade receivables, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to maturity investments.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each end of the reporting period subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

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

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contracts, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

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

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

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

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

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

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

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

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

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, borrowings, certain preference shares and the debt element of convertible loan note issued by the Group are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Convertible bonds issued by the Company

Convertible bonds issued by the Company that contain both the liability and conversion option components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instruments. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. Except as set out below for business combination, the difference between the gross proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bonds into equity, is included in equity (convertible bonds reserve).

In a business combination in which the consideration transferred involves the issue of compound financial instrument, any component that is classified as equity is measured at the acquisition-date fair value.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds reserve until the embedded option is exercised (in which case the balance stated in convertible bonds reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bonds reserve will be released to the accumulated losses. 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 the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

Other financial liabilities

Other financial liabilities including trade payables, other payables, amount due to a shareholder and promissory notes are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

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

Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

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

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

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

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

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme (the "MPF Scheme") and a defined contribution provident fund under Occupational Retirement Scheme Ordinance (the "ORSO Scheme") are recognised as expenses when employees have rendered service entitling them to the contributions.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Nonmonetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the exchange reserve. Such exchange differences are reclassified to profit or loss in the period in which the foreign operation is disposed of.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the translation reserve.

Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Impairment losses on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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

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

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

Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

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

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

6. Critical Accounting Judgments

In the application of the Group's accounting policies, which are described in note 5, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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.

Critical judgments in applying the entity's accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deconsolidation of the PRC Subsidiary and recognition as an available-for-sale investment

Notes 3 and 18 describe that the Group has been unable to exercise its power to govern the financial and operating activities of the PRC Subsidiary and the PRC Subsidiary had therefore been deconsolidated on 1 December 2009 and was recognised by the Company as an available-for-sale investment until the completion of the Termination Transactions with TMDC on 28 February 2013 relating to the disposal of Precise Media.

In making their judgment, the directors of the Company considered the detailed criteria for the consolidation of an entity as set out in HKFRS 10 "Consolidated Financial Statements" issued by the HKICPA. In light of the problems identified, the directors of the Company are of the opinion that the Group's ownership in the PRC Subsidiary does not constitute control and accordingly, deconsolidated the PRC Subsidiary from 1 December 2009.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Accounting treatment for the entitlement of recovery of the total cash paid of HK$275,000,000

As set out in note 3(vii)(b), following the High Court Judgment, the Group was entitled to recover the total cash paid of HK$275,000,000, consisting of the amount of Promissory Notes early settled to China Eagle in 2009 and the cash paid to Fairtime in the sum of HK$25,000,000. The directors are of the opinion that it is not probable that the future economic benefits will flow to the Group and accordingly, no receivable in this regard was recognised as at 31 December 2013.

7. Revenue

The Group is principally engaged in trading of chemical products (including conductive silicon rubber keypads), and energy conservation and environmental protection products. Turnover, which is also the Group's revenue, represents the net invoiced value of sales for the year.

8. Segment Information

Information reported to the executive directors of the Company, being the chief operating decision maker ("CODM"), for the purpose of resource allocation and assessment of segment performance focuses on types of goods sold.

The Group currently has only one continuing operating segment, namely chemical products, and energy conservation and environmental protection products, which engages in the business of trading of chemical products, and energy conservation and environmental protection products.

Segment revenue and results

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

For the year ended 31 December 2013

	Chemical products, and energy conservation and environmental protection products segment and consolidated total *HK$'000*
Revenue – External sales	75,791
Segment profit	550
Unallocated income/(expense) items:	
Central administration costs and directors' salaries	(11,740)
Other revenue	348
Gain on derecognition of promissory notes	87,500
Gain on derecognition of convertible bonds	271,909
Finance costs	(10,530)
Profit before taxation	338,037

For the year ended 31 December 2012

	Conductive silicon rubber keypads segment and consolidated total *HK$'000*
Revenue – External sales	10,078
Segment profit	104
Unallocated income/(expense) items:	
Central administration costs and directors' salaries	(8,460)
Other revenue	298
Finance costs	(32,606)
Loss before taxation	(40,664)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 5. Segment profit represents profit/(loss) earned by each segment without absorption of unallocated income/(expense) items, details of which are set out above. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The reconciliation between the segment assets and liabilities and the respective consolidated balances is as follows:

	2013 Chemical products, and energy conservation and environmental protection products segment and consolidated total *HK$'000*	2012 Conductive silicon rubber keypads segment and consolidated total *HK$'000*
Assets		
Segment assets	109,613	622
Bank balances and cash	10,101	9,917
Other unallocated assets	19,743	7,699
Consolidated assets	139,457	18,238
Liabilities		
Segment liabilities	35,287	115
Unallocated liabilities	70,817	358,773
Consolidated liabilities	106,104	358,888

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

- all assets are allocated to operating segments other than property, plant and equipment, available-for-sale investments, other receivables and bank balances and cash; and

- all liabilities are allocated to operating segments other than other loans and current tax liabilities, promissory notes, amount due to a shareholder, convertible bonds and deferred tax liabilities.

Other segment information

For the year ended 31 December 2013

	Chemical products, and energy conservation and environmental protection products segment	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
Amounts included in the measure of segment loss:			
Reversal of impairment loss recognised on trade receivables	–	–	–
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:			
Additions to non-current assets	11,146	356	11,502
Depreciation of property, plant and equipment	56	48	104
Loss on disposal of property, plant and equipment	–	14	14
Finance costs	–	10,530	10,530

For the year ended 31 December 2012

	Conductive silicon rubber keypads segment *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Amounts included in the measure of segment profit:			
Reversal of impairment loss recognised on trade receivables	79	–	79
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:			
Additions to non-current assets	–	12	12
Depreciation of property, plant and equipment	–	7	7
Finance costs	–	32,606	32,606

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2013	2012
	HK$'000	*HK$'000*
Customer A[1]	23,076	–
Customer B[1]	17,386	–
Customer C[1]	8,049	–
Customer D[1]	7,575	–
Customer E[1]	7,535	–
Customer F[1]	7,244	–
Customer G	1,262	4,265
Customer H	–	4,567
	72,127	8,832

1 The Group derived no revenue from Customers A to F for the year ended 31 December 2012.

All of the above amounts are contributed from trading of chemical products, and energy conservation and environmental protection products.

Geographical information

The Group's operations are mainly located in Hong Kong and the PRC.

The following table provides an analysis of revenue from external customers derived from Hong Kong, which is the country of domicile of the Group for the purpose of HKFRS 8, and non-Hong Kong, irrespective of the origin of the goods and information about its non-current assets by geographical location of the assets.

	Revenue from external customers	
	2013	**2012**
	HK$'000	*HK$'000*
Sales of chemical products, and energy conservation and environmental protection products		
Hong Kong	57,016	10,078
PRC (excluding Hong Kong)	18,775	–
	75,791	10,078

	Non-current assets	
	2013	**2012**
	HK$'000	*HK$'000*
Hong Kong	10,114	21
PRC (excluding Hong Kong)	1,309	–
	11,423	21

Note: Non-current assets exclude financial instruments.

9. Finance Costs

	2013	2012
	HK$'000	*HK$'000*
Effective interests on borrowings wholly repayable within five years:		
Convertible bonds	10,184	32,142
Promissory notes	–	464
Borrowings	346	–
	10,530	32,606

10. Profit/(loss) before Taxation for the Year

	2013	2012
	HK$'000	*HK$'000*
Profit/(loss) before taxation for the year has been arrived at after charging/(crediting):		
Directors' remuneration *(note 12)*	1,829	1,044
Other staff costs		
– Salaries and other benefits	1,523	914
– Retirement benefits scheme contribution	55	40
	1,578	954
Total staff costs	3,407	1,998
Auditor's remuneration	1,150	750
Depreciation of property, plant and equipment	104	7
Cost of inventories recognised as expense	74,645	10,037
Management fee (included in administrative expenses, note)	595	883
Loss on disposal of equipment (included in other gains and losses)	14	–
Gain on derecognition of convertible bonds	(271,909)	–
Gain on derecognition of promissory notes	(87,500)	–
Reversal of impairment loss recognised in respect of trade receivables (included in other gains and losses), net	–	(79)

Note: The above amount is paid to Man Lee Management Limited, a company beneficially held and significantly influenced by an entity which is also a shareholder that has significant influence over the Company, for the Group's share of administrative and management services for an office premise, including in which an amount of HK$480,000 (2012: HK$696,000) representing the share of the rental expenses for the year under an operating lease.

11. Income tax credit

	2013	**2012**
	HK$'000	*HK$'000*
Current tax – PRC		
– current year	42	–
Deferred tax credit *(note 28)*		
– current year	(6,316)	(5,379)
Income tax credit	(6,274)	(5,379)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years. No provision for Hong Kong Profits Tax has been made in the consolidated financial statements since the group entities have no assessable profits in Hong Kong for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, tax rate of the PRC subsidiaries is 25% for the year.

The income tax credit for the year can be reconciled to the profit/(loss) before taxation per the consolidated statement of comprehensive income as follows:

	2013	**2012**
	HK$'000	*HK$'000*
Profit/(loss) before taxation:	338,037	(40,664)
Tax at domestic tax rates of 16.5% (2012: 16.5%)	55,776	(6,709)
Effect of different tax rate of subsidiary operating in other jurisdiction	14	–
Tax effect of expenses not deductible for tax purposes	706	572
Tax effect of income not taxable for tax purposes	(64,030)	(49)
Effect of tax loss not recognised	1,297	825
Utilisation of tax losses previously not recognised	(19)	(18)
Deductible temporary differences previously not recognised	(18)	–
Income tax credit	(6,274)	(5,379)

The domestic tax rate in the jurisdiction where the operations of the Group is substantively based is used.

12. Directors' remuneration and highest paid employees

The emoluments paid or payable to each of the eleven (2012: nine) directors were as follow:

(a) Directors' remuneration

For the year ended 31 December 2013

Name of directors	Notes	Fee	Other emoluments: Salaries and other benefits	Other emoluments: Retirement benefits scheme contributions	Total
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:					
Mr. Sun Ying Chung	*(a)*	–	–	–	–
Mr. Chan Sung Wai		300	–	4	304
Mr. Chau Chit	*(b)*	–	1,000	5	1,005
Mr. Tang Hao	*(c)*	–	–	–	–
		300	1,000	9	1,309
Non-executive directors:					
Mr. Lee Kwok Leung	*(d)*	80	–	–	80
Mr. Yang Yiu Chong, Ronald Jeffrey	*(e)*	80	–	–	80
		160	–	–	160
Independent non-executive directors:					
Mr. Lum Pak Sum		120	–	–	120
Mr. Mak Ka Wing, Patrick	*(f)*	80	–	–	80
Mr. Shum Kai Wing	*(g)*	84	–	–	84
Mr. Wong Wai Kwan	*(h)*	36	–	–	36
Ms. Zhou Jianhong	*(i)*	40	–	–	40
		360	–	–	360
Total emoluments		820	1,000	9	1,829

For the year ended 31 December 2012

Name of directors	Notes	Fee HK$'000	Other emoluments: Salaries and other benefits HK$'000	Other emoluments: Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive directors:					
Mr. Sun Ying Chung		–	–	–	–
Mr. Chan Sung Wai		–	325	14	339
Mr. Wong King Lam, Joseph	(j)	–	136	6	142
		–	461	20	481
Non-executive directors:					
Mr. Lee Kwok Leung		120	–	–	120
Mr. Yang Yiu Chong, Ronald Jeffrey		120	–	–	120
		240	–	–	240
Independent non-executive directors:					
Mr. Lum Pak Sum		115	–	–	115
Mr. Law Chun Choi	(k)	69	–	–	69
Mr. Mak Ka Wing, Patrick		105	–	–	105
Mr. Shum Kai Wing	(l)	34	–	–	34
		323	–	–	323
Total emoluments		563	461	20	1,044

Notes:

(a) Mr. Sun Ying Chung resigned on 22 July 2013.

(b) Mr. Chau Chit was appointed on 22 July 2013.

(c) Mr. Tang Hao was appointed on 22 July 2013.

(d) Mr. Lee Kwok Leung resigned on 31 August 2013.

(e) Mr. Yang Yiu Chong, Ronald Jeffrey, resigned on 31 August 2013.

(f) Mr. Mak Ka Wing, Patrick resigned on 31 August 2013.

(g) Mr. Shum Kai Wing resigned on 13 September 2013.

(h) Mr. Wong Wai Kwan was appointed on 13 September 2013.

(i) Ms. Zhou Jianhong was appointed on 31 August 2013.

(j) Mr. Wong King Lam, Joseph not re-elected as a director of the Company on 1 June 2012.

(k) Mr. Law Chun Choi resigned on 25 September 2012.

(l) Mr. Shum Kai Wing was appointed on 20 September 2012.

No emoluments have been paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office and no directors have waived any emoluments in both years.

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, two (2012: two) were directors of the Company whose emoluments are included in the disclosure above. The emoluments of the remaining three (2012: three) individuals were as follows:

	2013	**2012**
	HK$'000	*HK$'000*
Salaries and other benefits	711	914
Retirement benefits	29	40
	740	954

The emoluments of each of the three (2012: three) highest paid employee were within the band of HK$Nil to HK$1,000,000 during each of the two years ended 31 December 2013 and 2012.

13. Dividends

No dividend has been paid or declared during each of the years ended 31 December 2013 and 2012. The directors do not recommend the payment of a final dividend for 2013 (2012: nil).

14. Earning/(loss) per share

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

	2013	**2012**
	HK$'000	*HK$'000*
Profit/(loss)		
Profit/(loss) for the purpose of basic earning/(loss) per share	344,311	(35,285)
Effects of dilutive potential ordinary shares:		
Gain on derecognition of convertible bonds	(271,909)	–
Release of deferred tax liabilities arising from convertible bonds upon derecognition	(4,635)	–
Interest on convertible bonds (net of tax)	8,503	–
Profit/(loss) for the purpose of diluted earning/(loss) per share	76,270	(35,285)

	2013	**2012**
	HK$'000	*HK$'000*
		(Note)
Number of shares		
Number of ordinary shares for the purpose of basic earning/(loss) per share	775,091	702,356
Number of ordinary shares for the purpose of diluted earning/(loss) per share	982,083	702,356

Note: For the year ended 31 December 2012, the computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in decrease in losses per share for the year then ended.

15. Property, plant and equipment

	Group					
	Furniture and fixtures	Office equipment	Land and building	Motor vehicles	Leasehold improvements	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost						
At 1 January 2012	–	24	–	–	–	24
Additions	–	12	–	–	–	12
At 31 December 2012	–	36	–	–	–	36
Additions	89	159	9,800	1,225	229	11,502
Exchange realignment	–	2	–	18	–	20
Disposals	–	(29)	–	–	–	(29)
At 31 December 2013	89	168	9,800	1,243	229	11,529
Accumulated depreciation						
At 1 January 2012	–	8	–	–	–	8
Charge for the year	–	7	–	–	–	7
At 31 December 2012	–	15	–	–	–	15
Charge for the year	7	11	–	54	32	104
Eliminated on disposal	–	(13)	–	–	–	(13)
At 31 December 2013	7	13	–	54	32	106
Net book value						
At 31 December 2013	82	155	9,800	1,189	197	11,423
At 31 December 2012	–	21	–	–	–	21

	Company			
	Furniture and fixtures	**Equipment and software**	**Leasehold improvement**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost				
At 1 January 2012	–	–	–	–
Additions	–	–	–	–
At 31 December 2012	–	–	–	–
Additions	89	38	229	356
At 31 December 2013	89	38	229	356
Accumulated depreciation				
At 1 January 2012	–	–	–	–
Charge for the year	–	–	–	–
At 31 December 2012	–	–	–	–
Charge for the year	7	4	32	43
At 31 December 2013	7	4	32	43
Net book value				
At 31 December 2013	82	34	197	313
At 31 December 2012	–	–	–	–

16. Intangible asset

	Patents
	HK$'000
Cost	
At 1 January 2012 and 31 December 2012	668,000
Disposal	(668,000)
At 31 December 2013	–
Accumulated impairment losses	
At 1 January 2012 and 31 December 2012	668,000
Eliminated upon disposal	(668,000)
At 31December 2013	–
Carrying amount	
At 1 January 2012, 31 December 2012 and 2013	–

As set out in note 3(i), the Group acquired Pacific Choice Group during 2009, and the fair value of the intangible asset acquired was valued at HK$668,000,000 by Messrs. B.I. Appraisals Limited ("B.I. Appraisal"), independent qualified professional valuers, at the date of acquisition (i.e. 15 January 2009) based on discounted cash flow method.

The intangible asset comprises of patents and/or patents application in the PRC, Taiwan and the United States relating to micro-display elements and manufacturing of LCoS televisions and related components.

The cost of the intangible asset was to be amortised on a straight-line basis over the estimated useful life of 10 years. No amortisation is recognised before it is fully impaired during the year ended 31 December 2009 since the LCoS television business has not yet commenced.

As set out in note 3(iv), the carrying amount brought forward to 1 January 2011 was resulted from a reversal of impairment loss, based on the amount of non-refundable deposit of HK$50,000,000 received from Good Choice in January 2011 for the proposed disposal of Pacific Choice Group, and afterwards an impairment loss of the same amount was recognised in profit or loss for the year ended 31 December 2011 because the Group and Good Choice reached a cancellation agreement on such proposed deal on 24 August 2011. As a result, the carrying amounts of the intangible asset as at 31 December 2011, 2012 and 2013 were zero.

Nevertheless, the Group negotiated with TMDC and a settlement arrangement was reached through a series of agreements on 27 July 2012 (denoted as the "Termination Transactions with TMDC" in note 3(vi) regarding, among the others, the return of the intangible asset to TMDC. The Termination Transactions with TMDC were completed on 28 February 2013 and 5 March 2013. Upon the completion, the Group did not own the intangible asset and derecognised such accordingly. As the intangible asset was fully impaired in prior years, The derecognition has given rise to no gain and loss in the current year profit or loss.

17. Goodwill

	Group	
	2013	**2012**
	HK$'000	*HK$'000*
Carrying amount		
At 1 January 2012, 31 December 2012 and 2013	–	–

The entire balance of goodwill of the Group arose from the acquisition of the LCoS television business through acquisition of Pacific Choice Group in 2009 as set out in note 3(i). For the purpose of impairment testing, goodwill and intangible asset of the Group as set out in note 16 has been allocated to the cash-generating unit of LCoS television, which was expected to benefit from the above-mentioned goodwill and intangible asset. The initial carrying amounts of goodwill of HK$77,685,000 and intangible asset were valued by B.I. Appraisal at the date of acquisition of the relevant business and have been fully impaired during the year ended 31 December 2009.

Subsequent to the completion of the Termination Transactions with TMDC as mentioned in note 3(vi) on 28 February 2013 and 5 March 2013, the discontinued operation of LCoS Television business to which the goodwill was allocated and was no longer formed part of the Group and the goodwill was removed accordingly.

18. Available-for-sale investments

Amounts comprised:

	Group and Company	
	2013	**2012**
	HK$'000	*HK$'000*
PRC Subsidiary *(note i)*	–	–
Equity securities listed in Hong Kong, at fair value *(note ii)*	6,936	6,712
	6,936	6,712

Notes:

(i) As set out in note 3(ii), the Group lost the control over the PRC Subsidiary and the PRC Subsidiary had been deconsolidated from the consolidated financial statements of the Group from 1 December 2009. The PRC Subsidiary was therefore recognised by the Company as an available-for-sale investment with full impairment loss recognised at the same time until the completion of the Termination Transactions with TMDC on 28 February 2013 in respect of the transfer back of the entire issued share capital of Precise Media as mentioned in note 3(vii)(a)(i). Upon then, Precise Media and the PRC Subsidiary have no longer formed part of the Group and accordingly the available-for-sale investment in the PRC Subsidiary has been derecognised for which fully impairment was recognised in 2009. The derecognition has given rise to nil gain or loss in the current year profit or loss.

(ii) The fair value is based on the quoted prices of the respective securities in active markets for identical assets.

19. Trade and other receivables

	Group		Company	
	2013	**2012**	**2013**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade debtors	50,389	622	–	–
Prepayments and deposits	1,384	966	761	966
	51,773	1,588	761	966

The Group generally allows credit periods of 30 to 90 days (2012: 30 to 90 days) to its trade customers. An aged analysis of trade receivables is presented based on the invoice date at the end of the reporting period is as follows:

	Group		Company	
	2013	2012	2013	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Less than 1 month past due	–	622	–	–

The Group closely monitors the granting of credit and periodically reviews the recoverability of each trade debt. None of the trade receivables that are neither past due nor impaired has any default payment history. Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed periodically.

There are no trade receivables which are past due as at 31 December 2013 and the Group does not hold any collateral over these balances. The average age of these receivables is approximately 30 days.

Movement in the provision for impairment loss recognised in respect of trade receivables of the Group is as follows:

	2013	2012
	HK$'000	*HK$'000*
Balance at 1 January	–	192
Amounts written off as uncollectible	–	(113)
Reversal of impairment losses	–	(79)
Balance at 31 December	–	–

The entire balances of the above allowance for doubtful debts as at 31 December 2013 and 2012 were individually impaired trade receivables as the management considered such balances as not recoverable. The Group did not hold any collateral over these balances. During the year, no allowance for doubtful debts (2012: HK$79,000) was reversed as evidenced by the settlements of the relevant trade receivable balances.

20. Amounts due from subsidiaries

	Company	
	2013	**2012**
	HK$'000	*HK$'000*
Amounts due from subsidiaries	95,334	1

At as 31 December 2013, accumulated impairment loss of approximately HK$580,639,000 (2012: HK$580,927,000) was recorded in respect of amounts due from subsidiaries.

The amounts due from subsidiaries are unsecured, interest free and repayable on demand.

21. Bank balances and cash/pledged bank deposits

Bank balances comprise short-term bank deposits with original maturity less than three months carry interest at 0.01% (2012: 0.01%) per annum.

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to HK$59,224,000 (2012: HK$Nil) have been pledged to secure short-term bank loans and are therefore classified as current assets. The pledged bank deposits will be utilised upon the settlement of relevant bank borrowings.

Bank balances denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	Group		Company	
	2013	**2012**	**2013**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Renminbi *("RMB")*	174	–	–	–
United States dollars *("USD")*	106	–	–	–

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to approximately HK$174,000. RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks that are authorised to conduct foreign exchange business.

22. Trade and other payables

	Group		Company	
	2013	**2012**	**2013**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	8,818	–	–	–
Other payables	1,502	1,694	1,164	1,579
Trade deposit received	7,613	–	–	–
	17,933	1,694	1,164	1,579

23. Amounts due to subsidiaries

	Company	
	2013	**2012**
	HK$'000	*HK$'000*
Amounts due to subsidiaries	167,515	165,522

The amounts due to subsidiaries are unsecured, interest free and repayable on demand.

24. Borrowings

	Group		Company	
	2013	**2012**	**2013**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current				
Interest bearing				
Unsecured – other loans (i)	70,775	–	70,775	–
Non-interest bearing				
Secured – bank loans (ii)	17,354	–	–	–
	88,129	–	70,775	–

(i) HK$25,510,000, HK$7,755,000 and HK$37,510,000 of the other loans are repayable on 5 May 2014, 15 June 2014 and 17 June 2014 respectively. Interest is charged at 6% per annum.

(ii) The bank loans represent trust receipt loans which are secured by bank deposits of HK$59,224,000 (2012: HK$Nil).

At 31 December, total current other loans and bank loans were scheduled to repay as follows:

	Group		Company	
	2013	**2012**	**2013**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	88,129	–	70,775	–

The amounts due are based on the scheduled repayment dates in the loan agreements and no repayment on demand clause is noted for the other borrowings.

25. Promissory notes

As set out in note 3, on 15 January 2009, the Group issued promissory notes of HK$375,000,000 at zero coupon rate as part of the consideration for acquiring the entire interest in Pacific Choice Group. The effective interest rate was 16% at the date of issue.

On 16 February 2009, the Group and China Eagle, being the bearer of the Promissory Notes, agreed that upon an early repayment of HK$250,000,000, 10% of the principal amount of the Promissory Notes (i.e. HK$37,500,000) would be cancelled in favour to the Group. The repayment was made on 19 February 2009. The principal amount after the early repayment and cancellation totalling HK$287,500,000 was HK$87,500,000.

On 26 April 2010, the Group and China Eagle agreed to extend the maturity date of the remaining promissory notes with a principal amount of HK$87,500,000 from 14 January 2011 to 14 January 2012. A gain on extension of maturity of promissory notes of HK$11,908,000 was recognised in profit or loss during the year ended 31 December 2010.

The promissory notes matured on 14 January 2012 and neither had the Group made settlement nor had the bearer demanded repayment from the Group. As detailed in note 3(vi), the Group initiated legal proceedings to pursue to take back the outstanding promissory notes for extinguishment. As summarised in note 3(vii)(b), the High Court handed down a judgment on 19 June 2013 that the Group was entitled to, among the others, the return of the outstanding promissory notes by China Eagle. Upon then, the Group was discharged from its obligation of the promissory notes. Accordingly, the promissory notes at amortised cost of HK$87,500,000 were derecognised and the resulting gain of the same amount was recognised in the current year profit or loss.

The movements of the carrying amounts of the promissory notes are as follows:

	2013	**2012**
	HK$'000	*HK$'000*
At 1 January	87,500	87,036
Interest charge for the year *(note 9)*	–	464
Derecognition of promissory notes	(87,500)	–
At 31 December	–	87,500
Analysed for reporting purposes as:		
Current liabilities	–	87,500

26. Related party disclosures

Other than those disclosed in note 12, during the year and at the end of the reporting period, the Group had the following transactions and balance respectively with related parties. These transactions do not constitute either connected transaction or continuing connected transaction as defined under Chapter 14A of the Listing Rules.

(i) Particulars of management fee paid to a related party

	2013	2012
	HK$'000	*HK$'000*
A shareholder, who has significant influence, of the Company	595	883

(ii) Particulars of amount due to a related party

	2013	2012
	HK$'000	*HK$'000*
A shareholder, who has significant influence, of the Company, included in non-current liabilities	–	1,653

Note: The amount is unsecured, interest free and has no fixed terms of repayment. The shareholder has agreed not to demand for repayment for twelve months from the end of the reporting period. Accordingly, the amount is classified as non-current.

(iii) Key management compensation

The remuneration of the key management of the Group during the year was as follows:

	2013	2012
	HK$'000	*HK$'000*
Short-term benefits	2,036	1,284
Retirement benefits scheme contributions	18	32
	2,054	1,316

The remuneration of directors and other members of key management is determined by the board of directors having regard to the performance of individual and market trends.

27. Convertible bonds

Zero-coupon Tranche 1 Bonds due 2014

As set out in note 3(i), on 15 January 2009, the Company issued the Tranche 1 Bonds due on 14 January 2014 with a principal amount of HK$300,000,000 at zero coupon rate as part of the consideration for the acquisition of Pacific Choice Group. The Tranche 1 Bonds are convertible into fully paid ordinary shares at a conversion price of HK$0.4 per share, subject to anti-dilutive adjustments. Upon full conversion a total of 750,000,000 new ordinary shares would be issued by the Company. The Company shall redeem any convertible bonds which remain outstanding on the maturity date at its principal amount.

The convertible bonds contain liability and equity components. The equity component is presented under the equity headed “convertible bonds reserve”.

The fair value of the liability component of the convertible bonds at the issue date was valued by an independent valuer determined based on the present value of the estimated future cash outflows discounted at the prevailing market rate for an equivalent non-convertible loan. The effective interest rate of the liability component is 14% per annum.

None of the Tranche 1 Bonds was converted from the date of issue to the dates of extinguishment as mentioned in notes 3(vii)(a)(iii) and 3(vii)(b)(ii) with respect to the completion of the Termination Transactions with TMDC on 5 March 2013 and the High Court Judgment in respect of the legal proceedings against the Vendors on 19 June 2013.

As a result of the completion of the part of the Termination Transactions with TMDC, the Group cancelled the part of Tranche 1 Bonds issued to TMDC with the principal amount of HK$187,200,000, and a resulting gain of HK$167,218,000 representing the carrying amount at amortised cost on 28 February 2013 was recognised in the current year profit or loss.

In addition, as a result of the hand down of the High Court Judgment on 19 June 2013, the Group cancelled the part of the Tranche 1 Bonds issued to the Vendors with the principal amount of HK$112,800,000, and a gain of HK$104,691,000 representing the carrying amount at amortised cost on 19 June 2013 was recognised in the current year profit or loss.

Upon the derecognition of the whole Tranche 1 Bonds as mentioned above, the related equity components as split at initial recognition of the Tranche 1 Bonds totalling HK$120,398,000 was transferred from the convertible bonds reserve to the accumulated losses within the equity.

The movements of the carrying amounts of the liability component of the convertible bonds for the year are set out below:

	Group and Company	
	2013	**2012**
	HK$'000	*HK$'000*
At 1 January	261,725	229,583
Interest charge for the year *(note 9)*	10,184	32,142
Derecognition of convertible bonds	(271,909)	–
At 31 December	–	261,725

28. Deferred tax liabilities

The major deferred tax liabilities recognised by the Group and movements thereof during the current and prior years are as follows:

	Group		
	Promissory notes	**Convertible bonds**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2012	76	11,619	11,695
Credited to profit or loss			
– Release upon amortisation of promissory notes and convertible bonds under the effective interest method	(76)	(5,303)	(5,379)
At 31 December 2012	–	6,316	6,316
Credited to profit or loss			
– Release upon amortisation of convertible bonds under the effective interest method	–	(1,681)	(1,681)
– Release upon derecognition of convertible bonds *(note 27)*	–	(4,635)	(4,635)
At 31 December 2013	–	–	–

	Company Convertible bonds
	HK$'000
At 1 January 2012	11,618
Credited to profit or loss	
– Release upon amortisation of convertible bonds under the effective interest method	(5,302)
At 31 December 2012	6,316
Credited to profit or loss	
– Release upon amortisation of convertible bonds under the effective interest method	(1,681)
– Release upon derecognition of convertible bonds	(4,635)
At 31 December 2013	–

At 31 December 2013, the entities of the Group in Hong Kong and PRC have, subject to the consent of the tax authority, total unused tax losses of approximately HK$21,015,000 (2012: HK$18,188,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The losses could be carried forward indefinitely.

29. Share capital

	Number of shares	Nominal value
	'000	*HK$'000*
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 January 2012, 31 December 2012 and 2013	20,000,000	2,000,000
Issued and fully paid:		
At 1 January and 31 December 2012	702,356	70,236
Placing of new shares	140,468	14,047
At 31 December 2013	842,824	84,283

On 7 June 2013, the Company entered into a placement arrangement with an independent investor for the issuance of 140,468,000 new ordinary shares at HK$0.21 per share under the general mandate of the Company. These newly issued shares rank pari passu in all respects with the existing ordinary shares of the Company in issue. Total proceeds from the placement are HK$29,084,000 after the deduction of direct issue costs of HK$414,000.

The excess of the gross proceeds of HK$29,498,000 from the placement over the nominal value of the ordinary shares issued of HK$14,047,000 amounting to HK$15,451,000 has been recorded in the share premium account.

30. Share option scheme

The Company's share option scheme (the "2002 Share Option Scheme") was adopted on 29 May 2002 under which the Board of the Directors may grant options to eligible participants, including employees and directors of the Company and any of its subsidiaries, to subscribe for shares of the Company. The 2002 Share Option Scheme is valid and effective for a period of 10 years commencing from the adoption date after which no further options may be issued. The 2002 Share Option Scheme was lapsed on 28 May 2012.

At the annual general meeting of the Company on 1 June 2012, an ordinary resolution to propose a new share option scheme (the "2012 Share Option Scheme") has been passed. The 2012 Share Option Scheme was thus approved and adopted at the general meeting and subsequently approval has been granted by the Stock Exchange. The 2012 Share Option Scheme is valid and effective for 10 years commencing from the adoption date (i.e. 1 June 2012). The number of shares, which may be issued upon exercise of all outstanding options granted under the 2012 Share Option Scheme and other schemes adopted by the Group, is not permitted to exceed 30% of the shares of the Company in issue at any point in time. The total number of shares in respect of which options may be granted under the 2012 Share Option Scheme and other schemes adopted by the Group in aggregate is not permitted to exceed 10% of the shares of the Company in issue at the adoption date. The total number of shares in respect of which options may be granted to any individual is not permitted to exceed (i) 0.1% of the shares of the Company in issue, and (ii) HK$5,000,000 in aggregate value based on the closing price of the shares at the date of each grant, at any 12-month period unless such grant is approved by independent shareholders at general meeting.

Consideration of HK$1 is payable by the grantee on the acceptance of option granted. Option maybe exercised from the date of acceptance of the offer of such option to the earlier of the date on which such option lapses and 10 years from the offer date of that option. The exercise price is determined by the directors of the Company, and will not be less than the higher of the closing prices of the shares on the Stock Exchange on the date of the grant of the options, the average of the closing prices of the shares for the five trading days immediately preceding the date of the grant of the options.

Since the adoption of the above schemes, no share options have been granted under the 2002 Share Option Scheme up to 28 May 2012 and the 2012 Share Option Scheme up to 31 December 2013.

31. Retirement benefits schemes

The Group participates in Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees.

The retirement benefits scheme contributions charged to profit or loss represent contributions payable to the MPF schemes by the Group at specified rates.

The employees of one of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The contributions are charged to the statement of comprehensive income as they become payable in accordance with the rules of the central pension scheme.

During the year ended 31 December 2013, the retirement benefits scheme contributions are approximately HK$64,000 (2012: HK$60,000).

32. Capital commitments

The Group did not have any significant capital commitment as at 31 December 2013 and 2012.

33. Investments in subsidiaries

	Company	
	2013	**2012**
	HK$'000	*HK$'000*
Unlisted shares, at cost	77	77

Particulars of the Company's subsidiaries as at 31 December 2013 and 2012 are as follows:

Name of subsidiary	Place of incorporation or registration/ operation	Nominal value of issued and fully paid ordinary share capital/ registered capital	Attributable equity interests by the Company				Principal activities
			Directly % 2013	Directly % 2012	Indirectly % 2013	Indirectly % 2012	
Champion Keypad Manufacturing Limited	Hong Kong	HK$1,000 Ordinary shares	–	–	100	100	Trading in conductive silicon rubber products
Gold Concept Limited	British Virgin Islands	US$1 Ordinary share	100	100	–	–	Management service
Gold Pioneer Enterprises Limited	British Virgin Islands	US$1 Ordinary share	–	–	100	100	Inactive
Great Perfect Investments Limited	British Virgin Islands	US$1 Ordinary share	100	100	–	–	Management service
Hong Shing Industrial Limited	Hong Kong	HK$10,000 Ordinary shares	–	–	100	100	Trading in chemical products
Long Trinity Limited	British Virgin Islands	US$1 Ordinary share	100	100	–	–	Inactive
Max Dynasty Limited	British Virgin Islands	US$1 Ordinary share	100	100	–	–	Investment holding
Million Well Creation Limited	Hong Kong	HK$1 Ordinary share	–	–	100	100	Management service
On Shing Holdings Company Limited	British Virgin Islands	US$10,000 Ordinary shares	–	–	100	100	Investment holding
Pacific Choice Holdings Limited	British Virgin Islands	US$10,000 Ordinary shares	–	–	100	100	Investment holding
Redditch Enterprises Limited	British Virgin Islands	US$10,001 Ordinary shares	100	100	–	–	Investment holding
Sheenway Limited	British Virgin Islands	US$1 Ordinary share	–	–	100	100	Inactive
Sourcestar Profits Limited	British Virgin Islands	US$1 Ordinary share	100	100	–	–	Investment holding
Starwick Development Limited	British Virgin Islands	US$1 Ordinary share	–	–	100	100	Investment holding
Best Pick Development Limited	British Virgin Islands	US$1 Ordinary share	100	–	–	–	Investment holding
Sino Green Energy International Co., Limited	Hong Kong	HK$1 Ordinary share	–	–	100	–	Trading in chemical products
Sino Green Energy Investment Co., Limited	Hong Kong	HK$1 Ordinary share	–	–	100	–	Investment holding
Sino Green Energy Technology Co., Limited	Hong Kong	HK$1 Ordinary share	–	–	100	–	Inactive
Sino Yale Holdings Limited	British Virgin Islands	US$1 Ordinary share	100	–	–	–	Investment holding
Surin Development Limited	British Virgin Islands	US$1 Ordinary share	100	–	–	–	Investment holding
Zhejiang Sino Green Energy Technology Company Limited	The PRC	RMB20,000,000	–	–	100	–	Trading in energy conservation and environmental protection products

34. Reserves

	Share premium HK$'000	Capital redemption reserve HK$'000	Contribution surplus HK$'000	Company Investment revaluation reserve HK$'000	Convertible bonds reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2012	102,675	1,564	68,510	(14)	120,398	(751,522)	(458,389)
Loss for the year	–	–	–	–	–	(35, 118)	(35,118)
Increase in fair value of available-for-sale investments	–	–	–	1,492	–	–	1,492
Total comprehensive income for the year	–	–	–	1,492	–	(35,118)	(33,626)
At 31 December 2012	102,675	1,564	68,510	1,478	120,398	(786,640)	(492,015)
Profit for the year	–	–	–	–	–	257,896	257,896
Increase in fair value of available-for-sale investments	–	–	–	224	–	–	224
Total comprehensive income for the year	–	–	–	224	–	257,896	258,120
Placing of new shares *(note 29)*	15,451	–	–	–	–	–	15,451
Share issue expenses *(note 29)*	(414)	–	–	–	–	–	(414)
Transfer of convertible bonds reserve upon derecognition of convertible bonds *(note 27)*	–	–	–	–	(120,398)	120,398	–
At 31 December 2013	117,712	1,564	68,510	1,702	–	(408,346)	(218,858)

35. Leases

Operating leases – lessee

The lease payments recognised as an expenses are as follows:

	Group 2013 HK$'000	2012 HK$'000
Minimum leases payments paid under operating leases	324	–

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

	Group	
	2013	**2012**
	HK$'000	*HK$'000*
Not later than one year	1,040	–
Later than one year and not later than five years	606	–
	1,646	–

Operating lease payment represents rentals payable by the Group for leased office with a term of 2 years.

36. Capital risk management

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

The capital structure of the Group consists of debt and equity attributable to owners of the Company. This includes the promissory notes amounting to HK$Nil (2012: HK$87,500,000), amount due to a shareholder amounting to approximately HK$Nil (2012: HK$1,653,000) and convertible bonds amounting to HK$Nil (2012: HK$261,725,000) disclosed in notes 25, 26 and 27 respectively, and equity attributable to owners of the Company, comprising issued share capital amounting to approximately HK$84,283,000 (2012: HK$70,236,000) and various reserves less accumulated losses amounting to approximately HK$50,930,000 (2012: HK$410,886,000), totalling HK$33,353,000 (2012 deficit: HK$340,650,000).

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues or share buybacks, as well as the issue of new debt or the redemption of existing debt.

37. Financial instruments

(a) Categories of financial instruments

	Group		Company	
	2013	**2012**	**2013**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Available-for-sale investments	6,936	6,712	6,936	6,712
Loans and receivables (including cash and cash equivalents)	119,714	10,539	96,792	5,608
Financial liabilities				
At amortised cost	106,062	352,572	239,454	428,826

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, trade receivables, pledged bank deposits, bank balances and cash, trade and other payables, short-term loans, promissory notes, convertible bonds and loan from a shareholder. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risks (currency risk and equity price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. There has been no change to the policies on how to mitigate these risks.

Market risk

(i) Currency risk

The Group operates in Hong Kong and PRC with most of the transactions are denominated and settled in Hong Kong dollars ("HK$") or USD or RMB.

All the Group's borrowings are denominated in either HK$ or USD.

In view of the fact that the HK$ is pegged to the USD, the Group does not expect any significant movements in USD/HK$ exchange rate.

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

	Group	
	2013	**2012**
	RMB'000	*RMB'000*
Trade and other receivables	17,753	–
Bank balances and cash	135	–
Trade and other payables	(883)	–
Overall net exposure	17,005	–

Sensitivity analysis

The following table indicates the approximate change in the Group's profit for the year and other components of consolidated equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of reporting period. The sensitivity analysis includes balances between Group companies where the denomination of the balances is in a currency other than the functional currencies of the lender or the borrower. A positive number below indicates an increase in profit and other equity where the HK$ strengthens against the relevant currency. For a weakening of the HK$ against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

	2013		**2012**	
	Increase in foreign exchange rate	**Effect on profit for the year and other equity**	**Increase in foreign exchange rate**	**Effect on loss for the year and other equity**
		HK$'000		*HK$'000*
RMB	3%	546	3%	–

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the group entities; exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date. In this respect, it is assumed that the pegged rate between the HK$ and the USD would be materially unaffected by any changes in movement in value of the USD against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the group entities' profit for the year and equity measured in the respective functional currencies, translated into HK$ at the exchange rate ruling at the end of reporting period for presentation purposes. The analysis is performed on the same basis for 2012.

(ii) Equity price risk

The Group is exposed to equity price risk through its investments in listed equity securities that accounted for as available-for-sale investments of the Group. The Group's equity price risk is mainly concentrated on equity instruments operating in banking industry sector in Hong Kong and PRC quoted in the Stock Exchange.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. If the prices of the respective equity securities had been 10% higher/lower, investment revaluation reserve of the Group as at 31 December 2013 would increase/decrease by HK$694,000 (2012: HK$671,000) as a result of the changes in fair value of the listed equity available-for-sale investments held by the Group.

Credit risk

In order to minimise the credit risk arising from the financial assets held by the Group, the Group reviews the recoverable amount of each individual trade and other debt at each end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Company consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk as approximately 32% (2012: 100%) and approximately 91% (2012: 100%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively, all of which are engaged in the business of chemical products and energy conservation and environmental protection products. The concentration of credit risk by geographical location is mainly in Hong Kong and expanded its business into China (2012: Hong Kong), which accounted for 100% (2012: 100%) of the total trade receivable at the end of the reporting period in the said jurisdictions. The directors of the Company have assessed the credit quality of these debtors and have continuously assessed the recoverability of such amounts. For both years, the directors of the Company consider the five largest customers have good repayment history and credit quality with reference to the track records of these customers. The directors of the Company consider these debtors are of good credit quality based on the regular assessments of such customers and the absence of any default record in the past.

In addition, the Group has concentration of credit risk on liquid funds which are deposited with several banks with good reputation. Other than the above, the Group does not have any other significant concentration of credit risk.

Liquidity risk

As set out in note 3(vii), following the completion of the Termination Transactions with TMDC and the hand down of the High Court Judgment, the promissory notes (note 25) and Tranche 1 Bonds (note 27) were derecognised during the current year and as a result the liquidity of the Group has been greatly alleviated as at 31 December 2013.

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

The following table details the Group's contractual maturity for its financial liabilities based on the agreed repayment terms. The tables for non-derivative financial liabilities have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

Liquidity and interest risk table

	Group				
	Weighted average effective interest rate	**Less than 1 year**	**Over 1 year**	**Total undiscounted cash flows**	**Carrying amount at 31 December**
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2013					
Non-derivative financial liabilities					
Trade and other payables		17,933	–	17,933	17,933
Borrowings					
– interest bearing	6	72,898	–	72,898	70,775
– non-interest bearing		17,354	–	17,354	17,354
		108,185	–	108,185	106,062
2012					
Non-derivative financial liabilities					
Trade and other payables		1,694	–	1,694	1,694
Amount due to a shareholder		–	1,653	1,653	1,653
Convertible bonds – liability component *(Note)*	14	–	300,000	300,000	261,725
Promissory notes	16	87,500	–	87,500	87,500
		89,194	301,653	390,847	352,572

	Company				
	Weighted average effective interest rate	**Less than 1 year**	**Over 1 year**	**Total undiscounted cash flows**	**Carrying amount at 31 December**
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2013					
Non-derivative financial liabilities					
Trade and other payables		1,164	–	1,164	1,164
Amounts due to subsidiaries		167,515	–	167,515	167,515
Borrowings	6	72,898	–	72,898	70,775
		241,577	–	241,577	239,454
2012					
Non-derivative financial liabilities					
Other payables		1,579	–	1,579	1,579
Amount due to a subsidiary		165,522	–	165,522	165,522
Convertible bonds – liability component *(Note)*	14	–	300,000	300,000	261,725
		167,101	300,000	467,101	428,826

Note: This is categorised based on contractual term of redemption at maturity on the assumption that there are no redemption or conversion of the convertible bonds.

(c) Fair values of financial instruments

The directors considered that the carrying amounts of financial assets and financial liabilities carried at amortised cost approximate to their fair value.

(d) Fair value measurements recognised in the consolidated statement of financial position

HKFRS 13 requires an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy should have the following levels:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Financial instruments that are measured subsequently to initial recognition at fair value, represent the Group's investments in listed securities in Hong Kong accounted for as available-for-sale investments, amounted to HK$6,936,000 (2012: HK$6,712,000) as set out in note 18, is based on Level 1 measurement which is determined by quoted prices in active markets.

38. Approval of financial statements

The financial statements were approved and authorised for issue by the Board of Directors on 25 March 2014.

4. UNAUDITED FINANCIAL STATEMENTS

The following is the full text of the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2014 as extracted from the interim report of the Company for the six months ended 30 June 2014:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

		Six months ended 30 June	
		2014	**2013**
	Notes	*HK$'000*	*HK$'000*
		Unaudited	Audited
Revenue	*5*	49,422	1,262
Cost of goods sold		(48,177)	(1,252)
Gross profit		1,245	10
Other revenue		78	285
Other gains and losses		–	319
Gain on derecognition of promissory notes		–	87,500
Gain on derecognition of convertible bonds		–	271,909
Administrative expenses		(7,933)	(5,960)
Finance costs	*6*	(1,672)	(10,184)
(Loss)/profit before taxation	*7*	(8,282)	343,879
Income tax credit	*8*	–	6,316
(Loss)/profit for the period		(8,282)	350,195
Other comprehensive income	*11*		
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		(679)	–
Decrease in fair value of available-for-sale investments		(322)	(272)
Other comprehensive income for the period		(1,001)	(272)
Total comprehensive income for the period		(9,283)	349,923
(Loss)/earnings per share			
– basic *(expressed in HK cents per share)*	*9*	(0.98)	49.64
– diluted *(expressed in HK cents per share)*	*9*	(0.98)	7.32

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2014

	Notes	As at 30 June 2014 HK$'000 Unaudited	As at 31 December 2013 HK$'000 Audited
ASSETS			
Non-current assets			
Property, plant and equipment	*12*	10,980	11,423
Available-for-sale investments		6,614	6,936
		17,594	18,359
Current assets			
Trade and other receivables	*13*	20,706	51,773
Pledged bank deposits		–	59,224
Bank balances and cash		24,380	10,101
		45,086	121,098
LIABILITIES			
Current liabilities			
Trade and other payables	*14*	1,068	17,933
Borrowings	*15*	37,501	88,129
Current tax liabilities		41	42
		38,610	106,104
Net current assets		6,476	14,994
Net assets		24,070	33,353
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	*16*	84,283	84,283
Reserves		(60,213)	(50,930)
Total equity		24,070	33,353

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to owners of the Company								
	Share capital	Share premium	Capital redemption reserve	Special reserve	Investment revaluation reserve	Convertible bonds reserve	Exchange reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2013	70,236	102,675	1,564	(123)	1,478	120,398	–	(636,878)	(340,650)
Profit for the period	–	–	–	–	–	–	–	350,195	350,195
Decrease in fair value of available-for-sale investments	–	–	–	–	(272)	–	–	–	(272)
Total comprehensive income for the period	–	–	–	–	(272)	–	–	350,195	349,923
Placing of new shares	14,047	15,451	–	–	–	–	–	–	29,498
Share issue expenses	–	(414)	–	–	–	–	–	–	(414)
Transfer of convertible bonds reserve upon derecognition of convertible bonds	–	–	–	–	–	(120,398)	–	120,398	–
At 30 June 2013 (audited)	84,283	117,712	1,564	(123)	1,206	–	–	(166,285)	38,357
At 1 January 2014	84,283	117,712	1,564	(123)	1,702	–	384	(172,169)	33,353
Loss for the period	–	–	–	–	–	–	–	(8,282)	(8,282)
Exchange difference on translating of foreign operation	–	–	–	–	–	–	(679)	–	(679)
Decrease in fair value of available-for-sale investments	–	–	–	–	(322)	–	–	–	(322)
Total comprehensive income for the period	–	–	–	–	(322)	–	(679)	(8,282)	(9,283)
At 30 June 2014 (unaudited)	84,283	117,712	1,564	(123)	1,380	–	(295)	(180,451)	24,070

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2014

	Six months ended 30 June	
	2014	**2013**
	HK$'000	*HK$'000*
	Unaudited	Audited
Net cash from/(used in) operating activities	7,692	(4,663)
Net cash generated from investing activities	43	–
Net cash generated from financing activities	6,668	29,084
Net increase in cash and cash equivalents	14,403	24,421
Cash and cash equivalents at beginning of the period	10,101	9,917
Effect of exchange rate changes on cash and cash equivalents	(124)	–
Cash and cash equivalents at end of the period, represented by bank balances and cash	24,380	34,338

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2014

1 General Information

Sinogreen Energy International Group Limited is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and Room 703-704, 7/F, Shanghai Industrial Investment Building, 48-62 Hennessy Road, Wan Chai, Hong Kong, respectively.

The Company is an investment holding company where the Group, comprising the Company and its subsidiaries, is principally engaged in trading of chemical products, and energy conservation and environmental protection products.

2 Basis of Preparation

The condensed consolidated financial statements for the six months ended 30 June 2014 have been prepared in accordance with applicable disclosure requirements of Appendix 16 of the Listing Rule and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountant (the "HKICPA"). The condensed consolidated financial statements should be read in conjunction with the Group's annual financial statement as at 31 December 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRS") issued by the HKICPA.

The condensed consolidated financial statements have not been audited.

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements. Statutory financial statements for the year ended 31 December 2013 are available from the Company's registered office. The auditors have expressed a disclaimer of opinion on those financial statements in their report dated 25 March 2014.

3 Accounting Policies

Except as described below, the condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the Group's annual financial statement as at 31 December 2013.

The Group has adopted the following standards, amendments and interpretations to published standards issued by the HKICPA, which are effective for the accounting periods beginning on or after 1 January 2014:

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 12 and HKAS27 (2011)	Investment entities

The adoption of the abovementioned new or revised standards, amendments and interpretation did not result in any substantial changes to the Group's significant accounting policies and presentation of the condensed consolidated financial statements.

The HKICPA has also issued the following new or revised standards, amendments or interpretations which are not yet effective for the financial period beginning on 1 January 2014:

HKFRS 9	Financial Instruments[4]
Amendments to HKAS 16	Property, Plant and Equipment[3]
Amendments to HKAS 38	Intangible Assets[3]
HKFRS15	Revenue from contracts with Customers[5]
HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle[2]
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle[1]

[1] Effective for annual periods beginning on or after 1 July 2014

[2] Effective for annual periods beginning or transactions occurring, on or after 1 July 2014

[3] Effective for annual periods beginning on or after 1 January 2016

[4] No mandatory effective date yet determined but is available for adoption

[5] Effective for annual periods beginning on or after 1 January 2017

The Group has not early adopted the above new or revised standards, amendments or interpretations in the condensed consolidated financial statements. The Group has already commenced an assessment of the related impact to the Group but is not yet in a position to state whether any substantial changes to the Group's significant accounting policies or presentation of the Group's consolidated financial statements will be resulted.

4 Financial Risk Management

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2013.

There have been no changes in the risk management department since 31 December 2013 or in any risk management policies.

4.2 Liquidity risk

Compared to 31 December 2013, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

4.3 Fair value estimation

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

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

Financial instruments that are measured subsequently to initial recognition at fair value, represent the Group's investments in listed securities in Hong Kong accounted for as available-for-sale investments, amounted to HK$6,614,000 (31 December 2013: HK$6,936,000), is based on Level 1 measurement which is determined by quoted prices in active markets.

5 Segment Information

Information reported to the executive directors of the Company, being the chief operating decision maker ("CODM"), for the purpose of resource allocation and assessment of segment performance focuses on types of goods sold.

The Group currently has only one continuing operating segment, namely chemical products, and energy conservation and environmental protection products, which engages in the business of trading of chemical products, and energy conservation and environmental protection products.

Segment revenue and results

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

For the six-months ended 30 June 2014 (unaudited)

	Chemical products, and energy conservation and environmental protection products segment and consolidated total *HK$'000*
Revenue – External sales	49,422
Segment loss	(481)
Unallocated income/(expense) items:	
Central administration costs and directors' salaries	(6,207)
Other revenue	78
Finance costs	(1,672)
Loss before taxation	(8,282)

For the six-months ended 30 June 2013 (audited)

	Conductive silicon rubber keypads segment and consolidated total
	HK$'000
Revenue – External sales	1,262
Segment profit	10
Unallocated income/(expense) items:	
Central administration costs and directors' salaries	(5,960)
Other revenue	285
Other gains and losses	319
Gain on derecognition of promissory notes	87,500
Gain on derecognition of convertible bonds	271,909
Finance costs	(10,184)
Profit before taxation	343,879

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment (loss)/profit represents (loss)/profit earned by each segment without absorption of unallocated income/(expense) items, details of which are set out above. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The reconciliation between the segment assets and liabilities and the respective consolidated balances is as follows:

	Chemical products, and energy conservation and environmental protection products segment and consolidated total	
	As at 30 June 2014	**As at 31 December 2013**
	HK$'000	*HK$'000*
	Unaudited	Audited
Assets		
Segment assets	14,209	109,613
Bank balances and cash	24,380	10,101
Other unallocated assets	24,091	19,743
Consolidated assets	62,680	139,457
Liabilities		
Segment Liabilities	1,068	35,287
Unallocated liabilities	37,542	70,817
Consolidated liabilities	38,610	106,104

For the purpose of monitoring to segments performance and allocating resources between segments:

- All assets are allocated to operating segments other than property, plant and equipment, available-for-sale investments, other receivables and bank balances and cash; and

- All liabilities are allocated to operating segments other than other loans and current tax liabilities.

Other segment information

For the six-months ended 30 June 2014 (unaudited)

	Chemical products, and energy conservation and environmental protection products segment	**Unallocated**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:			
Additions to non-current assets	–	15	15
Depreciation of property, plant and equipment	351	75	426
Finance costs	–	1,672	1,672

For the six-months ended 30 June 2013 (audited)

	Conductive silicon rubber keypads segment	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:			
Depreciation of property, plant and equipment	–	(4)	(4)
Finance costs	–	(10,184)	(10,184)
Gain on derecognition of promissory notes	–	87,500	87,500
Gain on derecognition of convertible bonds	–	271,909	271,909

Information about major customers

Revenues from customers of the corresponding periods contributing over 10% of the total sales of the Group are as follows:

	Six months ended 30 June	
	2014	**2013**
	HK$'000	*HK$'000*
	Unaudited	Audited
Customer A	24,251	–
Customer B	8,305	–
Customer C	7,614	–
Customer D	–	1,262
	40,170	1,262

Geographical information

The Group's operations are mainly located in Hong Kong and the PRC.

The following table provides an analysis of revenue from external customers derived from Hong Kong, which is the country of domicile of the Group for the purpose of HKFRS 8, and non-Hong Kong, irrespective of the origin of the goods and information about its non-current assets by geographical location of the assets.

	Revenue from external customers	
	Six months ended 30 June	
	2014	**2013**
	HK$'000	*HK$'000*
	Unaudited	audited
Sales of chemical products, and energy conservation and environmental protection products:		
PRC (excluding Hong Kong)	41,808	–
South America	7,614	–
	49,422	–
Sales of conductive silicon rubber keypads:		
Hong Kong	–	1,262

	Non-current assets	
	As at 30 June 2014	**As at 31 December 2013**
	HK$'000	*HK$'000*
	Unaudited	Audited
Hong Kong	9,900	10,114
PRC (excluding Hong Kong)	1,080	1,309
	10,980	11,423

6 Finance Costs

	Six months ended 30 June	
	2014	**2013**
	HK$'000	*HK$'000*
	Unaudited	Audited
Effective interests on borrowings wholly repayable within five years:		
Convertible bonds	–	10,184
Borrowings	1,672	–
	1,672	10,184

7 (Loss)/Profit Before Taxation

(Loss)/profit before taxation for the period has been arrived at after charging the following:

	Six months ended 30 June	
	2014	**2013**
	HK$'000	*HK$'000*
	Unaudited	Audited
Directors' remuneration	1,948	434
Other staff costs		
– salaries and other benefits	2,444	423
– retirement benefits scheme contribution	104	21
	2,548	444
Total staff costs	4,496	878
Depreciation of property, plant and equipment *(note 12)*	426	4
Cost of inventories recognised as expense	48,177	1,252
Management fee (included in administrative expenses, note)	–	480

Note:

The above amount is paid to Man Lee Management Limited, a company beneficially held and significantly influenced by an entity which is also a shareholder that has significant influence over the Company, for the Group's share of administrative and management services for an office premise, including in which an amount of HK$Nil (2013: HK$384,000) representing the share of the rental expenses for the period under an operating lease.

8 Income Tax Credit

The amount of taxation credited to the condensed consolidated statement of comprehensive income represents:

	Six months ended 30 June	
	2014	**2013**
	HK$'000	*HK$'000*
	Unaudited	Audited
Deferred tax credit – current period	–	6,316

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods. No provision for Hong Kong profits tax has been made as the group entities have no assessable profits in Hong Kong for the six months ended 30 June 2014 and 2013.

9 (Loss)/Earnings Per Share

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

	Six months ended 30 June	
	2014	**2013**
	HK$'000	*HK$'000*
	Unaudited	Audited
(Loss)/profit		
(Loss)/profit for the purpose of basic (loss)/earnings per share	(8,282)	350,195
Effects of dilutive potential ordinary shares:		
Gain on derecognition of convertible bonds	–	(271,909)
Release of deferred tax liabilities arising from convertible bonds upon derecognition	–	(4,635)
Interest on convertible bonds (net of tax)	–	8,503
(Loss)/profit for the purpose of diluted (loss)/earnings per share	(8,282)	82,154

	Six months ended 30 June	
	2014	**2013**
	HK$'000	*HK$'000*
	Unaudited	Audited
Number of shares		
Number of ordinary shares for the purpose of basic (loss)/earnings per share	842,824	705,460
Number of ordinary shares for the purpose of diluted (loss)/earnings per share	842,824	1,122,875

10 Dividend

No interim dividend has been paid or declared during each of the periods ended 30 June 2014 and 2013.

11 Other Comprehensive Income

Available-for-sale investments

	Six months ended 30 June	
	2014	**2013**
	HK$'000	*HK$'000*
	Unaudited	Audited
Decrease in fair value recognised during the period	(322)	(272)

12 Property, Plant and Equipment

	Furniture and fixtures *HK$'000*	Office equipment *HK$'000*	Lands and building *HK$'000*	Motor vehicles *HK$'000*	Leasehold improvements *HK$'000*	Total *HK$'000*
Cost						
At 31 December 2012	–	36	–	–	–	36
Additions	89	159	9,800	1,225	229	11,502
Exchange realignment	–	2	–	18	–	20
Disposals	–	(29)	–	–	–	(29)
At 31 December 2013 (audited)	89	168	9,800	1,243	229	11,529
Additions	11	4	–	–	–	15
Exchange realignment	–	(3)	–	(32)	–	(35)
At 30 June 2014 (unaudited)	100	169	9,800	1,211	229	11,509
Accumulated depreciation						
At 31 December 2012	–	15	–	–	–	15
Charge for the year	7	11	–	54	32	104
Eliminated on disposals	–	(13)	–	–	–	(13)
At 31 December 2013 (audited)	7	13	–	54	32	106
Charge for the period	13	20	153	183	57	426
Exchange realignment	–	–	–	(3)	–	(3)
At 30 June 2014 (unaudited)	20	33	153	234	89	529
Net book value						
At 30 June 2014 (unaudited)	80	136	9,647	977	140	10,980
At 31 December 2013 (audited)	82	155	9,800	1,189	197	11,423

Management has reviewed the recoverable amounts of the Group's key operating assets and concluded that the recoverable amounts of these key operating assets exceed their carrying amounts. The recoverable amounts of these key operating assets have been determined based on value-in-use calculations.

13 Trade and Other Receivables

	As at 30 June 2014 *HK$'000* Unaudited	**As at 31 December 2013** *HK$'000* Audited
Trade receivables *(note)*	11,249	50,389
Note receivables	2,960	–
Prepayments, deposits and other receivables	6,497	1,384
	20,706	51,773

Notes:

The Group generally allows credit periods of 30 to 180 days to its trade customers. An aging analysis of trade receivables presented based on the invoice date at the end of the reporting period is as follows:

	As at 30 June 2014 *HK$'000* Unaudited	**As at 31 December 2013** *HK$'000* Audited
0 – 30 days	–	50,389
31 – 90 days	6,206	–
91 – 180 days	5,043	–
	11,249	50,389

The Group closely monitors the granting of credit and periodically reviews the recoverability of each trade debt. None of the trade receivables that are neither past due nor impaired has any default payment history. Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed periodically.

There are no trade receivables which are past due as at 30 June 2014 and the Group does not hold any collateral over these balances.

14 Trade and Other Payables

	As at 30 June 2014 *HK$'000* Unaudited	As at 31 December 2013 *HK$'000* Audited
Trade payables *(note (i))*	648	8,818
Other payables and accruals	420	1,502
Trade deposit received	–	7,613
	1,068	17,933

Note:

(i) Aging analysis of the trade payables at the respective reporting dates are as follows:

	As at 30 June 2014 *HK$'000* Unaudited	As at 31 December 2013 *HK$'000* Audited
0 – 30 days	–	8,818
31 – 90 days	61	–
91 – 365 days	587	–
	648	8,818

15 Borrowings

	As at 30 June 2014	As at 31 December 2013
	HK$'000	*HK$'000*
	Unaudited	Audited
Current		
Interest bearing		
Unsecured – other loans *(note (i))*	37,501	70,775
Non-interest bearing		
Secured – bank loans *(note (ii))*	–	17,354
Total borrowings	37,501	88,129

Notes:

(i) HK$37,501,000 of other loans are repayable on 16 December 2014 (2013: HK$25,510,000, HK$7,755,000 and HK$37,510,000 of the other loans are repayable on 5 May 2014, 15 June 2014 and 17 June 2014 respectively). Interest is charged at 6% per annum.

(ii) The bank loans represent trust receipt loans which are secured by bank deposits of HK$59,224,000.

Total current other loans and bank loans were scheduled to repay as follows:

	As at 30 June 2014	As at 31 December 2013
	HK$'000	*HK$'000*
	Unaudited	Audited
Within one year	37,501	88,129

The amounts due are based on the scheduled repayment dates in the loan agreements and no repayment on demand clause is noted for the other borrowings.

16 Share Capital

	Number of shares *'000*	Nominal values *HK$'000*
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 January 2013, 31 December 2013 and 30 June 2014	20,000,000	2,000,000
Issued and fully paid:		
At 1 January 2013	702,356	70,236
Placing of new shares *(note)*	140,468	14,047
At 31 December 2013 and 30 June 2014	842,824	84,283

Notes:

On 6 June 2013, the Company entered into the placing agreement with the placing agent pursuant to which the Company conditionally agreed to place, through the placing agent on a best effort basis, a maximum of 140,468,000 placing shares. On 7 June 2013, the placing agent procured Mega Start Limited (the "Placee") to subscribe for the 140,468,000 placing shares at the price of HK$0.21 per placing share. The placing price of HK$0.21 represented a discount of approximately 16.0% to the closing price of HK$0.25 per share as quoted on the Stock Exchange on 7 June 2013, being the date of confirmation of the placing price with the Placee. The placing shares rank pari passu in all respects with the existing ordinary shares of the Company in issue.

The placing was completed on 26 June 2013. The gross proceeds from the placing were HK$29,498,000. The excess of the gross proceeds over the nominal value of the placing shares of HK$14,047,000 amounting to HK$15,451,000 has been recorded in the share premium account. The net proceeds of the placing were approximately HK$29,084,000, which represented a net price of HK$0.207 per placing share. The Company has applied HK$18,983,000 of the net proceeds from the placing for acquisition of fixed assets and purchase of goods up to 31 December 2013.

17 Commitments

(a) *Operating commitments*

Operating lease – lessee

The lease payments recognised as an expenses are as follows:

	Six months ended 30 June	
	2014	**2013**
	HK$'000	*HK$'000*
	Unaudited	Audited
Minimum leases payments paid under operating leases	526	–

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

	As at 30 June 2014	As at 31 December 2013
	HK$'000	*HK$'000*
	Unaudited	Audited
No later than one year	1,063	1,040
Later than one year and not later than five years	88	606
	1,151	1,646

(b) *Capital commitments*

The Group did not have any significant capital commitment as at 30 June 2014 and 31 December 2013.

18 Related Party Disclosures

Other than those disclosed in note 7, during the period and at the end of the reporting period, the Group had the following transactions and balance respectively with related parties. These transactions do not constitute either connected transaction or continuing connected transaction as defined under Chapter 14A of the Listing Rules.

(i) Key management compensation

	Six months ended 30 June	
	2014	**2013**
	HK$'000	*HK$'000*
	Unaudited	Audited
Short-term benefits	1,940	550
Retirement benefits scheme contributions	8	10
	1,948	560

The remuneration of directors and other members of key management is determined by the board of directors having regard to the performance of individual and market trends.

19 Event After the Reporting Period

On 25 July 2014, the Board proposed to put forward to the shareholders of the Company the proposal for the capital reorganisation which would involve the share consolidation, the capital reduction, the share premium reduction and the transfer. Details of the capital reorganisation can be referred to the joint announcement published by the Company and Reach Luck International Limited (the "Offeror") dated 25 July 2014 and the circular published by the Company dated 18 August 2014.

In addition, as set out in the above joint announcement and circular, on 11 July 2014, the Company and the subscribers entered into the subscription agreement pursuant to which (i) the Company has conditionally agreed to issue to each subscriber, and each subscriber has conditionally agreed to subscribe for the subscription shares; and (ii) the Company has conditionally agreed to issue to the Offeror, and the Offeror has conditionally agreed to subscribe for, the convertible notes.

As at the date of this interim report, the above proposed capital reorganisation and the issue of shares and convertible notes have not been completed.

5. STATEMENT OF INDEBTEDNESS

At the close of business on 31 July 2014, being the latest practicable date, the Group had outstanding unsecured loans of approximately HK$37,502,000. The Group had undrawn bank facility in the total amount of approximately HK$116,267,000.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade and other payables in the ordinary course of the business of the Group, the Group did not have outstanding at the close of business on 31 July 2014 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

6. MATERIAL CHANGES

On 12 September 2014, the Capital Reorganisation involving (i) the Share Consolidation; (ii) the Capital Reduction; (iii) the Share Premium Reduction; and (iv) the Transfer has become effective. The total credit amount arising from the Capital Reduction and the Share Premium Reduction had been credited to the contributed surplus account of the Company and the then entire amount standing to the contributed surplus account of the Company of approximately HK$253,647,920 had been applied to set off against part of the accumulated losses of the Company.

On 11 July 2014, the Company and the Subscribers entered into the Subscription Agreement. Completion of the Subscription has taken place on 19 September 2014. Pursuant to the terms and conditions of the Subscription Agreement, an aggregate of 325,000,000 Subscription Shares were issued and allotted to the Subscribers at the Subscription Price of HK$0.35; and the Convertible Notes in the principal amount of HK$55,650,000 were issued to the Offeror. The net proceeds from the Subscriptions were approximately HK$164,400,000.

Details of the Capital Reorganisation and the Subscriptions were disclosed in the circular of the Company dated 18 August 2014.

Due to the absence from the significant one-off gain arising from the cancellation of certain convertible bonds and promissory notes of the Company amounted to approximately HK$359.4 million, the Group recorded a net loss of approximately HK$8.3 million for the six months ended 30 June 2014, as compared with the net profit of HK$350.2 million for the corresponding period in 2013. Details of which were disclosed in the profit warning announcement and the interim report published by the Company on 30 July 2014 and 10 September 2014 respectively.

Save for the above, the Directors confirm that there has been no material change in the financial or trading position or outlook of the Group since 31 December 2013 (being the date to which the latest published audited financial statements of the Group were made up) up to and including the Latest Practicable Date.

The following is the text of a letter from BDO Limited on the Interim Results (as defined below) prepared for inclusion in this Composite Document.

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www.bdo.com.hk

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香港干諾道中111號
永安中心25樓

The Directors
Sinogreen Energy International Group Ltd.
Room 703-704, 7/F
Shanghai Industrial Investment Building
48-62 Hennessy Road
Wanchai
Hong Kong

26 September 2014

Dear Sirs

SINOGREEN ENERGY INTERNATIONAL GROUP LIMITED (THE "COMPANY") AND ITS SUBSIDIARIES (HEREINAFTER COLLECTIVELY REFERRED TO AS THE "GROUP") UNAUDITED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

We refer to the unaudited consolidated interim results attributable to equity holders of the Company for the six months ended 30 June 2014 (the "Interim Results") set forth in the section headed "Financial Information of the Group" in the composite document of the Company dated 26 September 2014 (the "Composite Document"). The Interim Results is regarded as a profit forecast under Rule 10 of the Code on Takeovers and Mergers.

Responsibilities

The Interim Results has been prepared by the directors of the Company based on the unaudited consolidated results based on the management accounts of the Group for the six months ended 30 June 2014.

The Company's directors are solely responsible for the Interim Results. It is our responsibility to form an opinion on the accounting policies and calculations of the Interim Results based on our procedures.

Basis of opinion

We carried out our work in accordance with the terms of our engagement letter dated 10 September 2014 and Hong Kong Standard on Investment Circular Reporting Engagements 500 "Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness" and with reference to Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the Hong Kong Institution of Certified Public Accountants (the "HKICPA"). Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company's directors have properly compiled the Interim Results in accordance with the bases adopted by the Company's directors and as to whether the Interim Result is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Interim Results has been properly compiled in accordance with the bases adopted by the directors of the Company as set out in Appendix II to the Composite Document and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the Company's published annual report for the year ended 31 December 2013.

Yours faithfully
BDO Limited

The following is the text of the letter from Optima Capital on the Interim Results (as defined below) prepared for inclusion in this Composite Document.

OPTIMA CAPITAL

Suite 1501, 15th Floor
Jardine House
1 Connaught Place
Central, Hong Kong

26 September 2014

The Board of Directors
Sinogreen Energy International Group Limited

Dear Sirs,

We refer to the composite offer and response document jointly issued by the Company and the Offeror dated 26 September 2014 (the "Composite Document"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Composite Document unless otherwise specified.

We noted that the Company has published an interim results announcement on 22 August 2014 and an interim report on 10 September 2014 containing the unaudited consolidated interim results attributable to equity holders of the Company for the six months ended 30 June 2014 (the "Interim Results"), details of which are set out in Appendix II to the Composite Document. We also noted that the Independent Board Committee has advised the Independent Shareholders not to accept the Share Offer, details of which are set out in the letter from the Independent Board Committee contained in the Composite Document. Pursuant to Rule 10.9(iii) of the Takeovers Code, we, as the financial adviser to the Company, must report on the unaudited profit figures published during the Offer Period.

We have discussed with the Directors the bases and assumptions adopted in the preparation of the Interim Results. We have also considered the report of BDO Limited ("BDO"), the auditors of the Company. BDO is of the opinion that, so far as the accounting policies and calculations are concerned, the Interim Results have been properly compiled in accordance with the bases adopted by the Directors as set out in Appendix II to the Composite Document and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the Company's published annual report for the year ended 31 December 2013. The report issued by BDO on their review is set out in Appendix III to the Composite Document.

On the bases of the Interim Results prepared by the Company and on the basis of the review performed by BDO, we are of the opinion that the Interim Results, for which the Directors are solely responsible, have been made after due and careful consideration.

Yours faithfully,
for and on behalf of
Optima Capital Limited
Benny Ng
Director

1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to the Offeror, Dr. Lam and parties acting in concert with any of them) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than opinions expressed by the Offeror, Dr. Lam and parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in this Composite Document (other than information relating to the Group) and confirms, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed in this Composite Document (other than opinions expressed by the Group) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

Authorised		*HK$*
20,000,000,000	Shares	2,000,000,000
Issued, fully paid or credited as fully paid:		*HK$*
493,564,800	Shares in issue as at the Latest Practicable Date	49,356,480
159,000,000	Conversion Shares to be allotted and issued upon the exercise of conversion rights attaching to the Convertible Notes in full at the initial Conversion Price	15,900,000
652,564,800	Shares	65,256,480

A total of 325,000,000 Shares have been issued by the Company since 31 December 2013 (being the date to which its latest published audited financial statements were prepared) and up to the Latest Practicable Date. All of the Shares currently in issue rank pari passu in all respects with each other, including, in particular, as to dividends, voting and return of paid-up share capital.

Save for the Capital Reorgnisation and the Share Subscription, the Company had not issued any Share since 31 December 2013 (being the date to which the latest published audited financial statements of the Group were made up) and up to and including the Latest Practicable Date.

Save for the Convertible Notes, as at the Latest Practicable Date, the Company had no outstanding options, derivatives, warrants or conversion rights affecting the Shares.

3. DISCLOSURE OF INTERESTS IN THE COMPANY

As at the Latest Practicable Date, details of interests in the Shares, underlying Shares, debentures or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company held or controlled by the Offeror, Dr. Lam and parties acting in concert with any of them were as follows:

Name	Number of Shares held	Approximate % of interest
The Offeror	295,000,000	59.77
Creative Cosmo	23,500,000	4.76
New Elect	6,500,000	1.32

In addition, the Offeror held the Convertible Notes with principal amount of HK$55,650,000 (convertible into a maximum of 159,000,000 Conversion Shares at the initial Conversion Price upon the exercise of the conversion rights attaching thereto) as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Offeror, Dr. Lam and parties acting in concert with any of them had any interest in the relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company.

4. DISCLOSURE OF OTHER INTERESTS AND DEALINGS IN SECURITIES

The Company

As at the Latest Practicable Date,

(i) the Company was not interested in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Offeror, and had not dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Offeror during the Relevant Period;

(ii) save for (a) Mega Start Limited ("Mega Start", which is wholly and beneficially owned by Mr. Chau Chit, an executive Director) holding 49,693,600 Shares, representing approximately 10.07% of the issued share capital of the Company; and (b) Fount Holdings Limited ("Fount Holdings", which is wholly and beneficially owned by Mr. Tang Hao, an executive Director) holding 18,188,800 Shares, representing approximately 3.69% of the issued share capital of the Company, none of the Directors were interested in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or the Offeror;

(iii) none of the subsidiaries of the Company, the pension fund of the Company or of its subsidiaries, or the 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, or had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period;

(iv) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with 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;

(v) there was no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which were managed on a discretionary basis by fund managers connected with the Company, and none of them had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period;

(vi) save as mentioned in (ii) above, none of the Directors held any beneficial shareholdings in the Company which would otherwise entitle them to accept or reject the Share Offer. Each of Mega Start and Fount Holdings has irrevocably confirmed and undertaken to the Company and the Offeror that (i) it will not dispose of all or any Shares prior to completion of the Share Offer; (ii) it shall not accept the Share Offer to transfer to the Offeror all or any of the Shares; (iii) it has not created any lien, charges, encumbrances, claims, equities, rights of pre-emption and/or any other form of encumbrance or third party right of any nature against the Share held in its name; (iv) it will not create any lien, charges, encumbrances, claims, equities, rights of pre-emption and/or any other form of encumbrance or third party right of any nature against the Share held in its name prior to completion of the Share Offer; and (v) it shall not make available for acceptance all or any Shares held in its name for the Share Offer;

(vii) none of the Company or the Directors had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;

(viii) no benefit had been or would be given to any Director as compensation for loss of office or otherwise in connection with the Share Offer;

(ix) there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of Share Offer or otherwise connected with the Share Offer; and

(x) save for the Subscription Agreement and the Deed of Non-Competition, the Company had not entered into any material contract in which any Director had a material personal interest.

The Offeror

As at the Latest Practicable Date,

(i) save as disclosed above in the section headed "3. Disclosure of Interests in the Company" in this Appendix V above, the Offeror and Dr. Lam (who is the beneficial owner and the sole director of the Offeror) did not hold other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;

(ii) the Offeror had received the irrevocable commitment from the Mega Start and Fount Holdings not to accept the Share Offer by way of the Irrevocable Undertakings;

(iii) no benefit (other than statutory compensation) was or would be given to any Director as compensation for his loss of office or otherwise in connection with the Share Offer;

(iv) the Offeror intended to finance the consideration payable by the Offeror by the Facility. Under the terms of the Facility, the Offer Shares to be acquired through the Share Offer using the funds under the Facility shall be deposited into a designated securities account maintained at Fortune Securities. Save for the Facility and unless otherwise required by the Listing Rules with regard to the public float requirements, there was no agreement, arrangement or understanding that any securities of the Company, acquired in pursuance of the Share Offer would be transferred, charged or pledged to any other persons;

(v) there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any party acting in concert with it on one hand and any Directors, recent Directors, Shareholders or recent Shareholders on the other hand, having any connection with or dependence upon the Share Offer;

(vi) there was no agreement or arrangement to which the Offeror is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a condition to the Share Offer;

(vii) none of the Offeror, or any parties acting in concert with it or other associates of the Offeror, had entered into any arrangements of the kind (whether by way of option, indemnity, or otherwise) as referred to in Note 8 to Rule 22 of the Takeovers Code with any other person; and

(viii) there were no Shares or other securities of the Company carrying voting rights or convertible securities, warrants, options or derivatives of the Company which the Offeror or any parties acting in concert with it has borrowed or lent.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contracts with the Company or any of its subsidiaries or associated companies which (i) (including both continuous and fixed-term contracts) have been entered into or amended within 6 months preceding the commencement of the Offer Period; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period.

6. MATERIAL CONTRACTS

The following contracts (not being a contract entered into in the ordinary course of business carried on or intended to be carried on by the Group) have been entered into by the Group after the date falling two years prior to 25 July 2014, being the date of Joint Announcement up to and including the Latest Practicable Date:

(i) a termination deed I dated 27 July 2012 ("**Termination Deed I**") entered into among Starwick Development Limited, an indirect wholly-owned subsidiary of the Company ("**Starwick Development**"), 台灣微型影像股份有限公司 (Taiwan Micro Display Corp.), a company incorporated in Taiwan ("**TMDC**") and a director of TMDC in respect of, among other things, the termination of the sale and purchase agreement dated 29 February 2009 entered into by TMDC as vendor and Starwick Development as purchaser (as supplemented by the supplemental agreements made between the same parties on 5 September 2008 and 3 October 2008 respectively) in connection with, inter alia, the sale and purchase of certain machineries, patents and the entire issued share capital in a company incorporated in West Samoa at a consideration of US$25,000,000;

(ii) a termination deed II dated 27 July 2012 entered into between TMDC and Starwick Development in respect of, among other things, the termination of the tenancy agreement dated 15 January 2009 entered into between TMDC as landlord and Starwick Development as tenant in relation to renting of premises in Taiwan;

(iii) a termination deed III dated 27 July 2012 entered into between Sheenway Limited, an indirect wholly-owned subsidiary of the Company ("**Sheenway**") and TMDC in respect of, among other things, the termination of the patents licensing contract dated 4 September 2008 entered into between TMDC as licensor and Sheenway as licensee, pursuant to which TMDC agreed to grant to Sheenway the exclusive license to use its patent registered in the PRC;

(iv) a termination deed IV dated 27 July 2012 entered into between TMDC and Sheeway in respect of, among other things, the termination of the patents licensing deed dated 4 September 2008 entered into between TMDC as licensor and Sheenway as licensee, pursuant to which TMDC agreed to grant to Sheenway the exclusive license to use certain patents registered in Taiwan;

(v) a termination deed V dated 27 July 2012 entered into between TMDC and Pacific Choice Holdings Limited, an indirect wholly-owned subsidiary of the Company ("**Pacific Choice**") in respect of, among other things, the termination of the supply agreement dated 15 January 2009 entered into between TMDC as supplier and Pacific Choice as customer, pursuant to which TMDC agreed to sell and Pacific Choice agreed to purchase components for the manufacturing of the LCoS television for a term of 3 years;

(vi) a patents transfer agreement dated 27 July 2012 ("**Patents Transfer Agreement**") entered into between Sheenway as transferor and TMDC as transferee in respect of, among other things, the transfer of patents to TMDC by Sheenway;

(vii) a supplemental deed to Termination Deed I dated 5 November 2012 entered into among Starwick Development, TMDC and a director of TMDC in respect of, among other things, amendment to a condition precedent to the Termination Deed I;

(viii) a supplemental agreement to the Patents Transfer Agreement dated 5 November 2012 entered into between Sheenway and TMDC in respect of, among other things, amendment to a condition precedent and extension of the long stop date of the Patents Transfer Agreement;

(ix) a placing agreement dated 6 June 2013 entered into among the Company and a placing agent, pursuant to which the placing agent would, on a best effect basis, procure for the subscription of a maximum of 140,468,000 Old Shares (prior to the Capital Reorganisation became effective);

(x) an escrow deposit agreement dated 11 July 2014 entered into among the Company and the Subscribers as appointors and an escrow agent, pursuant to which the escrow agent would hold the consideration for the Subscriptions on behalf of the appointors;

(xi) the Subscription Agreement; and

(xii) the Deed of Non-Competition.

7. MATERIAL LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance and no litigation or claims of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

8. MARKET PRICES

The table below sets out the closing prices of the Shares (taken into account of the Capital Reorganisation became effective) as quoted on the Stock Exchange on the Latest Practicable Date, the Last Trading Date, and the last trading day of each of the calendar months during the Relevant Period on which trading of the Shares took place:

Date	**Closing price of Shares** *(HK$)*
30 January 2014	1.900
28 February 2014	2.075
31 March 2014	2.700
30 April 2014	3.500
30 May 2014	3.700
30 June 2014	5.300
11 July 2014 (being the Last Trading Date)	6.150
31 July 2014	10.300
29 August 2014	13.500
23 September 2014 (being the Latest Practicable Date)	12.500

The highest and lowest adjusted closing prices of the Shares (taken into account of the Capital Reorganisation became effective) during the Relevant Period were HK$14.900 per Share (on 18 August 2014) and HK$1.825 per Share (on 4 February 2014) respectively.

9. EXPERTS AND CONSENTS

The followings are the qualifications of the experts who have given opinion or advice contained in this Composite Document.

Fortune Financial Capital	a company incorporated in Hong Kong with limited liability and is licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO which is the financial adviser to the Offeror in respect of the Share Offer
Fortune Securities	a company incorporated in Hong Kong with limited liability and is licensed to carry out Type 1 (dealing in securities) regulated activities under the SFO which is making the Share Offer on behalf of the Offeror
Optima Capital	a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO which is the finanical adviser to the Company
Veda	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO which is the independent financial adviser to the Independent Board Committee
BDO Limited	Certified Public Accountants

As at the Latest Practicable Date, neither of the above experts had any shareholding interest 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.

Each of the above experts has given and has not withdrawn their respective written consents to the issue of this Composite Document with the inclusion of their respective letter and references to their respective name in the form and context in which they appear respectively.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) at the principal place of business of the Company in Hong Kong from 9:00 a.m. to 6:00 p.m. on any Business Day; and (ii) on the website of the SFC (www.sfc.hk) and the Company (www.aplushk.com/clients/1159) from the date of this Composite Document up to and including the Closing Date:

(i) the memorandum of association and bye-laws of the Company valid as at the Latest Practicable Date;

(ii) the memorandum of association and bye-laws of the Offeror valid as at the Latest Practicable Date;

(iii) the annual reports of the Company for each of the two years ended 31 December 2012 and 2013;

(iv) the interim report of the Company for the six months ended 30 June 2014;

(v) the letter from Fortune Securities, the text of which is set out on pages 8 to 20 of this Composite Document;

(vi) the letter from the Board, the text of which is set out on pages 21 to 27 of this Composite Document;

(vii) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 28 to 29 of this Composite Document;

(viii) the letter from Veda to the Independent Board Committee, the text of which is set out on pages 30 to 54 of this Composite Document;

(ix) the report from BDO Limited, the text of which is set out in Appendix III to this Composite Document;

(x) the report from Optima Capital, the text of which is set out in Appendix IV to this Composite Document;

(xi) the written consents referred to in the paragraph headed "Experts and consents" in this Appendix;

(xii) the Irrevocable Undertakings;

(xiii) the material contracts referred to in the paragraph headed "Material contracts" in this Appendix;

(xiv) the letter of margin facility dated 16 July 2014 and the first and second supplemental letters of margin facility both dated 24 July 2014 in relation to the Facility provided by Fortune Securities to the Offeror for the sole purpose of financing the payment obligation of the Offeror under the Share Offer; and

(xv) this Composite Document.

11. MISCELLANEOUS

As at the Latest Practicable Date:

(i) the registered address of the Offeror was 3rd Floor, J & C Building, P.O. Box 933, Road Town, Tortola, British Virgin Islands, VG1110 with correspondence address in Hong Kong at Units 3908-13, 39/F, COSCO Tower, Queen's Road Central, Hong Kong;

(ii) the correspondence address of Dr. Lam, who was the beneficial owner and the sole director of the Offeror, was Units 3908-13, 39/F, COSCO Tower, Queen's Road Central, Hong Kong;

(iii) New Elect, who was deemed to be a party acting in concert with the Offeror (in respect of the Company) under the Takeovers Code, has its registered address at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands with correspondence address in Hong Kong at Flat A, 14/F., Hyde Centre, 221-226 Gloucester Road, Wanchai, Hong Kong;

(iv) Creative Cosmo, who was deemed to be a party acting in concert with the Offeror (in respect of the Company) under the Takeovers Code, has its registered address at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands with correspondence address in Hong Kong at No. 7, Zurich Avenue, Valais II, 33 Kwu Tung Road, Sheung Shui, N. T., Hong Kong;

(v) the registered office of Fortune Financial Capital was situated at 35/F, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong;

(vi) the registered office of Fortune Securities was situated at 35/F, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong;

(vii) the registered office of Optima Capital was situated at Suite 1501, 15th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong; and

(viii) the registered office of Veda was situated at Suite 3711, 37/F., Tower 2, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

The English texts of this Composite Document and the Form of Acceptance shall prevail over their respective Chinese texts in case of inconsistency.