漢唐國際控股有限公司
Han Tang International Holdings Limited

(Formerly known as "Pearl River Tyre (Holdings) Limited")

(Continued in Bermuda with limited liability)

(Stock Code: 01187)

ANNUAL REPORT 2014

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Yang Liu *(Chairman of the Board and Chief Executive Officer)*
Lo Ka Wai

Non-Executive Director:

Xu Lei

Independent Non-Executive Directors:

Lai Ho Man, Dickson
Wang Xiao Chuan
Wong Lit Chor, Alexis
Liu Hongjun

COMPANY SECRETARY

Chan Pui Shan, Bessie

AUDIT COMMITTEE

Lai Ho Man, Dickson *(Committee Chairman)*
Wong Lit Chor, Alexis
Liu Hongjun

REMUNERATION COMMITTEE

Wang Xiao Chuan *(Committee Chairman)*
Lai Ho Man, Dickson
Lo Ka Wai

NOMINATION COMMITTEE

Lai Ho Man, Dickson *(Committee Chairman)*
Liu Hongjun
Lo Ka Wai

SHARE OPTION COMMITTEE

Lai Ho Man, Dickson *(Committee Chairman)*
Yang Liu
Lo Ka Wai

AUDITOR

ZHONGHUI ANDA CPA Limited
Certified Public Accountants

LEGAL ADVISOR

Troutman Sanders

PRINCIPAL BANKER

Bank of China (Hong Kong) Limited
1 Garden Road, Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 5207, 52/F
Central Plaza
18 Harbour Road
Wanchai, Hong Kong

SHARE REGISTRARS

Bermuda Principal Share Registrar and Transfer Office:

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Hong Kong Branch Share Registrar and Transfer Office:

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

STOCK CODE

01187

WEBSITE

http://www.hantang.hk

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the period under review, the Company and its subsidiaries (collectively the "Group") recorded revenue of approximately HK$50.5 million. The results of the Group for the financial year ended 31 December 2014 are set out in the consolidated statement of profit or loss and other comprehensive income.

As a result of the enforcement of the loan securities by the lenders, the Group lost control over Carham Assets Limited ("Carham"). Accordingly, the financial results of the tyre manufacturing segment, carried out by Carham and its 70% equity owned subsidiary, Guangzhou Pearl River Rubber Tyre Limited ("GPRT") (collectively known as "Carham sub-group"), for the current year and the corresponding year are presented as discontinued operations.

Despite the loss in control over the tyre manufacturing operations, the management of the Company has continued its efforts in carrying out reviews and evaluations on its operation and marketing strategies, whilst leveraging on the network and experience of its management team in exploring new businesses or investment opportunities, including diversifying its business into the petroleum products trading business in March 2014 and expanding into semiconductors/electronic products trading business in late 2014, in order to enhance its future business development and financial position.

At present, the Group, has realigned its resources to develop and expand (i) the petroleum and semiconductor/electronic products trading operations; and (ii) the construction and development of the semiconductor manufacturing factory (owned by IC Spectrum (Kunshan) Co., Limited* (德芯電子(昆山)有限公司) ("ICSC")). Barring unforeseen circumstances, the manufacturing and sale of semiconductor products is expected to commence in 2016.

FINANCIAL REVIEW

Continuing operations

Operating results

The Group's turnover and gross profit for the year ended 31 December 2014 amounted to approximately HK$50.5 million and HK$2.5 million respectively, which was contributed by the trading of petroleum and semiconductor/electronic products segment.

The administrative expenses increased from approximately HK$4.3 million in the corresponding year to approximately HK$28.0 million in the current year, primarily due to the increase in staff cost (including directors' emoluments) of approximately HK$6.8 million as a result of increase of average staff number in connection with the Group's expansion, rental expenses of approximately HK$5.6 million due to office expansion, legal and professional fees of approximately HK$5.5 million in relation to the regularization exercise and other general administrative expenses.

The finance cost amounted to approximately HK$7.3 million in the current year as compared with the corresponding year of approximately HK$8.6 million. The decrease of approximately HK$1.3 million was primarily due to the net effect of (i) decrease in interest charges of approximately HK$2.9 million from shareholders' loans as a result of derecognition of relevant loans in April and May of current year as compared with almost 11-months interest-charging period in corresponding year; and (ii) decrease in interest charges of approximately HK$1.9 million on convertible bonds as a result of lower average outstanding principal amounts in current year following exercising the conversion rights of considerable amounts of convertible bonds into shares of the Company in November 2013 and December 2013, outweighing the increase in finance cost on corporate bonds, a connected loan and finance leases payables in aggregate of approximately HK$3.5 million.

* for identification purpose only

As a result, the Group recorded a loss from the continuing operations attributable to the owners of the Company amounting to approximately HK$32.6 million as compared with a loss from the same of approximately HK$12.9 million in the corresponding year. Basic loss from continuing operations attributable to the owners of the Company per share amounted to HK20.8 cents as compared with basic loss from the same of HK10.9 cents per share in the corresponding year.

Discontinued Operations

Gain/Loss on deconsolidation of Carham sub-group

In April 2014, the Group lost control of Carham sub-group as a result of the enforcement of the loan securities by the lenders. Accordingly, the Group de-consolidated Carham sub-group based on the latest available financial information as at 31 December 2013.

The net loss on de-consolidating Carham sub-group is estimated at approximately HK$156.8 million with reference to its net asset value attributable to the owners of the Company and its foreign currency translation reserve as at 31 December 2013.

Upon enforcement of the loan securities, the loans and its accrued interests were also derecognized. The gain of the derecognition of the loans and accrued interests, of which the shares of Carham was charged as loan securities, is approximately HK$157.9 million with reference to the fair value of the loan amounts and accrued interests upon the respective enforcement dates of the loan securities.

For the year ended 31 December 2013, the consolidation, or reclassification of GPRT from an interest in a joint venture to interest in a subsidiary, led to a one-off gain of approximately HK$80.2 million. Along with operating loss of approximately HK$2.2 million, Carham sub-group contributed a profit of approximately HK$78.0 million to the Group.

As a result, the Group reported a net profit of approximately HK$1.1 million and a net profit of approximately HK$78.0 million from Carham sub-group for the year ended 31 December 2014 and 2013 respectively.

Loss on disposal of PRT Capital

The disposal of PRT Capital was completed on 16 April 2013. The Group recognized a one-off gain of HK$20.6 million in the corresponding year.

Results from discontinued operations

The Group recorded a profit from the discontinued operations attributable to the owners of the Company amounting to approximately HK$1.1 million for year ended 31 December 2014 as compared with a profit from the same of approximately HK$77.8 million in the corresponding year. Basic gain from discontinued operations attributable to the owners of the Company per share amounted to HK0.7 cent as compared with basic gain from the same of HK83.9 cents per share in the corresponding year.

FINANCIAL POSITION

As at 31 December 2014, the total assets of the Group decreased from approximately HK$786.9 million (as at 31 December 2013) to approximately HK$500.9 million. The decrease of approximately HK$286.0 million was primarily due to the reduction in total assets from the deconsolidation of Carham sub-group of approximately HK$470.1 million.

The net asset value of the Group attributable to owners of the Company amounted to approximately HK$301.9 million as at 31 December 2014 as compared with approximately HK$294.1 million as at 31 December 2013.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2014, the Group had cash and cash equivalents amounted to approximately HK$8.4 million (2013: HK$50.6 million) mainly denominated in Hong Kong dollars, US dollars and Renminbi. As at 31 December 2014, interest-bearing borrowings of Group amounted to approximately HK$79.9 million (2013: HK$233.8 million) denominated in Hong Kong dollars.

As at 31 December 2014, the Group had net current assets of approximately HK$50.9 million as compared to net current assets of approximately HK$50.2 million as at 31 December 2013.

During the period under review, the Group issued corporate bonds in aggregate principal amounts of HK$44 million to nine independent third parties. The corporate bonds are unsecured, bearing interest rates of not more than 9% per annum and maturity dates ranging from seven to seven-and-a-half years from the respective dates of issues. The net proceeds from the issuance were placed with banks in Hong Kong and used as general working capital of the Group and will finance any potential investment opportunities of the Group that may arise from time and time.

On 21 January 2014, the Company entered into the placing agreement with China Times Securities Limited (the "Placing Agent") pursuant to which the Placing Agent has conditionally agreed with the Company to place 20,000,000 new shares of HK$0.01 each in the share capital of the Company (at an aggregate nominal value of HK$200,000) (the "Placing Shares") on a best efforts basis to not less than six placees who and whose ultimate beneficial owners shall be independent third parties at a price of HK$2.50 per Placing Share ("Placing"). The price of HK$2.5 per Placing Share represents a discount of approximately 11.66% to the closing price of HK$2.83 per share of the Company ("Shares") as quoted on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 21 January 2014. The net price to the Company of each Placing Share is approximately HK$2.45. The proceeds was intended to be applied for opportunistic investments when appropriate opportunities arise and where the directors of the Company (the "Directors") consider it is in the interest of the Company to do so and/or for general working capital of the Group. The Placing was carried out to raise capital for the Company while broadening the shareholder's base and capital base of the Company. The Placing was completed on 30 January 2014. The net proceeds amounted to approximately HK$49.2 million was fully utilised as working capital of the Group. Relevant disclosure was made in the announcement of the Company dated 21 January 2014.

The gearing ratios of the Group, defined as the total borrowings to the shareholders' equity, amounted to 0.193 as at 31 December 2014 as compared with 0.643 as at 31 December 2013.

PROSPECTS

As set out above, the Group has realigned its resources to develop and expand (i) the construction and development of the semiconductor manufacturing factory (owned by ICSC); (ii) the trading of electronic/semiconductor products (commenced in late 2014); and (iii) the trading of petroleum products (commenced in early 2014), as its core businesses and operations. The management is committed to continue identifying investment opportunities that can enhance and/or complement the Group's business development and strengthen its earning base. While pursuing the continuous growth of our business in the future, the management remains committed in reviewing its business and operations, including reinforcing its internal control and operational system to ensure that the Group can accommodate the external challenge under the fluctuating economy outlook, as well as enhancing its corporate governance.

Manufacturing of semiconductor

The management has continued its efforts in the construction and development of the semiconductor manufacturing factory in the PRC, with an aim to expand its business to design, R&D, processing, manufacturing and sale of semiconductor, integrated circuits and new type of electronic components and the provision of related consultancy services in 2016.

Following the completion of the share transfer of 27.21% minority equity interest in ICSC from Kunshan Economic and Technical Development Zone Asset Management Company, a state owned enterprise, to Beijing Zhongying Century Investment Co., Limited* (北京中盈世紀投資有限公司) ("Zhongying") on 28 February 2014, the management has initiated the construction of production lines in Kunshan, the PRC, including but not limited to the acquisition of the land use rights in respect of the Land (defined below), the construction of the production plant and acquisition of the necessary machineries and equipment for operations.

On 8 July 2014, ICSC entered into a loan agreement with Zhongying, pursuant to which Zhongying agreed to make available a loan in the principal amount of RMB10.0 million to ICSC for the payment of the RMB10.0 million security deposit required for submission of tender for purchase of the land use rights of a parcel of industrial land located at the north of Longfei road and the east of Fuchunjiang road, Kunshan Economic & Technical Development Zone, Kunshan* (昆山市開發區龍飛路北側，富春江路東側), measuring approximately 150,481.9 square meters (the "Land") in respect of the project.

In November 2014, 《國有建設用地使用權出讓合同》 (Contract for the transfer of the land use rights of State-owned land*) was entered into between ICSC and Kunshan State Land Resources Bureau* (昆山市國土資源局) for the acquisition of the land use rights of the Land to facilitate the construction of semiconductor manufacturing factory at Kunshan, the PRC. As at the date of this report, the land is yet to be delivered.

Leveraging on the expertise and industry network of ICSC's management and taking into consideration the current measures/support from the local government in relation to the semiconductor industry, the Group targets to commence the manufacturing of semiconductor in 2016 and is confident that it will contribute positively to the overall performance of the Group.

Development of electronic/semiconductor products

To further complement the semiconductor segment, the Company, leveraging on the experience and business network of its management, is expanding into the trading and R&D of semiconductor/electronic products. It is expected that such expansion/development will contribute positively to both the Group's performance as well as broaden the customer base and industry networks for future development of the Group's semiconductor business.

* for identification purpose only

Trading of petroleum products

In early 2014, the management, as part of its efforts to diversify the Group's business and enlarge its earning base, has developed and expanded its business into trading of petroleum products. The Group will continue to leverage on the network and experience of its management team to expand and develop the existing platform of petroleum products trading activities to other petroleum products and commodities.

FORENSIC REVIEW

On 3 April 2014, the Company formed a special investigation committee of the Board (the "Special Investigation Committee") to coordinate and oversee the conduct of the Forensic Review (as defined below).

The Special Investigation Committee has retained Tang Tso & Lau (the "SIC Legal Adviser") to advise its independent review, and that the SIC Legal Adviser has retained Deloitte & Touche Financial Advisory Services Ltd on 14 April 2014 to conduct forensic review to assist the SIC Legal Adviser and Special Investigation Committee in relation to the investment in ICSC and the issuance of the 3% 3-year convertible bonds due 2016 by the Company ("Forensic Review").

The Forensic Review has been completed. Save and except for certain improvement areas on internal control, the review has not indicated any irregularities against the earlier allegations made by certain former directors of the Company. Detailed findings of the Forensic Review were set out in the announcement of the Company dated 15 September 2014.

INTERNAL CONTROL REVIEW

The Special Investigation Committee, among others, noted that the Forensic Review has pointed to certain areas of internal control which requires further enhancement by the Group. Accordingly, the Board engaged an independent professional firm (the "Internal Control Reviewer") to carry out a review of the internal control over certain corporate governance, financial procedures, systems and internal controls of the Company and ICSC. Based on the findings of the Internal Control Reviewer, no material deficiencies were found during the review period, except for the matters relating to the access right to financial reporting system and notification and reporting mechanism for change in board members of ICSC and the Company has taken relevant remedial actions accordingly. Details of the internal control review were set out in the announcement of the Company dated 11 November 2014. The Board will take further appropriate steps in respect of internal controls if it considers appropriate.

SIGNIFICANT INVESTMENT HELD AND MATERIAL ACQUISITIONS AND DISPOSALS

As detailed in Note 12 to the consolidated financial statements, following the transfers of 55% and 45% equity interests in Carham upon the enforcement of the loan securities by the lenders on 24 April 2014 and 29 May 2014 respectively, the Group no longer has control, within the meaning of HKFRS 10, over Carham sub-group and its results have been de-consolidated accordingly.

HUMAN RESOURCES

As at 31 December 2014, the Group had a total of 23 employees (including Directors) (2013: 1,412 employees (including Directors)). The decrease in number of employees was mainly due to the loss of control of GPRT. The remuneration was linked to the financial results of the Group as well as the performance of individual staff. The remuneration policies of the Group's employees are subject to review regularly. Total staff costs including Directors' remuneration for the current year amounted to approximately HK$7.1 million (2013: HK$94.1 million). On irregular but necessary basis, adequate on-job trainings had been provided to staff in need. The Group has implemented a social insurance scheme for its PRC staff and mandatory provident fund for its Hong Kong staff in compliance with requirements of the relevant employment regulations in the PRC and Hong Kong respectively. The Group operates share option schemes adopted on 21 May 2004 (expired on 20 May 2014) and adopted a new share option scheme on 8 September 2014 (the operation of which has yet commenced) as a part of remuneration of its Directors and employees. There was no share option granted during the current year and the corresponding year.

CONTINGENT LIABILITIES

There was no contingent liability as at 31 December 2014 and 31 December 2013.

CAPITAL COMMITMENTS

Capital commitments outstanding, which were contracted but not provided for, in the financial statements were approximately HK$58.0 million in respect of the manufacture of semiconductor segment as at 31 December 2014 (2013: HK$108.0 million in respect of the manufacture of semiconductor segment and the manufacture of tyre segment (discontinued)).

CHARGES ON THE GROUP ASSETS

Other than the motor vehicles with carrying amount of HK$5.8 million (2013: HK$0.7 million) charged under finance leases, the Group did not have any charges on the Group's assets as at 31 December 2014 following the enforcement of the loan securities by the lenders as discussed in the section under "Gain/Loss on deconsolidation of Carham sub-group".

As at 31 December 2013, the Group, through Carham sub-group, pledged its leasehold buildings, prepaid lease payment and bank deposits in an aggregate carrying amount of HK$87.7 million to secure banking facilities granted to Carham sub-group as at 31 December 2013.

As at 31 December 2013, the Group, through Rodez Investments Limited ("Rodez"), pledged all its 100 shares or 100% shareholding in Carham to secure the shareholders' loans in an aggregate amount of HK$150 million.

FOREIGN EXCHANGE RISK MANAGEMENT

The Group is exposed to foreign currency risk on sales and purchases that are denominated in foreign currencies. The Group does not use any derivative financial instruments to manage its exposure to foreign currency risk as the Directors are of the opinion that the net exposure is not significant. The majority of the Group's foreign currency transactions and balances are denominated in US dollars.

CHANGE OF COMPANY NAME

The special resolution regarding the change of the English name of the Company from "Pearl River Tyre (Holdings) Limited" to "Han Tang International Holdings Limited", and the adoption of "漢唐國際控股有限公司" as its secondary name in Chinese to replace the former Chinese name "珠江輪胎(控股)有限公司" which was used for identification purposes only, was duly passed by the shareholders of the Company (the "Shareholders") at the special general meeting of the Company held on 2 January 2015 (the "Change of Company Name"). The Change of Company name became effective on 12 January 2015.

Both the Certificate of Incorporation on Change of Name and the Certificate of Secondary Name were issued by the Registrar of Companies in Bermuda on 14 January 2015 and the Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 29 January 2015.

The Directors consider the Change of Company Name appropriate in view of the Group's business is no longer tyre related and the new company name provides the Company with a fresh corporate image and better reflects the business diversity of the Group and the Group's future investment in the PRC. As such, the Directors are of the view that the Change of Company Name is in the best interests of the Company and the Shareholders as a whole.

PRINCIPAL ACTIVITIES

The principal business of the Company is investment holding.

The Group's principal activities are the trading of petroleum, semiconductor/electronic products and the design, research and development, processing, manufacturing and sale of semiconductor, integrated circuits and new type electronic components, and the provision of related technical consultancy services.

RESULTS

The results of the Group for the year ended 31 December 2014 and the financial positions of the Company and the Group as at 31 December 2014 are set out in the consolidated financial statements on pages 34 to 107 of this annual report.

RESERVES

Details of movement in reserves of the Company and the Group during the year ended 31 December 2014 are set out in Note 32 to the consolidated financial statements and on pages 94 to 95 of this annual report respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2014, the aggregate amount of the Company's reserves available for distribution to its owners was HK$316,283,000 (2013: HK$278,512,000).

MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31 December 2014,

(a) All revenue and purchases (not including items which are of a capital nature) of the Group were attributable to the Group's three customers and three suppliers respectively;

(b) the Group's largest customer accounted for 94% of revenue of the Group whilst the Group's largest supplier accounted for 94% of purchases of the Group.

None of the Directors, their close associates or any Shareholders who, to the knowledge of the Directors, owns more than 5% of the Company's share capital had an interest in any of the five largest customers and suppliers of the Group.

DIVIDENDS

No dividend had been paid during the year ended 31 December 2014 and the Directors do not recommend the payment of any dividend for the financial year ended 31 December 2014.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 108 of this annual report.

SHARE CAPITAL

Details of movements in the authorised and issued and paid-up share capital of the Company during the year ended 31 December 2014 are set out in Note 29 to the consolidated financial statements.

SHARE OPTION SCHEME

Particulars of the Company's share option schemes are set out in Note 30 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the bye-laws of the Company ("Bye-Laws") or the laws in Bermuda which could oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries, have purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2014.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the financial year ended 31 December 2014 are set out in Note 15 to the consolidated financial statements.

MATERIAL INTERESTS IN ENTITIES

Details of the Company's principal subsidiaries are set out in Note 18 to the consolidated financial statements.

BOARD OF DIRECTORS

The following are the Directors as at the date of this report and during the financial year ended 31 December 2014 except where otherwise indicated.

Executive Directors

Yang Liu (Appointed as chief executive officer of the Company and the Chairman of the Board on 2 January 2014 and 1 September 2014 respectively)
Lo Ka Wai
Wang Shu Jie (Resigned on 1 September 2014)
Goh Nan Yang (Resigned as chief executive officer and executive Director on 2 January 2014 and 31 March 2014 respectively)

Non-Executive Directors

Xu Lei
Yeow See Yuen (Re-designated as non-executive Director on 24 April 2014 and resigned on 16 June 2014)
Goh Nan Kioh (Resigned as Chairman and non-executive Director on 2 January 2014)

Independent Non-Executive Directors

Liu Hongjun
Lai Ho Man, Dickson
Wang Xiao Chuan
Wong Lit Chor, Alexis
Yeow See Yuen (Re-designated as non-executive Director on 24 April 2014 and resigned on 16 June 2014)

Pursuant to Bye-Law 6.1 (f)(1)(A) of the Bye-Laws, at each annual general meeting of the Company, one-third of the Directors for the time being shall retire from office. Accordingly, Mr. Yang Liu and Mr. Lai Ho Man, Dickson shall retire by rotation from office as an executive Director and an independent non-executive Director respectively at the forthcoming annual general meeting of the Company (the "2015 AGM") and, being eligible, offer themselves for re-election at the 2015 AGM.

The Company has received from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"). The Company considers all of the independent non-executive Directors are independent.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the 2015 AGM has a service contract with the Company, or any of its subsidiaries, which is not determinable by the employing entity within one year without payment of compensation, other than statutory compensations.

DIRECTORS' INTERESTS IN CONTRACTS

Other than the connected/related party transactions as disclosed in Note 36 to the consolidated financial statements, no contract of significance in relation to the Group's business, to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at 31 December 2014 or at any time during the financial year ended 31 December 2014.

DISCLOSURE OF CHANGES IN INFORMATION OF DIRECTOR

In accordance with Rule 13.51B(1) of the Listing Rules, the change to information required to be disclosed by the Director pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules is set out below:

Experience including other directorships held in listed companies

Mr. Lai Ho Man, Dickson has been appointed as the independent non-executive director of National United Resources Holdings Limited (stock code: 254), the shares of which are listed on the main board of the Stock Exchange, since March 2015.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the financial year ended 31 December 2014.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2014, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or as otherwise notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules, are set out below:

Interests and short positions in Shares, underlying Shares and debentures of the Company

Name of Director	Capacity	Long position/ short position	Number of ordinary Shares held	Approximate percentage of shareholding in the Company
Yang Liu	Beneficial owner	Long position	33,000,000	20.87%
Lo Ka Wai	Beneficial owner	Long position	4,000,000	2.53%

Save as disclosed above, as at 31 December 2014, none of the Directors, chief executives of the Company or any of their associates had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2014, as far as is known to the Directors, the following persons (other than the Directors and the chief executives of the Company) had interests or short positions in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Interests or short positions in Shares and underlying Shares of the Company

Name of Shareholder	Capacity	Long position/ short position	Number of ordinary Shares held	Approximate percentage of shareholding in the Company
First Call Investments Limited *(Note)*	Beneficial owner	Long position	8,000,000	5.06%
Zhu Baoguo *(Note)*	Interest of Controlled Corporation	Long position	8,000,000	5.06%

Note: These Shares are held by First Call Investments Limited which is owned as to 100% by Zhu Baoguo. By virtue of holding the entire interest in First Call Investments Limited, Zhu Baoguo is deemed to be interested in these 8,000,000 Shares held by First Call Investments Limited pursuant to the SFO.

Save as disclosed above, as at 31 December 2014, the Directors are not aware of any other persons (other than the Directors and the chief executives of the Company) who have interests or short positions in the Shares, underlying Shares of the Company or any associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under section 336 of SFO.

SUFFICIENCY OF THE PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2014.

SUSPENSION OF TRADING IN SHARES

Trading in the Shares on the Stock Exchange has been suspended since 1 April 2014, and will remain suspended until further notice.

EMOLUMENT POLICY

The emoluments of the employees of the Group are based on their qualifications, experience, responsibilities, performance, competence and skills displayed, market comparables and economic performance of the Group.

The emoluments of the Directors are decided by the remuneration committee of the Company (the "Remuneration Committee"), having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted the Scheme on 8 September 2014 as an incentive to Directors and eligible employees, details of the Scheme is set out in Note 30 to the consolidated financial statements.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year ended 31 December 2014, the Directors are not aware of any business or interest of the Directors and their respective associates (as defined under the Listing Rules) that compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 18 to 31 of this annual report.

AUDITOR

Following the resignation of Crowe Horwath (HK) CPA Limited ("Crowe Horwath") as auditor of the Company on 29 September 2014, ZHONGHUI ANDA CPA Limited ("ZHONGHUI ANDA") was appointed as the auditor of the Company at the special general meeting of the Company held on 27 October 2014 to fill in the vacancy following the resignation of Crowe Horwath.

Save as disclosed above, there were no other changes in auditor of the Company during the past three years.

A resolution will be proposed at the 2015 AGM to re-appoint ZHONGHUI ANDA as auditor of the Company.

On behalf of the Board

Yang Liu
Executive Director, Chairman of the Board and Chief Executive Officer

Hong Kong, 9 March 2015

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Yang Liu ("Mr. Yang"), aged 41, was appointed as an executive Director on 18 November 2013 and was subsequently appointed as the chief executive officer of the Company and the chairman of the Board on 2 January 2014 and 1 September 2014 respectively. He is also a director of various subsidiaries of the Company and a member of the share option committee of the Company (the "Share Option Committee"). Mr. Yang graduated from Shaanxi University of Technology (formerly known as Shaanxi Institute of Technology) with a bachelor degree in engineering, specializing in auto-control. Mr. Yang has more than 10 years' experience in corporate and capital management in semi-conductor industry, and international trading of electronic products and bulk commodity. Mr. Yang is currently the general manager, the executive director and the legal representative of a company in the People's Republic of China with its principal activities in semi-conductor, and international trading of electronic products and bulk commodity.

Mr. Lo Ka Wai ("Mr. Lo"), aged 46, was appointed as an executive Director on 18 November 2013. He is a member of each of the nomination committee of the Company (the "Nomination Committee"), the Remuneration Committee and the Share Option Committee. Mr. Lo is a director of various subsidiaries of the Company. He graduated from the University of Wollongong, Australia with a bachelor degree in commerce. Mr. Lo is a member of the Hong Kong Institute of Certified Public Accountants and CPA Australia. Mr. Lo has more than 20 years of experience in financial management and corporate finance. Mr. Lo had been chief financial officer and/or company secretary for various listed companies in Hong Kong and currently is a chief financial officer of a company whose shares are listed on the Growth Enterprise Market ("GEM") of the Stock Exchange, an executive director of National United Resources Holdings Limited (stock code: 254) and independent non-executive directors of Yusei Holdings Limited (stock code: 96) and Sheng Yuan Holdings Limited (stock code: 851), the shares of these three companies are listed on the main board of the Stock Exchange.

BIOGRAPHICAL DETAILS OF DIRECTORS

NON-EXECUTIVE DIRECTOR

Mr. Xu Lei ("Mr. Xu"), aged 43, was appointed as a non-executive Director on 20 November 2013. Mr. Xu has had over 15 years of senior executive and operational experiences in the fields of mass media, technological development and cultural promotion in China since completion of a graduate study at Tongji University in China. Mr. Xu had been a senior manager of The China International Cultural Exchange Centre from 1997 to 2001 and has been the president and editor-in-chief of Travel & Leisure Magazine from 2002 to the present. Since 2003, Mr. Xu has gained substantial corporate governance and operational control experiences in the field of broadcasting and media communications in China including as the vice president of an audio and video publishing house, an executive director of a communication technology development company and a cultural investment firm respectively. Through his association with these enterprises, Mr. Xu has built a broad based social and people resource network in the relevant industries. Currently, Mr. Xu is a non-executive director of Heng Xin China Holdings Limited (stock code: 8046), whose shares are listed on GEM of the Stock Exchange, since November 2009.

BIOGRAPHICAL DETAILS OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lai Ho Man, Dickson ("Mr. Lai"), aged 41, was appointed as an independent non-executive Director on 18 November 2013. He is the chairman of each of the audit committee of the Company (the "Audit Committee"), Nomination Committee and the Share Option Committee and a member of the Remuneration Committee. He has over 17 years of experience in financial management and auditing. Mr. Lai has been an independent non-executive director of National United Resources Holdings Limited (stock code: 254), a company whose shares are listed on the main board of the Stock Exchange, since March 2015. He is also the chief financial officer and company secretary of Hosa International Limited (stock code: 2200), a company whose shares are listed on the main board of the Stock Exchange, starting from February 2011 and is primarily responsible for the overall financial affairs. From November 2007 to March 2011, Mr. Lai was the group financial controller of AsiaAlum Group. From January 2007 to October 2007, he was the manager of the finance and accounting department of Brigantine Services Limited. From May 2005 to January 2007, he worked as the manager of the financial control department of CITIC Pacific Ltd. Mr. Lai worked at Kerry Beverage Services Ltd. as an assistant accounting manager from December 2003 to May 2005 and, from September 1996 to October 2003, worked as an assistant manager in KPMG, where he was mainly responsible for the external auditing, initial public offering and due diligence projects of financial institution sector. Mr. Lai graduated from Hong Kong Polytechnic University with a degree of Bachelor of Arts in Accountancy in November 1996. Mr. Lai also received a master's degree in business administration from the University of Birmingham in 2008. He is a fellow member of the Hong Kong Institute of Certified Public Accountants. He is also a member of the Taxation Institute of Hong Kong.

Mr. Wang Xiao Chuan ("Mr. Wang"), aged 42, was appointed as an independent non-executive Director on 20 November 2013. He is the chairman of the Remuneration Committee. He graduated from Beijing University of Technology with a master degree in management majoring in finance and mathematics in 2000 and Chengdu University of Technology (formerly known as Chengdu Institute of Technology) with a bachelor degree in Geology in 1993. Mr. Wang has more than 10 years' experience in investment, corporate finance and securities dealing experience gained by working as a senior executive in a number of financial services companies in the People's Republic of China. Mr. Wang is currently the director of Beijing Shuoren Technology Co., Ltd. and a number of companies.

Mr. Wong Lit Chor, Alexis ("Mr. Wong"), aged 56, was appointed as an independent non-executive Director on 20 November 2013. He is a member of the Audit Committee. He graduated from University of Toronto, Canada in 1981 with Bachelor of Arts degree majoring in economics and commerce and has obtained a master of business administration degree from The Chinese University of Hong Kong in 1987. Mr. Wong has over 30 years of banking, investment, corporate finance and securities dealing experience gained by working as a senior executive in a number of listed local and PRC financial services companies. Mr. Wong is currently an independent non-executive director of each of Inspur International Limited (stock code: 596) and China Fortune Holdings Limited (stock code: 110), the shares of these two companies are listed on the main board of the Stock Exchange.

Mr. Liu Hongjun ("Mr. Liu"), aged 44, was appointed as an independent non-executive Director on 28 September 2012. He is a member of each of the Nomination Committee and the Audit Committee. Mr. Liu is a graduate of Electric Engineering Institute of Hohai University in Nanjing City with a Bachelor degree in Industrial Electrical Automation. Mr. Liu has over 20 years of experience in the semi-conductor industry specialised in chips manufacturing. Mr. Liu is currently a senior manager of Tokyo Electron (Kunshan) Limited.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Board and the management are committed to maintaining and ensuring high standards of corporate governance as good corporate governance can safeguard the interests of all Shareholders and enhance corporate value. The Board continuously reviews and improves the corporate governance practices and standards of the Group from time to time to ensure that business activities and decision making possesses are regulated in a proper manner.

The Company had complied with the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2014, except for the deviations from code provisions A.1.8, A.2.1, A.4.1, A.6.7, C.1.2 and D.1.4 of the CG Code.

Code provision A.1.8 of the CG Code provides that the Company should arrange appropriate insurance cover in respect of legal action against its directors. The Company arranged an insurance in early March 2014 with 12 months coverage starting from 10 March 2014 in respect of legal action against its Directors.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of the responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. Subsequent to the resignation of former chairman of the Company on 2 January 2014, the position of chairman remained vacant, and the duties were undertaken by the members of the Board, until the appointment of Mr. Yang Liu ("Mr. Yang"), an executive Director and the chief executive officer of the Company as the chairman of the Board with effect from 1 September 2014. Up to the date of this report, the role of the chairman and chief executive officer of the Company were not separate and Mr. Yang currently performs these two roles. After evaluation of the current situation of the Company and taking into account of the experience and past performance of Mr. Yang, the Board is of the opinion that it is appropriate and in the best interests of the Company at the present stage for Mr. Yang to hold both positions as the chairman of the Board and the chief executive officer as it helps to maintain the continuity of the policies and the stability of the operations of the Company.

Code provision A.4.1 of the CG Code provides that non-executive directors should be appointed for a specific term and subject to re-election. Mr. Yeow See Yuen (a former independent non-executive Director and re-designated as non-executive Director on 24 April 2014 and subsequently resigned on 16 June 2014), and Mr. Goh Nan Kioh (the former chairman of the Company and former non-executive Director resigned on 2 January 2014) have no specific terms of service but shall retire from office on a rotational basis in accordance with the Bye-Laws.

Code provision A.6.7 of the CG Code provides that independent non-executive directors and other non-executive directors should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the view of shareholders. Mr. Xu Lei, the non-executive Director, and Mr. Liu Hongjun, the independent non-executive Director, did not attend the annual general meeting of the Company held on 8 September 2014 (the "2014 AGM") and the special general meeting held on 27 October 2014 (the "SGM") as they had other business engagement. Mr. Wong Lit Chor, Alexis, did not attend the SGM due to another business engagement.

Code provision C.1.2 of the CG Code provides that management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules. Before 1 April 2014, the management of the Company did not provide regular monthly update to all members of the Board, but the management keeps providing information and update to the members of the Board irregularly.

Code provision D.1.4 of the CG Code provides that the directors should clearly understand delegation arrangements in place. Issuers should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. The Company did not have formal letter of appointment with Mr. Goh Nan Kioh (the former chairman of the Company and non-executive Director resigned on 2 January 2014), and Mr. Yeow See Yuen (the former independent non-executive Director and re-designated as non-executive Director on 24 April 2014 and subsequently resigned on 16 June 2014). However, all Directors were subject to retirement by rotation in accordance with the Bye-Laws and all Directors actively comply with the requirements under statute and common law, the Listing Rules, legal and other regulatory requirements and the Company's business and governance policies.

Save as those mentioned above, in the opinion of the Directors, the Company has met the code provisions set out in the CG Code during the year ended 31 December 2014.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the conduct regarding the securities transactions by Directors. Having made specific enquiries to all Directors, the Company confirmed that all Directors had complied with the required standard set out in the Model Code throughout the year under review.

ROLES AND RESPONSIBILITIES OF THE BOARD

The Board provides direction to management, and approves the aims, strategies and policies of the Company. Owing to the size of the operations of the Company which is fairly small, the Company does not require formal committees to formulate policies and establish broad guidelines in the areas of investment and business risk. The Board is responsible to formulate such policies and guidelines. In addition, the Board has also delegated various responsibilities to the Board committees. Further details of these committees are set out in this report.

Board Composition

The Board currently consists of seven Directors including two executive Directors, one non-executive Director and four independent non-executive Directors:

Executive Directors
Mr. Yang Liu *(Chairman of the Board and Chief Executive Officer)*
Mr. Lo Ka Wai

Non-Executive Director
Mr. Xu Lei

Independent Non-Executive Directors
Mr. Lai Ho Man, Dickson
Mr. Wang Xiao Chuan
Mr. Wong Lit Chor, Alexis
Mr. Liu Hongjun

The current Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced Board composition is formed to ensure strong independence exists across the Board and has complied with Rule 3.10A of the Listing Rules that the Board to have at least one-third of its members comprising independent non-executive Directors. The composition of the Board reflects the balanced skills and experience for effective leadership.

All Directors have given sufficient time and attention to the affairs of the Group. The executive Directors have sufficient experience to hold the positions so as to carry out their duties effectively and efficiently. The non-executive Director and independent non-executive Directors, who combine to offer diverse industry expertise, serve the important function of providing relevant advise so as to assist the management on formulation of business strategy and ensuring that the Board maintains high standards of financial and other mandatory reporting requirements as well as providing adequate checks and balances for safeguarding the interests of Shareholders and the Company as a whole. The biographical information of the Directors are set out on pages 15 to 17 under the section headed "Biographical Details of Directors".

Board Diversity Policy

The Board has adopted on 16 October 2013 a board diversity policy (the "Board Diversity Policy") which sets out the approach to achieve diversity on the Board. The Company recognizes that increasing diversity at the Board level will support the attainment of the Company's strategic objectives and sustainable development. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Board delegated certain duties under the Board Diversity Policy to the Nomination Committee. The Nomination Committee will review and adopt the above measurements when it reviewed the composition of the Board. After assessing the suitability of the Directors' skills and experience to the Company's business, the Nomination Committee considered that the existing Board were suitably qualified with professional backgrounds and/or equipped with extensive expertise for the purposes of providing direction to and oversight of the Group's strategic and business in achieving its objectives.

Directors' Training

According to the code provision A.6.5 of the CG Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the board remains informed and relevant. The Audit Committee is delegated the responsibility by the Board of reviewing and monitoring the training and continuous professional development of the Directors and senior management.

All Directors have participated in continuous professional development and provided a record of training they received for the financial year ended 31 December 2014 to the Company.

The individual training record of each Director received for the year ended 31 December 2014 is summarized below:-

Name of Director	(i) Attending or participating in seminars/workshops; or (ii) working in technical committee relevant to the Group's business/directors' duties; or (iii) reading materials in relation to regulatory update
Executive Directors	
Yang Liu	✓
Lo Ka Wai	✓
Non-executive Director	
Xu Lei	✓
Independent Non-executive Directors	
Lai Ho Man, Dickson	✓
Wang Xiao Chuan	✓
Wong Lit Chor, Alexis	✓
Liu Hongjun	✓

Non-Executive Directors

The non-executive Director and the four independent non-executive Directors are persons of high caliber, with academic and professional qualifications in the fields of semi-conductor, auditing, economic, commerce, finance and accounting. With their experience gained from various sectors, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. Each current independent non-executive Director gives an annual confirmation of his independence to the Company, and the Company considers each of them is independent under Rule 3.13 of the Listing Rules.

Mr. Liu Hongjun, the independent non-executive Director has a fixed term of 3 years commencing on 28 September 2012. The non-executive Director and the other independent non-executive Directors appointed for an initial term of one year which shall be automatically renewable for successive term of one year upon the expiry of the said term and are subject to retirement by rotation in accordance with the Bye-Laws.

Board Meetings

The Company planned in advance four scheduled Board meetings a year at approximately quarterly interval and additional meetings will be held as and when required. During the regular meetings of the Board, the Board reviewed the operation and financial performance and reviewed and approved the annual and interim results.

During the year ended 31 December 2014, the Board held 17 meetings. All Directors are given an opportunity to include any matters in the agenda for regular Board meetings, and are given sufficient time to review documents and information relating to matters to be discussed in Board meetings in advance.

Name of Director		Number of attendance
Executive Directors		
Yang Liu		17/17
Lo Ka Wai		17/17
Wang Shu Jie	(resigned on 1 September 2014)	12/14
Goh Nan Yang	(resigned on 31 March 2014)	2/6
Non-executive Directors		
Xu Lei		17/17
Goh Nan Kioh	(resigned on 2 January 2014)	Note
Independent Non-executive Directors		
Lai Ho Man, Dickson		17/17
Wang Xiao Chuan		16/17
Wong Lit Chor, Alexis		16/17
Liu Hongjun		5/17
Yeow See Yuen	(re-designated as non-executive Director on 24 April 2014 and resigned on 16 June 2014)	8/11

Note:

Mr. Goh Nan Kioh was resigned on 2 January 2014. There is no Board meeting held during his tenure.

Board minutes are kept by the Company Secretary and are open for inspection by the Directors. Every Board member is entitled to have access to Board papers and related materials and has unrestricted access to the advice and services of the Company Secretary, and has the liberty to seek external professional advice if so required.

General Meetings

During the year ended 31 December 2014, 2 general meetings of the Company were held, being the SGM held on 27 October 2014 and 2014 AGM held on 8 September 2014.

		Number of attendance	
		2014	
Name of Director		AGM	SGM
Executive Directors			
Yang Liu		1/1	1/1
Lo Ka Wai		1/1	1/1
Wang Shu Jie	(resigned on 1 September 2014)	N/A	N/A
Goh Nan Yang	(resigned on 31 March 2014)	N/A	N/A
Non-executive Directors			
Xu Lei		0/1	0/1
Goh Nan Kioh	(resigned on 2 January 2014)	N/A	N/A
Independent Non-executive Directors			
Lai Ho Man, Dickson		1/1	1/1
Liu Hongjun		0/1	0/1
Wang Xiao Chuan		1/1	1/1
Wong Lit Chor, Alexis		1/1	0/1
Yeow See Yuen	(re-designated as non-executive Director on 24 April 2014 and resigned on 16 June 2014)	N/A	N/A

The Board is responsible for maintaining an on-going dialogue with Shareholders and in particular, uses annual general meetings or other general meetings to communicate with them and encourage their participation. Mr. Yang Liu, the Chairman of the Board, Mr. Lai Ho Man, Dickson, chairman of each of the Audit Committee, Nomination Committee and the Share Option Committee, and Mr. Wang Xiao Chuan, the chairman of the Remuneration Committee attended the 2014 AGM and the SGM to answer questions and collect views of Shareholders.

Board Committees

The Board has established the following committees with defined terms of reference, which are on no less exacting terms than those set out in the CG Code:

- Audit Committee
- Remuneration Committee
- Nomination Committee

Each committee has authority to engage outside consultants or experts as it considers necessary to discharge the committee's responsibilities. Minutes of all committees meetings are circulated to relevant committees' members and open for inspection by all Directors. To further reinforce independence and effectiveness, each of the Audit Committee, Nomination Committee, and Remuneration Committee have been structured to include all or a majority of independent non-executive Directors. Details of the committees are set out below.

Audit Committee

The Company established the Audit Committee in 1997 with written terms of reference which was revised on 24 August 2012. The terms of reference of the Audit Committee is currently made available on the websites of the Stock Exchange and the Company.

The Audit Committee currently comprises three independent non-executive Directors as follows:

Mr. Lai Ho Man, Dickson *(Chairman)*
Mr. Wong Lit Chor, Alexis
Mr. Liu Hongjun

Terms of reference of the Audit Committee adopted by the Board are aligned with the code provisions set out in the CG Code.

The Audit Committee was established to review the Group's financial controls, internal controls and risk management systems and make relevant recommendations to the Board. The Audit Committee has been chaired by an independent non-executive Director and all of the Audit Committee members are independent non-executive Directors. The chairman of the Audit Committee possesses appropriate professional qualifications, accounting or related financial management expertise as required under the Listing Rules.

The Audit Committee also discusses with management the internal control system to ensure an effective internal control system is in place.

The Audit Committee also responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of such auditor; reviewing the external auditor's independence, the Group's financial and accounting policies and practices; reviewing the interim and annual reports and financial statements of the Group; monitoring the corporate governance of the Group including compliance with statutory and Listing Rules requirements and overseeing the Company's financial reporting system including the adequacy of resources, qualifications and experience of staff in charge of the Company's financial reporting function and their training arrangement and budget, and internal control procedures.

The Audit Committee meets the external auditor regularly to discuss any area of concern during the audit. The Audit Committee reviews the Company's annual report and interim report before submission to the Board and to focus particularly on:

(i) any changes in accounting policies and practices;
(ii) major judgmental areas;
(iii) significant adjustments resulting from audit;
(iv) the going concern assumptions and any qualifications;
(v) compliance with accounting standards; and
(vi) compliance with the Listing Rules and legal requirements in relation to financial reporting.

During the year ended 31 December 2014, the Audit Committee held 6 meetings:–

Name of Director		Number of attendance
Lai Ho Man, Dickson		6/6
Yeow See Yuen	(note 1)	3/3
Liu Hongjun		4/6
Wong Lit Chor, Alexis	(note 2)	3/3

Notes:

1. Mr. Yeow See Yuen ceased to be a member of the Audit Committee on 16 June 2014. His attendance above was stated by reference to the number to Audit Committee's meetings held during his tenure.

2. Mr. Wong Lit Chor, Alexis was appointed as a member of the Audit Committee on 24 April 2014. His attendance above has stated by reference to the Audit Committee's meetings held during his tenure.

During the year under review, the Audit Committee had performed the following work:

– reviewed the annual results for the year ended 31 December 2013 and the interim results for the six months ended 30 June 2014;
– discussed with the management of the Company over the completeness, fairness and adequacy of reporting and accounting standards and policies of the Group in the preparation of the interim financial statements for the six months ended 30 June 2014 and annual financial statements for the year ended 31 December 2013;
– reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance Report contained in the annual report.
– reviewed and discussed with the external auditor over the financial reporting of the Company;
– reviewed the internal control procedures of the Group; and
– recommended to the Board for the approval by Shareholders, of the appointment of new auditor.

Remuneration Committee

The Company established the Remuneration Committee in 2005 with written terms of reference. The terms of reference of the Remuneration Committee is currently made available on the websites of the Stock Exchange and the Company.

Terms of reference of the Remuneration Committee adopted by the Board are aligned with the code provisions set out in the CG Code.

The Remuneration Committee is chaired by an independent non-executive Director. The Remuneration Committee is responsible to make recommendations of remuneration packages of the Directors and senior management of the Company so as to ensure that the Company attracts and retains the Directors and senior management of the Company needed to run the Group successfully.

The Remuneration Committee currently comprises three members as follows:

Independent Non-executive Directors
Mr. Wang Xiao Chuan *(Chairman)*
Mr. Lai Ho Man, Dickson

Executive Director
Mr. Lo Ka Wai

During the year, the Remuneration Committee held 2 meetings for considering the remuneration packages of the Directors and Senior Management.

Name of Director		Number of attendance
Yeow See Yuen	(note 1)	N/A
Lai Ho Man, Dickson		2/2
Goh Nan Kioh	(note 2)	N/A
Lo Ka Wai		2/2
Wang Xiao Chuan		2/2

Notes:

1. Mr. Yeow See Yuen ceased to be a member of the Remuneration Committee on 24 April 2014. No Remuneration Committee meeting was held during his tenure.

2. Mr. Goh Nan Kioh ceased to be a member of the Remuneration Committee on 2 January 2014. No Remuneration Committee meeting was held during his tenure.

The emoluments payable to Directors and senior management of the Company will depend on their respective contractual terms under the employment agreements, if any, and is fixed by the Board with reference to the recommendations of the Remuneration Committee, the performance of the Group and the prevailing market conditions. Details of the remuneration of the Directors and senior management of the Company are set out in Note 10 to the consolidated financial statements.

Nomination Committee

The Company established the Nomination Committee with written terms of reference which was revised on 16 October 2013. The terms of reference of the Nomination Committee is currently made available on the websites of the Stock Exchange and the Company.

Terms of reference of the Nomination Committee adopted by the Board are aligned with the code provisions set out in the CG Code.

The Nomination Committee is currently chaired by the independent non-executive Director. The function of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives required) of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; to identify suitably qualified individuals to become Directors; to assess the independence of the independent non-executive Directors; and to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

The Nomination Committee currently comprises three members as follows:

Independent Non-executive Directors
Mr. Lai Ho Man, Dickson *(Chairman)*
Mr. Liu Hongjun

Executive Director
Mr. Lo Ka Wai

During the year ended 31 December 2014, the Nomination Committee held 1 meeting for reviewing the composition of the Board.

Name of Director	Number of attendance
Mr. Lai Ho Man, Dickson	1/1
Mr. Yeow See Yuen (note 1)	N/A
Mr. Liu Hongjun	0/1
Mr. Goh Nan Kioh (note 2)	N/A
Mr. Lo Ka Wai	1/1

Notes:

1. Mr. Yeow See Yuen ceased to be a member of the Nomination Committee on 24 April 2014. No Nomination Committee's meeting was held during his tenure.

2. Mr. Goh Nan Kioh ceased to be a member of the Nomination Committee on 2 January 2014. No Nomination Committee's meeting was held during his tenure.

Apart from the meeting held for the above, the Nomination Committee by passing of written resolutions considered the independence of independent non-executive Directors and made recommendations to the Board on the re-election of retiring Directors at the 2014 AGM.

Share Option Committee

The Company established the Share Option Committee with written terms of reference which was adopted in 2004 and amended on 29 March 2012.

The functions of the Share Option Committee are to implement and administer the share option scheme(s) of the Company including to deal with the issue and allotment of new Shares arising from the exercise of options by grantees; to determine the number of Shares to be offered to eligible participants; to recommend the subscription price of the share options to the Board and to recommend to the Board where it deems necessary, any amendment, modification, addition, or deletion of the share option scheme(s) of the Company.

The Share Option Committee currently comprises three members as follows:

Independent Non-executive Director
Mr. Lai Ho Man, Dickson *(Chairman)*

Executive Directors
Mr. Yang Liu
Mr. Lo Ka Wai

During the year ended 31 December 2014, the Share Option Committee did not hold any meeting. The Share Option Committee by passing of written resolution made recommendation to the Board on the adoption of a new share option scheme.

External Audit

The Company's existing external auditor, ZHONGHUI ANDA CPA Limited, performs independent statutory audits on the Group's consolidated financial statements for the year ended 31 December 2014. The Audit Committee also has unrestricted access to external auditor as necessary. The Company's external auditor also reports to the Audit Committee any significant weaknesses in the Group's internal control system which might come to its notice during the course of audit.

Prior to the commencement of the audit of the Company, the Audit Committee should be received written confirmation from the external auditor on its independence and objectivity as required by the Hong Kong Institute of Certified Public Accountants.

Members of the Audit Committee have been satisfied with the findings of their review of the audit fees, process and effectiveness, independence and objectivity of ZHONGHUI ANDA CPA Limited, and the Audit Committee has recommended to the Board the re-appointment of ZHONGHUI ANDA CPA Limited as the Company's external auditor.

Auditor's Remuneration

Total remunerations of HK$680,000 and HK$105,000 were paid/payable to ZHONGHUI ANDA CPA Limited for their audit of the consolidated financial statements of the Group for the year ended 31 December 2014 and non-audit services for the year ended 31 December 2014 respectively. The non-audit services mainly consists of review and agreed-upon-procedures services.

Company Secretary

The Company engaged an external professional company secretarial services provider, Uni-1 Corporate Services Limited ("Uni-1"), to provide compliance and full range of company secretarial services to the Group in order to assist the Group to cope with the changing regulatory environment and to suit different commercial needs.

Ms. Chan Pui Shan, Bessie ("Ms. Chan"), the representative of Uni-1, was appointed as the named Company Secretary of the Company on 10 December 2013.

Ms. Cheng Kit Sum, Clara, the Group Financial Controller of the Company, is the primary point of contact at the Company for the Company Secretary.

According to the requirements of Rule 3.29 of the Listing Rules, Ms. Chan has taken not less than 15 hours of relevant professional training during the financial year ended 31 December 2014.

Shareholders' Rights

The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called a special general meeting.

Shareholders to convene a special general meeting

Shareholders may convene a special general meeting of the Company according to the provisions as set out in the Bye-Laws and the Bermuda Law. Members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require a special general meeting to be called by the Directors for the transaction of any business specified in such requisition; and such meeting shall be called within two months after the deposit of such requisition. If within twenty-one days of such deposit the Directors fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of the Bermuda Law by written notice at least twenty-one days before the meeting takes place in like manner as the annual general meeting of the Company.

Putting enquiries by Shareholders to the Board

Shareholders may send written enquiries to the Company at the Company's principal place of business in Hong Kong.

Procedures for putting forward proposals by shareholders at shareholders' meeting

The number of members necessary for a requisition for putting forward a proposal at a general meeting shall be:

(a) any number of members representing not less than one-twentieth of the total voting rights at the date of the requisition; or

(b) not less than one hundred members.

A copy or copies of requisition signed by all requisitionists shall be deposited, with a sum reasonably sufficient to meet the Company's expenses in giving notice of the proposed resolution or circulating any necessary statement, at the Company's principal place of business in Hong Kong in the case of:

(i) a requisition requiring notice of a resolution, not less than six weeks before the meeting; and

(ii) any other requisition, not less than one week before the meeting.

The Company will verify the requisition and upon confirmation that the requisition is in proper and in order, the Board will proceed with the necessary procedures.

Voting by Poll

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholder at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, all resolutions set out in the notice of the forthcoming annual general meeting of the company will be voted by poll.

The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board. The annual report together with the relevant circular are distributed to all the Shareholders at least 20 clear business days before the annual general meeting.

Constitutional Documents

There is no change in the Company's constitutional documents during the year ended 31 December 2014.

The existing Bye-Laws were adopted in 1994 and have not been amended since 2011. Since then, there have been various amendments in applicable laws and regulations including the Listing Rules and changes in market practice. The Board has proposed to adopt a new set of Bye-laws to reflect the latest amendments to the Listing Rules and the Companies Act 1981 of Bermuda which have come into effect respectively between 2011 and now. Accordingly, a special resolution will be proposed at the 2015 AGM for the Shareholders to consider and, if thought fit, approve the adoption of the new bye-laws. Copies of the existing Bye-Laws and the draft New Bye-Laws are also available for inspection at the Company's principal place of business in Hong Kong during normal business hours on any business day (excluding Saturday) until the date of the 2015 AGM.

Investor Relations

The Company is committed to open and regular communication and reasonable disclosure of information to its Shareholders. Information of the Company is disseminated to the Shareholders in the following manner:

– Delivery of annual and interim reports to all Shareholders;

– Publication of announcements on the annual and interim results on the websites of the Stock Exchange and the Company, and publication of other announcements and Shareholders' circulars in accordance with the continuing disclosure obligations under the Listing Rules; and

– The general meeting of the Company is also an effective communication channel between the Board and Shareholders.

Internal Control

The Board acknowledges that it has overall responsibility for the Company's internal control system and risk management procedures and the responsibility of day-to-day management of operational risks and the implementation of mitigation measures lies with the Company's management. However, the Board recognises that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

During the year ended 31 December 2014, the Board has conducted a review of the system of internal control to ensure the effectiveness and adequacy of the system, and the Board believes that, in the absence of any evidence to the contrary, the system of internal controls maintained by the Group that was in place throughout the year and up to the date of this report, is adequate to meet the needs of the Group in its current business environment. The Board has taken measures to improve the internal control system of the Company including the following checks and balance procedures:

– The Board has regular board meetings to communicate the operations of the Group and approve significant capital expenditure and payments.

– Capital expenditure is also subject to overall control within the approved budget of individual projects with more specific control and approval being required for overspending, unbudgeted expenditure and material expenditure within the approved budget.

– Prior to making significant payment of an approved capital expenditure at subsidiary level, the local management shall duly inform the Board and the relevant payment shall be authorized by a person designated by the Board.

– The Finance Department of the head office has monitored the operations at subsidiary level and timely reporting to the Board has been established.

– The Board shall conduct such review at least once annually.

Directors' Responsibilities for the Consolidated Financial Statements

The Directors acknowledge their responsibilities to prepare the Company's account for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the consolidated financial statements for the year ended 31 December 2014, the Board has selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent, fair and reasonable and prepared the accounts on a going concern basis. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

ZHONGHUI

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HAN TANG INTERNATIONAL HOLDINGS LIMITED
(formerly known as "Pearl River Tyre (Holdings) Limited")
(Continued in Bermuda with limited liability)

We have audited the consolidated financial statements of Han Tang International Holdings Limited (formerly known as "Pearl River Tyre (Holdings) Limited") (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 34 to 107, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

BASIS FOR QUALIFIED OPINION

1. Opening balances and corresponding figures

Our audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2013, which forms the basis for the corresponding figures presented in the current year's consolidated financial statements, was disclaimed because of the significance of the possible effects of the limitations on the scope of our audit, details of which are set out in our audit report dated 13 November 2014. Accordingly, we were then unable to form an opinion as to whether the financial statements gave a true and fair view of the state of affairs of the Group as at 31 December 2013 and of the Group's results and cash flows for the year then ended.

2. De-consolidation and gain on disposal of subsidiaries

As set out in Note 12 to the consolidated financial statements, Carham Assets Limited ("Carham") and its subsidiary, Guangzhou Pearl River Rubber Tyre Limited ("GPRT") (collectively the "Carham sub-group") was deconsolidated from the Group commencing on 1 January 2014. No sufficient evidence has been provided to satisfy ourselves as to whether the Company had lost control of Carham sub-group since 1 January 2014 and for the period from 1 January 2014 to 23 April 2014, the date immediately before the disposal being completed. Accordingly, no sufficient evidence has been provided to satisfy ourselves, in relation to the Carham sub-group, as to the completeness of the transactions of the Group for the period from 1 January 2014 to 23 April 2014.

An amount of approximately HK$1,075,000 relating to the gain on disposal of Carham sub-group has been recognized in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2014. No sufficient evidence has been provided to satisfy ourselves as to the assets and liabilities of Carham sub-group as at 1 January 2014. As a result, we are unable to satisfy ourselves as to the gain on disposal of subsidiaries of approximately HK$1,075,000 included in the consolidated profit or loss.

Any adjustments to the figures as described from points 1 and 2 above might have a consequential effect on the Group's results and cash flows for the two years ended 31 December 2013 and 2014, and the financial position of the Group as at 31 December 2013, and the related disclosures thereof in the consolidated financial statements.

QUALIFIED OPINION

In our opinion, except for the possible effects of the matters as described in the basis for qualified opinion paragraphs, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014, and of the results and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants

Sze Lin Tang
Practising Certificate Number P03614

Hong Kong, 9 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	Year ended 31 December 2014 HK$'000	2013 HK$'000 (Restated)
CONTINUING OPERATIONS			
Turnover	7	50,467	–
Cost of sales		(48,002)	–
Gross profit		2,465	–
Other revenue and other net income	7	28	–
Administrative expenses		(27,998)	(4,302)
Finance costs	8	(7,335)	(8,612)
Loss before taxation		(32,840)	(12,914)
Income tax	11	–	–
Loss for the year from continuing operations		(32,840)	(12,914)
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations	12	1,075	98,400
(Loss)/profit for the year	9	(31,765)	85,486
Attributable to:			
Owners of the Company		(31,510)	86,166
Non-controlling interests		(255)	(680)
(Loss)/profit for the year		(31,765)	85,486
(Loss)/profit for the year attributable to owners of the Company arising from:			
Continuing operations		(32,585)	(12,879)
Discontinued operations		1,075	99,045
		(31,510)	86,166

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	Year ended 31 December 2014 HK$'000	2013 HK$'000 (Restated)
(Loss)/profit for the year		(31,765)	85,486
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of:			
– Subsidiaries' financial statements		(1,040)	17,458
– Available-for-sale investments		–	292
Fair value gain on available-for-sale investments		–	4,115
		(1,040)	21,865
Reclassification adjustments for:			
– Foreign currency translation reserve		(4,948)	(70,051)
– Revaluation reserve		–	(33,677)
		(4,948)	(103,728)
Total other comprehensive loss		(5,988)	(81,863)
Total comprehensive (loss)/income for the year		(37,753)	3,623
Attributable to:			
Owners of the Company		(41,365)	2,212
Non-controlling interests		3,612	1,411
Total comprehensive (loss)/income for the year		(37,753)	3,623
(Loss)/earnings per share (Hong Kong cents)			
From continuing and discontinued operations			
– Basic	13	(20.1)	73.0
– Diluted	13	(20.1)	73.0
From continuing operations			
– Basic	13	(20.8)	(10.9)
– Diluted	13	(20.8)	(10.9)
From discontinued operations			
– Basic	13	0.7	83.9
– Diluted	13	0.7	83.9

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2014

	Notes	As at 31 December 2014 HK$'000	2013 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	420,063	165,701
Prepaid lease payments	16	12,607	16,225
Prepayment for acquisition of property, plant and equipment	17	10,000	303,985
Goodwill	19	378	378
Total non-current assets		443,048	486,289
Current assets			
Inventories	20	–	150,620
Trade and other receivables	21	49,459	98,243
Pledged bank deposits	22	–	1,153
Cash and cash equivalents	23	8,382	50,604
Total current assets		57,841	300,620
Current liabilities			
Trade and other payables	24	5,870	182,070
Provisions	26	–	6,652
Bank and other borrowings	27	–	61,447
Finance lease payables	28	1,113	212
Total current liabilities		6,983	250,381
Net current assets		50,858	50,239
Total assets less current liabilities		493,906	536,528
Non-current liabilities			
Other payables	24	343	–
Bank and other borrowings	27	61,867	158,700
Convertible bonds	31	13,783	12,927
Deferred tax liabilities	25	–	574
Finance lease payables	28	3,140	518
Total non-current liabilities		79,133	172,719
Net assets		414,773	363,809
EQUITY			
Share capital	29	1,581	1,381
Reserves	32	300,331	292,715
		301,912	294,096
Non-controlling interests		112,861	69,713
Total equity		414,773	363,809

Approved and authorised for issue by the Board on 9 March 2015.

Yang Liu
Director

Lo Ka Wai
Director

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000 Note 32(a)	Revaluation reserve HK$'000 Note 32(b)	Equity component of convertible bonds HK$'000 Note 31	Capital reserve HK$'000 Note 32(c)	Foreign currency translation reserve HK$'000 Note 32(d)	Contributed surplus HK$'000 Note 32(e)	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2013	1,156	136,258	35,980	–	37,344	69,839	109,665	(147,485)	242,757	–	242,757
Changes in equity for 2013:											
Profit/(loss) for the year	–	–	–	–	–	–	–	86,166	86,166	(680)	85,486
Other comprehensive income/(loss):											
Exchange difference on translation of:											
– Subsidiaries' financial statements	–	–	–	–	–	15,367	–	–	15,367	2,091	17,458
– Available-for-sale investments	–	–	–	–	–	292	–	–	292	–	292
Changes in fair value of available-for-sale investments, net of tax	–	–	4,115	–	–	–	–	–	4,115	–	4,115
Reclassification adjustments for:											
– Foreign currency translation reserve	–	–	–	–	–	(70,051)	–	–	(70,051)	–	(70,051)
– Revaluation reserve	–	–	(33,677)	–	–	–	–	–	(33,677)	–	(33,677)
	–	–	(29,562)	–	–	(54,392)	–	–	(83,954)	2,091	(81,863)
Total comprehensive income/(loss)	–	–	(29,562)	–	–	(54,392)	–	86,166	2,212	1,411	3,623
Acquisition of subsidiaries (Note 35)	–	–	(6,418)	–	(37,344)	–	–	43,762	–	67,721	67,721
Issue of convertible bonds (Note 31)	–	–	–	9,053	–	–	–	–	9,053	–	9,053
Issue of shares upon conversion of convertible bonds (Note 29)	225	45,086	–	(6,790)	–	–	–	–	38,521	–	38,521
Waiver of a loan from a non-controlling shareholder	–	–	–	–	1,553	–	–	–	1,553	581	2,134
	225	45,086	(6,418)	2,263	(35,791)	–	–	43,762	49,127	68,302	117,429
At 31 December 2013	1,381	181,344	–	2,263	1,553	15,447	109,665	(17,557)	294,096	69,713	363,809
At 1 January 2014	1,381	181,344	–	2,263	1,553	15,447	109,665	(17,557)	294,096	69,713	363,809
Changes in equity for 2014:											
Loss for the year	–	–	–	–	–	–	–	(31,510)	(31,510)	(255)	(31,765)
Other comprehensive income/(loss):											
Exchange difference on translation of:											
– Subsidiaries' financial statements	–	–	–	–	–	(4,907)	–	–	(4,907)	3,867	(1,040)
Reclassification adjustments for:											
– Foreign currency translation reserve	–	–	–	–	–	(4,948)	–	–	(4,948)	–	(4,948)
	–	–	–	–	–	(9,855)	–	–	(9,855)	3,867	(5,988)
Total comprehensive income/(loss)	–	–	–	–	–	(9,855)	–	(31,510)	(41,365)	3,612	(37,753)
Issue of shares on placement (Note 29)	200	48,981	–	–	–	–	–	–	49,181	–	49,181
Capital contribution from non-controlling interest (Note 37)	–	–	–	–	–	–	–	–	–	108,840	108,840
Disposal of subsidiaries (Note 12(c)(ii))	–	–	–	–	–	–	–	–	–	(69,304)	(69,304)
	200	48,981	–	–	–	–	–	–	49,181	39,536	88,717
At 31 December 2014	1,581	230,325	–	2,263	1,553	5,592	109,665	(49,067)	301,912	112,861	414,773

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

	Year ended 31 December	
	2014	2013
	HK$'000	HK$'000
		(Restated)
Operating activities		
(Loss)/profit before taxation		
— Continuing operations	(32,840)	(12,914)
— Discontinued operations	1,075	98,343
Adjustments for:		
Gain on disposal of subsidiaries	(1,075)	(20,576)
Depreciation of property, plant and equipment	2,013	18,971
Interest expense	7,335	11,796
Gain on reclassification from interest in a joint venture to interest in a subsidiary	–	(80,157)
Amortisation of prepaid lease payments	–	1,611
Provision for warranty	–	3,534
Loss on fair value changes of held for trading investments	–	303
Unrealised gain on foreign exchange	–	(124)
Plant and equipment written off	–	148
Reversal of impairment loss on property, plant and equipment	–	(11)
Interest income	(12)	(40)
	(23,504)	20,884
Decrease in inventories	–	30,425
Increase in trade and other receivables	(50,434)	(18,226)
(Decrease)/increase in trade and other payables	(1,949)	8,646
Exchange realignment	(28)	3,121
Cash (used in)/generated from operations	(75,915)	44,850
Interest received	12	40
Interest paid	(652)	(4,266)
Net cash (used in)/generated from operating activities	(76,555)	40,624

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	Year ended 31 December 2014 HK$'000	2013 HK$'000 (Restated)
Investing activities			
Prepayment to acquire property, plant and equipment		(10,000)	(293,500)
Purchase of plant and equipment		(5,251)	(30,726)
Purchase of land use right		(12,607)	–
Net cash (outflow)/inflow from de-consolidation/disposal of subsidiaries	12	(38,856)	84,956
Reclassification from interest in a joint venture to interest in a subsidiary		–	26,273
Decrease in pledged bank deposits, net		–	2,026
Cash inflow from acquisition of a subsidiary		–	1,406
Net cash used in investing activities		(66,714)	(209,565)
Financing activities			
Proceeds from issuance of shares		49,181	–
Loan from non-controlling interest of a subsidiary		12,607	–
Proceeds from issuance of convertible bonds and other bonds		40,030	67,200
Repayment of finance lease payables and bank loans		(771)	(1,999)
Advance from non-controlling interest of GPRT		–	363
Advances from former related parties		–	1,306
Loans from shareholders		–	150,000
Net cash generated from financing activities		101,047	216,870
Net (decrease)/increase in cash and cash equivalents		(42,222)	47,929
Cash and cash equivalents at beginning of the year		50,604	2,470
Effect of foreign exchange rate changes, net		–	205
Cash and cash equivalents at end of the year	23	8,382	50,604
Analysis of balances of cash and cash equivalents			
Cash and cash equivalents		8,382	50,604

The accompanying notes form part of these financial statements

1. CORPORATE INFORMATION

The Company was incorporated in the British Virgin Islands on 17 February 1994 and continued under the laws of Bermuda by migration of its domicile to Bermuda on 21 October 1994. The Company was registered in Hong Kong as an oversea company pursuant to the Hong Kong Companies Ordinance on 24 May 1999.

The registered office and principal place of business in Hong Kong are as follows:

Registered office	:	Clarendon House 2 Church Street Hamilton HM11 Bermuda
Principal place of business in Hong Kong	:	Suite 5207, 52/F., Central Plaza 18 Harbour Road Wanchai Hong Kong

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding.

During the year ended 31 December 2014, the Group's principal activities are the trading of petroleum, semiconductor/electronic products and the design, research and development, processing, manufacturing and sale of semiconductor, integrated circuits and new type electronic components, and the provision of related technical consultancy services.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 January 2014. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements are presented in Hong Kong dollars (“HK$”), rounded to the nearest thousand except for per share data.

These consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention.

The preparation of the audited consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise their judgements in the process of applying the accounting policies. The areas where assumptions and estimates are significant to these consolidated financial statements are disclosed in Note 5 to the consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, available-for-sale investment), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in Note 4(u). Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in the foreign currency translation reserve.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Foreign currency translation *(Continued)*

(iii) Translation on consolidation (Continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) Property, plant and equipment

Buildings comprise mainly factories and offices. All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	4.35% to 5.26%
Plant and Machinery	4.65% to 20%
Leasehold improvements	over the respective lease terms
Equipment	6.43% to 20%
Motor vehicle	20%
Computers	20% to 33%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents buildings under construction and plant and machinery pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Operating Leases

The Group as lessee

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(g) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(i) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(j) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(l) Convertible bonds

Convertible bonds which entitle the holder to convert the bonds into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consist of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible bonds and the fair value assigned to the liability component, representing the embedded option for the holder to convert the bonds into equity of the Group, is included in equity as equity component of convertible bonds. The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption.

Transaction costs are apportioned between the liability and equity components of the convertible bonds based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity.

(m) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenues from the sales of manufactured goods and trading of raw materials are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income is recognised when the shareholders' rights to receive payment are established.

(p) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme ("MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme in Hong Kong. Contributions are made based on 5% of the employees' relevant income, subject to a ceiling of monthly relevant income of HK$25,000 (increased to HK$30,000 starting from 1 June 2014) and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group also participates in a defined contribution retirement scheme organised by the government in the People's Republic of China (the "PRC"). The Group is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the retirement scheme. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Employee benefits *(Continued)*

(iii) Termination benefits

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

(q) Share-based payments

Equity-settled share-based payments are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

(r) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, 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.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Related parties

A related party is a person or entity that is related to the Group.

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill, inventories and receivables 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 any impairment loss. Where 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.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit 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 (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(v) Provisions and contingent liabilities

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

(x) Discontinued operations

A discontinued operation is a component of the Group, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale in accordance with HKFRS 5, if earlier. It also occurs when the operation is abandoned.

When an operation is classified as discontinued, a single amount is presented in statement of profit or loss and other comprehensive income, which comprises:

– The post-tax profit or loss of the discontinued operation; and

– The post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

5. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

(a) Legal titles of certain lands

As stated in Notes 16 to the consolidated financial statements, the legal titles of certain lands have not been transferred to the Group as at 31 December 2014. Despite the fact that the Group has not obtained the relevant certificates of legal titles, the Directors determine to recognise those prepaid land lease payment on the grounds that they expect the transfer of legal titles in future should have no major difficulties and the Group is in substance controlling those lands.

Key sources of estimation uncertainty

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 of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(ii) Impairment loss of trade receivables

The Group estimates impairment losses of trade receivables resulting from the inability of the customers to make the required payment. The Group bases the estimates on the ageing of the accounts receivable balance, customer credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs might be higher than expected and could significantly affect the results of future periods.

(iii) Write-down for obsolescence of inventories

The Group determines the write-down for obsolescence of inventories. These estimates are based on the current market condition and the historical experience on selling goods of similar nature. It could change significantly as a result of changes in market conditions.

5. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(iv) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and deductible temporary differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

6. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the directors of the Company for the purposes of resources allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

The Group has presented the following two reportable segments. These segments are managed separately. Each segment offers very different products and services:

1. Trading business
2. Manufacturing of semiconductor

The trading business derives its revenue primarily from the trading of petroleum and semiconductor/electronic products.

The manufacturing of semiconductor segment is still in the construction phase and has not yet started commercial operations.

The manufacturing of tyres segment in 2013 derived its revenue primarily from the manufacture and sale of various types of tyres for commercial vehicles and it was de-consolidated with effect from 1 January 2014 and its results for both years are presented as discontinued operations.

The investment holding segment in 2013 derived its revenue primarily from dividends income from investments.

6. SEGMENT REPORTING *(Continued)*

(a) Segment results, assets and liabilities

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

Segment assets include all tangible, intangible assets and current assets with the exception of other corporate assets. Segment liabilities include trade and other payables, provisions, bank loans, shareholders' loans, finance lease payables and the liability components of convertible bonds, all of which are attributable to the activities of the individual segments with the exception of other bonds payable, other finance lease payables and other corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arose from the depreciation or amortisation of assets attributable to those segments. There was no inter-segment sale and transfer during the year (2013: Nil).

The measure used for reporting segment profit is "adjusted EBITDA" i.e., "adjusted earnings before interest, taxes, depreciation and amortisation", where "interest" is regarded as including investment income and "depreciation and amortisation" is regarded as including impairment losses on non-current assets. To arrive at adjusted EBITDA, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as directors' emoluments and auditor's remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted EBITDA, the executive directors of the Company are provided with segment information concerning revenue (including inter-segment sales, if any) interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

6. SEGMENT REPORTING *(Continued)*

(a) Segment results, assets and liabilities *(Continued)*

Information regarding the Group's reportable segments as provided to the executive directors of the Company for the purpose of resources allocation and assessment of segment performance for the years ended 31 December 2014 and 2013 is set out below:

	2014					
	Continuing operations			Discontinued operation		
	Trading business HK$'000	Manufacturing of Semiconductor HK$'000	Sub-total HK$'000	Manufacturing of Tyres HK$'000	Unallocated HK$'000	Total HK$'000
Revenue from external customers	50,467	–	50,467	–		50,467
Reportable segment profit/(loss) (adjusted EBITDA)	(2,192)	(595)	(2,787)	1,075		(1,712)
Interest income	–	1	1	–	11	12
Finance costs	(48)	(4,177)	(4,225)	–	(3,110)	(7,335)
Depreciation	(232)	–	(232)	–	(1,781)	(2,013)
Income tax expense	–	–	–	–	–	–
Reportable segment assets	43,537	435,679	479,216	–	21,673	500,889
Additions to non-current segment assets during the year	1,734	131,485	133,219	–	7,773	140,992
Reportable segment liabilities	(1,130)	(13,784)	(14,914)	–	(71,202)	(86,116)

6. SEGMENT REPORTING *(Continued)*

(a) Segment results, assets and liabilities *(Continued)*

	2013					
	Continuing operations	Discontinued operations				
	Manufacturing of Semiconductor HK$'000	Manufacturing of Tyres (Restated) HK$'000	Investment holding HK$'000	Sub-total (Restated) HK$'000	Unallocated HK$'000	Total HK$'000
Revenue from external customers	–	667,290	–	667,290		667,290
Reportable segment profit/(loss) (adjusted EBITDA)	(90)	25,181	20,392	45,573		45,483
Interest income	–	40	–	40	–	40
Finance costs	(8,612)	(3,184)	–	(3,184)	–	(11,796)
Depreciation and amortisation	–	(20,569)	–	(20,569)	(13)	(20,582)
Provision of warranty	–	(3,534)	–	(3,534)	–	(3,534)
Plant and equipment written off	–	(148)	–	(148)	–	(148)
Reversal of impairment loss on property, plant and equipment	–	11	–	11	–	11
Income tax credit	–	57	–	57	–	57
Reportable segment assets	305,863	469,992	–	469,992	11,054	786,909
Additions to non-current segment assets during the year	303,985	196,638	–	196,638	730	501,353
Reportable segment liabilities	168,318	238,977	–	238,977	15,805	423,100

6. SEGMENT REPORTING *(Continued)*

(b) Reconciliations of reportable segment (loss)/profit

	2014 HK$'000	2013 HK$'000 (Restated)
Reportable segment loss (continuing operations)	(2,787)	(90)
Finance costs	(4,225)	(8,612)
Depreciation and amortisation	(232)	–
Interest income	1	–
Unallocated expenses	(25,597)	(4,212)
Consolidated loss before taxation (continuing operations)	(32,840)	(12,914)

(c) Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services:

	2014 HK$'000	2013 HK$'000 (Restated)
Trading of petroleum and semiconductor/electronic products	50,467	–

6. SEGMENT REPORTING *(Continued)*

(d) Geographic information

The following is an analysis of the geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets. The geographical location of customers refers to the location at which the services were provided or the goods delivered. The Group's non-current assets include property, plant and equipment, prepaid lease payments, prepayment for acquisition of property, plant and equipment and goodwill. The geographical location of property, plant and equipment, prepayment for acquisition of property, plant and equipment and prepaid lease payments are based on the physical location of the asset under consideration. In the case of intangible assets, it is based on the location of operation to which these intangibles are allocated.

	Revenue from external customers		Specified non-current assets	
	2014	2013	2014	2013
	HK$'000	HK$'000 (Restated)	HK$'000	HK$'000
Mainland China	50,467	–	434,848	485,571
Hong Kong	–	–	8,200	718
	50,467	–	443,048	486,289

(e) Information about major customers

For the year ended 31 December 2014, the revenue from the Group's largest customer was approximately 94% (2013: Nil) of the Group's total revenue.

7. TURNOVER, OTHER REVENUE AND OTHER NET INCOME

(a) Turnover of the Group, which is also its revenue, represents the invoiced value of goods sold and services rendered less discounts and returns for each reporting period and is analysed as follows:

	Continuing operations		Discontinued operations		Total	
	2014 HK$'000	2013 HK$'000 (Restated)	2014 HK$'000	2013 HK$'000 (Restated)	2014 HK$'000	2013 HK$'000
Trading of petroleum products	49,244	–	–	–	49,244	–
Trading of semiconductor/electronic products	1,223	–	–	–	1,223	–
Manufacture and sales of tyres	–	–	–	667,290	–	667,290
	50,467	–	–	667,290	50,467	667,290

(b) The analysis of other revenue and other net income is as follows:

	Continuing operations		Discontinued operations		Total	
	2014 HK$'000	2013 HK$'000 (Restated)	2014 HK$'000	2013 HK$'000 (Restated)	2014 HK$'000	2013 HK$'000
Other revenue						
Interest income on bank deposits	12	–	–	40	12	40
Total interest income on financial assets not at fair value through profit or loss	12	–	–	40	12	40
Government grant received	–	–	–	305	–	305
Others	–	–	–	2,718	–	2,718
	12	–	–	3,063	12	3,063
Other net income						
Reversal of impairment loss on property, plant and equipment	–	–	–	11	–	11
Gain on foreign exchange	16	–	–	124	16	124
	16	–	–	135	16	135
	28	–	–	3,198	28	3,198

8. FINANCE COSTS

	Continuing operations		Discontinued operations		Total	
	2014	2013	2014	2013	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)		(Restated)		
Interests on:						
– bank loans wholly repayable within one year	–	–	–	3,184	–	3,184
– convertible bonds	1,306	3,179	–	–	1,306	3,179
– shareholders' loans	2,528	5,392	–	–	2,528	5,392
– other bonds	2,975	–	–	–	2,975	–
– loan from non-controlling interest of a subsidiary wholly repayable within five years	343	–	–	–	343	–
– finance lease	183	–	–	–	183	–
Other interest expenses	–	41	–	–	–	41
	7,335	8,612	–	3,184	7,335	11,796

9. (LOSS)/PROFIT FOR THE YEAR

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

	Continuing operations		Discontinued operations		Total	
	2014	2013	2014	2013	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)		(Restated)		
Cost of inventories	48,002	–	–	596,193	48,002	596,193
Staff costs (including directors' emoluments)						
– Wages, salaries and other benefits	6,955	810	–	80,412	6,955	81,222
– Retirement benefit scheme contributions	117	32	–	12,855	117	12,887
Auditor's remuneration						
– current year	680	1,420	–	95	680	1,515
Amortisation of prepaid lease payments (included in administrative expenses) (Note 16)	–	–	–	1,611	–	1,611
Depreciation of property, plant and equipment (Note 15)	2,013	13	–	18,958	2,013	18,971
Plant and equipment written off	–	–	–	148	–	148
Reversal of impairment loss on property, plant and equipment	–	–	–	(11)	–	(11)
(Gain)/loss on foreign exchange, net	(11)	–	–	2,599	(11)	2,599
Loss on fair value changes of held for trading investments	–	–	–	303	–	303
Operating lease payments:						
– land and buildings	5,032	–	–	5,680	5,032	5,680
– machinery	–	–	–	2,524	–	2,524
Provision for product warranty (Note 26)	–	–	–	3,534	–	3,534

10. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS

(i) Emoluments of directors and chief executive

The emoluments paid or payable to each of the eleven (2013: thirteen) directors who held office during the year were as follows:

	Fees HK$'000	Salaries and other benefits HK$'000	2014 Retirement scheme contributions HK$'000	Discretionary bonuses HK$'000	Total HK$'000
Chairman					
Yang Liu (appointed as chairman on 1/9/2014)	–	1,300	–	–	1,300
Goh Nan Kioh (resigned on 2/1/2014)	–	–	–	–	–
Executive directors					
Wang Shu Jie (resigned on 1/9/2014)	50	–	–	–	50
Lo Ka Wai	–	1,300	17	–	1,317
Goh Nan Yang (resigned on 31/3/2014)	18	–	–	–	18
Non-executive director					
Xu Lei	240	–	–	–	240
Independent non-executive directors					
Liu Hongjun	75	–	–	–	75
Lai Ho Man, Dickson	195	–	–	–	195
Wang Xiao Chuan	195	–	–	–	195
Wong Lit Chor, Alexis	195	–	–	–	195
Yeow See Yuen (re-designated as a non-executive director on 24/4/2014 and resigned on 16/6/2014)	34	–	–	–	34
	1,002	2,600	17	–	3,619

	Fees HK$'000	Salaries and other benefits HK$'000	2013 Retirement scheme contributions HK$'000	Discretionary bonuses HK$'000	Total HK$'000
Chairman					
Goh Nan Kioh	110	–	–	–	110
Executive directors					
Goh Nan Yang	75	–	–	–	75
Yang Liu (appointed on 18/11/2013)	–	–	–	–	–
Wang Shu Jie	75	–	–	–	75
Lo Ka Wai (appointed on 18/11/2013)	–	–	–	–	–
Non-executive directors					
Xu Lei (appointed on 20/11/2013)	–	–	–	–	–
Yeoh Eng Khoon (retired on 10/6/2013)	33	–	–	–	33
Independent non-executive directors					
Yeow See Yuen	75	–	–	–	75
Liu Hongjun	75	–	–	–	75
Lai Ho Man, Dickson (appointed on 18/11/2013)	22	–	–	–	22
Wang Xiao Chuan (appointed on 20/11/2013)	21	–	–	–	21
Wong Lit Chor, Alexis (appointed on 20/11/2013)	21	–	–	–	21
Wong Meng Tak (resigned on 18/11/2013)	65	–	–	–	65
	572	–	–	–	572

10. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS *(Continued)*

(i) Emoluments of directors and chief executive *(Continued)*

Notes:

(1) During both years, no remuneration was paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any remuneration during both years.

(2) Goh Nan Yang had also been the Chief Executive Officer of the Company until such position was replaced by Yang Liu on 2 January 2014 and his emolument disclosed above included those of services rendered by him as the Chief Executive Officer.

(ii) Five highest paid employees

Of the five individuals with the highest emoluments, two (2013: Nil) were directors of the Company whose emoluments are disclosed in Note 10(i). The emoluments of the three (2013: five) individuals other than director of the Company were as follows:

	2014 HK$'000	2013 HK$'000
Bonuses	–	127
Salaries and allowances	1,851	1,591
	1,851	1,718

The emoluments of the three (2013: five) individuals with the highest emoluments are within the following bands:

	2014 Number of individuals	2013 Number of individuals
Nil – HK$1,000,000	3	5

None of the directors and these highest paid employees waived any emoluments or received any inducement to join or compensation for loss of office during the years ended 31 December 2014 and 2013.

11. INCOME TAX

(a) Income tax represents:

	Continuing operations		Discontinued operations		Total	
	2014 HK$'000	2013 HK$'000 (Restated)	2014 HK$'000	2013 HK$'000 (Restated)	2014 HK$'000	2013 HK$'000
Current tax						
– Hong Kong Profits Tax	–	–	–	–	–	–
– PRC Enterprise Income Tax (“EIT”)	–	–	–	–	–	–
Deferred tax						
– Origination of temporary difference (Note 25)	–	–	–	(57)	–	(57)
Income tax credit	–	–	–	(57)	–	(57)

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits derived from or earned in Hong Kong for both financial years.

The EIT for the year ended 31 December 2014 is 25% (2013: 25%).

11. INCOME TAX *(Continued)*

(b) A reconciliation of the income tax (credit)/expense applicable to the profit before taxation at the statutory tax rates to income tax (credit)/expense at the effective tax rates of the Group is as follows:

	2014 HK$'000	2013 HK$'000 (Restated)
Loss before taxation (from continuing operations)	(32,840)	(12,914)
Profit before taxation (from discontinued operations)	1,075	98,343
	(31,765)	85,429
Notional tax on profit before taxation, calculated at the rates applicable to profit/(loss) in the tax jurisdictions concerned		
– Mainland China @25% (2013: 25%)	(517)	19,455
– Hong Kong @16.5% (2013: 16.5%)	(4,899)	1,255
	(5,416)	20,710
Tax effects of:		
Non-deductible expenses	2,004	1,926
Non-taxable income	(199)	(23,187)
Deferred tax assets not recognised during the year	3,611	494
Income tax credit	–	(57)

11. INCOME TAX *(Continued)*

(c) Tax effects relating to each components of other comprehensive income

	2014			2013		
	Before-tax amount HK$'000	Tax expense HK$'000	Net-of-tax amount HK$'000	Before-tax amount HK$'000	Tax expense HK$'000	Net-of-tax amount HK$'000
Exchange differences on translation of:						
– Subsidiaries' financial statements	(1,040)	–	(1,040)	17,458	–	17,458
– Available-for-sale investments	–	–	–	292	–	292
Available-for-sale investments:						
– Fair value gain arising on revaluation of available-for-sale investments	–	–	–	4,115	–	4,115
Reclassification adjustments for:						
– Foreign currency translation reserve	(4,948)	–	(4,948)	(70,051)	–	(70,051)
– Revaluation reserve	–	–	–	(33,677)	–	(33,677)
	(5,988)	–	(5,988)	(81,863)	–	(81,863)

12. PROFIT FOR THE YEAR FROM DISCONTINUED OPERATIONS

(a) Rodez Investments Limited ("Rodez"), a wholly owned subsidiary of the Company, received demand letters from Pacific Union Pte Ltd. ("Pacific Union") and KL-Kepong International Limited ("KL-Kepong") in April 2014 demanding repayment of the respective principal and interest accrued and claiming that an event of default had occurred. In response to these, the Company has on behalf of Rodez entered into negotiations with Pacific Union and KL-Kepong respectively. Rodez received letters from Pacific Union and KL-Kepong on 9 July 2014 and 11 July 2014 respectively, stating that payments had not been received by the deadlines and they had exercised their rights and powers under the deed of charge by transferring the secured shares in Carham Assets Limited ("Carham"), the then subsidiary of the Company, to themselves.

As a result of the transfer of the 55 shares in Carham to Pacific Union, the Company's shareholding (through Rodez) in Carham is reduced to 45% with effect from 24 April 2014. As a result of the transfer of the 45 shares in Carham to KL-Kepong, the Company (through Rodez) no longer has any shareholding in Carham with effect from 29 May 2014. This means that the Company no longer has any interest in Carham and its subsidiary – Guangzhou Pearl River Rubber Tyre Limited ("GPRT") (collectively referred to as the "Carham sub-group").

According to the loan agreements, upon occurrence of an event of default, all amounts, outstanding principal, accrued interest, default interest and any other amount shall become due and payable immediately. The security created by the share charges covers all amounts due under the loan agreements, which include outstanding principal, accrued interest, default interest and any amount payable by the borrower under the terms of the loan agreements and share charges.

12. PROFIT FOR THE YEAR FROM DISCONTINUED OPERATIONS *(Continued)*

The Board considers that the Group no longer has the power to exercise its right as a shareholder of Carham and thus has lost its control over Carham as a result of transferring its 55% and 45% equity interests upon the enforcement of the aforesaid loan securities on 24 April 2014 and 29 May 2014 respectively. Accordingly, the Directors consider that it is inappropriate to consolidate the financial statements of Carham sub-group into the Group and it is de-consolidated and classified as discontinued operation during the year.

Since the Group has been unable to obtain necessary financial information of the Carham sub-group for the year ended 31 December 2014, the Directors consider that, in the consolidated financial statements for the year ended 31 December 2014, the financial information of Carham sub-group should be de-consolidated with effect from 1 January 2014. According to the Group's accounting policy, when the Company loses control of a subsidiary, it will account for as a disposal of the entire interest in that subsidiary. The calculation of the financial impact on de-consolidating Carham sub-group was based on the latest available unaudited financial statements of Carham sub-group as at 31 December 2013, which was further set out as below Note 12(c)(ii).

(b) On 7 December 2012, the Company has entered into a conditional share transfer agreement with Pacific Union to dispose a wholly-owned subsidiary, namely PRT Capital Pte. Ltd. ("PRT Capital") at a consideration HK$85 million ("Conditional Disposal"). Pacific Union, a company incorporated under the laws of Turks and Caicos Islands, is the then controlling shareholder of the Company. The approval for the Conditional Disposal was obtained at the special general meeting of the Company held on 28 January 2013.

The Conditional Disposal was completed on 16 April 2013. Upon completion, the Group lost control over PRT Capital and PRT Capital ceased to be a subsidiary of the Company. The results of PRT Capital under the business segment of investment holding has been presented as discontinued operation during the year ended 31 December 2013.

(c) The analysis of the results, net assets and cash flows from discontinued operations

(i) The results of the discontinued operations

	2014 HK$'000	2013 HK$'000 (Restated)
Profit on discontinued operations for the year	–	77,824
Gain on disposal of discontinued operation	1,075	20,576
	1,075	98,400

12. PROFIT FOR THE YEAR FROM DISCONTINUED OPERATIONS *(Continued)*

(c) The analysis of the results, net assets and cash flows from discontinued operations *(Continued)*

(i) The results of the discontinued operations (Continued)

As mentioned in Note 12(a), the financial information of Carham sub-group was de-consolidated from 1 January 2014, thus no profit or loss item from the operation was recorded in the year ended 31 December 2014. The analysis of profit/loss from the discontinued operations of Carham sub-group and PRT Capital during the year ended 31 December 2013 was as follows:

	Notes	Carham sub-group HK$'000	PRT Capital HK$'000	Total HK$'000
Turnover	7	667,290	–	667,290
Cost of sales		(596,193)	–	(596,193)
Gross profit		71,097	–	71,097
Other revenue and other net income	7	3,074	124	3,198
Gain on reclassification from interest in a joint venture to interest in a subsidiary		80,157	–	80,157
Selling and distribution expenses		(21,539)	–	(21,539)
Administrative expenses		(48,736)	(5)	(48,741)
Other operating expenses		(2,918)	(303)	(3,221)
Finance costs	8	(3,184)	–	(3,184)
Profit/(loss) before taxation		77,951	(184)	77,767
Income tax credit		57	–	57
Profit/(loss) for the year from discontinued operations attributable to owners of the Company		78,008	(184)	77,824

12. PROFIT FOR THE YEAR FROM DISCONTINUED OPERATIONS *(Continued)*

(c) The analysis of the results, net assets and cash flows from discontinued operations *(Continued)*

(ii) The net assets of the discontinued operations

Carham sub-group as at the date of de-consolidation

	2014 HK$'000
Property, plant and equipment	164,983
Prepaid lease payments	16,225
Inventories	150,620
Trade and other receivables	98,245
Pledged bank deposits	1,153
Cash and cash equivalents	38,856
Trade and other payables	(170,423)
Provisions	(6,534)
Bank and other borrowings	(61,447)
Deferred tax liabilities	(574)
Net assets de-consolidated	231,104
Non-controlling interest	(69,304)
Foreign currency translation reserve	(4,948)
Gain on disposal	1,075
Satisfied by:	
Derecognition of the loans and accrued interests	157,927
Net cash outflow arising on disposal:	
Cash and cash equivalents disposed of	(38,856)

12. PROFIT FOR THE YEAR FROM DISCONTINUED OPERATIONS *(Continued)*

(c) The analysis of the results, net assets and cash flows from discontinued operations *(Continued)*

(ii) The net assets of the discontinued operations *(Continued)*

PRT Capital as at the date of disposal

	2013 HK$'000
Investment in an associate	4,475
Investment in listed securities	
– available-for-sale	61,724
– held for trading	24,040
Cash and bank balances	44
	90,283
Impairment	(1,000)
Net assets disposed of	89,283
Revaluation reserve	(33,677)
Foreign currency translation reserve	8,818
Gain on disposal	20,576
Satisfied by:	
Cash consideration	85,000
Net cash inflow arising on disposal:	
Total cash consideration received	85,000
Cash and bank balances disposed of	(44)
	84,956

(iii) Cash flows from the discontinued operations

	2014 HK$'000	2013 HK$'000 (Restated)
Net cash inflows from operating activities	–	43,797
Net cash outflows from investing activities	–	(29,070)
Net cash outflows from financing activities	–	(3,049)
Net cash inflows	–	11,678

13. BASIC AND DILUTED (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to owners of the Company of approximately HK$31,510,000 (2013: profit of approximately HK$86,166,000) and the weighted average of approximately 156,538,000 ordinary shares (2013: approximately 118,065,000 ordinary shares) in issue during the year calculated as follows:

(Loss)/profit attributable to owners of the Company (basic)

	2014 HK$'000	2013 HK$'000 (Restated)
From continuing operations	(32,585)	(12,879)
From discontinued operations	1,075	99,045
Total	(31,510)	86,166

Weighted average number of ordinary shares (basic)

	2014 '000	2013 '000
Issued ordinary shares at 1 January	138,128	115,628
Effect of share placement (weighted average)	18,410	–
Effect of conversion of convertible bonds (weighted average)	–	2,437
Weighted average number of ordinary shares at 31 December	156,538	118,065

(b) Diluted (loss)/earnings per share

For the years ended 31 December 2014 and 2013, the computation of diluted (loss)/earnings per share does not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in decrease in the loss per share from continuing operations.

14. LOSS/PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY AND DIVIDEND

a. The consolidated loss attributable to owners of the Company includes a loss of HK$11,210,000 (2013: profit of HK$43,851,000) which has been dealt with in the financial statements of the Company.

b. The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2014 (2013: Nil).

15. PROPERTY, PLANT AND EQUIPMENT

	2014							
	Buildings HK$'000 (Note 15(a))	Plant and machinery HK$'000	Leasehold improvements HK$'000	Construction-in-progress HK$'000	Equipment HK$'000	Motor vehicle HK$'000 (Note 15(b))	Computer HK$'000	Total HK$'000
Cost:								
At 1 January 2014	78,374	82,031	–	22,662	11	730	–	183,808
Disposal of subsidiaries (Note 12(c)(ii))	(78,374)	(82,031)	–	(22,662)	–	–	–	(183,067)
Additions	–	–	1,575	108,840	1,365	6,271	334	118,385
Transfer from prepayment (Note 17)	–	–	–	302,973	–	–	–	302,973
Written off	–	–	–	–	(11)	–	–	(11)
At 31 December 2014	–	–	1,575	411,813	1,365	7,001	334	422,088
Accumulated depreciation:								
At 1 January 2014	8,074	10,010	–	–	11	12	–	18,107
Disposal of subsidiaries (Note 12(c)(ii))	(8,074)	(10,010)	–	–	–	–	–	(18,084)
Charge for the year (Note 9)	–	–	531	–	232	1,162	88	2,013
Written off	–	–	–	–	(11)	–	–	(11)
At 31 December 2014	–	–	531	–	232	1,174	88	2,025
Carrying amounts:								
At 31 December 2014	–	–	1,044	411,813	1,133	5,827	246	420,063

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	2013					
	Buildings HK$'000 (Note 15(a))	Plant and machinery HK$'000	Construction-in-progress HK$'000	Equipment HK$'000	Motor vehicle HK$'000 (Note 15(b))	Total HK$'000
Cost:						
At 1 January 2013	–	–	–	11	–	11
Additions	–	1,516	29,210	–	730	31,456
Acquisition of a subsidiary (Note 35(a))	76,025	69,144	3,417	–	–	148,586
Transfer	–	10,295	(10,295)	–	–	–
Written off	–	(1,223)	(62)	–	–	(1,285)
Exchange realignment	2,349	2,299	392	–	–	5,040
At 31 December 2013	78,374	82,031	22,662	11	730	183,808
Accumulated depreciation:						
At 1 January 2013	–	–	–	9	–	9
Charge for the year (Note 9)	7,952	11,005	–	2	12	18,971
Written off	–	(1,137)	–	–	–	(1,137)
Reversal of impairment loss	–	(11)	–	–	–	(11)
Exchange realignment	122	153	–	–	–	275
At 31 December 2013	8,074	10,010	–	11	12	18,107
Carrying amounts:						
At 31 December 2013	70,300	72,021	22,662	–	718	165,701

Notes:

(a) The buildings were pledged to secure banking facilities granted to the Group (Note 27).

The buildings are situated on a land that is held under medium-term lease.

(b) As at 31 December 2014, the carrying amount of the Group's motor vehicle of HK$5,827,000 (2013: HK$718,000) was acquired under finance leases.

16. PREPAID LEASE PAYMENTS

	2014 HK$'000	2013 HK$'000
Cost:		
At 1 January	17,861	–
Disposal of subsidiaries (Note 12(c)(ii))	(17,861)	–
Additions	12,607	–
Acquisition of a subsidiary (Note 35(a))	–	17,326
Exchange realignment	–	535
At 31 December	12,607	17,861
Accumulated amortisation:		
At 1 January	1,636	–
Disposal of subsidiaries (Note 12(c)(ii))	(1,636)	–
Charge for the year (Note 9)	–	1,611
Exchange realignment	–	25
At 31 December	–	1,636
Carrying amount	12,607	16,225

As 31 December 2013, the Group has pledged the prepaid lease payments to secure banking facilities granted to the Group (Note 27). The leasehold land is held in Mainland China under medium-term lease.

At 31 December 2014, the Group was in the process of applying for the title certificates of certain land acquired by the Group with an aggregate carrying amount of approximately HK$12,607,000. The Directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned land in due course, and therefore the aforesaid matter did not have any significant impact on the Group's financial position as at 31 December 2014.

17. PREPAYMENT FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

	2014 HK$000	2013 HK$000
Prepayment for acquisition of equipment	10,000	–
Prepayment for the transfer of buildings and developmental costs (Note)	–	303,985
	10,000	303,985

Note:

IC Spectrum (Kunshan) Co., Limited ("ICSC"), an indirect 72.79%-owned subsidiary of the Company, entered into a project transfer agreement and the supplemental agreement (collectively "Project Transfer Agreement") both dated 28 January 2013 with 北京中盈世紀投資有限公司 (Beijing Zhongying Century Investment Co, Limited*) ("Zhongying"), a shareholder of ICSC holding 27.21% of its equity interest, for the transfer of buildings and development costs pursuant to which RMB237,248,000 (equivalent to HK$303,985,000 as at 31 December 2013) was paid by ICSC to Zhongying.

The Board did not consider recoverability of the prepayments as an issue because 昆山市國土資源局 (Kunshan State Land Resources Bureau*) (the "Bureau") entered into a《國有建設用地使用權出讓合同》(Contract for the transfer of the land use rights of State-owned land*) with ICSC on 25 November 2014, pursuant to which the Bureau agrees to transfer the land use rights of a parcel of industrial land (where the above-said buildings are located) to ICSC for its semiconductor business in Kunshan ("Land").

Despite the fact that the building ownership certificate of the buildings and the land use rights certificate of the land have not been obtained as at the date of this report, the Directors determine to recognize the payments for those buildings and the land use rights as property, plant and equipment and prepaid lease payment respectively on the grounds that they expect the transfer of those legal titles in future should have no major difficulties and the Group is in substance controlling the use rights of those buildings and that parcel of land.

Accordingly, the prepayment for the transfer of buildings and development costs of HK$302,973,000 (after deducting an exchange re-alignment of HK$1,012,000 in 2014) was reclassified to property, plant and equipment as construction-in-progress in the consolidated financial statements of the Company for the year ended 31 December 2014.

* for identification purpose only

18. SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2014 are as follows:

Name	Place/date of establishment or incorporation	Issued and paid-up capital/ registered and paid-up capital	Proportion of ownership of interest Held by the Company	Held by subsidiaries	Principal activities
Rodez	The British Virgin Islands ("BVI")/ 5 July 2011	US$1	100%	–	Investment holding
Bright Eagle Holdings Limited ("BEH")#	Hong Kong/ 27 September 2012	HK$1	–	100%	Investment holding
ICSC△	PRC/ 16 November 2005	US$33,955,379	–	72.79%	Design, research and development, processing, manufacturing and sale of semiconductor, integrated circuits and new type electronic components and provision of related technical consultancy services
Charm Leader Investments Limited	Hong Kong/ 18 October 2013	HK$1	100%	–	Maintaining the corporate office
Win Million Holdings Limited	Hong Kong/ 2 August 2013	HK$1	100%	–	Trading business
Lucky Ascent Investments Limited	Hong Kong/ 1 November 2013	HK$1	100%	–	Maintaining the motor vehicles

\# Interests held by Tech One Investments Limited incorporated in BVI and wholly owned by the Company

△ Representing a sino-foreign equity joint venture established in the PRC and owned by BEH

18. SUBSIDIARIES *(Continued)*

The following tables lists out the information relating to each of the Group's subsidiaries which has material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	ICSC		GPRT*
	2014	2013	2013
	HK$'000	HK$'000	HK$'000
Place of establishment and operation	PRC	PRC	PRC
Proportion of ownership interests and voting rights held by NCI	27.21%	27.21%	30%
At 31 December:			
Current assets	845	1,499	288,786
Non-current assets	424,458	303,986	181,208
Current liabilities	–	–	(238,403)
Non-current liabilities	(312,049)	(303,986)	(574)
Net assets	113,254	1,499	231,017
Carrying amount of NCI	112,861	408	69,305
For the year ended 31 December:			
Revenue	–	–	667,290
Loss for the year	(937)	(131)	(2,147)
Total comprehensive (loss)/income	(1,977)	10,371	4,807
Loss allocated to NCI	(255)	(36)	(644)
Dividend paid to NCI	–	–	–
Net cash (outflow)/inflow from operating activities	(752)	93	43,814
Net cash outflow from investing activities	(12,607)	(293,500)	(29,071)
Net cash inflow/(outflow) from financing activities	12,607	293,500	(3,049)
Net (decrease)/increase in cash and cash equivalents	(752)	93	11,694

* As set out in Note 12, the financial information of GPRT was de-consolidated with effect from 1 January 2014.

19. GOODWILL

	HK$'000
Cost:	
At 1 January 2013	–
Acquisition of a subsidiary (Note 35(b))	378
At 31 December 2013, 1 January 2014 and 31 December 2014	378
Accumulated impairment losses:	
At 1 January 2013	–
Impairment loss	–
At 31 December 2013, 1 January 2014 and 31 December 2014	–
Carrying amount:	
At 31 December 2014 and 2013	378

20. INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	2014 HK$'000	2013 HK$'000
Raw materials	–	53,594
Work-in-progress	–	9,707
Finished goods	–	87,319
	–	150,620

21. TRADE AND OTHER RECEIVABLES

	2014 HK$'000	2013 HK$'000
Trade receivables	18,608	129,600
Less: allowance for impairment loss (Note 21(b))	–	(51,772)
	18,608	77,828
Other receivables	169	11,233
	18,777	89,061
Deposits paid to suppliers	22,328	9,142
Prepayments and deposits	8,354	40
	49,459	98,243

21. TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Aging analysis

The following is an aging analysis of trade receivables based on invoice dates:

	2014 HK$'000	2013 HK$'000
Less than one year	18,608	75,625
More than one year but less than two years	–	763
More than two years	–	53,212
	18,608	129,600
Less: allowance for impairment loss	–	(51,772)
	18,608	77,828

The Group generally requests for full payments upon delivery from its trade customers but also allows certain trade customers a credit period from 30 to 60 days (2013: the normal credit period terms from 7 to 30 days).

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly. The movement in the allowance for impairment loss during the year, including both specific and collective loss components, is as follows:

	2014 HK$'000	2013 HK$'000
At 1 January	51,772	–
Acquisition of a subsidiary	–	50,295
Disposal of subsidiaries	(51,772)	–
Exchange re-alignment	–	1,477
At 31 December	–	51,772

21. TRADE AND OTHER RECEIVABLES *(Continued)*

(c) Trade receivables that are not impaired

The aging analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	2014 HK$'000	2013 HK$'000
Neither past due nor impaired	1,224	26,573
Less than one year past due	17,384	49,052
More than one year but less than two years past due	–	763
More than two years past due	–	1,440
	18,608	77,828

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

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit quality and the balances are still considered fully recoverable. At 31 December 2013, in respect of receivables of HK$77,828,000, the Group had received bank's acceptance bills for HK$37,434,000. The maturity period of these bank's acceptance bills is 3-12 months. The Group does not hold any collateral over the remaining balances.

(d) The analysis by currency of trade and other receivables is as follows:

	2014 HK$'000	2013 HK$'000
Hong Kong Dollar	28,571	–
Renminbi	276	76,024
United States Dollar	20,612	22,219
	49,459	98,243

22. PLEDGED BANK DEPOSITS

The weighted average interest rate of the short-term deposits which were held by the Group at 31 December 2013 was 2% per annum.

At 31 December 2013, the Group's short-term deposits were denominated in Renminbi and pledged to licensed banks as security for bank loans (Note 27).

23. CASH AND CASH EQUIVALENTS

The analysis by currency of cash and cash equivalents is as follows:

	2014 HK$'000	2013 HK$'000
Hong Kong Dollar	6,754	10,016
Renminbi	375	21,298
Ringgit Malaysia	–	220
United States Dollar	1,253	19,070
	8,382	50,604

Renminbi is not freely convertible into other currencies. Under the PRC's Foreign Exchange Control Regulations, the Group is permitted to exchange Renminbi for other currencies through banks authorised to conduct foreign exchange business.

24. TRADE AND OTHER PAYABLES

	2014 HK$'000	2013 HK$'000
Trade payables	–	83,377
Amount owing to a non-controlling interest of GPRT	–	6,135
Accruals and other payables	6,213	89,114
Financial liabilities measured at amortised cost	6,213	178,626
Sales deposits received	–	3,444
	6,213	182,070
Less: non-current portion	(343)	–
Current portion	5,870	182,070

The analysis by currency of trade and other payables is as follows:

	2014 HK$'000	2013 HK$'000
Hong Kong Dollar	5,077	11,042
Renminbi	381	168,699
Ringgit Malaysia	755	722
United States Dollar	–	1,607
	6,213	182,070

24. TRADE AND OTHER PAYABLES *(Continued)*

The aging analysis of trade payables, based on invoice dates, as at the end of the reporting period is as follows:

	2014 HK$'000	2013 HK$'000
Less than one year	–	73,910
More than one year but less than two years	–	159
More than two years	–	9,308
	–	83,377

25. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Deferred tax assets not recognised:

As at 31 December 2013, subject to the agreement of the local tax authorities, the Group had tax losses arising from GPRT of RMB65,576,000 (equivalent to HK$84,023,000), in which RMB19,117,000 (equivalent to HK$24,495,000) and RMB46,459,000 (equivalent to HK$59,528,000) will be expired in year 2015 and 2016 respectively, that were available for offsetting against future taxable profits of the PRC subsidiary. Such losses will be carried forward for five years from the year that the losses were incurred.

As a result of de-consolidating Carham sub-group (Note 12), the Group had no further tax loss arising from the PRC subsidiaries as at 31 December 2014.

(b) Deferred tax liabilities recognised:

	Fair value surplus from prepaid lease payments HK$'000
At 1 January 2013	–
Acquisition of a subsidiary (Note 35(a))	613
Credited to consolidated statement of profit or loss (Note 11(a))	(57)
Exchange realignment	18
At 31 December 2013 and 1 January 2014	574
Disposal of subsidiaries (Note 12(c)(ii))	(574)
At 31 December 2014	–

26. PROVISIONS

	2014 HK$'000	2013 HK$'000
Provision for product warrants		
At 1 January	6,534	–
Acquisition of a subsidiary (Note 35(a))	–	2,859
Addition during the year (Note 9)	–	3,534
Disposal of subsidiaries (Note 12(c)(ii))	(6,534)	–
Exchange realignment	–	141
	–	6,534
Others	–	118
At 31 December	–	6,652

Under the terms of the Group's sales agreements, the Group will rectify any defective product sold arising within three years from the date of sale. Provision is therefore made for the best estimate of the expected settlement under these agreements in respect of sales made within three years prior to the end of the reporting period. The amount of provision takes into account the Group's recent claims experience and is only made where a warranty claim is probable.

27. BANK AND OTHER BORROWINGS

	Notes	2014 HK$'000	2013 HK$'000
Bank loans, secured	a	–	61,447
Shareholders' loans	b	–	150,000
Loan from a non-controlling interest of a subsidiary	c	12,607	–
Other bonds payable	d	49,260	8,700
		61,867	220,147
Current		–	61,447
Non-current		61,867	158,700
		61,867	220,147

27. BANK AND OTHER BORROWINGS *(Continued)*

Notes:

(a) The loans were wholly repayable within one year. The weighted average interest rate ranged from 2.72% to 6.60% per annum. The directors of the Company estimated that the fair value of the bank loans is not significantly different from the carrying amount. The loans were secured by way of:

(i) legal charges over the buildings and the leasehold land of the Group (Notes 15 and 16); and

(ii) a lien over all the fixed deposits of GPRT (Note 22).

(b) During the year ended 31 December 2013, Rodez, a wholly-owned subsidiary of the Company, obtained loan amounts of HK$82.5 million and HK$67.5 million from Pacific Union and KL-Kepong, both of which were the then substantial shareholders of the Company on the date of the shareholders' loan agreements of 7 December 2012, respectively. The loan amounts of HK$82.5 million and HK$67.5 million were collateralised by 55 shares and 45 shares of a subsidiary, Carham, with total issued shares of 100 respectively. The borrowings are repayable on 5 February 2016 (i.e. 3 years after the date of the drawdown of the loans on 6 February 2013), bearing interest of 4% per annum and the interests have been included in finance costs as disclosed in Note 8.

(c) On 8 July 2014, ICSC entered into the loan agreement with Zhongying, pursuant to which Zhongying agreed to make available an unsecured 5.6% 5-year loan in the principal amount of RMB10,000,000 to ICSC for the payment of the tender deposit in the amount of RMB10,000,000 as a security for submission of tender for purchase of the land use right in respect of the Land.

(d) As at 31 December 2014, the Company issued corporate bonds with total principal amounts of HK$54,000,000 to several independent third parties to the Group. The bonds are unsecured, bearing interest at rates ranging from 5% to 9% per annum and maturity dates ranging from seven to seven-and-a-half years from the respective date of issue.

On 23 December 2013, the Company entered into a bond subscription agreement in a principal amount of HK$10,000,000 with an independent third party to the Group. The bond is unsecured, interest bearing at 5% per annum and repayable after seven-and-a-half year from 31 December 2013 (i.e. the date of issue).

(e) The foreign currency profile of bank and other borrowings is as follows:

	2014 HK$'000	2013 HK$'000
Hong Kong Dollar	49,260	158,700
Renminbi	12,607	41,001
United States Dollar	–	20,446
	61,867	220,147

28. FINANCE LEASE PAYABLES

At 31 December 2014, the Group had finance lease payables in relation to motor vehicle (Note 15) as follows:

	Present value of minimum lease payments		Minimum lease payments	
	2014	2013	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Not later than one year	1,113	212	1,317	246
Later than one year but within five years	3,140	518	3,329	575
	4,253	730	4,646	821
Less: total future interest expenses			(393)	(91)
Present value of lease obligations			4,253	730

29. SHARE CAPITAL

	Number of ordinary shares of HK$0.01 per share '000	HK$'000
Authorised:		
At 1 January 2013	150,000	1,500
Increase in authorised capital (Note (a))	100,000	1,000
At 31 December 2013 and 31 December 2014	250,000	2,500
Issued and fully paid:		
At 1 January 2013	115,628	1,156
Share issue upon conversion of convertible bonds (Note (b))	22,500	225
At 31 December 2013	138,128	1,381
At 1 January 2014	138,128	1,381
Share issue on placement (Note (c))	20,000	200
At 31 December 2014	158,128	1,581

29. SHARE CAPITAL *(Continued)*

Notes:

(a) On 28 January 2013, the authorised share capital of the Company was increased from HK$1,500,000 divided into 150,000,000 ordinary shares of HK$0.01 each to HK$2,500,000 divided into 250,000,000 shares, by the creation of an additional 100,000,000 new unissued shares each ranking pari passu in all respects with the existing shares.

(b) During the year ended 31 December 2013, an aggregate of 22,500,000 new ordinary shares of HK$0.01 each were issued upon the conversion of convertible bonds at conversion price of HK$2.0 per ordinary share.

(c) On 21 January 2014, the Company entered into a placing agreement with a placing agent pursuant to which the placing agent has conditionally agreed with the Company to place 20 million placing shares on a best efforts basis to not less than six independent placees at HK$2.5 per placing share. The issue and allotment of the shares was completed on 30 January 2014.

30. SHARE OPTION SCHEMES

In accordance with the Company's share option scheme (the "2004 Scheme") which was adopted on 21 May 2004 and expired on 20 May 2014, the Board of Directors of the Company may grant options to any director and employee of the Group and suppliers, consultants, advisors, agents, customers, service providers, contractors, any member of or any holder of any securities issued by any member of the Group or any invested entity to subscribe for shares in the Company at a price determined by the Board of Directors shall not be less than the highest of:

(a) the closing price of the shares as stated on the Stock Exchange's daily quotations sheet on the date of grant;

(b) the average closing price of the shares as stated on the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and

(c) the nominal value of a share on the date of grant.

The option may be exercised at any time within a period as specified by the directors, which should not be more than ten years from the date on which an option is granted.

Each option gives the holder the right to subscribe for ordinary shares in the Company which will be settled gross in shares.

All share options granted under the 2004 Scheme had been exercised as at 31 December 2012.

An ordinary resolution was passed by the Shareholders of the Company at the annual general meeting of the Company held on 8 September 2014 for the adoption of a new share option scheme (the "2014 Scheme").

30. SHARE OPTION SCHEMES *(Continued)*

In accordance with the Company's 2014 Scheme, the Board of Directors of the Company may grant options to any director and employee of the Group and suppliers, consultants, advisors, agents, customers, service providers, contractors, any member of or any holder of any securities issued by any member of the Group or any invested entity to subscribe for shares in the Company at a price determined by the Board of Directors shall not be less than the highest of:

(a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the date of grant;

(b) the average closing price of the shares as stated on the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and

(c) the nominal value of a share on the date of grant.

The option may be exercised at any time within a period as specified by the directors, which should not be more than ten years from the date on which an option is granted.

Operation of the 2014 Scheme will commence after all conditions precedent have been fulfilled. As at the date of this report, the conditions precedent have not yet been completely fulfilled and therefore the 2014 Scheme has not yet become unconditional and operative.

During the years ended 31 December 2014 and 31 December 2013, there was no share option granted or exercised.

31. CONVERTIBLE BONDS

On 8 April 2013, the Company issued HK$60,000,000 3% 3-year convertible bonds (the "Bonds") to not less than six independent third parties who are not related to the Group (the "Bondholders"). The principal terms of the Bonds are as follows:

(1)	Conversion price:	HK$2.00 per conversion share, which is subject to adjustments for consolidation or subdivision or reclassification of Shares, capitalization of profits or reserves, rights issues and other events. Any adjustment to the conversion price will be certified by an independent accountant jointly appointed by the Company and the Bondholders holding 51 per cent or more of the outstanding principal amount of Bonds. The Company will publish an announcement upon any adjustment to the conversion price.
(2)	Interest:	3% per annum, accrued daily on a 365-days basis and payable quarterly in arrears.
(3)	Maturity date:	The third anniversary of the date of issue of the Bonds, which is 8 April 2016 (the "Maturity Date"). Any unredeemed and unconverted Bonds shall be redeemed at 100% of the outstanding principal amount together with all interest accrued up to the maturity date in cash.
(4)	Status:	The Bonds constitute direct, unconditional, unsubordinated and unsecured obligations of the Company, ranking pari passu and rateably without any preference among themselves, and with other direct, unconditional, unsubordinated and unsecured obligations of the Company.
(5)	Voting:	The Bondholders will not be entitled to attend or vote at any meetings of the Company by reason only of being Bondholders.

31. CONVERTIBLE BONDS *(Continued)*

(6) Transferability: The Bonds may be transferred or assigned to any third party provided that no Bond may be transferred to any person who is a connected person of the Company unless with (i) prior notification of the Company; (ii) the consent of the Company; (iii) full compliance of the Listing Rules; (iv) full compliance with the requirements (if any) that the Stock Exchange may impose from time to time; and (v) the consent (if applicable) of the Stock Exchange.

(7) Early redemption: The Company shall not be entitled to redeem the Bonds (or any party thereof) at any time prior to the Maturity Date, except by mutual consent of the Bondholder and the Company.

(8) Terms of conversion: The right of a Bondholder to convert any Bond at any time after three months from the date of issue of the Bonds to the date falling on the 14th day immediately prior the date of maturity of the Bonds to convert any outstanding amount of the Bonds into the conversion shares at the conversion price, provided that the conversion right attached to the Bonds shall only be exercisable by the Bondholder:

(i) so long as and to the extent that immediately after such exercise, there will be sufficient public float of the Shares as required under the Listing Rules; and

(ii) so long as such Bondholder and parties acting in concert (as defined in the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code") with it immediately after such exercise shall not be required to make general offer under Rule 26 of the Takeovers Code (unless waiver from making a general offer has been obtained from the Securities and Futures Commission of Hong Kong).

(9) Conversion shares: Based on the conversion price of HK$2.00, a maximum number of 30,000,000 conversion shares will be allotted and issued upon exercise of the conversion rights attached to the Bonds in full.

The conversion shares, when allotted and issued, will rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the conversion shares. Holders of the conversion shares will be entitled to receive all future dividends and distributions the record date of which falls on or after the date of allotment and issue of the conversion shares.

31. CONVERTIBLE BONDS *(Continued)*

The Bonds contain two components: liability component and conversion component. The fair value of the liability component included in non-current liabilities while the conversion component, net of transaction costs is presented in equity as equity component of convertible bonds. The effective interest rate of the liability component is 9.835% per annum.

The discounted cash flow method was adopted in determining the fair value of the liability component (level 2 fair value measurement). The difference between the gross proceeds of the issue of the convertible bonds and fair value assigned to the liability component, representing the conversion component for the holder to convert into equity, is included in equity (equity component of convertible bonds).

The movement of the liability and conversion components for the reporting period is set out as below:

	Liability component HK$'000	Equity component of convertible bonds HK$'000	Total HK$'000
Convertible bonds:			
At date of issuance	49,447	10,553	60,000
Transaction costs	–	(1,500)	(1,500)
Interest expense	3,179	–	3,179
Interest paid	(1,178)	–	(1,178)
Conversion of convertible bonds	(38,521)	(6,790)	(45,311)
At 31 December 2013 and 1 January 2014	12,927	2,263	15,190
Interest expense	1,306	–	1,306
Interest paid/payable	(450)	–	(450)
At 31 December 2014	13,783	2,263	16,046

32. RESERVES

The Group's reserves is set out in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity. The Company's reserves are as follow:

	Share premium HK$'000	Equity component of convertible bonds HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
The Company					
At 1 January 2013	136,258	–	109,665	(58,611)	187,312
Profit for the year	–	–	–	43,851	43,851
Issue of convertible bonds	–	9,053	–	–	9,053
Issue of shares upon conversion of convertible bonds	45,086	(6,790)	–	–	38,296
At 31 December 2013	181,344	2,263	109,665	(14,760)	278,512
At 1 January 2014	181,344	2,263	109,665	(14,760)	278,512
Loss for the year	–	–	–	(11,210)	(11,210)
Issue of shares on placement	48,981	–	–	–	48,981
At 31 December 2014	230,325	2,263	109,665	(25,970)	316,283

(a) Share premium

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

The Company's share premium account is distributable in the form of fully paid-up bonus shares.

32. RESERVES *(Continued)*

(b) Revaluation reserve

The Group's revaluation reserve is the cumulative net change in the fair value of available-for-sale financial assets held at the end of the reporting period.

	HK$'000
Cumulative net gain on fair value change of available-for-sale investments	
At 1 January 2013	35,980
Disposal of a subsidiary	(33,677)
Acquisition of a subsidiary	(6,418)
Gain on fair value change of available-for-sale investments	4,115
At 31 December 2013, 1 January 2014 and 31 December 2014	–

The revaluation reserve is not distributable by way of cash dividends.

(c) Capital reserve

As at 31 December 2014 and 2013, the Group's capital reserve of HK$1,553,000 represents waiver of a loan from a former non-controlling shareholder of ICSC.

(d) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of non-monetary items in respect of which gains and losses are recognised directly in equity and of the financial statements of the foreign operations. The reserve is not distributable by way of cash dividends and is dealt with in accordance with the accounting policy set out in Note 4(c)(iii).

(e) Contributed surplus

Pursuant to a resolution passed at the special general meeting of the Company on 29 July 2011, the Company reduced its issued share capital by an amount of approximately HK$109,665,000 and transferred the same amount to the contributed surplus account of the Company. The contributed surplus may be utilised by the directors in accordance with the bye-laws of the Company and all applicable laws.

(f) Distributability of reserves

At 31 December 2014, the aggregate amount of the Company's reserves available for distribution to its owners was HK$316,283,000 (2013: HK$278,512,000).

33. COMMITMENTS

(a) As at 31 December 2014, the Group had capital commitments not provided for in the consolidated financial statements as follows:

	2014 HK$'000	2013 HK$'000
Contracted for		
– Manufacture of semiconductors segment (continuing operation)	58,032	47,175
– Manufacture of tyres segment (discontinued operation)	–	60,857
	58,032	108,032

(b) As at 31 December 2014, the Group has total future minimum lease payments under non-cancellable operating leases payable as follows:

	2014 HK$'000	2013 HK$'000
Within one year	4,947	9,799
After one year but not more than five years	2,534	33,562
After five years	–	21,253
	7,481	64,614

As at 31 December 2014, the operating leases included the land and buildings in relation to the rentals payable by the Group for its office property and quarters in Hong Kong. None of these leases includes contingent rentals.

As at 31 December 2013, the operating leases included the land and buildings in relation to the operation of GPRT in the PRC and also the rentals payable by the Group for its office property in Hong Kong. None of these leases includes contingent rentals.

34. FINANCIAL INSTRUMENTS

(i) Financial risk management policies

The Group's financial risk management policies seek to ensure that adequate financial resources are available for the development of the Group's business whilst managing its foreign currency, interest rate, market, credit, liquidity and cash flow risks. The Group operates within defined guidelines that are approved by the Board and the policies in respect of the major areas of treasury activity are as follows:

(a) Foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases, borrowings and investments that are denominated in foreign currencies. The Group does not use any derivative financial instruments to manage its exposure to foreign currency risk as the directors are of the opinion that the net exposure is not significant. The majority of the Group's foreign currency transactions and balances are denominated in United States Dollar ("USD").

Foreign currency sensitivity analysis

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than HKD. The currency giving rise to this risk is primarily from USD.

The following table indicates the instantaneous change in the Group's profit/(loss) after tax and accumulated loss that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variable remained constant.

	2014		2013	
	Increase/ (decrease) in foreign exchange rates	Effect on loss after tax and accumulated loss HK$'000	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and accumulated loss HK$'000
United States Dollars	5%	778	5%	721
	(5%)	(778)	(5%)	(721)

34. FINANCIAL INSTRUMENTS *(Continued)*

(i) Financial risk management policies *(Continued)*

(b) Interest rate risk

The Group's exposure to cash flow interest rate risk arises mainly from interest-bearing bank borrowings issued at variable rates. The Group's interest rate profile as monitored by management is set out below:

	Effective interest rate %	31 December 2014 HK$'000	Effective interest rate %	31 December 2013 HK$'000
Fixed rate borrowings:				
Shareholders' loans	–	–	4.0%	150,000
Loan from a non-controlling interest of a subsidiary	5.6%	12,607	–	–
Other bonds payable	5.0%-9.0%	49,260	5.0%	8,700
Convertible bonds	9.8%	13,783	9.8%	12,927
Finance lease payables	4.7%-7.0%	4,253	5.9%	730
Variable rate borrowings:				
Bank loans	–	–	2.7%-6.6%	61,447

Interest rate sensitivity analysis

At 31 December 2014, as the Group had no significant bank deposits and interest bearing liabilities at variable rate, the management consider the risk is not significant. At 31 December 2013, it is estimated that a general increase or decrease of 100 basis points in interest rates, with all other variables held constant, would decrease or increase the Group's profit for the year and increase or decrease accumulated losses by HK$614,000 respectively.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the Group's exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates over the period until the end of the next reporting period. The analysis is performed on the same basis for 2013.

34. FINANCIAL INSTRUMENTS *(Continued)*

(i) Financial risk management policies *(Continued)*

(c) Credit risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables and deposits with financial institutions. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

(i) Trade and other receivables

The maximum exposure to credit risk is represented by the total carrying amounts of these financial assets in the consolidated statement of financial position reduced by the effects of any netting arrangements with counterparties.

In respect of trade receivables, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the end of the reporting period, the Group has a certain concentration of credit risk as the largest debtor is approximately 93% of the total trade receivables (2013: no significant concentrations of credit risk as no individual debtors exceeds 10% of the total trade receivables). Normally, the Group does not obtain collateral from its customers.

34. FINANCIAL INSTRUMENTS *(Continued)*

(i) Financial risk management policies *(Continued)*

(c) Credit risk *(Continued)*

(i) Trade and other receivables *(Continued)*

The Group manages its exposure to credit risk by investing its cash assets safely and profitably, and by the application of credit approvals, credit limits and monitoring procedures on an on-going basis.

(ii) Deposits with financial institutions

The Group limits its exposure to credit risk by placing deposits with financial institutions that meet the established credit rating or other criteria. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

As at 31 December 2014, the Group has certain concentration of credit risk as 90% of total cash and cash equivalents were deposited at one financial institution in Hong Kong with high credit ratings (2013: 77% and 20% of total cash and cash equivalents were deposited at two financial institutions in Mainland China and one financial institution in Hong Kong with high credit ratings respectively).

(d) Liquidity and cash flow risks

Liquidity and cash flow risks arise mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash and the availability of funding through certain committed credit facilities.

34. FINANCIAL INSTRUMENTS *(Continued)*

(i) Financial risk management policies *(Continued)*

(d) Liquidity and cash flow risks *(Continued)*

The following table details the remaining contractual maturities at the end of reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed by using contractual rates or, if floating, based on rates current at the end of reporting period) and the earliest date the Group can be required to pay:

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
At 31 December 2014						
Trade and other payables	6,213	6,213	5,870	–	343	–
Loan from a non-controlling interest of a subsidiary	12,607	15,452	–	–	15,452	–
Other bonds payable	49,260	73,322	2,970	2,970	8,910	58,472
Convertible bonds	13,783	15,572	450	15,122	–	–
Finance lease payables	4,253	4,646	1,317	1,726	1,603	–
	86,116	115,205	10,607	19,818	26,308	58,472

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
At 31 December 2013						
Trade and other payables	178,626	178,626	178,626	–	–	–
Bank loans, secured	61,447	62,971	62,971	–	–	–
Shareholders' loans	150,000	162,500	6,000	6,000	150,500	–
Other bond payable	8,700	13,750	3,750	–	–	10,000
Convertible bonds	12,927	16,013	450	450	15,113	–
Finance lease payables	730	821	247	164	410	–
	412,430	434,681	252,044	6,614	166,023	10,000

34. FINANCIAL INSTRUMENTS *(Continued)*

(ii) 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 actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. In view of this, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt as it sees fit and appropriate.

Consistent with industry practice, the Group monitors its capital structure on the basis of a gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total interest-bearing borrowings, comprising of (i) bank and other borrowings, (ii) finance lease payables and (iii) liability component of convertible bonds as shown in the consolidated statement of financial position, less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus net debt.

During 2014, the Group's strategy, which was unchanged from 2013, was to maintain a gearing ratio of not more than 100%. The gearing ratios as at 31 December 2014 and 2013 were as follows:

	2014 HK$'000	2013 HK$'000
Total borrowings	79,903	233,804
Less: Cash and cash equivalents (Note 23)	(8,382)	(50,604)
Net debt	71,521	183,200
Total equity	414,773	363,809
Total capital	486,294	547,009
Gearing ratio	15%	33%

Neither the Company nor any of the Group entities are subject to externally imposed capital requirements.

35. BUSINESS COMBINATION

(a) With effect from 1 January 2013, a general manager of GPRT, appointed by the Group, has the authority on policy setting, making of investment plans, selection of suppliers, approving payment, making other daily management decisions in GPRT, whereby the Group has rights to expose the variable returns from its involvement with GPRT and has the ability to affect those returns through its power over GPRT. Accordingly, the directors of the Company are of opinion that the Group has control, within the meaning of HKFRS10, over GPRT which has therefore been accounted for as a subsidiary of the Group commencing on 1 January 2013. The carrying amounts of the identified assets and liabilities of GPRT, as at the date of reclassification from interest in a joint venture to interest in a subsidiary, were as follows:

	Notes	Acquiree's carrying amount before combination HK$'000	Fair value adjustment HK$'000	Fair value recognised on acquisition HK$'000
Property, plant and equipment	15	148,586	–	148,586
Prepaid lease payment	16	14,873	2,453	17,326
Inventories		181,045	–	181,045
Trade and other receivables		81,286	–	81,286
Cash and Cash equivalents		26,273	–	26,273
Pledged bank deposits		3,179	–	3,179
Trade and other payables		(164,569)	–	(164,569)
Provisions	26	(2,859)	–	(2,859)
Borrowings		(63,446)	–	(63,446)
Deferred tax liabilities	25	–	(613)	(613)
		224,368	1,840	226,208
Group's share of net assets				158,346
Non-controlling interests, share of net assets				67,862
				226,208

An analysis of the net inflow of cash and cash equivalents arising from the reclassification:

	HK$'000
Cash consideration	–
Add: cash and cash equivalents acquired	26,273
	26,273

(b) Pursuant to an agreement dated 23 November 2012, an indirect wholly-owned subsidiary of the Company BEH entered into a share sale and purchase agreement with ICSC, an independent third party to acquire 72.79% equity interest at a consideration of RMB1.00 in ICSC, a sino-foreign equity joint venture established in Kunshan Economic & Technical Development Zone, the PRC which is principally engaged in design, research and development, processing, manufacturing and sale of semiconductor, integrated circuits and new type electronic components and provision of related technical consultancy services. This transaction was completed on 22 January 2013.

35. BUSINESS COMBINATION *(Continued)*

(b) *(Continued)*

Assets and liabilities recognised at the date of acquisition were as follows:

	HK$'000
Net liabilities recognised	
Cash and cash equivalents	1,406
Other payables and accruals	(1,925)
	(519)
Group's share of net liabilities	378
Non-controlling interests, share of net liabilities	141
	519

Goodwill arising on acquisition:

	HK$'000
Consideration transferred	–
Less: recognised amounts of net liabilities acquired	378
Goodwill arising on acquisition	378

The non-controlling interest (27.21%) in ICSC recognised at the acquisition date was measured at the proportionate share of net liabilities acquired.

Net cash inflow on acquisition of ICSC:

	HK$'000
Cash consideration paid	–
Add: cash and cash equivalent balances acquired	1,406
	1,406

36. CONNECTED/RELATED PARTY TRANSACTIONS

In addition to the disposal as disclosed in Note 12 to the consolidated financial statements, the following is a summary of the transactions with connected/related parties, which were carried out in the normal course of business of the Group:

	2014 HK$'000	2013 HK$'000
(a) Transactions between GPRT and GGXEG(1)/GIGBM(2)		
Expenses:		
Lease rental for a piece of land and buildings erected thereon	–	4,967
Lease rental for the exclusive right to use certain machinery	–	2,524
Royalties for the right to use the trademark "Pearl River" and any technology and know-how necessary for the production of bias tyres	–	687
Lease rental for workers' hostel*	–	713
Lease rental for the dining hall*	–	119
	–	9,010

Notes:

1. The agreements relating to these transactions were between GPRT and Guangzhou Rubber Tyre Factory, which was the former PRC partner owning 30% equity interest in GPRT and which the former PRC partner was taken over by Guangzhou Guang Xiang Enterprises Group Company Limited ("GGXEG") in 2001. Accordingly, GGXEG is a non-controlling interest of the Company and the transactions with GGXEG constitute continuing connected transactions for the Company.

2. GGXEG is 100% owned by Guangzhou Rubber Enterprises Group Co. Ltd. ("GREG") and GREG is in turn 100% owned by Guangzhou International Group Co. Ltd. ("GIG"). Meanwhile, Guangzhou International Group Building Management Company Limited ("GIGBM") is 100% owned by GIG and thus, GIGBM is a fellow subsidiary of GGXEG and a connected person of the Company under the Listing Rules. As such, the GIGBM Transactions constitute continuing connected transactions for the Company.

In addition, pursuant to Rule 14A.82 of the Listing Rules, given GIGBM is connected with GGXEG, the GIGBM Transactions marked * above are required to be aggregate with the GGXEG Transactions.

The relevant percentage ratios on aggregate value of the transactions with GGXEG/GIGBM were less than 25% and the transaction amounts with GGXEG/GIGBM were less than HK$10 million.

36. CONNECTED/RELATED PARTY TRANSACTIONS *(Continued)*

	2014 HK$'000	2013 HK$'000
(b) Transactions between Rodez and Pacific Union/KL-Kepong		
Interest expenses for borrowings	2,528	5,392

	2014 HK$'000	2013 HK$'000
(c) Transactions between ICSC and Zhongying		
Interest expense for borrowings	343	–

(d) Compensation of key management personnel:

The emoluments of directors and other members of key management during the years were as follows:

	2014 HK$'000	2013 HK$'000
Short-term employees benefits	3,602	1,996

37. MAJOR NON-CASH TRANSACTION

During the year, a non-controlling interest of a subsidiary injected a construction-in-progress of HK$108,840,000 to the Group as capital contribution.

During the year, the additions to property, plant and equipment of HK$6,271,000 (2013: HK$730,000) were acquired by finance leases.

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	As at 31 December 2014 HK$'000	2013 HK$'000
ASSETS AND LIABILITIES		
Non-current assets		
Equipment	3,104	–
Interests in subsidiaries	372,183	295,728
Total non-current assets	375,287	295,728
Current assets		
Prepayment and other receivables	6,671	–
Cash and cash equivalents	5,530	10,248
Total current assets	12,201	10,248
Current liabilities		
Other payables	4,554	4,338
Finance lease payables	531	–
Provisions	–	118
Total current liabilities	5,085	4,456
Net current assets	7,116	5,792
Total assets less current liabilities	382,403	301,520
Non-current liabilities		
Convertible bonds	13,784	12,927
Finance lease payables	1,495	–
Other bonds payable	49,260	8,700
Total non-current liabilities	64,539	21,627
Net assets	317,864	279,893
EQUITY		
Share capital	1,581	1,381
Reserves	316,283	278,512
Total equity	317,864	279,893

39. COMPARATIVE FIGURES

As a result of the de-consolidation of Carham sub-group constituting discontinued operations under HKFRS 5 *Non-current Assets held for Sale and Discontinued Operations*, certain comparative figures have been re-presented to reflect the results of the continuing and discontinued operations.

FIVE-YEAR FINANCIAL SUMMARY

	2014 HK$'000	2013 HK$'000 (Restated)	2012 HK$'000	2011 HK$'000	2010 HK$'000
Turnover	50,467	–	–	–	–
(Loss)/profit before taxation	(32,840)	(12,914)	8,412	(82,328)	(24,608)
Non-current assets	443,048	486,289	157,059	212,374	309,766
Current assets	57,841	300,620	87,687	27,943	38,415
Current liabilities	(6,983)	(250,381)	(1,989)	(15,858)	(19,127)
Non-current liabilities	(79,133)	(172,719)	–	–	–
Equity	414,773	363,809	242,757	224,459	329,054