



Hailiang International Holdings Limited
海亮國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 2336)

2014

Annual Report

Contents

2	Corporate Information
3	Chairman's Statement
5	Management Discussion and Analysis
9	Biographical Details of Directors and Senior Management
12	Report of the Directors
23	Corporate Governance Report
33	Independent Auditor's Report
35	Consolidated Statement of Profit or Loss and Other Comprehensive Income
36	Consolidated Statement of Financial Position
37	Consolidated Statement of Changes in Equity
38	Consolidated Statement of Cash Flows
40	Notes to the Consolidated Financial Statements
88	Five Year Financial Summary

Corporate Information

BOARD OF DIRECTORS

Non-executive Director

Mr. Feng Hailiang (馮海良先生) (*Chairman*)

Executive Directors

Mr. Cao Jianguo (曹建國先生)
(*Chief Executive Officer*)

Mr. Zhou Diyong (周迪永先生)

Ms. Ji Danyang (季丹陽女士)

Independent Non-executive Directors

Mr. Chang Tat Joel

Mr. Ho Gilbert Chi Hang

Mr. Tsui Kun Lam Ivan

AUDIT COMMITTEE

Mr. Chang Tat Joel (*Chairman*)

Mr. Ho Gilbert Chi Hang

Mr. Tsui Kun Lam Ivan

REMUNERATION COMMITTEE

Mr. Ho Gilbert Chi Hang (*Chairman*)

Mr. Zhou Diyong (周迪永先生)

Ms. Ji Danyang (季丹陽女士)

Mr. Chang Tat Joel

Mr. Tsui Kun Lam Ivan

NOMINATION COMMITTEE

Mr. Tsui Kun Lam Ivan (*Chairman*)

Mr. Feng Hailiang (馮海良先生)

Mr. Cao Jianguo (曹建國先生)

Mr. Chang Tat Joel

Mr. Ho Gilbert Chi Hang

COMPANY SECRETARY

Ms. Chan Yuk Yee

TRADING OF SHARES

The Stock Exchange of Hong Kong Limited
(Stock Code: 2336)

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1506A, Level 15
International Commerce Center
1 Austin Road West, Kowloon
Hong Kong

PRINCIPAL BANKERS

Australia and New Zealand Banking
Group Limited
Bank of China (Hong Kong) Limited
Hang Seng Bank Limited

AUDITOR

ZHONGHUI ANDA CPA Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company
(Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

COMPANY'S WEBSITE

<http://www.hailianghk.com>
<http://www.tricor.com.hk/web/service/02336>

Chairman's Statement

Dear Shareholders,

On behalf of the Board (the "Board") of Directors (the "Directors") of Hailiang International Holdings Limited (formerly known as Sunlink International Holdings Limited) (the "Company"), I hereby report the following operating results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2014.

BUSINESS REVIEW

For 2014, the Group reported a turnover of HK\$71,375,000, representing a 69% decline from last year (2013: HK\$231,191,000), and gross profit of HK\$2,865,000, showing a 66% drop as compared with the same period in 2013 (2013: HK\$8,356,000). Loss recorded for the year was HK\$12,826,000 (2013: HK\$1,414,000), and the loss attributable to owners of the Company was HK\$11,419,000 (2013: profit of HK\$353,000). Basic loss per share was HK1.06 cents whereas basic earnings per share in 2013 were HK0.03 cent. The Group's loss results represented primarily the combined effect of the declines in revenue and gross profit generated by the Group's sale of semiconductors and related products operation and development and provision of electronic turnkey device solutions operation; and the increase in the Group's administrative expenses mainly due to the newly established property development operation in Australia and the legal and professional fees incurred for various corporate exercises conducted by the Group during the year.

PROSPECTS

The Group has been managing its existing businesses prudently in view of the slowdown of economic growth in Mainland which has posed negative impact on the electronic industry in general. In fact, the business environment in which the Group is operating has become increasingly competitive and profit margin is getting slim. As announced by the Company previously, the Board is now chaired by myself and has been under the leadership of the newly appointed Directors since May 2014. The Board has completed the review of the operations of the Group and is now considering various new business ventures including investment opportunities in overseas property markets as well as in metal product trading business which are expected to add significant value and bring long-term prosperity to the Group. At present, in addition to the acquisition of the piece of land in Sydney, Australia for a property development project (details of the acquisition are set out in the Company's circular dated 24 January 2015), the Board is also considering some other property projects in Sydney, Australia with good development potential with the view to enhance growth prospect of the Group and return to our shareholders. Further announcements will be made by the Board in accordance with the Listing Rules if such projects materialise. Besides exploring investment opportunities in property development business, the Company is also exploring opportunities on metal product trading business, taking advantage of the market experience of Hailiang Group Co., Limited# (海亮集團有限公司) ("Hailiang Group") in the People's Republic of China (the "PRC") on metal product trading business. Lastly, the Board is also looking at opportunities to improve the Group's capital structure so as to support healthy development of the Group's business in the long term.

Chairman's Statement

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my heartfelt gratitude to all shareholders, bankers, business associates, suppliers and customers for their continuing support to the Group. Further, I would like to give my special thanks to my fellow board members and all staff members for their hard work and contributions during the past year.

Feng Hailiang 馮海良
Chairman

Hong Kong, 27 March 2015

* *literal translation of the Chinese company name*

Management Discussion and Analysis

BUSINESS OVERVIEW

For the year ended 31 December 2014, the Group continued to engage in the sale of semiconductors and related products as well as the development and provision of electronic turnkey device solution products. In addition, along with the change of Directors of the Company, the Group has newly established its property development operation in Australia.

RESULTS OF THE GROUP

The Group reported loss for the year of HK\$12,826,000 (2013: HK\$1,414,000) and other comprehensive expenses of HK\$790,000 (2013: other comprehensive income of HK\$1,000,000), being exchange differences arising on translating foreign operations, which led to the result that the Group recorded total comprehensive expenses for the year of HK\$13,616,000 (2013: HK\$414,000). The loss attributable to owners of the Company was HK\$11,419,000 for the year compared to the profit of HK\$353,000 in last year; whereas basic loss per share was HK1.06 cents compared to basic earnings per share of HK0.03 cent in the prior year.

BUSINESS REVIEW

Sale of Semiconductors and Related Products

For the year under review, the revenue of the Group's semiconductors and related products operation decreased by 79% to HK\$38,882,000 (2013: HK\$185,980,000) and its segment results turned from profit of HK\$3,523,000 in last year to loss of HK\$1,350,000 in current year. The rather disappointing results of the operation were mainly due to the drop in sales of standardised semiconductors and related products and the provisions for a doubtful debt and slow-moving inventories of HK\$1,108,000 (2013: nil) and HK\$202,000 (2013: HK\$202,000) respectively. The operation principally performs a supply and procurement function of standardised semiconductors and related products for its customers mainly for applications in computer, consumer electronic and telecommunication products. During the year under review, primarily due to the increased competition in the electronic industry and the slowdown of economic growth in the Mainland that negatively affected the electronic industry in general, the volume, price and profit margin of semiconductor products traded by the operation had all been going downtrend which led to the declines in revenue and profitability of the operation.

Management Discussion and Analysis

BUSINESS REVIEW (Continued)

Development and Provision of Electronic Turnkey Device Solutions

The revenue of the development and provision of electronic turnkey device solutions operation was HK\$32,493,000 (2013: HK\$45,211,000), decreased by 28% compared to last year while its segment loss decreased to HK\$2,855,000 (2013: HK\$3,827,000). The results of the operation comprise mainly the results of its 50.21% owned subsidiary in the PRC which is principally engaged in the manufacturing and sale of microcontrollers for home electrical appliances. During the year under review, the slowdown of the Mainland economy had to a certain extent led to the drop in purchase orders from manufacturers of home electrical appliances which in turn caused the decline in sales of the subsidiary. Nevertheless, the segment loss of the operation had reduced mainly resulting from the decrease in provisions for slow-moving inventories which amounted to HK\$571,000 (2013: HK\$3,154,000) and no provision for doubtful debt was made (2013: HK\$1,328,000) in the current year.

Property Development

During the year, the Group has diversified its business into property development by establishing a property operation in Australia. An agreement to acquire a piece of land in Australia (the "Acquisition") was signed by Hailiang Property Group Australia Pty Ltd (a direct wholly-owned subsidiary of the Company) and CHP Group Pty Ltd (as trustee for CHP Trust) on 10 February 2015. The Acquisition constitutes a very substantial acquisition of the Company under the Listing Rules. Details of the relevant agreement are set out in the section headed "Significant Event after Year End". During the current year, a segment loss of HK\$2,811,000 was recorded which mainly comprised the setting up expenditures and the administrative expenses incurred in the property operation in Australia.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

As at 31 December 2014, the Group had current assets of HK\$180,399,000 (2013: HK\$203,403,000) comprising bank and cash balances of HK\$131,431,000 (2013: HK\$121,163,000) (excluding pledged bank deposits for bank guarantee facility granted by a bank) and net current assets of HK\$150,063,000 (2013: HK\$163,768,000). The Group's current ratio, calculated based on current assets over current liabilities of HK\$30,336,000 (2013: HK\$39,635,000), maintained at a healthy level of 5.95 times (2013: 5.13 times) at the year end. The Group's trade and bill receivables amounted to HK\$13,355,000 and dropped by HK\$23,120,000 or 63% from last year (2013: HK\$36,475,000) primarily due to the slowdown of the Group's semiconductors and electronic turnkey device businesses.

During the current year, creditors convertible bonds in the aggregate principal amount of HK\$313,000 were converted into approximately 1,567,000 ordinary shares of the Company and creditors convertible bonds in the aggregate principal amount of HK\$2,965,000 were redeemed by the Company. At 31 December 2014, no creditors convertible bonds were outstanding (2013: HK\$3,265,000).

Management Discussion and Analysis

FINANCIAL REVIEW (Continued)

Liquidity, Financial Resources and Capital Structure (Continued)

At the year end, the Group's equity attributable to owners of the Company decreased by HK\$11,826,000 to HK\$144,362,000 (2013: HK\$156,188,000). The decrease in equity attributable to owners of the Company was mainly due to the total comprehensive expenses incurred by the Group during the year.

The Group's gearing ratio represented its total borrowings over the sum of equity attributable to owners of the Company and total borrowings of the Group. At the year end, the Group had no borrowings and gearing ratio was thus not calculated. As at 31 December 2013, the Group's borrowings comprised creditors convertible bonds at the carrying value of HK\$3,265,000 and the Group's equity attributable to owners of the Company stood at HK\$156,188,000, the Group's gearing ratio was therefore at a low level of about 2%.

The Group continues to maintain a prudent approach in managing its financial requirements. The Group currently finances its operations by internal resources. In the long run, the Group will finance its operations, the Acquisition, and other future acquisitions, if any, by internal resources and/or external debt and by equity fund raising.

Foreign Currency Management

During the year, the monetary assets and liabilities and business transactions of the Group were mainly carried and conducted in Hong Kong dollars, Renminbi, United States dollars and Australian dollars. The Group maintained a prudent strategy in its foreign currency risk management, and to a large extent, foreign exchange risks were minimised via balancing the foreign currency monetary assets versus the corresponding currency liabilities, and foreign currency revenues versus the corresponding currency expenditures. In light of the above, it was considered that the Group's exposure to foreign exchange risks was not significant and no hedging measure had been undertaken by the Group.

Contingent Liabilities

The Group had no significant contingent liabilities as at 31 December 2014 (2013: nil).

Pledge of Assets

As at 31 December 2014, bank deposit of HK\$2,777,000 (2013: nil) was pledged to a bank to secure the bank guarantee facility granted by the bank to the Group.

Lease Commitments

As at 31 December 2014, the Group had operating lease commitments in respects of rentals for its offices and factory premises of HK\$18,710,000 (2013: HK\$5,726,000).

Capital Commitments

As at 31 December 2014, the Group had no material capital commitments (2013: nil).

Management Discussion and Analysis

FINANCIAL REVIEW (Continued)

Significant Event after Year End

Subsequent to the end of the reporting period, on 10 February 2015, the shareholders of the Company passed an ordinary resolution at the extraordinary general meeting in relation to the Acquisition for a consideration of AUD34,000,000. Details of the relevant agreement are set out in the circular of the Company dated 24 January 2015. As at 31 December 2014, the Group incurred professional fees amounted to HK\$750,000 in relation to the Acquisition which was recognised as properties for sale under development.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2014, the Group had approximately 119 employees including the Directors (2013: approximately 160). Total staff costs for the year, including directors' remuneration, was HK\$10,671,000 (2013: HK\$9,910,000). The Group remunerated its employees based on their performance, experience and prevailing market conditions. Benefits plans provided by the Group include provident fund scheme, medical insurance, subsidised training programme, share option scheme and discretionary bonuses.

The Group made contributions to the Mandatory Provident Fund Scheme for its staff in Hong Kong. The employees of the Company's subsidiaries established in the PRC are members of central pension schemes operated by the local municipal governments. The employees of the Australian subsidiary received a superannuation guarantee contribution as required by the Australian government.

Biographical Details of Directors and Senior Management

NON-EXECUTIVE DIRECTOR

Mr. Feng Hailiang (馮海良先生), aged 54, was appointed as a Non-executive Director of the Company on 12 May 2014. Mr. Feng is a senior economist in the PRC. Mr. Feng is currently the chairman of the board of Hailiang Group. He was formerly the president and chairman of Hailiang Group and was the chairman of Zhe Jiang Hai Liang Co., Ltd.# (浙江海亮股份有限公司) (“Zhe Jiang Hai Liang”), a company listed on the Shenzhen Stock Exchange (Stock Code: 002203). Mr. Feng holds a professional certificate in Economic Management and a postgraduate diploma in Modern and Contemporary Chinese Literature from Zhejiang University. He was honoured “The Fourth National Township Entrepreneur (第四屆全國鄉鎮企業家)”, “The Eighth Operating and Management Master of the Operating Management Research Association of Zhejiang Province of China (中國浙江省經營管理研究會第八屆經營管理大師)”, “China Business Master in 2002 (2002年度中國經營大師)”, “Outstanding China Non-governmental Technology Entrepreneur (中國優秀民營科技企業家)”, “Model Worker of Zhejiang Province (浙江省勞動模範)” and “The Sixth National Outstanding Business-Starting Entrepreneur (第六屆全國優秀創業企業家)”.

EXECUTIVE DIRECTORS

Mr. Cao Jianguo (曹建國先生), aged 52, was appointed as an Executive Director and the Chief Executive Officer of the Company on 12 May 2014 and 29 August 2014 respectively. He is a professorate senior engineer in the PRC. Mr. Cao is currently the chairman of Zhe Jiang Hai Liang. Mr. Cao has previously served as the vice president of Hailiang Group and the general manager of Zhe Jiang Hai Liang. Mr. Cao holds a bachelor degree in Metallurgy from the Jiangxi Institute of Metallurgy (江西冶金學院冶金系) (now known as Jiangxi University of Science and Technology (江西理工大學)) and a master degree in Business Administration from Central South University (中南大學). Mr. Cao is the judging panel expert of The State Science Technology Awards (中國國家科學技術獎), a member of the professional committee of China Nonferrous Metals Industry Association (中國有色金屬工業協會專家委員會) and the vice chairman of the Third and Fourth National Nonferrous Metals Standardisation Technological Committee (第三屆、四屆全國有色金屬標準化技術委員會) and the Chairman of the International Organisation for Standardisation (ISO) of the Copper and Copper Alloy Technical Committee (TC26) (銅及銅合金技術委員會). Mr. Cao has for several years won numerous awards, including “Outstanding Technical Officer of China Nonferrous Metals Industry (中國有色金屬工業優秀技術工作者)”, “Model Worker of National Nonferrous Metals Industry (全國有色金屬行業勞動模範)”, “Model Worker of Shaoxing City (紹興市勞動模範)”, “Senior Expert of Shaoxing City (紹興市高級專家)”, “Second-Level Fostered Talent in the Zhejiang Province New Century 151 Talents Project (浙江省“新世紀151人才工程”第二層次培養人員)”, “Economic Construction Contributor’s Award of Zhuji City for the Year 2006 (2006年度諸暨市經濟建設功臣)”, “China Private Enterprises Innovator for the Year 2011 (2011中國民營企業年度創新人物)” and “Zhejiang Province’s Ten Best Business Managers for the Year 2011 (2011年度浙江省十佳事業經理人)”.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS (Continued)

Mr. Zhou, Diyong (周迪永先生), aged 38, was appointed as an Executive Director of the Company on 12 May 2014. Mr. Zhou is an engineer holding a master degree in civil engineering from Zhejiang University. Mr. Zhou is currently the president of Hailiang Real Estate Holdings Group Co., Ltd.# (海亮地產控股集團有限公司). Mr. Zhou had worked at China Resources (Holdings) Co., Ltd.# (華潤(集團)有限公司) and Ningxia Hailiang Real Estate Development Co., Ltd.# (寧夏海亮房地產有限公司).

Ms. Ji Danyang (季丹陽女士), aged 31, was appointed as an Executive Director of the Company on 12 May 2014. Ms. Ji holds a master degree in Software Engineering from the University of Electronic Science and Technology of China. Ms. Ji is currently the vice president of Hailiang Group. Ms. Ji was the cashier, sales consultant and sales manager of Zhejiang Fengshen Automotive Sales Co., Ltd.# (浙江風神汽車銷售有限公司), the vice general manager of Zhejiang Huaneng Automotives Sales Co.# (浙江華能汽車銷售公司), the manager of the Finance and Treasury Department of Jinhengde Group Co., Ltd.# (金恒德集團有限公司) and the director of the Finance and Treasury Department and the assistant to the president of Hailiang Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chang Tat Joel, aged 46, was appointed as an Independent Non-executive Director of the Company on 12 May 2014. He has considerable strategic, financial and advisory experiences. He is currently an executive director of AID Partners Capital Holdings Limited (“AID Partners”), shares of which are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (Stock Code: 8088), and is responsible for its strategic investment planning. He is currently an independent director of China Mobile Games and Entertainment Group Limited, a company listed on the NASDAQ stock market (NASDAQ: CMGE). He is an independent non-executive director of Dragonite International Limited (Stock Code: 329) and a non-executive director of Kong Sun Holdings Limited (Stock Code: 295), both of the above-mentioned companies are listed on the Stock Exchange. He was formerly an independent non-executive director of Kingsoft Corporation Limited (Stock Code: 3888) and an executive director and chief financial officer of Orange Sky Golden Harvest Entertainment (Holdings) Limited (Stock Code: 1132), both companies are listed on the Stock Exchange. Prior to the establishment of AID Partners, he was the chief investment officer of Investec Asia Limited, a managing director of China Everbright Capital Limited and an executive director of BNP Prime Peregrine Capital Limited. He is also a member of the Australian Society of Certified Practising Accountants and the Hong Kong Institute of Certified Public Accountants. He obtained a bachelor's degree in Economics from Monash University in 1990.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Mr. Ho Gilbert Chi Hang, aged 38, was appointed as an Independent Non-executive Director of the Company on 12 May 2014. Mr. Ho has extensive experiences in the area of corporate management, investments, corporate finance, merger and acquisition transactions and international brand and retail management. He is the managing partner of AID Partners Capital Limited and is the executive director and chief investment officer of AID Partners. He is an independent non-executive director of Kam Hing International Holdings Limited (Stock Code: 2307), and was the vice president of ITC Corporation Limited (Stock Code: 372), the senior investment director of New World Development Company Limited (Stock Code: 17), a non-executive director of Renhe Commercial Holdings Company Limited (Stock Code: 1387), a non-executive director of Capital Environment Holdings Limited (Stock Code: 3989) and an independent non-executive director of Infinity Chemical Holdings Company Limited (Stock Code: 640), all of the above-mentioned companies are listed on the Stock Exchange. Prior to joining AID Partners, he was also an executive director of New World Strategic Investment Limited, and a partner of an international law firm Fried, Frank, Harris, Shriver & Jacobson LLP. He is a committee member of the Chinese People's Political Consultative Conference of Shenyang, Liaoning Province (中國人民政治協商會議遼寧省瀋陽市委員會), a Standing Committee Member of the Youth Federation of Inner Mongolia (內蒙古自治區青年聯合會) and the Vice Chairman of Inner Mongolia & Hong Kong Youth Exchange Association (蒙港青年交流促進會). Mr. Ho holds a Bachelor of Commerce degree and a Bachelor of Laws degree from the University of Sydney, Australia and is a solicitor admitted in New South Wales, Australia and England and Wales and a solicitor and barrister admitted in the High Court of Australia.

Mr. Tsui Kun Lam Ivan, aged 59, was appointed as an Independent Non-Executive Director of the Company on 12 May 2014. He has over 30 years of extensive experiences in the area of business development, corporate management and securities trading. Mr. Tsui is the director and responsible officer of Austen Capital Management Limited ("Austen Capital") since 31 March 2015. Prior to joining Austen Capital, Mr. Tsui was a responsible officer of AID Partners Asset Management Limited (formerly known as Shikumen Capital Management (HK) Limited) from 1 March 2014 to 15 March 2015 and was formerly a responsible officer of HPI Asset Management Limited, director of De Tiger Capital Limited, managing director of South China Finance and Management Limited, director of Quam Securities Company Limited, managing director of OSK Holdings Hong Kong Limited, and director of business development of BNP Paribas Asset Management Asia Limited. Mr. Tsui holds a master degree in Business Administration from the University of South Australia, Adelaide, Australia.

SENIOR MANAGEMENT

Company Secretary

Ms. Chan Yuk Yee, aged 47, joined the Company as Company Secretary in February 2012. She holds a Master of Business Law degree from the Monash University in Australia and is an associate member of both the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. Ms. Chan has over 10 years of experiences in company secretarial practice. Ms. Chan was a non-executive director of Winshine Entertainment & Media Holding Company Limited (formerly known as China Tycoon Beverage Holdings Limited) ("Winshine Entertainment") (Stock Code: 209) until 8 April 2015. She was formerly the company secretary of Mission Capital Holdings Limited (formerly known as Poly Capital Holdings Limited) (Stock Code: 1141), an executive director and the company secretary of Winshine Entertainment and an executive director of Huajun Holdings Limited (formerly known as New Island Development Holdings Limited) (Stock Code: 377). All of the above companies are listed on the Stock Exchange.

[#] literal translation of the Chinese company name

Report of the Directors

The Directors hereby present their report and the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2014.

CHANGE OF NAME

As approved by the shareholders at the Extraordinary General Meeting of the Company held on 10 February 2015, the name of the Company was changed from “Sunlink International Holdings Limited 科浪國際控股有限公司” to “Hailiang International Holdings Limited 海亮國際控股有限公司” with effect from 10 February 2015. 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 17 March 2015 confirming the registration of the new name “Hailiang International Holdings Limited 海亮國際控股有限公司” of the Company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong).

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the sale of semiconductors and related products business, the development and provision of electronic turnkey device solutions business, and the property development business. Details of the principal activities of its principal subsidiaries are set out in note 37 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on page 35.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2014 (2013: nil).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements of the Company, is set out on page 88. This summary does not form part of the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

SHARE OPTION SCHEME

The existing share option scheme of the Company (the “Scheme”) was adopted by the Company at the annual general meeting of the Company held on 28 June 2012. The terms of the Scheme are in accordance with the provisions of Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”).

The purpose of the Scheme is to enable the Group to attract, retain and motivate talented Participants to strive for future development and expansion of the Group. The Scheme shall be an incentive to encourage Participants (as defined below) to perform their best in achieving the goals of the Group and allow the Participants to enjoy the results of the Company attained through their efforts and contributions.

The Scheme shall be valid and effective for a period of ten (10) years commencing on the date of adoption after which period no further options will be granted and accepted; and thereafter for so long as there are any outstanding unexercised options granted and accepted pursuant thereto prior to the expiration of the said ten-year period and in order to give effect to the exercise of any such options or otherwise as may be required in accordance with the provisions of the Scheme.

The Board may grant (subject to acceptance in accordance with the terms of the Scheme) an option to any individual being an employee, officer, agent, consultant or representative of any member of the Group (including any executive or non-executive director of any member of the Group) who, as the Board may determine in its absolute discretion, has made valuable contribution to the business of the Group based on his/her performance and/or years of service, or is regarded to be a valuable human resource of the Group based on his/her working experience, knowledge in the industry and other relevant factors (a “Participant”), subject to such conditions as the Board may think fit, provided that no grants shall be made except to such number of Participants and in such circumstances that the Company will not be required under applicable securities laws and regulations to issue a prospectus or other offer document in respect thereof; and will not result in the breach by the Company or its directors of any applicable securities laws and regulations or in any filing or other requirements arising.

The subscription price for the ordinary shares of the Company (the “Shares”) on the exercise of options under the Scheme shall be a price determined by the Board and notified to the relevant Participant at the time the grant of the options is made to (subject to acceptance by) the Participant and shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the date on which the option is granted, which date must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets for the five (5) business days immediately preceding the date on which the option is granted; and (iii) the nominal value of the Share.

Report of the Directors

SHARE OPTION SCHEME (Continued)

The limit on the total number of the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme(s) of the Company must not exceed 30% of the total number of the Shares in issue from time to time. Options lapsed or cancelled in accordance with the terms of the Scheme or any other share option scheme(s) of the Company shall not be counted for the purpose of calculating the said 30% limit. In addition, the total number of the Shares which may be issued upon exercise of all options to be granted under the Scheme, together with all options to be granted under any other share option scheme(s) of the Company, must not represent more than 10% of the total number of the Shares in issue as at the date of approval of the Scheme (the "Scheme Mandate Limit"). Options lapsed in accordance with the terms of the Scheme or any other share option scheme(s) of the Company shall not be counted for the purpose of calculating the Scheme Mandate Limit.

The total number of the Shares issued and to be issued upon exercise of the options granted to each Participant, together with all options granted and to be granted to him/her under any other share option scheme(s) of the Company, within the 12-month period immediately preceding the proposed date of grant (including exercised, cancelled and outstanding options) shall not exceed 1% of the total number of the Shares in issue as at the proposed date of grant. Any further grant of options to a Participant in excess of the 1% limit shall be subject to the shareholders' approval of the Company with such Participant and his/her associates abstaining from voting. The number and terms of the options to be granted to such Participant shall be fixed before the shareholders' approval of the grant of such options.

A grant of an option shall be made to a Participant by letter in such form as the Board may from time to time determine requiring the Participant to undertake to hold the option on the terms on which it is to be granted including but not limited to the minimum period for which an option must be held before it can be exercised (if any) and to be bound by the provisions of the Scheme and shall remain open for acceptance by the Participant for a period of thirty (30) days from the date of grant (the "Acceptance Period").

An option shall be deemed to have been accepted when the duplicate letter, comprising acceptance of the option duly signed by the grantee together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof, is received by the Company within the Acceptance Period.

An option shall be personal to the grantee and shall not be assignable and no grantee shall in anyway sell, transfer, assign, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any option or purport to do any of the foregoing. Any breach of the foregoing shall entitle the Company to cancel the relevant grantee's outstanding options in whole or in part.

No performance target needs to be achieved by the grantee before the options can be exercised, unless otherwise determined by the Board.

Report of the Directors

SHARE OPTION SCHEME (Continued)

An option may be exercised in accordance with the terms of the Scheme and such other terms and conditions upon which an option was granted, at any time during the option period after the option has been granted by the Board but in any event, not longer than ten (10) years from the date of grant. An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the option period.

As at the date of this report, no share options had been granted under the Scheme by the Company.

Additional information in relation to the Company's Scheme is set out in note 27 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands, which would oblige the Company to offer new shares on pro-rata basis to existing shareholders.

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

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

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 26 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

The Company's total distributable reserves as at 31 December 2014 amounted to HK\$123,623,000 (2013: HK\$125,583,000).

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, sales to the Group's five largest customers accounted for approximately 55.1% of the total sales for the year and sales to the largest customer accounted for approximately 23.4%. Purchases from the Group's five largest suppliers accounted for approximately 63.5% of the total purchases for the year and purchases from the largest supplier accounted for approximately 44.4%.

To the best knowledge of the Company, none of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers during the year.

Report of the Directors

DIRECTORS

The Directors during the year and up to the date of this report are:

Non-executive Directors:

Mr. Feng Hailiang (馮海良先生)¹ (*Chairman*)
Mr. Suen Cho Hung, Paul²

Executive Directors:

Mr. Cao Jianguo (曹建國先生)^{1 and 3} (*Chief Executive Officer*)
Mr. Zhou Diyong (周迪永先生)¹
Ms. Ji Danyang (季丹陽女士)¹
Mr. Sue Ka Lok²
Mr. Lai Ming Wai²

Independent Non-executive Directors:

Mr. Chang Tat Joel¹
Mr. Ho Gilbert Chi Hang¹
Mr. Tsui Kun Lam Ivan¹
Mr. Chiang Bun²
Mr. Sun Ka Ziang, Henry²
Ms. Wong Wai Yin, Viola²

¹ Appointed as Director on 12 May 2014

² Resigned as Director on 3 June 2014

³ Appointed as the Chief Executive Officer on 29 August 2014

In accordance with Article 87 of the Company's Articles of Association, Mr. Cao Jianguo (曹建國先生), Mr. Zhou Diyong (周迪永先生) and Ms. Ji Danyang (季丹陽女士) will retire by rotation at the forthcoming annual general meeting (the "AGM") and, being eligible, offer themselves for re-election at the forthcoming AGM.

Biographical details of the Directors are set out on pages 9 to 11.

Report of the Directors

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

Pursuant to Rule 13.51B(1) of the Listing Rules, the updated information of Directors required to be disclosed are set out as below:

- (i) Mr. Chang Tat Joel was appointed as an executive director of AID Partners Capital Holdings Limited ("AID Partners") (Stock Code: 8088), an independent non-executive director of Dragonite International Limited (Stock Code: 329) and a non-executive director of Kong Sun Holdings Limited (Stock Code: 295).
- (ii) Mr. Ho Gilbert Chi Hang was appointed as the managing partner of AID Partners Capital Limited and the executive director and chief investment officer of AID Partners (Stock Code: 8088).
- (iii) Mr. Tsui Kun Lam Ivan was appointed as the director and responsible officer of Austen Capital Management Limited.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

Details of the directors' remuneration are set out in note 12 to the consolidated financial statements.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

To the best knowledge of the Directors, none of the Directors had a material interest, either directly or indirectly, in any contract of significance to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors have any ownership in other business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the entire or primary business of the Company has been entered into or existed during the year ended 31 December 2014.

Report of the Directors

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

As at 31 December 2014, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

Long positions in the shares of the Company:

Name of Director	Capacity and nature of interest	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
Mr. Feng Hailiang (馮海良先生) ("Mr. Feng")	Interest of controlled corporation	804,804,866 (Note)	74.93%

Note: These shares were held by Rich Pro Investments Limited ("Rich Pro"), which was a wholly-owned subsidiary of Hailiang Group Co., Ltd.* (海亮集團有限公司) ("Hailiang Group") which in turn was owned as to approximately 98.54% by Mr. Feng and Mr. Feng's associates. Accordingly, Mr. Feng was deemed to be interested in 804,804,866 shares of the Company under the SFO.

* literal translation of the Chinese company name

Save as disclosed above, as at 31 December 2014, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" and "Share Option Scheme" above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or their respective spouses or minor children had any rights to subscribe for the securities of the Company, or had exercised any such rights during the year.

Report of the Directors

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2014, the following interests of more than 5% of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Long positions in the shares of the Company:

Name of shareholder	Capacity and nature of interest	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
Mr. Feng	Interest of controlled corporation	804,804,866 (Note)	74.93%
Shanghai Weize Investment Holdings Limited# (上海維澤投資控股有限公司) ("Shanghai Weize")	Interest of controlled corporation	804,804,866 (Note)	74.93%
Hailiang Group	Interest of controlled corporation	804,804,866 (Note)	74.93%
Rich Pro	Beneficial owner	804,804,866 (Note)	74.93%

Note: These shares were held by Rich Pro, which was a wholly-owned subsidiary of Hailiang Group which in turn was owned as to approximately 98.54% by Mr. Feng and Mr. Feng's associates (including Shanghai Weize which owned 40.26% equity interest in Hailiang Group). Accordingly, Mr. Feng, Shanghai Weize and Hailiang Group were deemed to be interested in 804,804,866 shares of the Company under the SFO.

literal translation of the Chinese company name

The interests of Mr. Feng, Shanghai Weize, Hailiang Group and Rich Pro in 804,804,866 shares of the Company referred to in the note above related to the same parcel of shares.

Save as disclosed above, the Company had not been notified of any other relevant interests or short positions in the shares and underlying shares of the Company as at 31 December 2014 as required pursuant to section 336 of the SFO.

Report of the Directors

CONTINUING CONNECTED TRANSACTIONS

During the year, the Group entered into the following continuing connected transactions and the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules:

As disclosed in the announcement of the Company dated 30 June 2011, Foshan Lianchuang Hualian Electronics Company Limited# (佛山聯創華聯電子有限公司) (“Foshan Lianchuang Hualian”) (previously 52.38% indirectly owned and now 50.21% indirectly owned by the Company), entered into a supply contract (the “Supply Contract”) with Xiamen Hualian Electronics Company Limited# (廈門華聯電子有限公司) (“Xiamen Hualian”) (which previously owned 47.62% and now own 45.64% equity interest in Foshan Lianchuang Hualian), pursuant to which Foshan Lianchuang Hualian agreed to purchase and Xiamen Hualian agreed to supply raw materials for production of micro controllers for a term commencing from 24 June 2011 up to 31 December 2013 with an annual cap of RMB5,000,000 (approximately HK\$6,000,000) for each of the three financial years ending 31 December 2013.

As disclosed in the announcement of the Company dated 31 December 2013, a supplemental agreement was entered into on 31 December 2013 between Foshan Lianchuang Hualian and Xiamen Hualian for the renewal of the Supply Contract for a term of three years commencing from 1 January 2014 to 31 December 2016 (both dates inclusive) with an annual cap of RMB2,500,000 (approximately HK\$3,150,000) for each of the three financial years ending 31 December 2016 and with all the other terms and conditions of the Supply Contract remain unchanged.

As Xiamen Hualian is a substantial shareholder of Foshan Lianchuang Hualian, Xiamen Hualian is a connected person of the Company according to the Listing Rules. Total purchases of raw materials from Xiamen Hualian for the year ended 31 December 2014 amounted to RMB296,000 (equivalent to approximately HK\$373,000).

These transactions have been reviewed by the Independent Non-executive Directors of the Company, who are satisfied that the above transactions were entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms or better; and
- (iii) according to the relevant agreements governing them on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

CONTINUING CONNECTED TRANSACTIONS (Continued)

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagement 3000 "Assurance Engagement Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants and reported their conclusions to the Board that:

- (i) nothing has come to auditor's attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company's Board of Directors;
- (ii) nothing has come to auditor's attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- (iii) nothing has come to auditor's attention that causes them to believe that the transactions have exceeded the maximum aggregate annual value as disclosed in the Company's announcement dated 31 December 2013.

The related party transactions are set out in note 35 to the consolidated financial statements. Apart from the continuing connected transactions disclosed above, all the other related party transactions did not fall under the scope of "Connected Transactions" or "Continuing Connected Transactions" under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

literal translation of the Chinese company name

EMPLOYEES AND REMUNERATION POLICIES

The Group remunerates its employees based on their performance, experience and prevailing market rate. Other employee benefits included provident fund scheme, medical insurance, subsidised training programme, share option scheme as well as discretionary bonuses.

The determination of emoluments of the Directors had taken into consideration of their respective responsibilities and contribution to the Company and with reference to market conditions.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital is held by the public as at the date of this report as required by the Listing Rules.

Report of the Directors

AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the year ended 31 December 2014 have been reviewed by the Audit Committee before they are duly approved by the Board under the recommendation of the Audit Committee.

AUDITOR

The consolidated financial statements for the year ended 31 December 2014 have been audited by ZHONGHUI ANDA CPA Limited.

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

CORPORATE GOVERNANCE

Details of the corporate governance of the Company are set out in pages 23 to 32 under the section "Corporate Governance Report" of this annual report.

On behalf of the Board

Feng Hailiang 馮海良
Chairman

Hong Kong, 27 March 2015

Corporate Governance Report

The Board is committed to maintaining high standards of corporate governance practices at all times. The Board believes that good corporate governance helps the Company to safeguard the interests of its shareholders and to enhance the performance of the Group.

CORPORATE GOVERNANCE

The Company has complied with all the applicable provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules for the year ended 31 December 2014 except for the four deviations as set out under code provisions A.2.1, A.4.1, A.6.7 and D.1.4 respectively.

Code Provision A.2.1

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Deviation

Prior to 3 June 2014, the roles of the chairman and the chief executive are separate and were not performed by the same person. Mr. Sue Ka Lok was the Chairman of the Board and Mr. Lai Ming Wai was the Chief Executive Officer, until their resignations on 3 June 2014. Between 3 June 2014 and 28 August 2014, the Company has appointed a chairman but has not appointed a chief executive. On 3 June 2014, Mr. Feng Hailiang (馮海良先生), a Non-executive Director of the Company, has been appointed as the Chairman of the Company. During this period, the roles and functions of chief executive have been performed by all the executive directors of the Company collectively. The aforesaid deviation was rectified and code provision A.2.1 has been complied with commencing from 29 August 2014 as Mr. Cao Jianguo (曹建國先生), an Executive Director of the Company, has been appointed as the Chief Executive Officer of the Company with effect from 29 August 2014.

Code Provision A.4.1

Code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

Deviation

There has been a deviation from the code provision since the appointment of the existing independent non-executive directors of the Company on 12 May 2014. The independent non-executive directors of the Company were not appointed for a specific term but shall retire from office by rotation at least once every three years as referred to in Article 87 of the Articles of Association of the Company which provided that at each annual general meeting one-third of the directors of the Company for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. However, the aforesaid deviation was rectified and code provision A.4.1 has been complied with commencing from 29 August 2014 as the Company has entered into service contracts with each of the independent non-executive directors and the non-executive director of the Company as at 29 August 2014 and the service contracts set out the term of the service of each of the independent non-executive directors and the non-executive director be fixed at a term of three years but subject to retirement by rotation and re-election in accordance with the Articles of Association of the Company.

Corporate Governance Report

CORPORATE GOVERNANCE (Continued)

Code Provision A.6.7

Code provision A.6.7 of the CG Code stipulates that the 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 views of shareholders.

Deviation

The Independent Non-executive Directors were unable to attend the annual general meeting of the Company held on 30 June 2014 (the "2014 AGM") as they had other important business engagements. However, there were three executive directors and one non-executive director of the Company presented at the 2014 AGM to enable the Board to develop a balanced understanding of the views of shareholders of the Company. Please refer to the table in page 26 for details of attendance records of all Directors at the 2014 AGM.

Code Provision D.1.4

Code provision D.1.4 of the CG Code stipulates that the Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment.

Deviation

There has been a deviation as the Company has not entered into any letters of appointment with the existing directors of the Company since their respective appointment on 12 May 2014. However, the aforesaid deviation was rectified and code provision D.1.4 has been complied with commencing from 29 August 2014 as the Company has entered into service contracts with each of the directors of the Company on 29 August 2014.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by Directors of the Company. Having made specific enquiry with the Directors, all of them confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2014.

BOARD OF DIRECTORS

The Board is responsible for the leadership and to monitor the business activities and the performance of the management of the Company and to maximise the interests of the Company and the shareholders. The Board reviews and approves the objectives, strategies, direction and policies of the Group, the annual budget, annual and interim results, the management structure of the Company as well as other significant policy and financial matters. The Board has delegated the responsibility of day-to-day operations of the Group to the management of the Company.

Corporate Governance Report

BOARD OF DIRECTORS (Continued)

As at the date of this annual report, the Board comprises seven directors, one is Non-executive Director, namely Mr. Feng Hailiang (馮海良先生) (Chairman), three of which are Executive Directors, namely Mr. Cao Jianguo (曹建國先生) (Chief Executive Officer), Mr. Zhou Diyong (周迪永先生) and Ms. Ji Danyang (季丹陽女士) and three are Independent Non-executive Directors, namely Mr. Chang Tat Joel, Mr. Ho Gilbert Chi Hang and Mr. Tsui Kun Lam Ivan. 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 Listing Rules. The Company considers all the independent non-executive directors are independent in accordance with the independence guidelines set out in the Listing Rules.

Mr. Feng Hailiang (馮海良先生) is currently the chairman of the board of Hailiang Group Co., Limited[#] (海亮集團有限公司), a company incorporated in the PRC and is the holding company of Rich Pro Investments Limited, which is the controlling shareholder of the Company.

Directors' Training

The Company will provide a comprehensive, formal and tailored induction to each newly appointed director on his/her first appointment in order to enable him/her to have appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

All directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. Directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. The Company has provided timely technical updates, including the briefing on the amendments on the Listing Rules and the news release published by the Stock Exchange to the directors. Continuing briefing and professional development for directors are arranged where necessary.

[#] *literal translation of the Chinese company name*

Corporate Governance Report

BOARD OF DIRECTORS (Continued)

Attendance Record of Directors and Board Committee Members

During the year ended 31 December 2014, four regular Board meetings and one 2014 AGM were held and the attendance of each director is set out as follows:

Name of Directors	Attendance/Number of Meetings	
	Board Meetings ³	2014 AGM ³
Non-executive Directors		
Mr. Feng Hailiang (馮海良先生) ¹ (Chairman)	1/1	1/1
Mr. Suen Cho Hung, Paul ²	3/3	0/0
Executive Directors		
Mr. Cao Jianguo (曹建國先生) ¹ (Chief Executive Officer)	1/1	1/1
Mr. Zhou Diyong (周迪永先生) ¹	1/1	1/1
Ms. Ji Danyang (季丹陽女士) ¹	1/1	1/1
Mr. Sue Ka Lok ²	3/3	0/0
Mr. Lai Ming Wai ²	3/3	0/0
Independent Non-executive Directors		
Mr. Chang Tat Joel ¹	1/1	0/1
Mr. Ho Gilbert Chi Hang ¹	1/1	0/1
Mr. Tsui Kun Lam Ivan ¹	1/1	0/1
Mr. Chiang Bun ²	3/3	0/0
Mr. Sun Ka Ziang, Henry ²	3/3	0/0
Ms. Wong Wai Yin, Viola ²	3/3	0/0

¹ Appointed as Director on 12 May 2014 and one 2014 AGM and one Board meeting were held after his/her appointment

² Resigned as Director on 3 June 2014 and three Board meetings were held before his/her resignation

³ Number of meetings held during the year ended 31 December 2014 or during the tenure of the Directors for such financial year (if such Director was appointed or ceased to be a Director part way during the financial year)

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE AND INDEMNITY

The Company has arranged for appropriate liability insurance to indemnify our Directors and senior officers for potential claims arising out of their performance of corporate activities. No claim has been made against our Directors and senior officers during the year ended 31 December 2014.

CHAIRMAN AND CHIEF EXECUTIVE

The Group adopts a dual leadership structure in which the role of the Chairman is separated from that of the Chief Executive Officer. The Chairman is responsible for overseeing all Board functions, while the executive directors and senior management are under the leadership of the Chief Executive Officer to oversee the day-to-day operations of the Group and implement the strategies and policies approved by the Board.

The position of the Chairman of the Board is currently held by Mr. Feng Hailiang (馮海良先生) and the position of the Chief Executive Officer is currently held by Mr. Cao Jianguo (曹建國先生).

Corporate Governance Report

NON-EXECUTIVE DIRECTORS

The Non-executive Director and each of the Independent Non-executive Directors of the Company is appointed for a term of three-year period unless terminated by either party in writing prior to the expiry of the term.

The Board has established three Board committees, namely, remuneration committee, nomination committee and audit committee (collectively the "Board Committees").

REMUNERATION COMMITTEE

The Remuneration Committee has specific written terms of reference in compliance with the CG Code. As at the date of this annual report, the Remuneration Committee comprises five members, including three Independent Non-executive Directors, namely Mr. Ho Gilbert Chi Hang (Chairman), Mr. Chang Tat Joel and Mr. Tsui Kun Lam Ivan, and two Executive Directors, namely Mr. Zhou Diyong (周迪永先生) and Ms. Ji Danyang (季丹陽女士).

The Remuneration Committee is mainly responsible for making recommendations to the Board on the Company's policy and structure for all directors' and senior management remuneration; determining the remuneration packages of individual executive directors and senior management and making recommendations to the Board on the remuneration of non-executive directors. The full terms of reference are available on the Company's website and the Stock Exchange's website.

The Remuneration Committee met once during the year ended 31 December 2014 to review the remuneration of the directors. The attendance of each member is set out as follows:

Name of Members	Attendance/ Number of Meetings ³
Mr. Ho Gilbert Chi Hang ¹ (<i>Chairman of the Remuneration Committee</i>)	1/1
Mr. Zhou Diyong (周迪永先生) ¹	1/1
Ms. Ji Danyang (季丹陽女士) ¹	1/1
Mr. Chang Tat Joel ¹	1/1
Mr. Tsui Kun Lam Ivan ¹	1/1
Mr. Chiang Bun ²	0/0
Mr. Sun Ka Ziang, Henry ²	0/0
Ms. Wong Wai Yin, Viola ²	0/0

¹ Appointed as Director on 12 May 2014 and one meeting was held after his/her appointment

² Resigned as Director on 3 June 2014 and no meeting was held before his/her resignation

³ Number of meetings held during the year ended 31 December 2014 or during the tenure of the Directors for such financial year (if such Director was appointed or ceased to be a Director part way during the financial year)

Corporate Governance Report

NOMINATION COMMITTEE

The Nomination Committee has specific written terms of reference in compliance with the CG Code. As at the date of this annual report, the Nomination Committee comprises five members, including three Independent Non-executive Directors, namely Mr. Tsui Kun Lam Ivan (Chairman), Mr. Chang Tat Joel and Mr. Ho Gilbert Chi Hang, one Non-executive Director, namely Mr. Feng Hailiang (馮海良先生) and one Executive Director, namely Mr. Cao Jianguo (曹建國先生).

The Nomination Committee is mainly responsible for making recommendations to the Board on the appointment of directors, evaluation of board composition, assessment of the independence of independent non-executive directors and the management of board succession. The full terms of reference are available on the Company's website and the Stock Exchange's website.

The Nomination Committee met once during the year ended 31 December 2014 to review the structure, size and composition of the Board; assess the independence of the Independent Non-executive Directors of the Company; review and make recommendations to the Board on the re-election of directors. The attendance of each member is set out as follows:

Name of Members	Attendance/ Number of Meetings ³
Mr. Tsui Kun Lam Ivan ¹ (<i>Chairman of the Nomination Committee</i>)	0/0
Mr. Feng Hailiang (馮海良先生) ¹	0/0
Mr. Cao Jianguo (曹建國先生) ¹	0/0
Mr. Chang Tat Joel ¹	0/0
Mr. Ho Gilbert Chi Hang ¹	0/0
Mr. Sue Ka Lok ²	1/1
Mr. Chiang Bun ²	1/1
Mr. Sun Ka Ziang, Henry ²	1/1
Ms. Wong Wai Yin, Viola ²	1/1

¹ Appointed as Director on 12 May 2014 and no meeting was held after his/her appointment

² Resigned as Director on 3 June 2014 and one meeting was held before his/her resignation

³ Number of meetings held during the year ended 31 December 2014 or during the tenure of the Directors for such financial year (if such Director was appointed or ceased to be a Director part way during the financial year)

The Board has adopted a board diversity policy (the "Policy") in September 2013 which sets out the approach to achieve diversity on the Board. All Board appointments shall be based on meritocracy, and candidates will be considered against selection criteria, having regard for the benefits of diversity on the Board. Selection of candidates will be based on range of diversity perspectives, which would include but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee will monitor the implementation of the Policy and will from time to time review the Policy, as appropriate, to ensure the effectiveness of the Policy.

Corporate Governance Report

AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their responsibilities on the Company's consolidated financial statements for the year ended 31 December 2014 is set out in the "Independent Auditor's Report" on pages 33 to 34 of this annual report.

For the year ended 31 December 2014, remuneration payable to the Company's auditor, ZHONGHUI ANDA CPA Limited ("Zhonghui ANDA"), for the provision of audit services was HK\$550,000. During the year, HK\$248,000 was paid as remuneration to Zhonghui ANDA for the provision of non-audit related services included interim report review and services in relation to the circular for the Acquisition.

AUDIT COMMITTEE

The Audit Committee has specific written terms of reference in compliance with the CG Code. As at the date of this annual report, the Audit Committee comprises three Independent Non-executive Directors, namely Mr. Chang Tat Joel (Chairman), Mr. Ho Gilbert Chi Hang and Mr. Tsui Kun Lam Ivan.

The Audit Committee is mainly responsible for assisting the Board in applying financial reporting and internal control principles and in maintaining an appropriate relationship with the Company's auditor. The Audit Committee is also delegated the corporate governance function of the Board to monitor, procure and manage corporate governance compliance within the Group. The full terms of reference are available on the Company's website and the Stock Exchange's website.

The Audit Committee met two times during the year ended 31 December 2014 and the attendance of each member is set out as follows:

Name of Members	Attendance/ Number of Meetings³
Mr. Chang Tat Joel ¹ (<i>Chairman of the Audit Committee</i>)	1/1
Mr. Ho Gilbert Chi Hang ¹	1/1
Mr. Tsui Kun Lam Ivan ¹	1/1
Mr. Chiang Bun ²	1/1
Mr. Sun Ka Ziang, Henry ²	1/1
Ms. Wong Wai Yin, Viola ²	1/1

¹ Appointed as Director on 12 May 2014 was one meeting was held after his/her appointment

² Resigned as Director on 3 June 2014 and one meeting was held before his/her resignation

³ Number of meetings held during the year ended 31 December 2014 or during the tenure of the Directors for such financial year (if such Director was appointed or ceased to be a Director part way during the financial year)

Corporate Governance Report

AUDIT COMMITTEE (Continued)

The following is a summary of work performed by the Audit Committee during the year:

1. reviewed and discussed the audited financial statements of the Group for the year ended 31 December 2013 and recommended to the Board for approval;
2. reviewed the corporate governance compliance with the CG Code and the disclosure requirements for the corporate governance report;
3. reviewed and considered the terms of the continuing connected transactions;
4. reviewed and discussed the unaudited financial statements of the Group for the six months ended 30 June 2014 and recommended to the Board for approval;
5. reviewed and discussed with the management and auditor of the Company the accounting policies and practices which may affect the Group and the scope of the audit;
6. reviewed the effectiveness of the internal control system of the Group; and
7. reviewed and approved the remuneration and the terms of engagement of the Company's auditor; and reviewed and made recommendations to the Board on the re-appointment of the Company's auditor.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other financial disclosures required by the Listing Rules and statutory requirements and applicable accounting standards.

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended 31 December 2014.

CORPORATE GOVERNANCE FUNCTIONS

In order to establish the duties and responsibilities of the Board in performing its corporate governance functions, the Board has delegated certain corporate governance functions to the Audit Committee, which include (i) developing and reviewing policies and practices on corporate governance; (ii) reviewing and monitoring the training and continuous professional development of the directors and senior management; (iii) reviewing and monitoring policies and practices on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and the directors; and (v) reviewing the Company's compliance with the CG Code and disclosure in the corporate governance report.

Corporate Governance Report

INTERNAL CONTROL

The Board recognises its responsibilities for maintaining an adequate system of internal control to safeguard the Group's assets and information and shareholders' interests. An internal control system, including a defined management structure with limits of authority, is designed to help achieving business objectives, safeguarding assets against unauthorised use, and maintaining proper accounting records for the provision of reliable financial information for internal use and for publication. The internal control system is set up to provide reasonable, but not absolute, assurance against material misstatement of financial statements or loss of assets and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives.

For the year ended 31 December 2014, the Board conducted a review of the effectiveness of the internal control system of the Group.

COMPANY SECRETARY

Ms. Chan Yuk Yee was appointed the Company Secretary of the Company on 23 February 2012. The biographical details of Ms. Chan are set out under the section headed "Biographical Details of Directors and Senior Management" on pages 9 to 11 of this annual report. Ms. Chan has taken no less than 15 hours of the relevant professional training during the financial year ended 31 December 2014.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to Convene an Extraordinary General Meeting and Putting Forward Proposals at Shareholders' Meetings

According to Article 58 of the Company's Articles of Association, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Corporate Governance Report

SHAREHOLDERS' RIGHTS (Continued)

Procedures for Shareholders to Propose a Person for Election as a Director of the Company

If a shareholder wishes to propose a person other than a retiring director for election as a director of the Company at a general meeting, the shareholder (other than the person to be proposed) duly qualified to attend and vote at the general meeting shall send a written notice, duly signed by the shareholder, of his/her intention to propose such person for election and also a notice signed by the person to be proposed of his/her willingness to be elected. These notices should be lodged at the Company's head office in Hong Kong or the Company's branch share registrar in Hong Kong, Tricor Standard Limited, during a period commencing no earlier than the day after the despatch of the notice of the general meeting appointed for such election and ending no later than seven days prior to the date of such general meeting provided that such period shall be at least seven days.

Procedures for Directing Shareholders' Enquiries to the Board

Shareholders may at any time send their enquiries and concerns in writing to the Company Secretary of the Company at the Company's head office in Hong Kong at Unit 1506A, Level 15, International Commerce Center, 1 Austin Road West, Kowloon, Hong Kong.

INVESTOR RELATIONS

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include the annual general meeting, the annual and interim reports, notices, announcements and circulars and the Company's website at www.hailianghk.com / www.tricor.com.hk/web/service/02336.

During the year ended 31 December 2014, there was no change in the Company's constitutional documents.



**TO THE SHAREHOLDERS OF
HAILIANG INTERNATIONAL HOLDINGS LIMITED
(FORMERLY KNOWN AS SUNLINK INTERNATIONAL HOLDINGS LIMITED)**

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Hailiang International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 35 to 87, 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's 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.

Independent Auditor's Report

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014, and of the Group's results and cash flows 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

Ng Ka Lok

Practising Certificate Number P06084

Hong Kong, 27 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	Notes	2014 HK\$'000	2013 HK\$'000
Turnover	6 & 9	71,375	231,191
Cost of sales		(68,510)	(222,835)
Gross profit		2,865	8,356
Other income	7	687	4,261
Selling and distribution expenses		(1,635)	(3,524)
Administrative expenses		(13,656)	(8,755)
Impairment loss on trade receivables	19	(1,108)	(1,328)
Loss from operations		(12,847)	(990)
Finance costs	8	(1)	(430)
Loss before tax		(12,848)	(1,420)
Income tax credit	10	22	6
Loss for the year	11	(12,826)	(1,414)
Other comprehensive (expenses)/income for the year, net of tax:			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		(790)	1,000
Total comprehensive expenses for the year		(13,616)	(414)
(Loss)/profit for the year attributable to:			
Owners of the Company		(11,419)	353
Non-controlling interests		(1,407)	(1,767)
		(12,826)	(1,414)
Total comprehensive (expenses)/income for the year attributable to:			
Owners of the Company		(12,126)	895
Non-controlling interests		(1,490)	(1,309)
		(13,616)	(414)
(Loss)/earnings per share	16		
Basic (HK cent(s) per share)		(1.06)	0.03
Diluted (HK cent(s) per share)		(1.06)	0.03

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2014

	Notes	2014 HK\$'000	2013 HK\$'000
Non-current assets			
Property, plant and equipment	17	6,229	5,842
Current assets			
Inventories	18	25,086	41,683
Properties for sale under development		750	–
Trade and bill receivables	19	13,355	36,475
Prepayments, deposits and other receivables		6,428	2,830
Current tax assets		572	1,252
Pledged bank deposits		2,777	–
Bank and cash balances		131,431	121,163
		180,399	203,403
Current liabilities			
Trade payables	20	22,000	31,501
Accruals, other payables and deposits received		3,063	4,567
Creditors convertible bonds	23	–	3,265
Due to a non-controlling shareholder of a subsidiary	21	211	302
Due to a controlling shareholder of the Company	22	5,062	–
		30,336	39,635
Net current assets		150,063	163,768
Total assets less current liabilities		156,292	169,610
Non-current liabilities			
Deferred tax liabilities	24	–	2
NET ASSETS		156,292	169,608
Capital and reserves			
Share capital	25	10,741	10,725
Reserves	26	133,621	145,463
Equity attributable to owners of the Company		144,362	156,188
Non-controlling interests		11,930	13,420
TOTAL EQUITY		156,292	169,608

The consolidated financial statements on pages 35 to 87 are approved and authorised for issue by the Board of Directors on 27 March 2015 and are signed on its behalf by:

Cao Jianguo
Director

Zhou Diyong
Director

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to owners of the Company									
	Notes	Share	Share	Creditors	Statutory	Foreign	Accumulated	Sub-total	Non-	Total
		capital	premium	bonds	reserve	currency	losses		controlling	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2013		10,697	184,306	1,055	89	278	(41,488)	154,937	13,623	168,560
Total comprehensive income/(expenses) for the year		-	-	-	-	542	353	895	(1,309)	(414)
Conversion of creditors convertible bonds	23	28	559	(74)	-	-	-	513	-	513
Transaction costs related to conversion of creditors convertible bonds		-	(6)	-	-	-	-	(6)	-	(6)
Redemption of creditors convertible bonds	23	-	-	(549)	-	-	240	(309)	-	(309)
Capital injection by a non-controlling shareholder of a subsidiary	29	-	-	-	-	-	-	-	1,264	1,264
Gain on deemed disposal of subsidiaries	28 & 29	-	-	-	-	-	2	2	(2)	-
Gain on an equity transaction with a non-controlling shareholder of a subsidiary	30	-	-	-	-	-	156	156	(156)	-
At 31 December 2013		10,725	184,859	432	89	820	(40,737)	156,188	13,420	169,608
At 1 January 2014		10,725	184,859	432	89	820	(40,737)	156,188	13,420	169,608
Total comprehensive expenses for the year		-	-	-	-	(707)	(11,419)	(12,126)	(1,490)	(13,616)
Conversion of creditors convertible bonds	23	16	340	(41)	-	-	-	315	-	315
Redemption of creditors convertible bonds	23	-	-	(391)	-	-	376	(15)	-	(15)
At 31 December 2014		10,741	185,199	-	89	113	(51,780)	144,362	11,930	156,292

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	<i>Notes</i>	2014 HK\$'000	2013 <i>HK\$'000</i>
Cash flows from operating activities			
Loss before tax		(12,848)	(1,420)
Adjustments for:			
Depreciation	11	872	919
Bank interest income	7	(270)	(486)
Interest income from short-term loans receivable	7	–	(3,307)
Finance costs	8	1	430
Impairment loss on trade receivables	11	1,108	1,328
Write down of inventories	11	773	3,356
Operating cash flows before working capital changes		(10,364)	820
Change in inventories		15,811	(18,184)
Change in properties for sale under development		(797)	–
Change in trade and bill receivables		22,004	31,179
Change in prepayments, deposits and other receivables		(3,598)	(947)
Change in trade payables		(9,501)	16,819
Change in accruals, other payables and deposits received		(1,475)	1,046
Change in amount due to a non-controlling shareholder of a subsidiary		(91)	(2,392)
Change in amount due to a controlling shareholder of the Company		5,062	–
Cash generated from operations		17,051	28,341
Income taxes refund/(paid)		700	(1,989)
Net cash generated from operating activities		17,751	26,352
Cash flows from investing activities			
Bank interest received	7	270	486
Interest received from short-term loans receivable	7	–	3,307
Net cash inflow on investment in short-term loans receivable		–	12,250
Purchase of property, plant and equipment	17	(1,302)	(970)
Net cash (used in)/generated from investing activities		(1,032)	15,073

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	<i>Notes</i>	2014 HK\$'000	2013 <i>HK\$'000</i>
Cash flows from financing activities			
Transaction costs for conversion of creditors convertible bonds		–	(6)
Payment for redemption of creditors convertible bonds	23	(2,965)	(4,164)
Interest paid for creditors convertible bonds		(30)	(82)
Capital injection by a non-controlling shareholder of a subsidiary	29	–	1,264
Increase in pledged bank deposits		(2,777)	–
Net cash used in financing activities		(5,772)	(2,988)
Net increase in cash and cash equivalents			
Effect of change in foreign exchange rate		(679)	808
Cash and cash equivalents at beginning of year		121,163	81,918
Cash and cash equivalents at end of year		131,431	121,163
Analysis of cash and cash equivalents			
Bank and cash balances		131,431	121,163

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

1. GENERAL INFORMATION

Hailiang International Holdings Limited (formerly known as Sunlink International Holdings Limited) (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, British West Indies. The Company’s head office and principal place of business in Hong Kong is at Unit 1506A, Level 15, International Commerce Center, 1 Austin Road West, Kowloon, Hong Kong. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company is an investment holding company. Its subsidiaries (together with the Company, collectively referred to as the “Group”) are principally engaged in the (i) sale of semiconductors and related products; (ii) development and provision of electronic turnkey device solutions; and (iii) property development. The principal activities of its principal subsidiaries are set out in note 37 to the consolidated financial statements.

In the opinion of the directors of the Company (the “Director(s)”), as at the date of issue of these consolidated financial statements, 海亮集團有限公司 (literally translated as Hailiang Group Co., Limited) (“Hailiang Group”), the sole shareholder of Rich Pro Investments Limited (“Rich Pro”) (the controlling shareholder of the Company), which is a company incorporated in the British Virgin Islands, is the ultimate holding company of the Company. Both Hailiang Group and Rich Pro do not produce financial statements available for public use.

At the extraordinary general meeting of the shareholders of the Company held on 10 February 2015, a special resolution was passed to change the name of the Company from “Sunlink International Holdings Limited 科浪國際控股有限公司” to “Hailiang International Holdings Limited 海亮國際控股有限公司” (the “Change of Company Name”). The Certificate of Incorporation on Change of Company Name was issued by the Registrar of Companies in the Cayman Islands on 10 February 2015 certifying that the name of the Company be changed from “Sunlink International Holdings Limited 科浪國際控股有限公司” to “Hailiang International Holdings Limited 海亮國際控股有限公司”. The Change of Company Name took effect on 10 February 2015. 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 17 March 2015 confirming the registration of the new name “Hailiang International Holdings Limited 海亮國際控股有限公司” of the Company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the “Hong Kong Companies Ordinance (Cap. 622)”).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2. ADOPTION 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; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies and amounts reported for the current year and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Directors anticipated that the application of these new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange and by the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622).

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

The carrying amounts of the Group’s financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate to their respective fair values.

The preparation of the 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 involving critical judgements and areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4 to the consolidated financial statements.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 (1) it has power over the investee; (2) it is exposed, or has rights, to variable returns from its involvement with the investee; and (3) has the ability to use its power to affect its returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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.

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

Intragroup transactions, balances and unrealised profits are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Consolidation (Continued)

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

Property, plant and equipment

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 consolidated 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 costs less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Machinery	9.6%
Computer & office equipment	9.6% – 20%
Motor vehicles	9.6%
Leasehold improvement	20% or over the unexpired terms of the lease, if less than 5 years

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

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 consolidated profit or loss.

Operating leases

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Properties for sale under development

Properties for sale under development are stated at the lower of cost and net realisable value. Costs include acquisition costs, prepaid land lease payments, construction costs, borrowing costs capitalised and other direct costs attributable to such properties. Net realisable value is determined by reference to sale proceeds received after the reporting period less selling expenses, or by estimates based on prevailing market condition. On completion, the properties are reclassified to properties held for sale at the then carrying amount.

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 expenditures, 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.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated 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 has been recognised in other comprehensive income is recognised in consolidated profit or loss.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 consolidated profit or loss.

Impairment losses are reversed in subsequent periods and recognised in consolidated 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.

Cash and cash equivalents

For the purpose of the consolidated 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Creditors convertible bonds

Creditors 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 creditors 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, net of income tax effects as reserve. 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 creditors 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.

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.

Equity instruments

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

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets other than 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of assets (Continued)

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 consolidated 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 consolidated 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.

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 into the Group and the amount of revenue can be measured reliably.

Revenues from the sales of goods 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.

Employee benefits

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to consolidated profit or loss represents contributions payable by the Group to the funds.

Share-based payments

Equity-settled share-based payments are measured at 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 consolidated profit or loss in the period in which they are incurred.

Foreign currency translation

(a) *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.

(b) *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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currency translation (Continued)

(c) 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 for each statement of profit or loss and other comprehensive income 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.

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.

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 before tax recognised in consolidated 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated 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 consolidated 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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); or
 - (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).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Segment reporting

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

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

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

4. 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.

(a) 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.

(b) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of trade and other receivables and doubtful debt expenses in the period in which such estimate has been changed.

(c) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the aging and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the group entities or United States dollars ("US dollars") for Hong Kong dollars functional currency group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 31 December 2014 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to its trade and bill receivables, other receivables, pledged bank deposits and bank and cash balances. In order to minimise credit risk, the Directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the Directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. The credit risk on pledged bank deposits and bank and cash balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

5. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

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

The maturity analysis of the Group's financial liabilities is as follows:

	Effective interest rate %	Less than 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
At 31 December 2014				
Trade payables	-	22,000	22,000	22,000
Other payables	-	443	443	443
Due to a non-controlling shareholder of a subsidiary	-	211	211	211
Due to a controlling shareholder of the Company	-	5,062	5,062	5,062
		27,716	27,716	27,716
At 31 December 2013				
Trade payables	-	31,501	31,501	31,501
Other payables	-	222	222	222
Due to a non-controlling shareholder of a subsidiary	-	302	302	302
Creditors convertible bonds	10.12%	3,278	3,278	3,265
		35,303	35,303	35,290

(d) Interest rate risk

At 31 December 2014 and 2013, the Group did not have significant interest rate risk. The Group's creditors convertible bonds as at 31 December 2013 bore interests at a fixed interest rate and therefore were subject to fair value interest rate risks.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

5. FINANCIAL RISK MANAGEMENT (Continued)

(e) Fair values

Fair value estimates are made at a specific point in time and are based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate to their respective fair values.

6. TURNOVER

The Group's turnover is as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Sale of semiconductors and related products	38,882	185,980
Development and provision of electronic turnkey device solution products	32,493	45,211
	71,375	231,191

7. OTHER INCOME

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Bank interest income	270	486
Interest income from short-term loans receivable	–	3,307
Sundry income	417	468
	687	4,261

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

8. FINANCE COSTS

	2014 HK\$'000	2013 HK\$'000
Interest expenses on creditors convertible bonds (note 23)	1	430

9. SEGMENT INFORMATION

The Group has adopted HKFRS 8, *Operating Segments*, which requires operating segments to be identified on the basis of internal report about the components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. The chief operating decision maker is the Directors.

The Group has three operating and reportable segments as follows:

- Sale of semiconductors and related products
- Development and provision of electronic turnkey device solutions
- Property development

Note: The operating segment of property development is newly established during the year ended 31 December 2014.

The accounting policies of the operating segments are the same as those described in note 3 to the consolidated financial statements. Segment profits or losses do not include intercompanies income and expenses, unallocated corporate other income, unallocated corporate expenses, finance costs and income tax credit or expense. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment. Segment assets do not include intercompanies assets and unallocated corporate assets. Segment liabilities do not include intercompanies liabilities and unallocated corporate liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

9. SEGMENT INFORMATION (Continued)

Information about reportable segment profits or losses, assets and liabilities:

	Sale of semiconductors and related products		Development and provision of electronic turnkey device solutions		Property development		Total	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Years ended 31 December								
Revenue from external customers	38,882	185,980	32,493	45,211	-	-	71,375	231,191
Segment (loss)/profit before finance costs and income tax credit or expense	(1,350)	3,523	(2,855)	(3,827)	(2,811)	-	(7,016)	(304)
Bank interest income	202	452	42	34	21	-	265	486
Depreciation	(32)	(32)	(836)	(887)	(4)	-	(872)	(919)
Income tax (expense)/credit	-	(2)	10	(16)	-	-	10	(18)
Impairment loss on trade receivables	(1,108)	-	-	(1,328)	-	-	(1,108)	(1,328)
Write down of inventories	(202)	(202)	(571)	(3,154)	-	-	(773)	(3,356)
Capital expenditure	-	11	1,006	959	140	-	1,146	970
As at 31 December								
Segment assets	23,047	152,397	35,760	56,123	11,925	-	70,732	208,520
Segment liabilities	13,822	18,316	9,830	17,830	6,101	-	29,753	36,146

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

9. SEGMENT INFORMATION (Continued)

Reconciliations of reportable segment profits or losses, assets and liabilities are as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Profit or loss		
Total profit or loss of reportable segments	(7,016)	(304)
Unallocated amounts:		
Unallocated corporate other income	4	3,524
Unallocated corporate expenses	(5,835)	(4,210)
Loss from operations	(12,847)	(990)
Finance costs	(1)	(430)
Loss before tax	(12,848)	(1,420)
Assets		
Total assets of reportable segments	70,732	208,520
Unallocated corporate assets	115,896	725
Total assets	186,628	209,245
Liabilities		
Total liabilities of reportable segments	29,753	36,146
Unallocated corporate liabilities	583	3,491
Total liabilities	30,336	39,637

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

9. SEGMENT INFORMATION (Continued)

Geographical information:

	Revenue from external customers		Non-current assets	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Hong Kong	38,882	185,980	221	96
The People's Republic of China (the "PRC") except Hong Kong	32,493	45,211	5,881	5,746
Australia	–	–	127	–
Total	71,375	231,191	6,229	5,842

In presenting the geographical information, revenue from external customers is based on the locations where the sales are taken place.

Revenue from major customers contributing 10% or more to the Group's turnover are as follows:

	2014 HK\$'000	2013 HK\$'000
Sale of semiconductors and related products		
Customer A	–	69,790
Customer B	9,143	–
Development and provision of electronic turnkey device solutions		
Customer C	16,695	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

10. INCOME TAX CREDIT

	2014 HK\$'000	2013 HK\$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	–	112
(Over)/under-provision in prior years	(20)	4
	(20)	116
Deferred tax (<i>note 24</i>)	(2)	(122)
	(22)	(6)

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the year ended 31 December 2013. No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2014 as the Group sustained a loss for taxation purposes during the year.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretation and practices in respect thereof. The Group's subsidiary incorporated in Australia is subject to income tax at a rate of 30%. The Corporate Income Tax ("CIT") rate applicable to subsidiaries registered in the PRC is 25% (2013: 25%). A PRC subsidiary is entitled to preferential CIT rate at 15% for three years since its first profit making year. No provision for overseas tax for the years ended 31 December 2013 and 2014 was provided as the Group had no assessable profits arising in both Australia and the PRC during the years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

10. INCOME TAX CREDIT (Continued)

The reconciliation between the income tax credit and the loss before tax is as follows:

	2014 HK\$'000	2013 HK\$'000
Loss before tax	(12,848)	(1,420)
Tax at the domestic income tax rate of 16.5% (2013: 16.5%)	(2,120)	(234)
Tax effect of expenses that are not deductible	266	619
Tax effect of income that is not taxable	(34)	(76)
(Over)/under-provision in prior years	(20)	4
Tax effect of tax loss not recognised	2,245	136
Effect of utilisation of tax loss previously not recognised	–	(484)
Effect of different tax rates of subsidiaries	(350)	29
Others	(9)	–
	(22)	(6)

11. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging the following:

	2014 HK\$'000	2013 HK\$'000
Auditor's remuneration	578	535
Staff costs including directors' remuneration		
Salaries, bonus and allowances	10,127	9,520
Retirement benefits scheme contributions	544	390
	10,671	9,910
Cost of inventories sold	68,201	222,404
Depreciation	872	919
Impairment loss on trade receivables (note 19)	1,108	1,328
Write down of inventories	773	3,356
Operating lease charges on land and buildings	3,399	2,240

Cost of inventories sold included staff costs, depreciation and operating lease charges totalling approximately HK\$5,943,000 (2013: approximately HK\$6,219,000) which are included in the amounts disclosed separately above.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

12. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATIONS AND THE FIVE HIGHEST PAID INDIVIDUALS

The remunerations of each Director are as follows:

Name of Directors	Fees	Salaries and allowances	Discretionary bonus	Share- based payments	Retirement benefit scheme contributions	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sue Ka Lok (Note (a))	-	230	-	-	11	241
Lai Ming Wai (Note (a))	-	153	-	-	7	160
Suen Cho Hung, Paul (Note (a))	41	-	-	-	-	41
Sun Ka Ziang, Henry (Note (a))	31	-	-	-	-	31
Chiang Bun (Note (a))	31	-	-	-	-	31
Wong Wai Yin, Viola (Note (a))	31	-	-	-	-	31
Cao Jianguo (Note (b))	-	173	-	-	12	185
Zhou Diyong (Note (b))	-	65	-	-	7	72
Ji Danyang (Note (b))	-	65	-	-	7	72
Feng Hailiang (Note (b))	216	-	-	-	12	228
Chang Tat Joel (Note (b))	33	-	-	-	-	33
Ho Gilbert Chi Hang (Note (b))	33	-	-	-	-	33
Tsui Kun Lam, Ivan (Note (b))	33	-	-	-	-	33
Total for 2014	449	686	-	-	56	1,191

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

12. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATIONS AND THE FIVE HIGHEST PAID INDIVIDUALS (Continued)

Name of Directors	Fees HK\$'000	Salaries and allowances HK\$'000	Discretionary bonus HK\$'000	Share- based payments HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
Sue Ka Lok (Note (a))	-	588	-	-	29	617
Lai Ming Wai (Note (a))	-	392	-	-	20	412
Suen Cho Hung, Paul (Note (a))	96	-	-	-	-	96
Sun Ka Ziang, Henry (Note (a))	72	-	-	-	-	72
Chiang Bun (Note (a))	72	-	-	-	-	72
Wong Wai Yin, Viola (Note (a))	72	-	-	-	-	72
Total for 2013	312	980	-	-	49	1,341

Notes:

(a) Resigned on 3 June 2014

(b) Appointed on 12 May 2014

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

12. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATIONS AND THE FIVE HIGHEST PAID INDIVIDUALS (Continued)

The five highest paid individuals in the Group during the year included 1 (2013: 2) Director(s) whose remunerations are reflected in the analysis presented above. The remunerations of the remaining 4 (2013: 3) individuals are set out below:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Basic salaries and allowances	1,571	739
Retirement benefit scheme contributions	36	37
	1,607	776

The remunerations fell within the following band:

	2014 Number of individuals	2013 Number of individuals
Nil – HK\$1,000,000	4	3

During the year, no remunerations were 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. The five highest paid individuals as disclosed above include Mr. Sue Ka Lok who resigned as the Director since 3 June 2014, but remained as an employee and director of the Group's subsidiaries.

For the year ended 31 December 2014, the remunerations of senior management (as disclosed in the section headed "Biographical Details of Directors and Senior Management") is disclosed by band as follows:

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

13. RETIREMENT BENEFIT SCHEMES

The Group operates a mandatory provident fund scheme (the “MPF Scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group’s contributions to the MPF Scheme are calculated at 5% of the salaries and wages, subject to a cap of monthly relevant income of HK\$30,000 (HK\$25,000 prior to June 2014) and vest fully with employees when contributed into the MPF Scheme.

The employees of the Group’s subsidiaries established in the PRC are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the employees’ basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme are to meet the required contributions under the scheme.

The employees of the Group’s Australian subsidiary receive a superannuation guarantee contribution as required by the law, which is currently 9.5% (prior to July 2014: 9.25%) of the ordinary time earnings, subject to a maximum contribution base. No other retirement benefits are provided to the employees.

14. (LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss for the year attributable to owners of the Company amounted to approximately HK\$2,676,000 (2013: profit of approximately HK\$2,251,000) which has been dealt with in the financial statements of the Company.

15. DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2014 (2013: nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

16. (LOSS)/EARNINGS PER SHARE

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
(Loss)/earnings		
(Loss)/earnings for the purpose of calculating basic (loss)/earnings per share attributable to the owners of the Company	(11,419)	353
Finance costs saving on conversion of creditors convertible bonds outstanding	1	430
Deferred tax relating to creditors convertible bonds	(2)	(122)
	<u>(11,420)</u>	<u>661</u>
(Loss)/earnings for the purpose of calculating diluted (loss)/earnings per share attributable to the owners of the Company	<u>(11,420)</u>	<u>661</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	1,073,846	1,072,102
Effect of dilutive potential ordinary shares arising from creditors convertible bonds outstanding	228	37,615
	<u>1,074,074</u>	<u>1,109,717</u>
Weighted average number of ordinary shares for the purpose of calculating diluted (loss)/earnings per share	<u>1,074,074</u>	<u>1,109,717</u>

The basic and diluted loss per share for the year ended 31 December 2014 are the same as conversion of creditors convertible bonds would decrease the loss per share, therefore, is anti-dilutive.

The basic and diluted earnings per share for the year ended 31 December 2013 were the same as conversion of creditors convertible bonds would increase the earnings per share, therefore, was anti-dilutive.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

17. PROPERTY, PLANT AND EQUIPMENT

	Machinery <i>HK\$'000</i>	Computer & office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Leasehold improvement <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost					
At 1 January 2013	4,800	612	741	430	6,583
Additions	938	32	–	–	970
Exchange differences	166	16	25	14	221
At 31 December 2013 and 1 January 2014	5,904	660	766	444	7,774
Additions	950	217	–	135	1,302
Exchange differences	(34)	(11)	(5)	(3)	(53)
At 31 December 2014	6,820	866	761	576	9,023
Accumulated depreciation					
At 1 January 2013	607	98	56	216	977
Charge for the year	622	97	50	150	919
Exchange differences	23	3	2	8	36
At 31 December 2013 and 1 January 2014	1,252	198	108	374	1,932
Charge for the year	648	104	50	70	872
Exchange differences	(6)	(1)	(1)	(2)	(10)
At 31 December 2014	1,894	301	157	442	2,794
Carrying amount					
At 31 December 2014	4,926	565	604	134	6,229
At 31 December 2013	4,652	462	658	70	5,842

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

18. INVENTORIES

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Raw materials	4,139	5,764
Work in progress	1,206	1,301
Finished goods	19,741	34,618
	25,086	41,683

19. TRADE AND BILL RECEIVABLES

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Trade and bill receivables	15,790	37,810
Less: Impairment loss	(2,435)	(1,335)
	13,355	36,475

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 15 to 120 days. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables in order to minimise credit risk. Overdue balances are reviewed regularly by the senior management.

The aging analysis of trade and bill receivables, based on the invoice date, and net of allowance, is as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
30 days or less	5,323	20,822
31 days to 60 days	3,370	11,628
61 days to 90 days	1,010	1,577
91 days to 120 days	546	882
Over 120 days	3,106	1,566
	13,355	36,475

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

19. TRADE AND BILL RECEIVABLES (Continued)

The balance of trade and bill receivables included an amount of approximately HK\$606,000 (2013: approximately HK\$3,136,000) in relation to bill receivables as at 31 December 2014.

As at 31 December 2014, trade and bill receivables of approximately HK\$3,106,000 (2013: approximately HK\$1,566,000) were past due but not impaired. These related to a number of independent customers with no recent history of default. The aging analysis of these trade receivables is as follows:

	2014 HK\$'000	2013 <i>HK\$'000</i>
Over 120 days	3,106	1,566

The carrying amounts of the Group's trade and bill receivables are denominated in the following currencies:

	2014 HK\$'000	2013 <i>HK\$'000</i>
US dollars	738	13,389
Renminbi	12,617	23,086
	13,355	36,475

Movement of impairment loss recognised:

	2014 HK\$'000	2013 <i>HK\$'000</i>
At 1 January	1,335	–
Impairment loss recognised during the year (<i>note 11</i>)	1,108	1,328
Exchange difference	(8)	7
At 31 December	2,435	1,335

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

20. TRADE PAYABLES

The aging analysis of trade payables, based on the date of receipt of goods, is as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
30 days or less	4,110	25,527
31 days to 60 days	1,832	3,137
61 days to 90 days	976	1,143
91 days to 120 days	679	731
Over 120 days	14,403	963
	22,000	31,501

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
US dollars	13,515	15,549
Renminbi	8,485	15,952
	22,000	31,501

21. DUE TO A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

The amount due to a non-controlling shareholder of a subsidiary is arising from the purchase of raw materials from the non-controlling shareholder of a subsidiary. It is unsecured, non-interest bearing and has credit period of not less than 90 days.

22. DUE TO A CONTROLLING SHAREHOLDER OF THE COMPANY

The amount due to a controlling shareholder of the Company is unsecured, non-interest bearing and has no fixed terms of repayment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

23. CREDITORS CONVERTIBLE BONDS

Upon the coming into effect of the scheme of arrangement with creditors of the Company (the "Scheme of Arrangement") on 23 February 2012 (details of the Scheme of Arrangement were set out in the circular of the Company dated 23 December 2011), the creditors convertible bonds in the aggregate principal amount of HK\$8,000,000, convertible into 40,000,000 ordinary shares of the Company at the initial conversion price of HK\$0.20 per share, were issued by the Company to the nominee of the scheme administrators of the Scheme of Arrangement. The creditors convertible bonds would be matured on 23 February 2014 and were interest bearing at 1% per annum.

The effective interest rate used to estimate the liability component of the creditors convertible bonds is 10.12% per annum.

In March 2013, certain creditors convertible bond holders had exercised their conversion options and converted creditors convertible bonds in the aggregate principal amount of approximately HK\$558,000 into approximately 2,790,000 ordinary shares of the Company (note 25), whereas in March and May 2013, certain creditors convertible bonds in the aggregate principal amount of approximately HK\$4,164,000 were redeemed by the Company with the consideration paid being allocated to the liability and equity components of such creditors convertible bonds as to approximately HK\$3,506,000 (excluding the gain on redemption of creditors convertible bonds of approximately HK\$349,000) and HK\$658,000 (before net-off deferred tax liability of approximately HK\$109,000) respectively by using the same method as adopted on initial recognition of such creditors convertible bonds. The amount of consideration allocated to the equity component of such creditors convertible bonds was recognised in equity. As at 31 December 2013, the aggregate principal amount of creditors convertible bonds outstanding was approximately HK\$3,278,000.

During the year ended 31 December 2014, creditors convertible bonds in the aggregate principal amount of approximately HK\$313,000 were converted into approximately 1,567,000 ordinary shares of the Company (note 25) and creditors convertible bonds in the aggregate principal amount of approximately HK\$2,965,000 were redeemed by the Company with the consideration paid being allocated to the liability and equity components of such creditors convertible bonds as to approximately HK\$2,497,000 (excluding the gain on redemption of the creditors convertible bonds of approximately HK\$450,000) and HK\$468,000 (before net-off deferred tax liability of approximately HK\$77,000) respectively by using the same method as adopted on initial recognition of such creditors convertible bonds. The amount of consideration allocated to the equity component of such creditors convertible bonds was recognised in equity. As at 31 December 2014, all creditors convertible bonds were fully redeemed or converted.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

23. CREDITORS CONVERTIBLE BONDS (Continued)

The nominal value of creditors convertible bonds issued have been split between the liability component and equity component as follows:

	<i>HK\$'000</i>
Liability component at 1 January 2013	7,246
Interest charged for the year ended 31 December 2013 calculated at an effective interest rate of 10.12% per annum (<i>note 8</i>)	430
Interest payable for the year ended 31 December 2013	(43)
Conversion of creditors convertible bonds during the year ended 31 December 2013	(513)
Redemption of creditors convertible bonds during the year ended 31 December 2013	(3,855)
Liability component at 31 December 2013 and 1 January 2014	3,265
Interest charged for the year ended 31 December 2014 calculated at an effective interest rate of 10.12% per annum (<i>note 8</i>)	1
Interest payable for the year ended 31 December 2014	(4)
Conversion of creditors convertible bonds during the year ended 31 December 2014	(315)
Redemption of creditors convertible bonds during the year ended 31 December 2014	(2,947)
Liability component at 31 December 2014	-

As at 31 December 2013, the carrying amount of the creditors convertible bonds approximated to their fair values. The fair values had been determined by using discounted cash flow method at the market interest rate (Level 2 fair value measurement under HKFRS 13, *Fair Value Measurement*).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

24. DEFERRED TAX

Deferred tax liability

The following is the major deferred tax liability recognised by the Group and its movement during the years:

	2014 HK\$'000	2013 HK\$'000
At 1 January	2	124
Credited to the consolidated profit or loss (<i>note 10</i>)	(2)	(122)
At 31 December	–	2

Deferred tax asset

At the end of the reporting period, the Group has unused tax losses of approximately HK\$13,892,000 (2013: approximately HK\$937,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. Included in unrecognised estimated tax losses are losses of approximately HK\$5,073,000 (2013: approximately HK\$527,000) that will expire in 5 years from the year of origination. Other losses may be carried forward indefinitely.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

25. SHARE CAPITAL

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to shareholders through the optimisation of debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Authorised:		
10,000,000,000 ordinary shares of HK\$0.01 each	100,000	100,000
Issued and fully paid:		
1,074,073,845 ordinary shares of HK\$0.01 each (2013: 1,072,507,275 ordinary shares of HK\$0.01 each)	10,741	10,725

Movement of the number of shares issued and the share capital during the years are as follows:

	Number of shares issued '000	Share capital HK\$'000
At 1 January 2013	1,069,717	10,697
Issue of shares upon conversion of creditors convertible bonds (<i>note</i>)	2,790	28
At 31 December 2013 and 1 January 2014	1,072,507	10,725
Issue of shares upon conversion of creditors convertible bonds (<i>note</i>)	1,567	16
At 31 December 2014	1,074,074	10,741

Note: During the current year, creditors convertible bonds in the aggregate principal amount of approximately HK\$313,000 (2013: approximately HK\$558,000) were converted into approximately 1,567,000 (2013: approximately 2,790,000) ordinary shares of the Company at a conversion price of HK\$0.2 per share.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

26. RESERVES

(a) The Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity and the consolidated statement of profit or loss and other comprehensive income.

(b) The Company

	Share premium <i>HK\$'000</i>	Creditors convertible bonds reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2013	184,306	1,055	(61,767)	123,594
Total comprehensive income for the year	–	–	2,251	2,251
Conversion of creditors convertible bonds	559	(74)	–	485
Transaction costs related to conversion of creditors convertible bonds	(6)	–	–	(6)
Redemption of creditors convertible bonds	–	(549)	240	(309)
At 31 December 2013	<u>184,859</u>	<u>432</u>	<u>(59,276)</u>	<u>126,015</u>
At 1 January 2014	184,859	432	(59,276)	126,015
Total comprehensive expenses for the year	–	–	(2,676)	(2,676)
Conversion of creditors convertible bonds	340	(41)	–	299
Redemption of creditors convertible bonds	–	(391)	376	(15)
At 31 December 2014	<u>185,199</u>	<u>–</u>	<u>(61,576)</u>	<u>123,623</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

26. RESERVES (Continued)

(c) Nature and purpose of reserves of the Group

(i) *Share premium*

Under the Companies Law of the Cayman Islands, subject to the Company's Memorandum and Articles of Association, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) *Foreign currency translation reserve*

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3 to the consolidated financial statements.

(iii) *Creditors convertible bonds reserve*

This reserve represents the value of the unexercised equity component of creditors convertible bonds issued by the Company net of related deferred tax and direct issue costs, where applicable.

(iv) *Statutory reserve*

The statutory reserve, which is non-distributable, is appropriated from the profit after taxation of the Group's PRC subsidiaries under the applicable laws and regulations in the PRC.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

27. SHARE-BASED PAYMENTS

Equity-settled share option scheme

The existing share option scheme of the Company (the "Scheme") was adopted by the Company at the annual general meeting of the Company held on 28 June 2012 and the previous share option scheme of the Company adopted on 12 February 2003 was terminated on the same date. Unless otherwise cancelled or amended, the Scheme shall be valid and effective for a period of ten years commencing on the date of adoption. The purpose of the Scheme is to enable the Group to attract, retain and motivate talented participants to strive for future development and expansion of the Group. The Scheme shall provide incentive to encourage participants to perform their best in achieving the goals of the Group and allow the participants to enjoy the results of the Company attained through their efforts and contributions. Eligible participants of the Scheme include any individual being an employee, officer, agent, consultant or representatives of any member of the Group (including any executive or non-executive director of any member of the Group) who, as the Board may determine in its absolute discretion, has made valuable contribution to the business of the Group based on his/her performance and/or years of service, or is regarded to be a valuable human resource of the Group based on his/her working experience, knowledge in the industry and other relevant factors. The offer of a grant of share options may be accepted within thirty days from the date of grant. The amount payable by each grantee of options to the Company on acceptance of the offer for the grant of options is HK\$1.00.

The subscription price for the shares on the exercise of options under the Scheme shall be a price determined by the Board and notified to the relevant participant at the time the grant of the options (subject to any adjustments made pursuant to the Scheme and the relevant provisions of the Listing Rules) is made to (subject to acceptance by) the participant and shall be at least the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date on which the option is granted, which date must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date on which the option is granted; and (iii) the nominal value of the share. The exercise period of the share options granted is determinable by the Directors but in any event, not longer than ten years from the date of grant.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

27. SHARE-BASED PAYMENTS (Continued)

Equity-settled share option scheme (Continued)

The total number of shares issued and to be issued upon exercise of the options granted to each participant, together with all options granted and to be granted to him/her under any other share option scheme(s) of the Company within the 12-month period immediately preceding the proposed date of grant (including exercised, cancelled and outstanding options) shall not exceed 1% of the total number of the shares in issue as at the proposed date of grant. Any further grant of options to a participant in excess of the 1% limit shall be subject to the shareholders' approval of the Company with such participant and his/her associates abstaining from voting.

The limit on the total number of the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme(s) of the Company (excluding lapsed and cancelled options) must not exceed 30% of the total number of the shares in issue from time to time. In addition, the total number of the shares which may be issued upon exercise of all options to be granted under the Scheme, together with all options to be granted under any other share option scheme(s) of the Company (excluding lapsed options), must not represent more than 10% of the total number of the shares in issue as at the date of approval of the Scheme (the "Scheme Mandate Limit") or as at the date of approval of the refreshed Scheme Mandate Limit as the case may be.

No options were granted or exercised during the years ended 31 December 2014 and 2013 and no share options were outstanding as at 31 December 2014 and 2013.

28. GAIN ON DEEMED DISPOSAL OF A SUBSIDIARY

On 7 March 2013, Global Champion Technology Limited ("Global Champion"), an indirect wholly-owned subsidiary of the Company, raised share capital by issuing 99 new ordinary shares of HK\$1 each at a price of HK\$1 per new share. 69 new shares were subscribed by the immediate holding company, Smart Victory Development Limited ("Smart Victory"). The remaining 30 new shares were subscribed by two parties independent of the Group. As a result, the Group recognised a gain on deemed disposal of a subsidiary of approximately HK\$6,000 during the year ended 31 December 2013.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

29. CAPITAL INJECTION BY A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY AND DEEMED DISPOSAL OF A SUBSIDIARY

On 28 June 2013, Macro Success Holdings Limited (“Macro Success”), an indirect wholly-owned subsidiary of the Company and 廈門華聯電子有限公司 (literally translated as Xiamen Hualian Electronics Company Limited) (“Xiamen Hualian”), a non-controlling shareholder of 佛山聯創華聯電子有限公司 (literally translated as Foshan Lianchuang Hualian Electronics Company Limited) (“Foshan Lianchuang Hualian”), entered into a conditional capital injection agreement with 深圳市中科融低碳技術發展有限公司 (literally translated as Shenzhen Zhong Ke Rong Low-carbon Technology Development Company Limited) (“Shenzhen Zhong Ke Rong”) pursuant to which Shenzhen Zhong Ke Rong agreed to inject RMB1,000,000 (equivalent to approximately HK\$1,264,000) by cash for 4.15% of the registered capital of Foshan Lianchuang Hualian as enlarged after such capital injection. The capital injection was completed on 18 November 2013. The loss on deemed disposal of a subsidiary of approximately HK\$4,000 was recognised during the year ended 31 December 2013.

30. GAIN ON AN EQUITY TRANSACTION WITH A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

On 14 May 2013, Global Winner Enterprises Limited (“Global Winner”) acquired a 24% equity interest of Onetech Technology Company Limited (“Onetech”), a subsidiary of the Company from an independent third party at a consideration of HK\$24. The transaction was completed on 14 May 2013 and a gain of approximately HK\$156,000 was recognised during the year ended 31 December 2013. Currently, Onetech is legally and beneficially wholly-owned by Global Winner.

31. CONTINGENT LIABILITIES

As at 31 December 2014, the Group had no have any significant contingent liabilities (2013: nil).

32. PLEDGE OF ASSETS

As at 31 December 2014, except for pledged bank deposits of approximately HK\$2,777,000, the Group had no have other significant assets under pledge (2013: nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

33. LEASE COMMITMENTS

As lessee

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases and were payable as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Within one year	6,001	1,305
In the second to fifth years inclusive	12,709	4,421
	18,710	5,726

Operating lease payments represent rentals payable by the Group for its offices and factory premises. Leases are negotiated for terms from one year to ten years and rentals are fixed over the lease terms and do not include contingent rentals.

34. CAPITAL COMMITMENT

As at 31 December 2014, the Group had no material capital commitments (2013: nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

35. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere to the consolidated financial statements, the Group had the following transactions with its related parties during the year:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Compensation of key management personnel		
Short-term benefits	1,135	1,292
Post-employment benefits	56	49
	1,191	1,341
Operating lease charges on office premises to a related company in which two former Directors of the Company have significant influence	293	780

During the year ended 31 December 2014, the Group purchased raw materials from a non-controlling shareholder of a subsidiary totalling approximately HK\$373,000 (2013: approximately HK\$404,000) which are considered as continuing connected transactions (the "CCT") under the Listing Rules. An independent report on the CCT issued by the Company's auditor is disclosed in the Report of the Directors.

36. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, on 10 February 2015, the shareholders of the Company passed an ordinary resolution at the extraordinary general meeting to acquire a piece of land in Australia for a consideration of AUD34,000,000 (the "Acquisition"). Details of the relevant agreement are set out in the circular of the Company dated 24 January 2015. As at 31 December 2014, the Group incurred professional fees amounted to approximately HK\$750,000 in relation to the Acquisition which was recognised as properties for sale under development.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

37. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES OF THE COMPANY

(a) Particulars of the Company's principal subsidiaries as at 31 December 2014 were as follows:

Name	Place of incorporation/ registration	Issued and paid-up capital	Percentage of ownership interest/ voting power/ profit sharing		Principal activities
			Direct	Indirect	
Smart Victory	British Virgin Islands	1 ordinary share of US\$1 each	100%	–	Investment holding
Global Champion	Hong Kong	HK\$100	–	70%	Sale of semiconductors and related products
Global Winner	Hong Kong	HK\$1	–	100%	Sale of semiconductors and related products
Onetech	Hong Kong	HK\$100	–	100%	Development and provision of electronic turnkey device solutions products
勝沃數碼電子(深圳)有限公司 (literally translated as Sheng Wo Digital Electronics (Shenzhen) Company Limited)	The PRC	Paid-up capital of HK\$3,000,000	–	100%	Development and provision of electronic turnkey device solutions products

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

37. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

(a) Particulars of the Company's principal subsidiaries as at 31 December 2014 were as follows: (Continued)

Name	Place of incorporation/ registration	Issued and paid-up capital	Percentage of ownership interest/ voting power/ profit sharing		Principal activities
			Direct	Indirect	
Foshan Lianchuang Hualian	The PRC	Paid-up capital of RMB21,910,000	-	50.21%	Development and provision of electronic turnkey device solutions products
Hailiang Property Group Australia Pty Limited	Australia	10,000 ordinary shares of AUD1 each	100%	-	Property development

Foshan Lianchuang Hualian is an enterprise established in the PRC on 18 May 2007 for a period of 24 years. This company is jointly owned by Macro Success, Xiamen Hualian and Shenzhen Zhong Ke Rong as to 50.21%, 45.64% and 4.15% respectively.

Sheng Wo Digital Electronics (Shenzhen) Company Limited is a wholly foreign-owned enterprise established in the PRC on 24 June 2010 for a period of 20 years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

37. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

(b) Details of non-wholly owned subsidiary that have material non-controlling interests ("NCI")

The following table shows information of the subsidiary that has NCI material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name Principal place of business/country of incorporation	Foshan Lianchuang Hualian The PRC	
	2014	2013
% of ownership interest/voting rights held by NCI	49.79%	49.79%
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 31 December:		
Non-current assets	5,865	5,714
Current assets	27,937	38,798
Current liabilities	(9,820)	(17,546)
Net assets	23,982	26,966
Carrying amount of NCI	11,941	13,426
Years ended 31 December:		
Revenue	32,494	44,709
Loss for the year	2,818	3,472
Loss allocated to NCI	1,403	1,736
Total comprehensive expenses	2,985	2,541
Total comprehensive expenses allocated to NCI	1,486	1,292
Net cash generated from/(used in)		
operating activities	2,465	(3,830)
Net cash used in investing activities	(989)	(936)
Net cash generated from financing activities	–	1,264
Net increase/(decrease) in cash and cash equivalents	1,476	(3,502)

(c) Significant restriction

As at 31 December 2014, the bank and cash balances of the Group's subsidiaries in the PRC denominated in Renminbi amounted to approximately HK\$7,645,000 (2013: approximately HK\$6,537,000). Conversion of Renminbi into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2014 HK\$'000	2013 HK\$'000
Non-current assets			
Property, plant and equipment		156	–
Interests in subsidiaries (<i>note (a)</i>)	37	9,225	–
		9,381	–
Current assets			
Due from subsidiaries (<i>note (b)</i>)		16,729	139,546
Prepayments, deposits and other receivables		986	191
Current tax assets		431	376
Bank and cash balances		114,273	108
		132,419	140,221
Current liabilities			
Due to a subsidiary		6,864	–
Accruals and other payables		572	214
Creditors convertible bonds	23	–	3,265
		7,436	3,479
Net current assets		124,983	136,742
Total assets less current liabilities		134,364	136,742
Non-current liabilities			
Deferred tax liabilities	24	–	2
NET ASSETS		134,364	136,740
Capital and reserves			
Share capital	25	10,741	10,725
Reserves	26(b)	123,623	126,015
TOTAL EQUITY		134,364	136,740

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Notes:

(a) Interests in subsidiaries	2014 HK\$'000	2013 HK\$'000
Unlisted shares, at cost	70	–
Amount due from a subsidiary	9,155	–
	9,225	–

The amount due from a subsidiary is unsecured and has no fixed term of repayment. It is not expected to be settled within one year from the end of the reporting period.

- (b) The amounts due from subsidiaries are unsecured and have no fixed term of repayment. Included in the amounts due from subsidiaries as at 31 December 2014 approximately HK\$1,939,000 (2013: approximately HK\$124,303,000) is interest bearing at prime rate less 3.5% per annum (2013: prime rate less 2.5% per annum).

39. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements are approved and authorised for issue by the Board of Directors on 27 March 2015.

Five Year Financial Summary

	For the year ended 31 December				2014 HK\$'000
	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	
RESULTS					
Turnover	178,481	304,689	334,135	231,191	71,375
(Loss)/profit for the year	(19,680)	(14,285)	262,800	(1,414)	(12,826)
(Loss)/profit attributable to:					
Owners of the Company	(20,128)	(15,993)	263,149	353	(11,419)
Non-controlling interests	448	1,708	(349)	(1,767)	(1,407)
	(19,680)	(14,285)	262,800	(1,414)	(12,826)
As at 31 December					
	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
ASSETS AND LIABILITIES					
Total assets	37,696	121,677	197,879	209,245	186,628
Total liabilities	(324,843)	(408,951)	(29,319)	(39,637)	(30,336)
	(287,147)	(287,274)	168,560	169,608	156,292
(Deficiency of equity)/equity attributable to owners of the Company	(287,602)	(303,295)	154,937	156,188	144,362
Non-controlling interests	455	16,021	13,623	13,420	11,930
	(287,147)	(287,274)	168,560	169,608	156,292