



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)

**Annual Report**  
**2015**

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# 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

## 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 BANKS

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>

# Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Hailiang 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 2015.

## **BUSINESS REVIEW AND FINANCIAL HIGHLIGHTS**

For the year ended 31 December 2015, the Group reported revenue of HK\$142,562,000, representing a 100% increase from last year (2014: HK\$71,375,000), whereas gross profit decreased slightly by 1% to HK\$2,840,000 as compared with the same period in 2014 (2014: HK\$2,865,000). Despite the increase in revenue, loss recorded for the year increased by 37% to HK\$17,614,000 (2014: HK\$12,826,000), and the loss attributable to owners of the Company increased by 43% to HK\$16,367,000 (2014: HK\$11,419,000) as compared with the same period in 2014. Basic loss per share was HK1.15 cents (2014: basic loss per share was HK0.93 cent (restated)).

In 2015, the Group strategically launched its metal trading business in the first half of the year, leveraging on the extensive market experience of 海亮集團有限公司 (literally translated as Hailiang Group Co., Limited) (the "Hailiang Group"), the Company's controlling shareholder, on metal product trading business in the People's Republic of China (the "PRC").

During the year under review, the Group experienced difficult operating environment with respect to its electronic consumer products businesses. The sale of electronic consumer products remained stagnant due to intensifying competition in the electronic products industry and the deteriorating business environment.

During the year under review, the Group continued to diversify its business in property development in Australia and completed an acquisition of a piece of land in Australia (the "Acquisition"). Development of the land is expected to commence within 18 to 24 months after obtaining all the relevant development consents. For details of the Acquisition, please refer to the circular of the Company dated 24 January 2015 and the announcement of the Company dated 30 November 2015.

# Chairman's Statement

## PROSPECTS

The complex picture of global recovery in 2015 created challenging operating conditions for business in general. It is expected that the business environment that the Group will face in the coming financial year will not be any easier than the previous years. The economic growth momentum in the PRC, as seen in the recent slowdown of gross domestic product growth and decline in the producer price index of industrial products, is expected to continue to moderate in the near term. Under this uncertain business climate, the Group will continue to adopt a cautious approach to its business. The Group will continue to strengthen its sales and marketing force in relation to electronic and metal products operations by flexible marketing strategies; and the Group will closely monitor the overseas property market to ensure smooth development for the land acquired in 2015. In the meantime, the Group is striving to be innovative to explore potential opportunities including various investment opportunities in overseas property markets as well as other sustainable business ventures with the view to enhance growth prospect of the Group and return to the shareholders of the Company (the "Shareholders"). The Company will publish announcements in accordance with the requirements under the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") if such projects materialise.

Barring unforeseen circumstances, the Group expects to experience limited growth in the electronic operations while moderate improvements in its metal trading business in 2016. The Group is also committed to fostering a healthy corporate culture to enhance the Group's cohesiveness with shared vision and values by every staff in the Group.

## APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my heartfelt gratitude to all the Shareholders, the Company's banks, business partners, 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, 18 March 2016

# Management Discussion and Analysis

## BUSINESS OVERVIEW

For the year ended 31 December 2015, the Group continued to engage in the sale of semiconductors and related products business, the development and provision of electronic turnkey device solution products business as well as the property development business in Australia. In addition, the Group also launched its metal trading business during the year under review.

## RESULTS OF THE GROUP

The Group reported loss for the year of HK\$17,614,000 (2014: HK\$12,826,000) and other comprehensive expenses of HK\$4,523,000 (2014: HK\$790,000), being the exchange differences arising on translating foreign operations, which led to the result that the Group recorded total comprehensive expenses for the year of HK\$22,137,000 (2014: HK\$13,616,000). The loss attributable to owners of the Company for the year was HK\$16,367,000 (2014: HK\$11,419,000); whereas basic loss per share was HK1.15 cents (2014: basic loss per share was HK0.93 cent (restated)).

## BUSINESS REVIEW

### Business Strategy

The business activities of the Group are diversified. The principal activities of the Group are the sale of metals and semiconductors and related products business, the development and provision of electronic turnkey device solution products business and the property development business.

The Group is committed to achieve long-term sustainable growth of its businesses in preserving and enhancing the Shareholders' value. The Group is focused on selecting attractive investment opportunities to strengthen and extend its business scope and has maintained prudent and disciplined financial management to ensure its sustainability.

### Sale of Metals and Semiconductors and Related Products

The Group 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, and also sells used transmission equipment containing recyclable semiconductor components. In addition, leveraging on the market experience of Hailiang Group, the Group began its metal trading business in 2015.

This segment recorded segment loss of HK\$929,000 (2014: HK\$1,350,000) during 2015 and segment margin of negative 1% (2014: negative 3%), as a result of the competitive electronic industry in the PRC net off by the decrease in provisions for a doubtful debt and slow-moving inventories to HK\$739,000 (2014: HK\$1,108,000) and HK\$Nil (2014: HK\$202,000), respectively.

# Management Discussion and Analysis

## BUSINESS REVIEW (Continued)

### Sale of Metals and Semiconductors and Related Products (Continued)

#### *Electronic industry in China still down trending*

For the year under review, the revenue of the Group's semiconductors and related products business decreased by 63% to HK\$14,562,000 (2014: HK\$38,882,000). The rather disappointing result of the operation was mainly due to the continuously increasing competition in the electronic industry and the slowdown of economic growth in the PRC that negatively affected the electronic industry in general. The volume, price and profit margin of the Group's semiconductors and related products business have all been going down trended which led to the declines in revenue and profitability of the operations.

#### *Start-up metal trading business*

In light of the less favourable market conditions in the electronic industry, the Group further diversified its business into metal trading to fend off the competition in its electronic products operations. Considering the interconnectedness of global market of the metal trading business, the success of this business requires profound market experience and well-established channels and relationships. The Group has leveraged on the Hailiang Group's extensive metal products trading experience in the PRC, and completed two metal trading transactions with revenue amounted to HK\$99,276,000 during 2015. These two metal trading transactions represented approximately 70% of the Group's total revenue for the year ended 31 December 2015. These two customers are private companies incorporated in Hong Kong. As they are new customers to the Group, the Group granted no credit terms to these customers, and, as a result, the respective trade receivables have been fully settled during 2015. As the Group maintains strict credit controls on its customers in order to protect the interest of the Group and its stakeholders, it considers that the risks associated with reliance on these major customers in the Group's metal trading business are minimal.

### Development and Provision of Electronic Turnkey Device Solutions

The results of the development and provision of electronic turnkey device solutions operation mainly comprise the results of the Company's subsidiary in the PRC which is 50.21% owned by the Company and is principally engaged in the manufacturing and sale of microcontrollers for home electrical appliances. Similar to the sale of semiconductors and related products business, this business also encountered competitive and volatile business environment in the PRC in 2015. As a result, the revenue of this business decreased by 12% to HK\$28,724,000 (2014: HK\$32,493,000). Meanwhile, its segment loss decreased by 10% to HK\$2,574,000 (2014: HK\$2,855,000) and its segment margin maintained at negative 9% as compared with same period in 2014, with no provision for slow moving inventories was made (2014: HK\$571,000) in 2015.

# Management Discussion and Analysis

## BUSINESS REVIEW (Continued)

### Property Development

#### *Property development in Australia going forward*

Since the second half of year 2014, the Group has diversified its business into property development by establishing a property development operation in Australia. During the year under review, no revenue was recorded for this segment, and segment loss of HK\$9,386,000 (2014: HK\$2,811,000) was recorded which mainly comprised the operating and administrative expenses incurred in the property development operation in Australia.

During the year under review, the Group has considered various property projects in Sydney, Australia which have good development potential. In February 2015, the Group entered into the sale and purchase agreement in relation to the Acquisition, and the Acquisition was completed on 10 December 2015 (a date mutually agreed by the parties). Details of the Acquisition are set out in the paragraph headed “Material Acquisition” below.

Besides, on 19 May 2015, the Group entered into a due diligence fee deed with The Trust Company Limited as custodian for the Euston Road Subtrust (the “Deed”) in respect of the right to conduct due diligence on two pieces of land in Sydney, Australia at a consideration of AUD7,375,000 (equivalent to approximately HK\$45,725,000). As the Board considered that the continuity of the due diligence under the Deed would cause cost burden to the Group, on 27 May 2015, the Group transferred the respective rights and liabilities of the Group under the Deed to Maxida International Alexandria Property Australia Pty Ltd by way of a takeover offer (the “Takeup Offer”) at a consideration of AUD7,375,000 (equivalent to approximately HK\$45,725,000). A realised exchange loss amounted to HK\$1,367,000 was recognised in “other net loss” in the consolidated statement of profit or loss and other comprehensive income as a result of such transfer. Details of the Deed and the Takeup Offer are set out in the announcements of the Company dated 19 May 2015 and 27 May 2015, respectively.

#### *Material Acquisition*

During the year ended 31 December 2015, the Group made the following material acquisition:

On 10 February 2015, Hailiang Property Group Australia Pty Ltd (“Hailiang Australia”), a direct wholly-owned subsidiary of the Company, entered into an agreement with CHP Group Pty Ltd, as trustee for CHP Trust, (the “Agreement”), pursuant to which Hailiang Australia acquired a piece of land in Australia (the “Land”) at a consideration of AUD34,000,000. The Land is located at 445-453 Canterbury Road, Campsie, New South Wales 2194, Australia, and with an area of approximately 4,416 sq.m. The Acquisition constitutes a very substantial acquisition to the Company under the Listing Rules. Details of the Agreement are set out in the circular of the Company dated 24 January 2015.



# Management Discussion and Analysis

## BUSINESS REVIEW (Continued)

### Property Development (Continued)

#### *Material Acquisition (Continued)*

The Acquisition was completed on 10 December 2015 (a date mutually agreed by the parties), while the expected time for obtaining the relevant development consents (which, according to the Agreement, were supposed to be obtained on or before 30 November 2015) will be extended for at least 18 months due to the fact that the local traffic study requested by the Roads and Maritime Services of New South Wales (the "RMS") as part of the rezoning process has taken longer than expected to complete. Consequently, the local council in Campsie has decided not to accept the lodgement of any application for development consent as the rezoning is yet to become finalised. All property owners in the affected areas who wish to lodge development consent applications will need to withdraw any existing applications and wait until the finalisation of the rezoning before they can re-lodge their applications. Details of the delay in the development are set out in the announcement of the Company dated 30 November 2015. Development of the Land is expected to commence within 18 to 24 months after obtaining all the relevant development consents.

In addition, the Group is currently taking a more proactive approach in advocating the rezoning of the Land by actively meeting the local council and the Department of Planning and Environment of New South Wales (the "DPE"). The Group's revised development plan, having fully taken into consideration of local government's development blueprint, was submitted to the DPE in January 2016 in order to speed up the relevant consent application. The updated local traffic study is currently under review by the DPE and the RMS, after which the Group's development plan will be further updated. After becoming the legal owner of the Land on 10 December 2015, the Group recognised rental income of HK\$89,000 in "other income" in the consolidated statement of profit or loss and other comprehensive income for 2015.

Save as disclosed above, the Group did not make any significant investments or acquisitions for the year ended 31 December 2015.

## KEY RISKS AND UNCERTAINTIES

Risks and uncertainties can affect the Group's businesses, financial conditions, operational results or growth prospects leading to a divergence from expected or historical results. Key risk factors and uncertainties affecting the Group are outlined below. In dealing with these risk factors and uncertainties, the Group remains in touch with its stakeholders with the aim of understanding and addressing their concerns. Further descriptions in relation to the internal control and risk management of the Group are set out in the Corporate Governance Report from pages 30 to 40 of this Annual Report.

These factors are not exhaustive or comprehensive, and there may be other risks in addition to those shown below which are not known to the Group or which may not be material for the time being but could become material in the future.

# Management Discussion and Analysis

## KEY RISKS AND UNCERTAINTIES (Continued)

### Global and Mainland Economic Environment Risk

As mentioned in the section headed “Prospects” in the Chairman’s Statements from pages 3 to 4 of this Annual Report and the section headed “Business Review”, the global economic recovery has been weaker than expected. The economy has slowed down during the industrial transformation and upgrading phase in the PRC. The prevailing global uncertainty may materially and adversely affect the business of customers or potential customers, or cause a further slowdown in economic activities in the PRC which, in turn, may lead to lower demand for electronic and related products. This may adversely affect the Group’s financial position, potential income, asset value and liabilities.

To address uncertainty in global and China economies, the Group pursues prudent and pragmatic strategies in financial management and capital expenditure investment. The Group also strives for efficiency and cost effectiveness in all aspects of its operations to enhance financial performance.

### Regulation and Government Policies Risk

The operation in the Australian property market is subject to local regulations and market reforms. The implementation of rezoning plans in Sydney is affecting the Group’s development strategy and therefore, its business growth. The Group has established a mechanism to review these factors on a regular basis and proactively engages professional advisers to advise the Group on regulatory issues.

### Strategic Direction Risk

Taking into consideration the territories that the Group operates in, the Group faces risk in its application of its assets and capital towards suitable investments and seizure of business and investment opportunities when such opportunities arise.

### Real Estate Market Risk

Given the overall economic situation in Australia, the Group faces the risks of reduction in general real estate market demand as well as retail prices, in addition to the increasing competition from local and international market players.

### Currency Market Risk

The Group’s currency exposure mainly arises from the investments in the Australian property market. Further details and management’s response in relation to the Group’s foreign currency exposure are set out in the paragraph “Foreign Currency Exposures” under the section headed “Financial Review” below.

# Management Discussion and Analysis

## FINANCIAL REVIEW

### Liquidity and Financial Resources

As at 31 December 2015, the Group had current assets of HK\$481,492,000 (2014: HK\$180,399,000) comprising bank and cash balances of HK\$208,330,000 (2014: HK\$131,431,000) (excluding pledged bank deposits for bank guaranteed facility granted by a bank) and net current assets of HK\$444,857,000 (2014: HK\$150,063,000). The Group's current ratio, calculated based on current assets over current liabilities of HK\$36,635,000 (2014: HK\$30,336,000), maintained at a healthy level of 13.14 times (2014: 5.95 times) as at 31 December 2015. Despite doubling the revenue, the Group's trade and bill receivables amounted to HK\$14,589,000 increased slightly by 9% from HK\$13,355,000 as at 31 December 2014 as the Group maintained strict control on credit risk and granted no credit terms in relation to its new customers identified in 2015.

As at 31 December 2015, the Group's equity attributable to owners of the Company increased by HK\$300,318,000 to HK\$444,680,000 (2014: HK\$144,362,000). The increase in equity attributable to owners of the Company was mainly due to the open offer completed by the Company in June 2015, net off by the total comprehensive expenses incurred by the Group during the year.

The Group's gearing ratio represented its total borrowings (including obligations under finance leases) over the sum of equity attributable to owners of the Company and total borrowings of the Group. As at 31 December 2015, the Group had obligations under finance leases amounted to HK\$229,000, which was denominated in Australian dollars with fixed interest rate, and the Group's equity attributable to owners of the Company amounted to HK\$444,680,000, the Group's gearing ratio was therefore at a low level of about 0.05% (2014: Nil).

### Capital Structure and Changes in Share Capital

During the year, in order to finance the Acquisition as disclosed in this Annual Report, the Company issued 537,036,922 ordinary shares (with a nominal par value of HK\$0.01 each) at HK\$0.60 each per share of the Company (the "Share") by way of an open offer (the "Open Offer") on the basis of one offer share for every two existing Shares held on 5 June 2015, being the record date. The number of the issued Shares increased from 1,074,073,845 to 1,611,110,767 upon the completion of the Open Offer on 30 June 2015.

The gross proceeds raised by the Company from the Open Offer amounted to approximately HK\$322,222,000 (before transaction costs). The Company intended to apply the net proceeds from the Open Offer for payments in relation to the Acquisition as well as the general working capital of the Group.

As at 31 December 2015, out of the net proceeds from the Open Offer of HK\$320,615,000 (after transaction costs), HK\$171,517,000 was applied to the completion of the Acquisition and the remaining HK\$149,098,000 was remained unused and placed with licensed banks in Hong Kong and Australia.

For details of the Open Offer, please refer to the Company's prospectus dated 8 June 2015.

# Management Discussion and Analysis

## FINANCIAL REVIEW (Continued)

### Capital Structure and Changes in Share Capital (Continued)

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

### Income Tax

The effective tax rate for the year was 20.7% (2014: 0.2%) with the recognition of deferred tax credit of HK\$4,595,000 (2014: HK\$Nil) on tax losses which are probable to be utilised in the relevant jurisdiction in the foreseeable future. During the year ended 31 December 2015, the Group has paid all relevant taxes and there are no disputes or unresolved tax issues with the relevant tax authorities.

### Foreign Currency Exposures

During the year under review, the monetary assets and liabilities and business transactions of the Group were mainly carried out and conducted in Hong Kong dollars, Renminbi, United States dollars and Australian dollars. The Group's exposure to United States dollars is minimal as Hong Kong dollars is pegged to United States dollars, and the exposure to Renminbi was minimised via balancing the Renminbi monetary assets versus the Renminbi monetary liabilities. Nevertheless, financial performance of the Group may be affected by the fluctuation of Australian dollars. Furthermore, as the financial statements of the Group are presented in Hong Kong dollars, which is the Company's functional and presentation currency, the Group will be subject to exchange rate fluctuation on translation of Australian dollars and Renminbi into Hong Kong dollars. However, the Group anticipates that future currency fluctuations will not cause material operational difficulties or liquidity problems. The Group did not enter into any arrangements for the purpose of hedging against the potential foreign exchange risks during the year under review.

The management will monitor closely on its foreign currency exposure to ensure appropriate measures such as hedging are taken promptly when required.

### Contingent Liabilities

The Group had no significant contingent liabilities as at 31 December 2015 (2014: Nil).

### Pledge of Assets

As at 31 December 2015, bank deposit and motor vehicle with carrying amounts of HK\$2,483,000 (2014: HK\$2,777,000) and HK\$208,000 (2014: HK\$Nil), respectively, were pledged to the banks to secure the bank guarantee facility and the finance lease facility granted to the Group, respectively.

### Capital Commitments

As at 31 December 2015, the Group had no material capital commitments (2014: Nil).

# Management Discussion and Analysis

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2015, the Group had approximately 123 employees including the Directors (2014: approximately 119). Total staff costs for the year, including Directors' remuneration, was HK\$15,656,000 (2014: HK\$10,671,000). 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, share option scheme and discretionary bonuses. The Group also provided and subsidised training programmes to the Directors and eligible employees during the year ended 31 December 2015 to enhance staff quality and technical knowledge.

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 subsidiaries of the Company received a superannuation guarantee contribution as required by the Australian government.

## COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group. The audit committee of the Company (the "Audit Committee") is delegated by the Board to monitor the Group's policies and practices on compliance with legal and regulatory requirements and such policies are regularly reviewed. Any changes in the applicable laws, rules and regulations are brought to the attention of the relevant employees and relevant operating units from time to time.

During the year, the Company has complied with the relevant laws and regulations in material respects that had a significant impact on the operations of the Group.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

Other than financial performance, environmental conservation remains a key focus for the Group. The conscientious use of resources and adoption of best practices across the Group's businesses underlie its commitment to safeguarding the environment. The Group encourages environmental protection and complies with environmental legislation and promotes awareness towards environmental protection to the employees.

In the course of its daily operations, the Group adheres to the principle of recycling and reducing. It implements green office practices such as double-sided printing and copying, promoting using recycled paper and reducing energy consumption by switching off idle lightings and electrical appliances.

# Management Discussion and Analysis

## **ENVIRONMENTAL POLICIES AND PERFORMANCE (Continued)**

In the course of the principal activities of the Group, which are the sale of metals and semiconductors and related products business, the development and provision of electronic turnkey device solution products business, and the property development business in Australia, the Group considers the property development business is the most environmental sensitive. However, as there were no redevelopment and construction conducted during the year, the Group considers the environmental impact on the Group was not significant in 2015.

The Group will review its environmental practices from time to time and will consider implementing further eco-friendly measures and practices in the operations of the Group's businesses to enhance environmental sustainability.

## **RELATIONSHIP WITH CUSTOMERS AND SUPPLIERS**

Relationship and trust are the fundamentals of all businesses. The Group fully recognises this principle and has been maintaining close relationships with its customers to fulfill their immediate and long-term need. Further details in relation to the major customers identified during the year are disclosed in the section headed "Business Review" above.

Meanwhile, the Group promotes fair and open competition that aims to develop long-term relationships with suppliers based on mutual trust. The procurement from suppliers or service providers is conducted in a manner consistent with the highest ethical standards which helps assuring high product quality at all times to gain the confidence of customers, suppliers and the public.

## **IMPORTANT EVENT AFTER THE END OF THE REPORTING PERIOD**

There is no important event affecting the Group which has occurred since the end of the reporting period.

# Biographical Details of Directors and Senior Management

## NON-EXECUTIVE DIRECTOR

**Mr. Feng Hailiang** (馮海良先生), aged 55, has been appointed as a Non-executive Director and Chairman of the Board of the Company since 12 May 2014. Mr. Feng is a senior economist in the PRC. Mr. Feng is also the chairman of the board of Hailiang Group. He was 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 53, has been appointed as an Executive Director of the Company since 12 May 2014 and the Chief Executive Officer since 29 August 2014. He is a professorate senior engineer in the PRC. Mr. Cao is also the chairman of Zhe Jiang Hai Liang and the chairman and president of Hailiang Group. Mr. Cao 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), 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 is the winner of 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)” Award, “Model Worker of National Nonferrous Metals Industry (全國有色金屬行業勞動模範)” Award, “Model Worker of Shaoxing City (紹興市勞動模範)” Award, “Senior Expert of Shaoxing City (紹興市高級專家)” Award, “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)” Award, “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)” Award 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)” Award.

# Biographical Details of Directors and Senior Management

## EXECUTIVE DIRECTORS (Continued)

**Mr. Zhou Diyong** (周迪永先生), aged 39, has been appointed as an Executive Director of the Company since 12 May 2014. Mr. Zhou is an engineer holding a master degree in Civil Engineering from Zhejiang University. Mr. Zhou is also 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 32, has been appointed as an Executive Director of the Company since 12 May 2014. Ms. Ji holds a master degree in Software Engineering from the University of Electronic Science and Technology of China# (電子科技大學). Ms. Ji is also the vice president of Hailiang Group. Ms. Ji served several positions in Zhejiang Fengshen Automotive Sales Co., Ltd.# (浙江風神汽車銷售有限公司), including serving as its cashier, sales consultant and sales manager. She acted as 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 47, has been appointed as an Independent Non-executive Director of the Company since 12 May 2014. He has considerable strategic, financial and advisory experiences. He is currently an executive director of AID Partners Capital Holdings Limited, the shares of which are listed on the Stock Exchange (Stock Code: 8088), and is responsible for its strategic investment planning. He is also a founder of Genius Link Assets Management Limited, a diversified investment company with focuses in property, media and entertainment, and food and agricultural. He has served as an independent non-executive director and various positions in several companies listed on the Stock Exchange. 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). 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). He is an independent director of China Mobile Games and Entertainment Group Limited, which was delisted from the NASDAQ stock market on 10 August 2015. Prior to the establishment of AID Partners Capital Limited, 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 39, has been appointed as an Independent Non-executive Director of the Company since 12 May 2014. Mr. Ho has extensive experience 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 Executive Officer of AID Partners Capital Holdings Limited (Stock Code: 8088), a company listed on the Stock Exchange. Prior to joining AID Partners Capital Limited, he was the vice president of ITC Corporation Limited (Stock Code: 372), a company listed on the Stock Exchange, the senior investment director of New World Development Company Limited (Stock Code: 17), a company listed on the Stock Exchange, an executive director of New World Strategic Investment Limited, and a partner of an international law firm Fried, Frank, Harris, Shriver and 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. Ho was 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), an independent non-executive director of Infinity Development Holdings Company Limited (formerly known as Infinity Chemical Holdings Company Limited) (Stock Code: 640), and is an independent non-executive director of Kam Hing International Holdings Limited (Stock Code: 2307), all of the above-mentioned companies are listed on the Stock Exchange.

**Mr. Tsui Kun Lam Ivan**, aged 60, has been appointed as an Independent Non-executive Director of the Company since 12 May 2014. He has over 30 years of extensive experiences in the area of business development, corporate management and securities trading. Mr. Tsui has been 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.

# Biographical Details of Directors and Senior Management

## SENIOR MANAGEMENT

### Company Secretary

**Ms. Chan Yuk Yee**, aged 48, 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 experience in company secretarial practice. Ms. Chan was an executive director and the company secretary of Winshine Science Company Limited (formerly known as Winshine Entertainment & Media Holding Company Limited) (“Winshine Science”) (Stock Code: 209) until 10 November 2014 when she was redesignated as a non-executive director of Winshine Science and served until 8 April 2015. She was formerly the company secretary of Skyway Securities Group Limited (formerly known as Mission Capital Holdings Limited) (Stock Code: 1141) until 2 July 2014 and an executive director of Huajun Holdings Limited (formerly known as New Island Development Holdings Limited) (Stock Code: 377) until 25 September 2014. In addition, Ms. Chan is the company secretary of Enviro Energy International Holdings Limited (Stock Code: 1102) and an executive director of Courage Marine Group Limited (Stock Code: 1145). All of the above companies are listed on the Stock Exchange.

# Report of the Directors

The Directors hereby present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2015.

## PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. Its subsidiaries are principally engaged in the sale of metals and semiconductors and related products business, the development and provision of electronic turnkey device solution products business, and the property development business. Details of the principal activities of its principal subsidiaries are set out in note 36 to the consolidated financial statements.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "Hong Kong Companies Ordinance"), including a fair review of the business, a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the "Chairman's Statement", "Management Discussion and Analysis" and "Corporate Governance Report" sections of this Annual Report. These sections form part of this report of the Directors.

## RESULTS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on page 43.

## FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: 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 102. This summary does not form part of the consolidated financial statements.

## PROPERTIES

Particulars of the major properties and property interests of the Group are set out on page 101.

# Report of the Directors

## EQUITY-LINKED AGREEMENTS

Details of the equity-linked agreements entered into during the year or subsisting at the end of the year are set out below:

## 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 Listing Rules.

The purpose of the Scheme is to enable the Group to attract, retain and motivate talented Participants (as defined below) to strive for future development and expansion of the Group. The Scheme shall be an 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.

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 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) (the “Participant”) 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, 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 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 the Directors of any applicable laws and regulations or in any filing or other requirements arising.

# Report of the Directors

## SHARE OPTION SCHEME (Continued)

The subscription price for the ordinary 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.

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 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 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").

# Report of the Directors

## SHARE OPTION SCHEME (Continued)

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.

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 Annual Report, no share options had been granted under the Scheme by the Company. Additional information in relation to the Scheme is set out in note 28 to the consolidated financial statements.

As at the date of this Annual Report, the total number of Shares available for issue under the Scheme was 106,971,700, representing approximately 6.64% of the issued Shares as at the date of this Annual Report.

Other than the Scheme, no equity-linked agreements were entered into by the Company during the year or subsisting at the end of the year ended 31 December 2015.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the articles of association of the Company (the "Articles of Association") or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to the existing Shareholders.

## TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

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

During the year ended 31 December 2015, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

# Report of the Directors

## RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 27(b) 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 2015 amounted to HK\$432,456,000 (2014: HK\$123,623,000).

## MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, sales to the Group's five largest customers accounted for approximately 82.8% of the total sales for the year and sales to the largest customer accounted for approximately 60.1%. Purchases from the Group's five largest suppliers accounted for approximately 83.7% of the total purchases for the year and purchases from the largest supplier accounted for approximately 55.9%.

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

## DIRECTORS

The Directors during the year and up to the date of this Annual Report were:

### 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

In accordance with Article 87 of the Articles of Association, Mr. Chang Tat Joel, Mr. Ho Gilbert Chi Hang and Mr. Tsui Kun Lam Ivan will retire by rotation at the forthcoming annual general meeting (the "AGM") and, being eligible, offer themselves for re-election at the AGM.

Biographical details of the Directors are set out on pages 14 to 16 of this Annual Report.

# Report of the Directors

## CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

Upon specific enquiry by the Company and based on the confirmations from the Directors, save as disclosed below, there has been no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B of the Listing Rules since the Company's last published annual report:

- (i) Mr. Cao Jianguo (曹建國先生) was appointed as the chairman and president of Hailiang Group Co., Limited (海亮集團有限公司) with effect from 30 January 2016.
- (ii) Mr. Chang Tat Joel is an independent director of China Mobile Games and Entertainment Group Limited, a company which was delisted from the NASDAQ stock market, on 10 August 2015.
- (iii) Mr. Ho Gilbert Chi Hang was re-designated from Chief Investment Officer to Chief Executive Officer of AID Partners Capital Holdings Limited, a company listed on the Stock Exchange (Stock Code: 8088), with effect from 16 March 2016.

## DIRECTORS' SERVICE CONTRACTS

None of the Directors being proposed for re-election at the 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.

## PERMITTED INDEMNITY PROVISION AND DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the Directors is currently in force and was in force throughout this year.

Pursuant to Article 167(1) of the Articles of Association, every Director or other officers of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses damages and expenses which might incur in connection with the execution of their duty provided that the indemnity shall not extend to any matter in respect of any fraud or dishonesty of the above persons. The Company has arranged Directors' and officers' liability insurance policy of the Company during the year.

## DIRECTORS' REMUNERATION

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

## CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

To the best knowledge of the Directors, no contract of significance had been entered into between the Company or any of its subsidiaries and the controlling shareholder of the Company or any of its subsidiaries during the year under review.



# Report of the Directors

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the year ended 31 December 2015, the interests of the Directors in the businesses which are considered to compete or are likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to Rule 8.10 of the Listing Rules were as follows:

Mr. Feng Hailiang (馮海良先生), Mr. Cao Jianguo (曹建國先生) and Ms. Ji Danyang (季丹陽女士), the Directors of the Company, held directorship and/or interest in companies of Hailiang Group which were engaged in copper and nickel trading businesses ("Metal Trading Businesses") in the PRC. Therefore, Mr. Feng Hailiang (馮海良先生), Mr. Cao Jianguo (曹建國先生) and Ms. Ji Danyang (季丹陽女士) are considered to have interest in businesses which compete or are likely to compete, either directly or indirectly, with the Metal Trading Businesses of the Group pursuant to the Listing Rules.

The Board considered that the Metal Trading Businesses of Hailiang Group do not pose material competitive threat to the Group due to the following reasons:

1. given the well-established international metal market, information about production, consumption, stocks, trades as well as prices of raw metal materials, such as copper and nickel, are generally available in the public, and the trading of copper and nickel is considered as fairly transparent and direct in the market; and
2. copper and nickel products across the value chain are traded internationally, and their prices vary largely accordingly to the different markets that they are transacted. Therefore, the settling prices are decided between the seller and buyer (including terminal markets like London Metal Exchange through offer and bid process) by their perception of supply and demand at a particular time on a particular day. Market participants normally complete a transaction by taking advantage of the price fluctuations during a short period of time.

The Board is independent from the board of directors of Hailiang Group. Each of the Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the best interests of the Company and avoids any conflicts between his/her duties as a Director and his/her personal interest.

Save as disclosed above, none of the Directors had any interest in any business which competes or is likely to compete, either directly or indirectly, with the Metal Trading Businesses and/or other business of the Group for the year ended 31 December 2015.

## 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 2015.

# Report of the Directors

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

As at 31 December 2015, 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 (Chapter 571 of the Laws of Hong Kong) (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:

Name of Director	Capacity and nature of interest	Number of ordinary Shares	Approximate percentage of the Company's issued share capital
Mr. Feng Hailiang (馮海良先生) ("Mr. Feng")	Interest of controlled corporation	1,207,207,299 (Note)	74.93%

Note: These Shares were held by Rich Pro Investments Limited ("Rich Pro"), which was a wholly-owned subsidiary of Hailiang Group which, in turn, was approximately 98.54% owned by Mr. Feng and the close associates (as defined in the Listing Rules) of Mr. Feng (including Shanghai Weize Investment Holdings Limited\* (上海維澤投資有限公司) ("Shanghai Weize") which owned 40.26% equity interest in Hailiang Group) ("Mr. Feng's Associates"). Accordingly, Mr. Feng was deemed to be interested in 1,207,207,299 Shares under the SFO.

\* literal translation of the Chinese company name

Save as disclosed above, as at 31 December 2015, 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

## DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

No transaction, arrangement or contract of significance in relation to the Group's business to which the Company, any of its subsidiaries, or its parent company was a party and in which a Director or an entity connected with a Director has or had a material interest, either directly or indirectly, subsisted at the end of or at any time during the year ended 31 December 2015.

## INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2015, 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:

Name of Shareholder	Capacity and nature of interest	Number of ordinary Shares	Approximate percentage of the Company's issued share capital
Mr. Feng	Interest of controlled corporation	1,207,207,299 (Note)	74.93%
Shanghai Weize	Interest of controlled corporation	1,207,207,299 (Note)	74.93%
Hailiang Group	Interest of controlled corporation	1,207,207,299 (Note)	74.93%
Rich Pro	Beneficial owner	1,207,207,299 (Note)	74.93%

Note: These Shares were held by Rich Pro, which was a wholly-owned subsidiary of Hailiang Group which, in turn, was approximately 98.54% owned by Mr. Feng and Mr. Feng's Associates. Accordingly, Mr. Feng, Shanghai Weize and Hailiang Group were deemed to be interested in 1,207,207,299 Shares under the SFO.

The interests of Mr. Feng, Shanghai Weize, Hailiang Group and Rich Pro in 1,207,207,299 Shares 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 2015 as required pursuant to section 336 of the SFO.

## 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”) (which is 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 owns 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 the 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 2015 amounted to RMB80,000 (equivalent to approximately HK\$98,000).

These transactions have been reviewed by the Independent Non-executive Directors, 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 as a whole.

# Report of the Directors

## 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 above continuing connected transactions have not been approved by the Board;
- (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 33 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, share option scheme as well as discretionary bonuses. The Group also provided and subsidised training programmes to the Directors and eligible employees during the year to enhance staff quality and technical knowledge.

The determination of emoluments of the Directors were determined after taking 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 was held by the public as at the date of this Annual 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 2015 have been reviewed by the Audit Committee before they are duly approved by the Board under the recommendation of the Audit Committee.

## AUDITORS

The consolidated financial statements for the year ended 31 December 2015 have been audited by ZHONGHUI ANDA CPA Limited (“ZHONGHUI ANDA”).

A resolution will be proposed at the AGM to re-appoint ZHONGHUI ANDA as the auditor of the Company for the year ending 31 December 2016.

## CORPORATE GOVERNANCE

Details of the corporate governance of the Company are set out on pages 30 to 40 under the section headed “Corporate Governance Report” of this Annual Report.

On behalf of the Board

**Feng Hailiang** 馮海良  
*Chairman*

Hong Kong, 18 March 2016

# 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

In the opinion of the Directors, the Company has complied with all the applicable provisions (the “Code 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 2015, except for the following deviations with the reasons as explained below:

### Code Provision A.1.1

The Code Provision A.1.1 of the CG Code stipulates that the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. During the year, two (2) regular Board meetings and three (3) irregular Board meetings were held. Individual attendance records for full Board meetings of the Company are set out on page 32 of this Annual Report. Although the Board meetings held during the year were not convened on a quarterly basis, the Board considered that sufficient meetings had been held within appropriate intervals during the year ended 31 December 2015 in which the Directors actively participated in considering the business operations and corporate actions of the Group. In addition, the Board has established the Audit Committee, a remuneration committee (the “Remuneration Committee”) and a nomination committee (the “Nomination Committee”) to oversee particular aspects of the Company’s affairs.

### Code Provision A.2.7

The Code Provision A.2.7 of the CG Code stipulates that the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. However, the Company considers it is more effective for the Non-executive Directors to voice their views by individual communication with the Chairman of the Board.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 the Directors. Having made specific enquiries with all 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 2015.

Relevant employees who are likely to be in possession of inside information of the Company are also subject to compliance with guidelines on no less exacting terms than the Model Code for the year ended 31 December 2015.

# Corporate Governance Report

## 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, dividend policies, 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.

As at the date of this Annual Report, the Board comprises seven Directors. Out of the seven Directors, one of which is a 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 the other three are Independent Non-executive Directors, namely Mr. Chang Tat Joel, Mr. Ho Gilbert Chi Hang and Mr. Tsui Kun Lam Ivan.

To the best knowledge of the Board, there is no relationship, including financial, business, family or other material/relevant relationships, among the members of the Board.

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, a company incorporated in the PRC and is the holding company of Rich Pro, which is the controlling shareholder (as defined in the Listing Rules) of the Company.

### Directors' Training

The Company provides 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 Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.



# Corporate Governance Report

## BOARD OF DIRECTORS (Continued)

### Directors' Training (Continued)

All Directors are encouraged to participate in continuing 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 briefing on amendments to the Listing Rules and news releases published by the Stock Exchange to the Directors. During the year ended 31 December 2015, the Company organised one training session for the Directors which was conducted by the then external legal adviser of the Company. In addition, the Directors are provided with guidance notes and memoranda, where appropriate, to ensure awareness of good corporate governance practices. During the year ended 31 December 2015, all the Directors, namely Mr. Feng Hailiang (馮海良先生), Mr. Cao Jianguo (曹建國先生), Mr. Zhou Diyong (周迪永先生), Ms. Ji Danyang (季丹陽女士), Mr. Chang Tat Joel, Mr. Ho Gilbert Chi Hang and Mr. Tsui Kun Lam Ivan have complied with Code Provision A.6.5 and have provided the Company with their respective training records pursuant to the CG Code.

### Attendance Records of Directors and Board Committee Members

The Company held five Board meetings and two general meetings during the financial year ended 31 December 2015. Directors attended these meetings either in person or through electronic means of communication. Attendance records of the Board meetings and general meetings during the year are set out below:

Name of Directors	Attendance/Number of Meetings		
	Board Meetings	AGM	EGM
<b>Non-executive Director</b>			
Mr. Feng Hailiang (馮海良先生) ( <i>Chairman</i> )	2/5	1/1	0/1
<b>Executive Directors</b>			
Mr. Cao Jianguo (曹建國先生) ( <i>Chief Executive Officer</i> )	5/5	1/1	1/1
Mr. Zhou Diyong (周迪永先生)	5/5	1/1	0/1
Ms. Ji Danyang (季丹陽女士)	5/5	0/1	0/1
<b>Independent Non-executive Directors</b>			
Mr. Chang Tat Joel	5/5	1/1	0/1
Mr. Ho Gilbert Chi Hang	5/5	1/1	0/1
Mr. Tsui Kun Lam Ivan	5/5	1/1	1/1

# Corporate Governance Report

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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).

## NON-EXECUTIVE DIRECTORS

There are currently four Non-executive Directors of which three are Independent Non-executive Directors. Under the Articles of Association and the CG Code, every Director including the Non-executive Directors, shall be subject to retirement by rotation at least once every three years. Each of them is appointed for a term of three-year period unless terminated by either party in writing prior to the expiry of the term.

For the year ended 31 December 2015, the Board at all times met the requirements under Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise. The Independent Non-executive Directors represent at least one-third of the Board.

## BOARD COMMITTEES

The Board has established three Board committees to strengthen its functions and corporate governance practices, namely, the Audit Committee, the Nomination Committee and the Remuneration Committee. The Audit Committee, the Nomination Committee and the Remuneration Committee perform their specific roles in accordance with their respective written terms of reference.

## REMUNERATION COMMITTEE

The Remuneration Committee has specific written terms of reference in compliance with the CG Code, which were revised by the Board on 11 November 2015. 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).

# Corporate Governance Report

## REMUNERATION COMMITTEE (Continued)

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's remuneration, determining the remuneration packages of individual Executive Directors and senior management, assessing performance of Executive Directors, making recommendations to the Board on the remuneration of Non-executive Directors, considering salaries paid by comparable companies, time commitment and responsibilities and employment conditions in members of the Group and reviewing compensation payable to Executive Directors and senior management for any loss or termination of office. 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 2015 to review the remuneration of the Directors. The attendance of each member was set out as follows:

<b>Name of Members</b>	<b>Attendance/ Number of Meeting</b>
Mr. Ho Gilbert Chi Hang ( <i>Chairman of the Remuneration Committee</i> )	1/1
Mr. Zhou Diyong (周迪永先生)	1/1
Ms. Ji Danyang (季丹陽女士)	1/1
Mr. Chang Tat Joel	1/1
Mr. Tsui Kun Lam Ivan	1/1

## NOMINATION COMMITTEE

The Nomination Committee has specific written terms of reference in compliance with the CG Code, which were revised by the Board on 11 November 2015. 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, and reviewing the policy concerning diversity of Board members. The full terms of reference are available on the Company's website and the Stock Exchange's website.

# Corporate Governance Report

## NOMINATION COMMITTEE (Continued)

The Nomination Committee met once during the year ended 31 December 2015 to review the structure, size and composition of the Board; assess the independence of the Independent Non-executive Directors, review and make recommendations to the Board on the re-election of Directors. The attendance of each member was set out as follows:

<b>Name of Members</b>	<b>Attendance/ Number of Meeting</b>
Mr. Tsui Kun Lam Ivan ( <i>Chairman of the Nomination Committee</i> )	1/1
Mr. Feng Hailiang (馮海良先生)	0/1
Mr. Cao Jianguo (曹建國先生)	1/1
Mr. Chang Tat Joel	1/1
Mr. Ho Gilbert Chi Hang	1/1

The Board has adopted a Board diversity policy (the "Policy") in accordance with the requirements of the Listing Rules with effect from 1 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.

## AUDIT COMMITTEE

The Audit Committee has specific written terms of reference in compliance with the CG Code, which were revised by the Board on 11 November 2015. 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 reviewing and applying financial reporting, risk management 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.

# Corporate Governance Report

## AUDIT COMMITTEE (Continued)

The Audit Committee met twice during the year ended 31 December 2015 and the attendance of each member was set out as follows:

<b>Name of Members</b>	<b>Attendance/ Number of Meetings</b>
Mr. Chang Tat Joel ( <i>Chairman of the Audit Committee</i> )	2/2
Mr. Ho Gilbert Chi Hang	2/2
Mr. Tsui Kun Lam Ivan	2/2

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 2014 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 2015 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 risk management and internal control systems of the Group;
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; and
8. reviewed the effectiveness of the Company's internal audit function.

# Corporate Governance Report

## DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Company for the year ended 31 December 2015. As at 31 December 2015, the Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern.

## 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 of the Company on corporate governance; (ii) reviewing and monitoring the training and continuous professional development of the Directors and senior management of the Company; (iii) reviewing and monitoring policies and practices of the Company on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct and compliance manual applicable to the Directors and employees of the Company; and (v) reviewing the Company's compliance with the CG Code and disclosure requirements for the corporate governance report.

## EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The external auditor is ZHONGHUI ANDA. ZHONGHUI ANDA has confirmed that, other than the services performed by ZHONGHUI ANDA as disclosed in this section, they are independent to the Company and that there is no relationship between ZHONGHUI ANDA and the Company which may reasonably be thought to bear on their independence. The statement of ZHONGHUI ANDA about their responsibilities on the Company's consolidated financial statements for the year ended 31 December 2015 is set out in the "Independent Auditor's Report" on pages 41 to 42 of this Annual Report.

For the year ended 31 December 2015, remuneration payable to ZHONGHUI ANDA, for the provision of its audit services was HK\$600,000. During the year, HK\$228,000 was paid as remuneration to ZHONGHUI ANDA for the provision of non-audit services including review services on the interim report for the six months ended 30 June 2015 and services in relation to the prospectus of the Company in relation to the Open Offer.

# Corporate Governance Report

## INTERNAL CONTROL

The Board has the overall responsibilities for maintaining an adequate systems of risk management and internal control to safeguard the Group's assets and information and Shareholders' interests. Set out below are the control environment, risks assessment, control activities and information and communication aspects of the risk management and internal control systems of the Group:

### Control environment

- the Board demonstrates its commitment to integrity and ethical values, as well as independence from management and exercises oversight of development and performance of internal control
- the management establishes, with Board oversight, structured reporting lines and appropriate authorities and responsibilities in the pursuit of objectives
- each individual holds accountability for his internal control responsibility in the pursuit of objectives

### Risks assessment

- specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives
- identifies risks to the achievement of its objectives across the entity and analyses risks as a basis for determining how the risks should be managed
- considers the potential for fraud in assessing risks to the achievement of objectives
- identifies and assesses changes that could significantly impact the system of internal control

### Control activities

- selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels
- selects and develops general control activities over technology to support the achievement of objectives
- deploys control activities through policies that establish what is expected and procedures that put policies into action

### Information and communication

- obtains or generates and uses relevant, quality information to support the functioning of internal control
- internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control
- communicates with external parties regarding matters affecting the functioning of internal control

# Corporate Governance Report

## INTERNAL CONTROL (Continued)

The risk management and internal control systems, including a defined management structure with limits of authority, are 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 establishment of risk management and internal control systems is 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.

The Company does not have an internal audit department. However, the Audit Committee assists the Board in the review, which covers operational, financial and compliance controls and risk management functions, to maintain an adequate and effective internal control system to safeguard the interests of the Shareholders and the assets of the Group. For the year ended 31 December 2015, the Board conducted an annual review of the effectiveness of the internal control system of the Group covering the above aspects. The Board has also considered the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training program and budget during the year under review. The Board is not aware of any significant internal control and risk management weaknesses nor significant breach of limits or risk management policies, and considers the existing internal control system and risk management systems effective and adequate.

## COMPANY SECRETARY

Ms. Chan Yuk Yee was appointed as 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 14 to 17 of this Annual Report. Ms. Chan has taken no less than 15 hours of the relevant professional training in compliance with Rule 3.29 of the Listing Rules during the financial year ended 31 December 2015.

## SHAREHOLDERS' RIGHTS

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

According to Article 58 of the 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

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](http://www.hailianghk.com).

During the year ended 31 December 2015, there was no change in the Company's constitutional documents.

# Independent Auditor's Report



**TO THE SHAREHOLDERS OF  
HAILIANG 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 43 to 100, which comprise the consolidated statement of financial position as at 31 December 2015, 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 financial position of the Group as at 31 December 2015, and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **ZHONGHUI ANDA CPA Limited**

*Certified Public Accountants*

**Ng Ka Lok**

*Practising Certificate Number P06084*

Hong Kong, 18 March 2016

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
<b>Revenue</b>	6 & 9	<b>142,562</b>	71,375
Cost of sales		<b>(139,722)</b>	(68,510)
Gross profit		<b>2,840</b>	2,865
Other income	7	<b>657</b>	687
Other net loss	7	<b>(1,382)</b>	–
Selling and distribution expenses		<b>(1,022)</b>	(1,635)
Administrative expenses		<b>(22,552)</b>	(13,656)
Impairment loss on a trade receivable	21(a)	<b>(739)</b>	(1,108)
<b>Loss from operations</b>		<b>(22,198)</b>	(12,847)
Finance costs	8	<b>(11)</b>	(1)
<b>Loss before taxation</b>		<b>(22,209)</b>	(12,848)
Income tax credit	10	<b>4,595</b>	22
<b>Loss for the year</b>	11	<b>(17,614)</b>	(12,826)
<b>Other comprehensive expenses for the year, net of tax:</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		<b>(4,523)</b>	(790)
<b>Total comprehensive expenses for the year</b>		<b>(22,137)</b>	(13,616)
<b>Loss for the year attributable to:</b>			
Owners of the Company		<b>(16,367)</b>	(11,419)
Non-controlling interests		<b>(1,247)</b>	(1,407)
		<b>(17,614)</b>	(12,826)
<b>Total comprehensive expenses for the year attributable to:</b>			
Owners of the Company		<b>(20,297)</b>	(12,126)
Non-controlling interests		<b>(1,840)</b>	(1,490)
		<b>(22,137)</b>	(13,616)
			(Restated)
<b>Loss per share</b>	15		
Basic (HK cent(s) per share)		<b>(1.15)</b>	(0.93)
Diluted (HK cent(s) per share)		<b>(1.15)</b>	(0.93)

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

# Consolidated Statement of Financial Position

As at 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	16	5,513	6,229
Intangible assets	17	122	–
Deferred tax assets	18(b)(ii)	4,456	–
		<b>10,091</b>	<b>6,229</b>
<b>Current assets</b>			
Inventories	19	34,729	25,086
Properties for sale under development	20	206,903	750
Trade and bill receivables	21(a)	14,589	13,355
Prepayments, deposits and other receivables	21(b)	14,458	6,428
Current tax assets	18(a)	–	572
Pledged bank deposits		2,483	2,777
Bank and cash balances		208,330	131,431
		<b>481,492</b>	<b>180,399</b>
<b>Current liabilities</b>			
Trade payables	22	32,009	22,000
Accruals, other payables and deposits received		2,901	3,063
Due to a non-controlling shareholder of a subsidiary	23	1,674	211
Due to a controlling shareholder of the Company	24	–	5,062
Obligations under finance leases	25	51	–
		<b>36,635</b>	<b>30,336</b>
<b>Net current assets</b>		<b>444,857</b>	<b>150,063</b>
<b>Total assets less current liabilities</b>		<b>454,948</b>	<b>156,292</b>
<b>Non-current liabilities</b>			
Obligations under finance leases	25	178	–
<b>NET ASSETS</b>		<b>454,770</b>	<b>156,292</b>
<b>Capital and reserves</b>			
Share capital	26	16,111	10,741
Reserves		428,569	133,621
Equity attributable to owners of the Company		444,680	144,362
Non-controlling interests		10,090	11,930
<b>TOTAL EQUITY</b>		<b>454,770</b>	<b>156,292</b>

The consolidated financial statements on pages 43 to 100 are approved and authorised for issue by the Board of Directors on 18 March 2016 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 2015

	Attributable to owners of the Company									
	Notes	Share capital	Share premium	Creditors convertible bonds reserve	Statutory reserve	Foreign currency translation reserve	Accumulated losses	Sub-total	Non-controlling interests	Total equity
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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		16	340	(41)	-	-	-	315	-	315
Redemption of creditors convertible bonds		-	-	(391)	-	-	376	(15)	-	(15)
<b>At 31 December 2014</b>		<b>10,741</b>	<b>185,199</b>	<b>-</b>	<b>89</b>	<b>113</b>	<b>(51,780)</b>	<b>144,362</b>	<b>11,930</b>	<b>156,292</b>
At 1 January 2015		10,741	185,199	-	89	113	(51,780)	144,362	11,930	156,292
Total comprehensive expenses for the year		-	-	-	-	(3,930)	(16,367)	(20,297)	(1,840)	(22,137)
Issue of new shares under open offer	26	5,370	316,852	-	-	-	-	322,222	-	322,222
Transaction costs attributable to issue of new shares	26	-	(1,607)	-	-	-	-	(1,607)	-	(1,607)
<b>At 31 December 2015</b>		<b>16,111</b>	<b>500,444</b>	<b>-</b>	<b>89</b>	<b>(3,817)</b>	<b>(68,147)</b>	<b>444,680</b>	<b>10,090</b>	<b>454,770</b>

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

# Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	<i>Notes</i>	<b>2015</b> <b>HK\$'000</b>	2014 <i>HK\$'000</i>
<b>Cash flows from operating activities</b>			
Loss before taxation		<b>(22,209)</b>	(12,848)
Adjustments for:			
Amortisation	11	<b>28</b>	–
Depreciation	11	<b>1,207</b>	872
Bank interest income	7	<b>(358)</b>	(270)
Finance costs	8	<b>11</b>	1
Net loss on disposal of property, plant and equipment	7	<b>19</b>	–
Impairment loss on a trade receivable	11	<b>739</b>	1,108
Write down of inventories	11	<b>–</b>	773
Operating cash flows before working capital changes		<b>(20,563)</b>	(10,364)
Change in inventories		<b>(9,643)</b>	15,811
Change in properties for sale under development		<b>(206,890)</b>	(797)
Change in trade and bill receivables		<b>(1,973)</b>	22,004
Change in prepayments, deposits and other receivables		<b>(8,030)</b>	(3,598)
Change in trade payables		<b>10,009</b>	(9,501)
Change in accruals, other payables and deposits received		<b>(162)</b>	(1,475)
Change in amount due to a non-controlling shareholder of a subsidiary		<b>1,463</b>	(91)
Change in amount due to a controlling shareholder of the Company		<b>(5,062)</b>	5,062
Cash (used in)/generated from operations		<b>(240,851)</b>	17,051
Income taxes refund		<b>572</b>	700
<b>Net cash (used in)/generated from operating activities</b>		<b>(240,279)</b>	17,751
<b>Cash flows from investing activities</b>			
Bank interest received		<b>358</b>	270
Purchase of property, plant and equipment		<b>(640)</b>	(1,302)
Purchase of intangible assets		<b>(150)</b>	–
Proceeds from disposal of property, plant and equipment		<b>53</b>	–
<b>Net cash used in investing activities</b>		<b>(379)</b>	(1,032)

# Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	<i>Notes</i>	<b>2015</b> <b>HK\$'000</b>	2014 <i>HK\$'000</i>
<b>Cash flows from financing activities</b>			
Net proceeds from issue of new shares	26	<b>320,615</b>	–
Capital element of obligations under finance leases		<b>(41)</b>	–
Interest element of obligations under finance leases		<b>(11)</b>	–
Payment for redemption of creditors convertible bonds		–	(2,965)
Interest paid for creditors convertible bonds		–	(30)
Increase in pledged bank deposits		–	(2,777)
<b>Net cash generated from/(used in) financing activities</b>		<b>320,563</b>	(5,772)
<b>Net increase in cash and cash equivalents</b>			
Effect of change in foreign exchange rate		<b>(3,006)</b>	(679)
Cash and cash equivalents at beginning of year		<b>131,431</b>	121,163
<b>Cash and cash equivalents at end of year</b>		<b>208,330</b>	131,431
<b>Analysis of cash and cash equivalents</b>			
Bank and cash balances		<b>208,330</b>	131,431

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



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 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. 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 metals and 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 36 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”).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 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 (“HKICPA”) that are relevant to its operations and effective for its accounting year beginning on 1 January 2015. 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.

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

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 estimates and underlying assumptions are reviewed on an ongoing basis. 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 2015

## 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 2015

## 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% – 12.5%
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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leases

#### *Classification of leases*

- (i) Operating leases  
Leases that do not substantially transfer to/from 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)/rental income are recognised as an expense/other income on a straight-line basis over the lease term.
- (ii) Finance leases  
Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. The amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payment, of such assets are recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the assets, the life of the asset, as set out in the section headed "Property, plant and equipment".

### Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives of 3 years.

### 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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.

### 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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.

### 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 2015

## 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.

Rental income is recognised on a straight-line basis over the lease term.

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.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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.

### 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 ("HK\$"), which is the Company's functional and presentation currency.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Foreign currency translation (Continued)

#### (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.

#### (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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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.

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 2015

## 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);
  - (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); or
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 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 2015

## 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 2015

## 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 certain exposure to foreign currency risk as part of its business transactions, assets and liabilities are principally denominated in Australian dollars ("AUD"), United States dollars ("US\$") and Renminbi ("RMB"). 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.

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

	Assets		Liabilities	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
AUD	246,519	8,162	–	–
US\$	51,806	39,521	21,766	13,738
HK\$	–	–	6,232	–
RMB	46	–	–	–

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 5. FINANCIAL RISK MANAGEMENT (Continued)

### (a) Foreign currency risk (Continued)

#### *Sensitivity analysis*

As Hong Kong dollars is pegged to US\$, the currency risk associated with US\$ and HK\$ is considered minimal. The Directors of the Company are of the opinion that the Group's exposures to currency risk associated with US\$ is minimal. Accordingly, no sensitivity analysis is presented.

The Group mainly exposes to the effect of fluctuation in HK\$ against AUD.

The following table details the group entities sensitivity to a 5% increase and decrease in functional currency of the relevant group entities against the relevant foreign currencies. 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the reporting date on a 5% change in foreign currency rates. A positive number below indicates a decrease in loss/increase in equity where functional currency of the relevant group entities weakens 5% against the relevant foreign currency. For a 5% strengthen of functional currency of the relevant group entities against the relevant foreign currency, there would be an equal and opposite impact on the loss or profit.

	Effect on equity		Effect on loss after tax and accumulated losses	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
AUD	12,326	408	7,434	245
HK\$	(312)	–	(312)	–



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 5. FINANCIAL RISK MANAGEMENT (Continued)

### (b) Credit risk

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 31 December 2015 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 2015

## 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	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
<b>At 31 December 2015</b>						
Trade payables	-	32,009	-	-	32,009	32,009
Other payables and accruals	-	2,602	-	-	2,602	2,602
Due to a non-controlling shareholder of a subsidiary	-	1,674	-	-	1,674	1,674
Obligations under finance leases	4.95%	61	61	131	253	229
		<u>36,346</u>	<u>61</u>	<u>131</u>	<u>36,538</u>	<u>36,514</u>
<b>At 31 December 2014</b>						
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
		<u>27,716</u>	<u>-</u>	<u>-</u>	<u>27,716</u>	<u>27,716</u>

### (d) Interest rate risk

As the Group has no significant interest-bearing assets and liabilities except for obligations under finance leases, the Group's operating cash flows are substantially independent of changes in market interest rates.

The Group's finance lease payables bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 5. FINANCIAL RISK MANAGEMENT (Continued)

### (e) Categories of financial instruments

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Financial assets:</b>		
Loans and receivables (including cash and cash equivalents)	<b>227,515</b>	148,917
<b>Financial liabilities:</b>		
Financial liabilities at amortised cost	<b>36,285</b>	27,716

### (f) 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. REVENUE

The Group's revenue is categorised as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Sale of metals and semiconductors and related products	<b>113,838</b>	38,882
Development and provision of electronic turnkey device solution products	<b>28,724</b>	32,493
	<b>142,562</b>	71,375

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 7. OTHER INCOME AND OTHER NET LOSS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Other income</b>		
Bank interest income	358	270
Rental income	89	–
Sundry income	210	417
	<u>657</u>	<u>687</u>

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Other net loss</b>		
Net foreign exchange loss	(1,363)	–
Net loss on disposal of property, plant and equipment	(19)	–
	<u>(1,382)</u>	<u>–</u>

## 8. FINANCE COSTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interest expenses on creditors convertible bonds	–	1
Interest expenses on obligations under finance leases	11	–
	<u>11</u>	<u>1</u>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

*Note:* Sale of metals, which commenced during the year ended 31 December 2015, is being aggregated with sale of semiconductors and related products to form the segment of “Sale of metals and semiconductors and related products” in a manner consistent with the way in which information is reported internally to the chief operating decision maker. They form one reportable segment as they have similar business nature and gross margins.

The accounting policies of the operating segments are the same as those described in note 3 to the consolidated financial statements. Segment losses do not include intercompanies income and expenses, unallocated corporate other income, unallocated corporate expenses, finance costs and income tax credit. 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 2015

## 9. SEGMENT INFORMATION (Continued)

Information about reportable segment revenues, losses, assets and liabilities:

	Sale of metals and semiconductors and related products		Development and provision of electronic turnkey device solutions		Property development		Total	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
<b>Years ended 31 December</b>								
Revenue from external customers	113,838	38,882	28,724	32,493	-	-	142,562	71,375
Segment loss before finance costs and income tax credit	(929)	(1,350)	(2,574)	(2,855)	(9,386)	(2,811)	(12,889)	(7,016)
Bank interest income	9	202	41	42	283	21	333	265
Interest expense on obligations under finance leases	-	-	-	-	(11)	-	(11)	-
Depreciation	(29)	(32)	(1,037)	(836)	(57)	(4)	(1,123)	(872)
Impairment loss on a trade receivable	(739)	(1,108)	-	-	-	-	(739)	(1,108)
Write down of inventories	-	(202)	-	(571)	-	-	-	(773)
Capital expenditure	-	-	485	1,006	311	140	796	1,146
<b>As at 31 December</b>								
Segment assets	143,561	23,047	35,363	35,760	241,056	11,925	419,980	70,732
Segment liabilities	21,689	13,822	13,279	9,830	1,296	6,101	36,264	29,753

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 9. SEGMENT INFORMATION (Continued)

Reconciliation of reportable segment losses, assets and liabilities are as follows:

	2015 HK\$'000	2014 HK\$'000
<b>Loss</b>		
Total loss of reportable segments	(12,889)	(7,016)
Unallocated amounts:		
Unallocated corporate other income	29	4
Unallocated corporate expenses	(9,338)	(5,835)
Loss from operations	(22,198)	(12,847)
Finance costs	(11)	(1)
Loss before taxation	(22,209)	(12,848)
<b>Assets</b>		
Total assets of reportable segments	419,980	70,732
Unallocated corporate assets	71,603	115,896
Total assets	491,583	186,628
<b>Liabilities</b>		
Total liabilities of reportable segments	36,264	29,753
Unallocated corporate liabilities	549	583
Total liabilities	36,813	30,336

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 9. SEGMENT INFORMATION (Continued)

Geographical information:

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment and intangible assets ("specified non-current assets"). The geographical location of customers is based on the location where the sales are taken place. The geographical location of specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, and the location of the operation to which they are allocated, in case of intangible assets.

	Revenue from external customers		Specified non-current assets	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Hong Kong	113,838	38,882	311	221
The People's Republic of China (the "PRC") except Hong Kong	28,724	32,493	4,988	5,881
Australia	–	–	336	127
<b>Total</b>	<b>142,562</b>	<b>71,375</b>	<b>5,635</b>	<b>6,229</b>

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

	2015 HK\$'000	2014 HK\$'000
Sale of metals and semiconductors and related products		
Customer A	85,745	–
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 2015

## 10. INCOME TAX CREDIT

	2015 HK\$'000	2014 HK\$'000
Current tax – Hong Kong Profits Tax		
Over-provision in prior years	–	(20)
Deferred tax ( <i>note 18(b)(i)</i> )	<b>(4,595)</b>	(2)
	<b>(4,595)</b>	(22)

No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2014 and 2015 as the Group sustained a loss for taxation purposes during the years.

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 subsidiaries incorporated in Australia are subject to income tax at a rate of 30% (2014: 30%). The Corporate Income Tax ("CIT") rate applicable to subsidiaries registered in the PRC is 25% (2014: 25%). A PRC subsidiary is entitled to preferential CIT rate at 15%. No provision for overseas tax for the years ended 31 December 2014 and 2015 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 2015

## 10. INCOME TAX CREDIT (Continued)

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Loss before taxation	<b>(22,209)</b>	(12,848)
Tax at the domestic income tax rate of 16.5% (2014: 16.5%)	<b>(3,664)</b>	(2,120)
Tax effect of expenses that are not deductible	<b>780</b>	266
Tax effect of income that is not taxable	<b>(497)</b>	(34)
Over-provision in prior years	–	(20)
Tax effect of tax losses not recognised	<b>1,217</b>	2,245
Tax effect of recognition of previously unrecognised tax losses	<b>(395)</b>	–
Tax effect of different tax rates of subsidiaries	<b>(2,036)</b>	(350)
Others	–	(9)
	<b>(4,595)</b>	(22)

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 11. LOSS FOR THE YEAR

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

	2015 HK\$'000	2014 HK\$'000
Auditor's remuneration	651	578
Staff costs (including directors' remuneration)		
Salaries, bonus and allowances	14,601	10,127
Retirement benefits scheme contributions	1,055	544
	<b>15,656</b>	10,671
Cost of inventories sold	139,716	68,201
Amortisation (note 17)	28	–
Depreciation (note 16)	1,207	872
Impairment loss on a trade receivable (note 21(a))	739	1,108
Write down of inventories	–	773
Operating lease charges on land and buildings	4,510	3,399

Cost of inventories sold included staff costs, depreciation and operating lease charges totalling approximately HK\$5,270,000 (2014: approximately HK\$5,943,000) which are included in the amounts disclosed separately above.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 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
Cao Jianguo	-	520	-	-	36	556
Zhou Diyong	-	195	-	-	19	214
Ji Danyang	-	195	-	-	19	214
Feng Hailiang	650	-	-	-	36	686
Chang Tat Joel	100	-	-	-	-	100
Ho Gilbert Chi Hang	100	-	-	-	-	100
Tsui Kun Lam Ivan	100	-	-	-	-	100
<b>Total for 2015</b>	<b>950</b>	<b>910</b>	<b>-</b>	<b>-</b>	<b>110</b>	<b>1,970</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 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
Cao Jianguo	-	173	-	-	12	185
Zhou Diyong	-	65	-	-	7	72
Ji Danyang	-	65	-	-	7	72
Feng Hailiang	216	-	-	-	12	228
Chang Tat Joel	33	-	-	-	-	33
Ho Gilbert Chi Hang	33	-	-	-	-	33
Tsui Kun Lam Ivan	33	-	-	-	-	33
<i>Directors resigned on 3 June 2014</i>						
Sue Ka Lok	-	230	-	-	11	241
Lai Ming Wai	-	153	-	-	7	160
Suen Cho Hung, Paul	41	-	-	-	-	41
Sun Ka Ziang, Henry	31	-	-	-	-	31
Chiang Bun	31	-	-	-	-	31
Wong Wai Yin, Viola	31	-	-	-	-	31
<b>Total for 2014</b>	<b>449</b>	<b>686</b>	<b>-</b>	<b>-</b>	<b>56</b>	<b>1,191</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 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 one (2014: one) director whose remunerations are reflected in the analysis presented above. The remunerations of the remaining four (2014: four) individuals are set out below:

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Basic salaries and allowances	<b>3,864</b>	1,571
Retirement benefit scheme contributions	<b>359</b>	36
	<b>4,223</b>	1,607

The remunerations of the four (2014: four) individuals with the highest remunerations are within the following bands:

	<b>2015</b> <b>Number of individuals</b>	2014 Number of individuals
Nil – HK\$1,000,000	<b>3</b>	4
HK\$1,500,001 – HK\$2,000,000	<b>1</b>	–

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 for the year ended 31 December 2014 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 2015, the remunerations of senior management (as disclosed in the section headed "Biographical Details of Directors and Senior Management") is disclosed by band as follows:

	<b>2015</b> <b>Number of individual</b>	2014 Number of individual
Nil – HK\$1,000,000	<b>1</b>	1

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 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. DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: Nil).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 15. LOSS PER SHARE

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Loss:</b>		
Loss for the purpose of calculating basic loss per share attributable to the owners of the Company	<b>(16,367)</b>	(11,419)
Finance costs saving on conversion of creditors convertible bonds outstanding	–	1
Deferred tax relating to creditors convertible bonds	–	(2)
	<hr/>	<hr/>
Loss for the purpose of calculating diluted loss per share attributable to the owners of the Company	<b>(16,367)</b>	(11,420)
	<hr/>	<hr/>
	2015 <i>'000</i>	2014 <i>'000</i> (Restated)
<b>Number of shares:</b>		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<b>1,423,429</b>	1,230,273
Effect of dilutive potential ordinary shares arising from creditors convertible bonds outstanding	–	260
	<hr/>	<hr/>
Weighted average number of ordinary shares for the purpose of calculating diluted loss per share	<b>1,423,429</b>	1,230,533
	<hr/>	<hr/>

The basic and diluted loss per share for the year ended 31 December 2015 are the same as the Company had no dilutive potential ordinary shares in issue during the year.

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

As described in note 26, the Company completed the open offer on 30 June 2015. In calculating loss per share, the weighted average number of ordinary shares during the years ended 31 December 2015 and 2014 were calculated as if the bonus elements without consideration included in the open offer had existed from the beginning of the comparative year.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 16. PROPERTY, PLANT AND EQUIPMENT

### Reconciliation of carrying amount

	Machinery HK\$'000	Computer & office equipment HK\$'000	Motor vehicles HK\$'000	Leasehold improvement HK\$'000	Total HK\$'000
<b>Cost</b>					
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 and 1 January 2015	6,820	866	761	576	9,023
Additions	23	328	341	185	877
Disposals	–	(25)	(230)	–	(255)
Exchange differences	(363)	(50)	(44)	(30)	(487)
<b>At 31 December 2015</b>	<b>6,480</b>	<b>1,119</b>	<b>828</b>	<b>731</b>	<b>9,158</b>
<b>Accumulated depreciation</b>					
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 and 1 January 2015	1,894	301	157	442	2,794
Charge for the year	736	149	226	96	1,207
Written back on disposals	–	(1)	(182)	–	(183)
Exchange differences	(125)	(14)	(10)	(24)	(173)
<b>At 31 December 2015</b>	<b>2,505</b>	<b>435</b>	<b>191</b>	<b>514</b>	<b>3,645</b>
<b>Carrying amount</b>					
<b>At 31 December 2015</b>	<b>3,975</b>	<b>684</b>	<b>637</b>	<b>217</b>	<b>5,513</b>
At 31 December 2014	4,926	565	604	134	6,229

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 16. PROPERTY, PLANT AND EQUIPMENT (Continued)

### Assets held under finance leases

The Group leases a motor vehicle under non cancellable finance leases (note 25). The lease term is 5 years. Motor vehicle include the following amounts where the Group is a lessee under finance leases:

	2015 HK\$'000	2014 HK\$'000
Cost — capitalised finance leases	230	—
Accumulated depreciation	(23)	—
	<b>207</b>	—

## 17. INTANGIBLE ASSETS

	Webpage design and development HK\$'000
<b>Cost</b>	
At 1 January 2015	—
Additions	150
<b>At 31 December 2015</b>	<b>150</b>
<b>Accumulated amortisation</b>	
At 1 January 2015	—
Charge for the year	28
<b>At 31 December 2015</b>	<b>28</b>
<b>Carrying amount</b>	
<b>At 31 December 2015</b>	<b>122</b>
At 31 December 2014	—

The amortisations charge for the year is included in “administrative expenses” in the consolidated statement of profit or loss and other comprehensive income.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 18. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### (a) Current taxation in the consolidated statement of financial position represents:

	2015 HK\$'000	2014 HK\$'000
Provisional Hong Kong Profits Tax paid	–	(445)
Overseas tax refundable	–	(127)
	–	(572)
Representing:		
Current tax assets	–	(572)

### (b) Deferred tax assets recognised

#### (i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:	Future benefit of tax losses HK\$'000	Creditors convertible bonds HK\$'000	Total HK\$'000
At 1 January 2014	–	2	2
Credited to the consolidated profit or loss (note 10)	–	(2)	(2)
At 31 December 2014 and 1 January 2015	–	–	–
Credited to the consolidated profit or loss (note 10)	(4,595)	–	(4,595)
Exchange differences	139	–	139
<b>At 31 December 2015</b>	<b>(4,456)</b>	<b>–</b>	<b>(4,456)</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 18. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

### (b) Deferred tax assets recognised (Continued)

(ii) Reconciliation to the consolidated statement of financial position

	2015 HK\$'000	2014 HK\$'000
Net deferred tax assets recognised in the consolidated statement of financial position	<b>4,456</b>	–

### (c) Deferred tax asset not recognised

At the end of the reporting period, the Group has not recognised deferred tax assets in respect of cumulative tax losses of approximately HK\$16,659,000 (2014: approximately HK\$13,892,000) due to the unpredictability of future profit streams. Included in unrecognised estimated tax losses are losses of approximately HK\$5,544,000 (2014: approximately HK\$5,073,000) that will expire in 5 years from the year of origination. Other losses may be carried forward indefinitely.

## 19. INVENTORIES

	2015 HK\$'000	2014 HK\$'000
Raw materials	<b>4,595</b>	4,139
Work in progress	<b>662</b>	1,206
Finished goods	<b>29,472</b>	19,741
	<b>34,729</b>	25,086

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 20. PROPERTIES FOR SALE UNDER DEVELOPMENT

Movements of properties for sale under development are as follows:

	<i>HK\$'000</i>
At 1 January 2014	–
Additions	750
At 31 December 2014 and 1 January 2015	750
Additions	206,890
Exchange differences	(737)
<b>At 31 December 2015</b>	<b>206,903</b>

As at 31 December 2015, the properties for sale under development included the payment for the land and the related professional and governmental fees in relation to the acquisition of a piece of land in Australia which was approved by the shareholders of the Company on 10 February 2015 (details of the relevant agreement are set out in the circular of the Company dated 24 January 2015). The amount were not expected to be recovered within twelve months from the end of the reporting period. They were included in the Group's current assets in the consolidated statement of financial position as it is expected that the properties will be realised in the Group's normal operating cycle for properties development.

The analysis of carrying value of land held for properties for sale under development is as follows:

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Outside Hong Kong – freehold	<b>192,318</b>	–

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 21. TRADE AND BILL RECEIVABLES AND PREPAYMENT, DEPOSIT AND OTHER RECEIVABLES

### (a) Trade and bill receivables

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade and bill receivables	17,693	15,790
Less: Allowance for doubtful debts	(3,104)	(2,435)
	<b>14,589</b>	<b>13,355</b>

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, including new customers identified in the sale of metals business, 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. All trade and bill receivables are expected to be recovered or recognised within one year.

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
30 days or less	5,750	5,323
31 days to 60 days	3,144	3,370
61 days to 90 days	901	1,010
91 days to 120 days	676	546
Over 120 days	4,118	3,106
	<b>14,589</b>	<b>13,355</b>

The balance of trade and bill receivables included an amount of approximately HK\$863,000 (2014: approximately HK\$606,000) in relation to bill receivables as at 31 December 2015.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 21. TRADE AND BILL RECEIVABLES AND PREPAYMENT, DEPOSIT AND OTHER RECEIVABLES (Continued)

### (a) Trade and bill receivables (Continued)

As at 31 December 2015, trade and bill receivables of approximately HK\$4,118,000 (2014: approximately HK\$3,106,000) 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:

	2015 HK\$'000	2014 HK\$'000
Over 120 days	<b>4,118</b>	3,106

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

	2015 HK\$'000	2014 HK\$'000
US\$	–	738
RMB	<b>14,589</b>	12,617
	<b>14,589</b>	13,355

Movement of the allowance for doubtful debts during the year:

	2015 HK\$'000	2014 HK\$'000
At 1 January	<b>2,435</b>	1,335
Impairment loss recognised (note 11)	<b>739</b>	1,108
Exchange difference	<b>(70)</b>	(8)
At 31 December	<b>3,104</b>	2,435

As at 31 December 2015, trade and bill receivables of approximately HK\$3,104,000 (2014: approximately HK\$3,174,000) were individually determined to be impaired. The individually impaired receivables related to a customer that were in financial difficulties and management assessed that the whole receivable (2014: part of the receivable) is not expected to be recovered. Consequently, specific allowances for doubtful debts of approximately HK\$3,104,000 (2014: approximately HK\$2,435,000) were recognised.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 21. TRADE AND BILL RECEIVABLES AND PREPAYMENT, DEPOSIT AND OTHER RECEIVABLES (Continued)

### (b) Prepayments, deposits and other receivables

The amount of prepayments, deposits and other receivables expected to be recovered or recognised as expense after more than one year is approximately HK\$955,000 (2014: approximately HK\$844,000).

## 22. TRADE PAYABLES

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

	2015 HK\$'000	2014 HK\$'000
30 days or less	24,326	4,110
31 days to 60 days	1,298	1,832
61 days to 90 days	1,510	976
91 days to 120 days	789	679
Over 120 days	4,086	14,403
	<b>32,009</b>	<b>22,000</b>

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

	2015 HK\$'000	2014 HK\$'000
US\$	21,542	13,515
RMB	10,467	8,485
	<b>32,009</b>	<b>22,000</b>

## 23. 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.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 24. DUE TO A CONTROLLING SHAREHOLDER OF THE COMPANY

The amount due to a controlling shareholder of the Company as at 31 December 2014 was unsecured, non-interest bearing and had no fixed terms of repayment.

## 25. OBLIGATIONS UNDER FINANCE LEASES

	2015	
	Minimum lease payments HK\$'000	Present value of minimum lease payments HK\$'000
Within one year	61	51
In the second to fifth year inclusive	192	178
	<u>253</u>	<u>229</u>
Less: Future finance charges	(24)	
Present value of lease obligations	<u>229</u>	
The present value of future lease payments are analysed as:		
Current liabilities		51
Non-current liabilities		178
		<u>229</u>

The average lease term is 5 years (2014: Nil). At 31 December 2015, the average effective borrowing rate was 4.95% (2014: Nil). Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All finance lease payables are denominated in Australian dollars.

The Group's finance lease payables are secured by the lessor's title to the leased assets.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 26. 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.

	2015 HK\$'000	2014 HK\$'000
Authorised:		
10,000,000,000 ordinary shares of HK\$0.01 each	<b>100,000</b>	100,000
Issued and fully paid:		
1,611,110,767 ordinary shares of HK\$0.01 each (2014: 1,074,073,845 ordinary shares of HK\$0.01 each)	<b>16,111</b>	10,741

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 2014	1,072,507	10,725
Issue of new shares upon conversion of creditors convertible bonds ( <i>note a</i> )	1,567	16
At 31 December 2014 and 1 January 2015	1,074,074	10,741
Issue of new shares under open offer ( <i>note b</i> )	537,037	5,370
<b>At 31 December 2015</b>	<b>1,611,111</b>	<b>16,111</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 26. SHARE CAPITAL (Continued)

- Notes: a. 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 at a conversion price of HK\$0.2 per share.
- b. On 30 June 2015, the Company completed the open offer in which 537,036,922 offer shares were issued on the basis of one offer share for every two existing shares at the subscription price of HK\$0.60 per offer share with the par value of HK\$0.01 each. Accordingly, the Company's issued share capital was increased by approximately HK\$5,370,000 and its share premium account was increased by approximately HK\$315,245,000 (after deduction of the transaction costs related to the open offer of approximately HK\$1,607,000).

## 27. 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 HK\$'000	Creditors convertible bonds reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
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>
At 1 January 2015	185,199	–	(61,576)	123,623
Total comprehensive expenses for the year	–	–	(6,412)	(6,412)
Issue of new shares	315,245	–	–	315,245
<b>At 31 December 2015</b>	<b><u>500,444</u></b>	<b><u>–</u></b>	<b><u>(67,988)</u></b>	<b><u>432,456</u></b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 27. 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 2015

## 28. 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. 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.

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 28. SHARE-BASED PAYMENTS (Continued)

### Equity-settled 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 (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 2015 and 2014 and no share options were outstanding as at 31 December 2015 and 2014.

## 29. CONTINGENT LIABILITIES

As at 31 December 2015, the Group did not have any significant contingent liabilities (2014: Nil).

## 30. PLEDGE OF ASSETS

As at 31 December 2015, except for pledged bank deposits and motor vehicle with carrying amounts of approximately HK\$2,483,000 (2014: approximately HK\$2,777,000) and HK\$208,000 (2014: HK\$Nil) respectively, the Group did not have other significant assets under pledge (2014: Nil).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 31. 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:

	<b>2015</b> <b>HK\$'000</b>	2014 <i>HK\$'000</i>
Within one year	<b>6,068</b>	6,001
In the second to fifth year inclusive	<b>6,213</b>	12,709
	<b>12,281</b>	18,710

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.

### As lessor/ As lessee and sub-lessor

At the end of the reporting period, the Group has total future minimum lease and sublease payments expected to be received under non-cancellable subleases and were receivable as follows:

#### (a) *As lessor*

	<b>2015</b> <b>HK\$'000</b>	2014 <i>HK\$'000</i>
Within one year	<b>407</b>	–

#### (b) *As lessee and sub-lessor*

	<b>2015</b> <b>HK\$'000</b>	2014 <i>HK\$'000</i>
Within one year	<b>1,903</b>	–
In the second to fifth year inclusive	<b>3,052</b>	–
	<b>4,955</b>	–

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 32. CAPITAL COMMITMENT

As at 31 December 2015, the Group had no material capital commitments (2014: Nil).

## 33. 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:

	2015 HK\$'000	2014 HK\$'000
Compensation of key management personnel		
Short-term benefits	1,860	1,135
Post-employment benefits	110	56
	<u>1,970</u>	<u>1,191</u>
Operating lease charges on office premises to a related company in which two former Directors have significant influence ( <i>note a</i> )	–	293
Sharing of administrative services charge with a fellow subsidiary ( <i>note a</i> )	69	–
Sharing of rental charge with a fellow subsidiary ( <i>note a</i> )	335	–

*Note a:* These related party transactions constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. However, these transactions are exempt from the disclosure requirements under Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(1).

During the year ended 31 December 2015, the Group purchased raw materials from a non-controlling shareholder of a subsidiary totalling approximately HK\$98,000 (2014: approximately HK\$373,000) which are considered as continuing connected transactions under the Listing Rules. An independent report on the continuing connected transactions issued by the Company's auditor is disclosed in the Report of the Directors.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 34. MAJOR NON-CASH TRANSACTION

Addition to property, plant and equipment during the year of approximately HK\$237,000 (2014: HK\$Nil) were financed by finance leases.

## 35. EVENTS AFTER THE REPORTING PERIOD

There is no significant event happened after the end of the reporting period.

## 36. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES OF THE COMPANY

(a) Particulars of the Company's subsidiaries which principally affected the results, assets and liabilities of the Group as at 31 December 2015 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 Development Limited	British Virgin Islands	1 ordinary share of US\$1 each	100%	–	Investment holding
Global Champion Technology Limited	Hong Kong	HK\$100	–	70%	Sale of metals and semiconductors and related products
Global Winner Enterprises Limited	Hong Kong	HK\$1	–	100%	Sale of metals and semiconductors and related products
Onetech Technology Company Limited	Hong Kong	HK\$100	–	100%	Development and provision of electronic turnkey device solution products
Sable International Limited	Hong Kong	HK\$1	–	100%	Sale of metals and semiconductors and related products

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 36. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

(a) Particulars of the Company's subsidiaries which principally affected the results, assets and liabilities of the Group as at 31 December 2015 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	
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 solution products
佛山聯創華聯電子有限公司 (literally translated as Foshan Lianchuang Hualian Electronics Company Limited) ("Foshan Lianchuang Hualian")	The PRC	Paid-up capital of RMB21,910,000	-	50.21%	Development and provision of electronic turnkey device solution 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 Holdings Limited, an indirect wholly-owned subsidiary of the Company, 廈門華聯電子有限公司 (literally translated as Xiamen Hualian Electronics Company Limited) and 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) 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 2015

## 36. 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	
	2015	2014
% of ownership interest/voting rights held by NCI	49.79%	49.79%
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>At 31 December:</b>		
Non-current assets	4,986	5,865
Current assets	28,576	27,937
Current liabilities	(13,264)	(9,820)
Net assets	20,298	23,982
Carrying amount of NCI	10,106	11,941
<b>Years ended 31 December:</b>		
Revenue	28,724	32,494
Loss for the year	(2,491)	(2,818)
Loss allocated to NCI	(1,240)	(1,403)
Total comprehensive expenses	(3,684)	(2,985)
Total comprehensive expenses allocated to NCI	(1,834)	(1,486)
Net cash (used in)/generated from operating activities	(1,318)	2,465
Net cash used in investing activities	(443)	(989)
Net (decrease)/increase in cash and cash equivalents	(1,761)	1,476

### (c) Significant restriction

As at 31 December 2015, the bank and cash balances of the Group's subsidiaries in the PRC denominated in RMB amounted to approximately HK\$5,124,000 (2014: approximately HK\$7,645,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2015 HK\$'000	2014 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		154	156
Intangible assets		122	–
Interests in subsidiaries ( <i>note (a)</i> )	36	253,339	9,225
		<b>253,615</b>	9,381
<b>Current assets</b>			
Due from subsidiaries ( <i>note (b)</i> )		131,090	16,729
Prepayments, deposits and other receivables		903	986
Current tax assets		–	431
Bank and cash balances		70,374	114,273
		<b>202,367</b>	132,419
<b>Current liabilities</b>			
Due to a subsidiary		6,881	6,864
Accruals and other payables		534	572
		<b>7,415</b>	7,436
<b>Net current assets</b>		<b>194,952</b>	124,983
<b>Total assets less current liabilities</b>		<b>448,567</b>	134,364
<b>NET ASSETS</b>		<b>448,567</b>	134,364
<b>Capital and reserves</b>			
Share capital	26	16,111	10,741
Reserves	27(b)	432,456	123,623
<b>TOTAL EQUITY</b>		<b>448,567</b>	134,364

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Notes:

- (a) Interests in subsidiaries

	2015 HK\$'000	2014 HK\$'000
Unlisted investments, at cost	97,835	70
Loan to a subsidiary	146,667	–
Amount due from a subsidiary	8,837	9,155
	<b>253,339</b>	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.

Loan to a subsidiary is unsecured, interest bearing at approximately 6.4% per annum and repayable in 2020.

- (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 was interest bearing at prime rate less 3.5% per annum.

## 38. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements are approved and authorised for issue by the Board of Directors on 18 March 2016.

# Particulars of Major Properties and Property Interests

As at 31 December 2015

## Properties for sale under development

<b>Property address:</b>	445-453 Canterbury Road, Campsie, New South Wales 2194, Australia
<b>Registered Lots:</b>	13/DP3995, 15/DP3995, 3/DP337683, A/DP355656, B/DP355656, A/DP391661, B/DP391661, A/DP416123, B/DP416123
<b>Approximate site area:</b>	4,416.0 sq.m.
<b>Approximate gross floor area after redevelopment:</b>	13,943.2 sq.m.
<b>Existing use:</b>	Shops
<b>Proposed use:</b>	Residential and commercial
<b>Effective interest:</b>	100%

*Note:* Please refer to the paragraph "Property Development" under the section headed "Management Discussion and Analysis" of this Annual Report for details of the status of the development of the properties.

## Five Year Financial Summary

	For the year ended 31 December				2015 HK\$'000
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	
<b>RESULTS</b>					
Revenue	304,689	334,135	231,191	71,375	<b>142,562</b>
(Loss)/profit for the year	(14,285)	262,800	(1,414)	(12,826)	<b>(17,614)</b>
(Loss)/profit attributable to:					
Owners of the Company	(15,993)	263,149	353	(11,419)	<b>(16,367)</b>
Non-controlling interests	1,708	(349)	(1,767)	(1,407)	<b>(1,247)</b>
	(14,285)	262,800	(1,414)	(12,826)	<b>(17,614)</b>
<b>As at 31 December</b>					
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
<b>ASSETS AND LIABILITIES</b>					
Total assets	121,677	197,879	209,245	186,628	<b>491,583</b>
Total liabilities	(408,951)	(29,319)	(39,637)	(30,336)	<b>(36,813)</b>
	(287,274)	168,560	169,608	156,292	<b>454,770</b>
(Deficiency of equity)/equity attributable to owners of the Company	(303,295)	154,937	156,188	144,362	<b>444,680</b>
Non-controlling interests	16,021	13,623	13,420	11,930	<b>10,090</b>
	(287,274)	168,560	169,608	156,292	<b>454,770</b>