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China Optoelectronics Holding Group Co., Limited

中國光電控股集團有限公司

(Incorporated in Bermuda with limited liability)

Website: www.chnoe.com

(Stock Code: 1332)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

The board of directors (the “Board”) of China Optoelectronics Holding Group Co., Limited (the “Company”) announces the consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2015 together with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2015 HK\$'000	2014 HK\$'000
REVENUE	4	285,967	397,040
Cost of sales		<u>(280,722)</u>	<u>(330,786)</u>
Gross profit		5,245	66,254
Other income and gains	4	389,847	2,530
Selling and distribution expenses		(13,468)	(15,142)
Administrative expenses		(42,078)	(39,289)
Other expenses		(82,861)	(62)
Finance costs	6	(422)	-
Share of losses of an associate		<u>-</u>	<u>(1,135)</u>
PROFIT BEFORE TAX	5	256,263	13,156
Income tax expense	7	(1,060)	(1,766)
PROFIT FOR THE YEAR		<u>255,203</u>	<u>11,390</u>

	Note	2015 HK\$'000	2014 HK\$'000
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investments:			
Changes in fair value		33,154	1,522
Reclassification adjustments for gains on disposal included in profit or loss		(31,266)	-
Exchange differences on translation of foreign operations		(398)	(17)
		<u>1,490</u>	<u>1,505</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		1,490	1,505
		<u>1,490</u>	<u>1,505</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		256,693	12,895
		<u>256,693</u>	<u>12,895</u>
Profit/(loss) attributable to:			
Owners of the parent		255,259	10,349
Non-controlling interests		(56)	1,041
		<u>255,203</u>	<u>11,390</u>
		<u>255,203</u>	<u>11,390</u>
Total comprehensive income/(loss) attributable to:			
Owners of the parent		256,749	11,854
Non-controlling interests		(56)	1,041
		<u>256,693</u>	<u>12,895</u>
		<u>256,693</u>	<u>12,895</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		(Restated)
Basic and diluted		<u>HK6.98 cents</u>	<u>HK0.29 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2015 HK\$'000	2014 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		6,195	85,505
Prepaid land lease payments		-	12,538
Investment in an associate		-	-
Available-for-sale investments	11	195,065	77,416
Prepayments		2,196	-
Total non-current assets		<u>203,456</u>	<u>175,459</u>
CURRENT ASSETS			
Prepaid land lease payments		-	402
Inventories		27,989	37,759
Trade and bills receivables	12	37,932	50,361
Loan and interest receivables		30,223	-
Prepayments, deposits and other receivables		9,371	7,579
Financial assets at fair value through profit or loss	13	667,376	-
Tax recoverable		-	1,108
Pledged deposits		-	3,023
Cash and cash equivalents		36,179	37,034
		<u>809,070</u>	<u>137,266</u>
Assets of a disposal group classified as held for sale	10	2,278	32,817
Total current assets		<u>811,348</u>	<u>170,083</u>
CURRENT LIABILITIES			
Trade and bills payables	14	16,343	37,867
Other payables and accruals		18,014	30,228
Tax payable		138	870
Interest-bearing other borrowings		201,053	-
		<u>235,548</u>	<u>68,965</u>
Liabilities directly associated with the assets classified as held for sale	10	-	580
Total current liabilities		<u>235,548</u>	<u>69,545</u>
NET CURRENT ASSETS		<u>575,800</u>	<u>100,538</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>779,256</u>	<u>275,997</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		146	968
Net assets		<u>779,110</u>	<u>275,029</u>

	Note	2015 HK\$'000	2014 HK\$'000
EQUITY			
Equity attributable to owners of the parent			
Share capital	15	45,286	14,377
Reserves		<u>733,824</u>	<u>258,678</u>
		779,110	273,055
Non-controlling interests		<u>-</u>	<u>1,974</u>
Total equity		<u>779,110</u>	<u>275,029</u>

Notes:

1. CORPORATE AND GROUP INFORMATION

The Company is incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The principal place of business of the Company is located at 7th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong.

During the year, the Group was involved in the following principal activities:

- Design, development, manufacture and sale of watch boxes, jewellery boxes, eyewear cases, bags and pouches and display units
- Investments and trading in securities and money lending

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for listed equity investments classified as available-for-sale investments, financial assets at fair value through profit or loss, and financial liabilities at fair value through profit or loss which have been measured at fair value. A disposal group held for sale is stated at the lower of its carrying amount and fair value less costs to sell. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group has directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards for the first time for the current year's financial statements.

Amendments to HKAS 19 *Defined Benefit Plans: Employee Contributions*
Annual Improvements to HKFRSs 2010-2012 Cycle
Annual Improvements to HKFRSs 2011-2013 Cycle

The nature and the impact of each amendment is described below:

- (a) Amendments to HKAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group as the Group does not have defined benefit plans.
- (b) The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:
 - HKFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.
 - HKAS 16 *Property, Plant and Equipment* and HKAS 38 *Intangible Assets*: Clarifies the treatment of gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.
 - HKAS 24 *Related Party Disclosures*: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.

(c) The *Annual Improvements to HKFRSs 2011-2013 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- **HKFRS 3 *Business Combinations*:** Clarifies that joint arrangements but not joint ventures are outside the scope of HKFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.
- **HKFRS 13 *Fair Value Measurement*:** Clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 or HKAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in HKFRS 13.
- **HKAS 40 *Investment Property*:** Clarifies that HKFRS 3, instead of the description of ancillary services in HKAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment has had no impact on the Group as there was no acquisition of investment properties during the year.

In addition, the Company has adopted the amendments to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

- Manufacturing of packaging products segment - Manufacture and sale of watch boxes, jewellery boxes, eyewear cases, bags and pouches and display units
- Treasury investment segment - Investments and trading in securities and money lending

During the year, the Board has decided to expand the Group’s securities investment and trading business as well as extend into the money lending business in order to capture business and investment opportunities on a timely basis. Accordingly, the securities investment and trading business and the money lending business are designated by the Board as principal activities of the Group. Moreover, the results of the securities investment and trading business and the money lending business are separately reviewed and evaluated for management reporting purpose under the treasury investment segment. Accordingly, the presentation of segment information for the year ended 31 December 2014 has been restated to reflect this change of segment composition.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group’s profit before tax except that finance costs and head office and corporate income and expenses are excluded from such measurement.

	Manufacturing of packaging products		Treasury investment			Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	2015	2014	2015	2014	2015	2014
				(Restated)		(Restated)
Segment revenue	341,349	397,040	(55,382)	-	285,967	397,040
Other revenue	14,903	1,519	30,756	-	45,659	1,519
Total	356,252	398,559	(24,626)	-	331,626	398,559
Segment results	12,837	22,284	(59,538)	(11)	(46,701)	22,273
Corporate and unallocated income					344,188	1,011
Corporate and unallocated expenses					(40,802)	(10,128)
Finance costs					(422)	-
Profit before tax					256,263	13,156
Other segment information:						
Capital expenditure	214	434	-	-	214	434
Bank interest income						
- operating segment	105	99	-	-	105	99
- unallocated					1	51
					106	150
Depreciation						
- operating segment	2,683	3,476	-	-	2,683	3,476
- unallocated					122	1,370
					2,805	4,846
Write-down of inventories to net realisable value	558	1,034	-	-	558	1,034
Gain/(loss) on disposal of items of property, plant and equipment and the associated prepaid land lease payments, net	(18,227)	40	-	-	(18,227)	40
Impairment of trade receivables, net	3,699	62	-	-	3,699	62
Share of losses of an associate	-	-	-	-	-	(1,135)

Revenue from external customers based on the locations of these customers is analysed as follows:

	2015 HK\$'000	2014 HK\$'000
Hong Kong and Mainland China	100,151	171,323
Europe	103,158	109,654
North and South America	57,671	74,149
Others	24,987	41,914
	285,967	397,040

The geographical locations of the Group's non-current assets are analysed as follows:

	2015 HK\$'000	2014 HK\$'000
Hong Kong	196,096	113,331
Mainland China	7,360	62,128
	203,456	175,459

The non-current asset information above is based on the locations of the assets.

Information about major customers

Revenue derived from customers in the manufacturing of packaging products segment which individually accounted for more than 10% of the Group's total revenue is as follows:

	2015 HK\$'000	2014 HK\$'000
Customer A	94,127	100,373
Customer B	-*	44,712

* Revenue from this customer did not account for more than 10% of the Group's total revenue for the year ended 31 December 2015.

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts; fair value gain/loss on financial assets at fair value through profit or loss, net; dividend income from financial assets at fair value through profit or loss; interest income from listed convertible notes and loans receivables.

An analysis of the Group's revenue, other income and gains is as follows:

	2015 HK\$'000	2014 HK\$'000
Revenue		
Sales of packaging products	341,349	397,040
Fair value losses on financial assets at fair value through profit or loss, net*	(57,484)	-
Dividend income from financial assets at fair value through profit or loss	246	-
Interest income from listed convertible notes	210	-
Interest income from loans receivables	1,646	-
	<u>285,967</u>	<u>397,040</u>
Other income and gains		
Bank interest income	106	150
Sale of scrap materials	341	297
Gain on disposal of subsidiaries	352,620	-
Gain on disposal of an associate	5,744	-
Gain on disposal of available-for-sale investments	30,585	-
Gross rental income	240	960
Gain on disposal of items of property, plant and equipment, net	-	40
Fair value gain on derivative financial instruments, net	-	261
Foreign exchange gains, net	-	621
Others	211	201
	<u>389,847</u>	<u>2,530</u>

* The gross proceeds from the disposal of listed equity investments at fair value through profit or loss for the year were approximately HK\$677,990,000 (2014: Nil).

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2015 HK\$'000	2014 HK\$'000
Cost of inventories sold	280,164	329,752
Depreciation	2,805	4,846
Amortisation of prepaid land lease payments	268	402
Minimum lease payments under operating leases	3,034	288
Auditors' remuneration	1,270	1,250
Employee benefits expenses (including directors' remuneration):		
Wages and salaries	75,071	86,610
Pension scheme contributions	9,377	10,366
	<u>84,448</u>	<u>96,976</u>
Equity-settled share option expense	51,700*	-
Direct operating expenses (including repairs and maintenance) arising on rental-earning properties	44	300
Foreign exchange differences, net	71*	(621)
Impairment of trade receivables	3,699*	62*
Loss/(gain) on disposal of items of property, plant and equipment and the associated prepaid land lease payments, net	18,227*	(40)
Loss on extinguishment of financial liabilities at fair value through profit or loss	9,164*	-
Write-down of inventories to net realisable value**	<u>558</u>	<u>1,034</u>

* These items are included in "Other expenses" on the face of the consolidated statement of profit or loss and other comprehensive income.

** This item is included in "Cost of sales" on the face of the consolidated statement of profit or loss and other comprehensive income.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2015 HK\$'000	2014 HK\$'000
Interests on other borrowings	<u>422</u>	<u>-</u>

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. The Group's subsidiaries, which are established in the People's Republic of China (the "PRC"), have tax losses brought forward from prior years to offset against their assessable profits generated during the year.

	2015 HK\$'000	2014 HK\$'000
Current – Hong Kong		
Charge for the year	1,002	1,702
Underprovision in prior years	62	44
Deferred	(4)	20
Total tax charge for the year	<u>1,060</u>	<u>1,766</u>

8. DIVIDEND

The directors do not recommend the payment of any dividend in respect of the year (2014: Nil).

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount for the year ended 31 December 2015 is based on the profit for the year attributable to ordinary equity holders of the parent of HK\$255,259,000 (2014: HK\$10,349,000), and the weighted average number of ordinary shares of 3,655,791,956 (2014: 3,594,149,825 (restated)) in issue during 2015, as adjusted to reflect the Share Subdivision, the First Bonus Issue and the Second Bonus Issue (as defined in note 15 to this results announcement) during the year.

No adjustment has been made to the basic earnings per share amount presented for the year ended 31 December 2015 in respect of a dilution as the impact of the unlisted warrants and equity-settled forward contract had an anti-dilutive effect on the basic earnings per share amount presented.

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2014.

10. ASSETS OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH THE ASSETS CLASSIFIED AS HELD FOR SALE

- (a) On 8 December 2015, the Group entered into a conditional agreement with an independent third party to dispose of the Group's entire equity interest in Permte Production Inc. ("Permte"), which is principally engaged in the holding of a property located in the PRC, together with the assignment of benefits and interest in the loan advanced by Qualipak Manufacturing Limited, the immediate holding company of Permte, at a consideration of RMB9,000,000 (equivalent to HK\$10,669,000). The transaction was completed on 29 February 2016 and the only asset of Permte as at 31 December 2015 was included in asset classified as held for sale.

The asset of Permaste (excluding inter-company loan which is eliminated in consolidation) as at 31 December 2015 is as follows:

	2015 HK\$'000
<i>Asset</i>	
Property	2,278
Asset classified as held for sale	<u>2,278</u>

- (b) On 28 November 2014, the Group entered into a conditional agreement with Sino Green Holdings Limited, an independent third party and an indirect wholly-owned subsidiary of China Soft Power Technology Holdings Limited (formerly known as China Jinhai International Group Limited), to dispose of the Group's entire equity interest in King Place Investments Limited ("King Place"), which was principally engaged in the holding of a property located in Hong Kong, together with the assignment of benefits and interest in the loan advanced by Qualipak Development Limited, the then immediate holding company of King Place, at a consideration of HK\$92,000,000. The transaction was completed on 31 March 2015.

The assets and liabilities of King Place (excluding inter-company loan which was eliminated in consolidation) as at 31 December 2014 are as follows:

	2014 HK\$'000
<i>Assets</i>	
Property	29,544
Prepayments, deposits and other receivables	3,236
Tax recoverable	37
Assets classified as held for sale	<u>32,817</u>
<i>Liabilities</i>	
Other payables and accruals	6
Deferred tax liabilities	574
Liabilities directly associated with the assets classified as held for sale	<u>580</u>
Net assets directly associated with the disposal group	<u>32,237</u>

11. AVAILABLE-FOR-SALE INVESTMENTS

	2015 HK\$'000	2014 HK\$'000
Listed equity investments, at fair value	25,040	77,416
Unlisted equity investments, at cost	<u>170,025</u>	-
	<u>195,065</u>	<u>77,416</u>

During the year, the gross gain in respect of the Group's listed available-for-sale investments recognised in other comprehensive income amounted to HK\$33,154,000 (2014: HK\$1,522,000), of which HK\$31,266,000 (2014: Nil) was reclassified from other comprehensive income to profit or loss for the year.

The Group's listed available-for-sale investments with an aggregate carrying value of HK\$25,040,000 (2014: Nil) at the end of the reporting period were pledged to secure margin facilities granted by a licensed securities company in Hong Kong to the Group.

As at 31 December 2015, certain unlisted equity investments with an aggregate carrying amount of HK\$170,025,000 (2014: Nil) were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

12. TRADE AND BILLS RECEIVABLES

	2015 HK\$'000	2014 HK\$'000
Trade and bills receivables	38,352	50,701
Impairment	(420)	(340)
	<u>37,932</u>	<u>50,361</u>

The Group's trading terms with its customers are mainly on credit, except for new customers where payment in advance is normally required. The credit period generally ranges from 30 to 60 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and bills receivable balances. Trade and bills receivables are non-interest-bearing.

An aged analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2015 HK\$'000	2014 HK\$'000
Within 1 month	22,425	25,566
1 to 2 months	9,523	13,673
2 to 3 months	4,944	6,919
Over 3 months	1,040	4,203
	<u>37,932</u>	<u>50,361</u>

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2015 HK\$'000	2014 HK\$'000
Neither past due nor impaired	30,756	34,469
Less than 1 month past due	5,125	9,858
Over 1 month past due	2,051	6,034
	<u>37,932</u>	<u>50,361</u>

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

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 HK\$'000	2014 HK\$'000
Listed equity investments, at market value	517,376	-
Unlisted convertible notes, at fair value	150,000	-
	<u>667,376</u>	<u>-</u>

The above financial assets at 31 December 2015 were classified as held for trading and were, upon initial recognition, designated by the Group as financial assets at fair value through profit or loss.

The Group's listed equity investments with an aggregate carrying value at 31 December 2015 of HK\$517,376,000 (2014: Nil) were pledged to secure margin facilities granted by a licensed securities company in Hong Kong to the Group.

14. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2015 HK\$'000	2014 HK\$'000
Within 1 month	12,797	29,160
1 to 2 months	2,507	6,688
2 to 3 months	810	1,843
Over 3 months	229	176
	<u>16,343</u>	<u>37,867</u>

The trade and bills payables are non-interest-bearing and are normally settled on terms of 30 to 60 days.

15. SHARE CAPITAL

	2015 HK\$'000	2014 HK\$'000
Authorised:		
10,000,000,000 ordinary shares of HK\$0.01 each		
(2014: 1,000,000,000 ordinary shares of HK\$0.10 each)	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:		
4,528,628,779 ordinary shares of HK\$0.01 each		
(2014: 143,765,993 ordinary shares of HK\$0.10 each)	<u>45,286</u>	<u>14,377</u>

A summary of movements in the Company's share capital is as follows:

	Notes	Number of shares in issue	Share capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 January 2014, 31 December 2014 and 1 January 2015		143,765,993	14,377	18,733	33,110
Share Subdivision	(a)	1,293,893,937	-	-	-
First Bonus Issue	(b)	1,437,659,930	14,376	-	14,376
Second Bonus Issue	(c)	718,829,965	7,188	-	7,188
Exercise of share options	(d)	359,414,982	3,594	141,554	145,148
Placing of new shares	(e)	575,063,972	5,751	86,259	92,010
		4,528,628,779	45,286	246,546	291,832
Share issue expenses		-	-	(2,767)	(2,767)
At 31 December 2015		4,528,628,779	45,286	243,779	289,065

Notes:

- (a) Pursuant to an ordinary resolution passed by the shareholders of the Company at the special general meeting of the Company held on 31 December 2014, every one issued and unissued existing ordinary share of HK\$0.10 in the share capital of the Company was subdivided into ten subdivided shares of HK\$0.01 each (the "Share Subdivision"). The Share Subdivision was completed on 2 January 2015.
- (b) Pursuant to another ordinary resolution passed by the shareholders of the Company at the same special general meeting of the Company held on 31 December 2014, the shareholders of the Company also approved a bonus issue (the "First Bonus Issue") on the basis of one bonus share for every one share (after the Share Subdivision) held by qualifying shareholders whose names appear on the register of members of the Company on the record date, being the date for determining the entitlement to the First Bonus Issue. The First Bonus Issue was completed on 15 January 2015.
- (c) Pursuant to an ordinary resolution passed by the shareholders of the Company at the annual general meeting of the Company held on 18 May 2015, the shareholders of the Company approved another bonus issue (the "Second Bonus Issue") on the basis of one bonus share for every four shares held by qualifying shareholders whose names appear on the register of members of the Company on the record date, being the date for determining the entitlement to the Second Bonus Issue. The Second Bonus Issue was completed on 3 June 2015.
- (d) The subscription rights attaching to 359,414,982 share options were exercised at the subscription price of HK\$0.26 per share, resulting in the issue of 359,414,982 shares for a total cash consideration, before expenses, of approximately HK\$93,448,000. An amount of HK\$51,700,000 was transferred from the share option reserve to share premium upon the exercise of the share options.
- (e) On 11 December 2015, the Company allotted and issued 575,063,972 ordinary shares to certain independent third parties at a subscription price of HK\$0.16 per share and raised a total of approximately HK\$92,010,000, before expenses, as additional working capital of the Company.

16. EVENTS AFTER REPORTING PERIOD

- (a) Pursuant to the joint venture agreement entered into between the Group and Freeman Financial Investment Corporation on 30 December 2015, a joint venture, FreeOpt Holdings Limited (“FreeOpt”) was established and the Group’s capital contribution was made on 5 January 2016.

Details of the Group’s investment in FreeOpt are set out in the Company’s announcement dated 30 December 2015.

- (b) Pursuant to an ordinary resolution passed by the shareholders of the Company at the special general meeting of the Company held on 28 January 2016, the shareholders approved to cancel all outstanding 575,063,972 unlisted warrants and allot 575,063,972 new shares of the Company to the holders of the unlisted warrants at a price of HK\$0.16 per share. The aggregate subscription price is approximately HK\$92,010,000 and the subscription was completed on 4 February 2016.

Details of the cancellation of unlisted warrants and placing of shares were set out in the Company’s circular dated 13 January 2016.

- (c) The directors proposed to change the English name of the Company from “China Optoelectronics Holding Group Co., Limited” to “China Opto Holdings Limited” and to adopt a new Chinese name “中國新進控股有限公司” as the secondary name of the Company to replace “中國光電控股集團有限公司” on 18 February 2016. The change of name was approved by the shareholders of the Company at the special general meeting held on 15 March 2016.

- (d) On 7 March 2016, the Group entered into a conditional sale and purchase agreement with four independent parties to acquire the entire equity interests of Gilderton Limited, 北京埃迪歐亞商貿有限責任公司, 僑登（北京）商貿有限公司 and Tre 29 Group (Hong Kong) Ltd, respectively (collectively, the “WWM Group”), at an aggregate cash consideration of HK\$32.5 million. The transaction was completed on the same date. The WWM Group is principally engaged in design and sale of fashion wears and accessories in Hong Kong and Mainland China.

Due to the timing of the transaction, the Group is still assessing the allocation of fair values of the assets acquired and liabilities assumed. Accordingly, certain disclosures in relation to the business combination as at the date of the acquisition, such as fair values of assets acquired and liabilities assumed, goodwill recognised (if any) and acquisition-related costs, have not been presented.

DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 31 December 2015.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 24 June 2016 to Monday, 27 June 2016, both days inclusive, for determining the eligibility of shareholders for attending and voting at the forthcoming annual general meeting (“AGM”). In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates should be lodged with Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration by 4:30 p.m. on Thursday, 23 June 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group reported a consolidated revenue of HK\$286.0 million for the year ended 31 December 2015, representing a decrease of 28.0% as compared to HK\$397.0 million for the financial year 2014, comprised of packaging business of HK\$341.4 million but offset by treasury investment loss of HK\$55.4 million. The profit attributable to shareholders of the Company was approximately HK\$255.3 million, an increase of HK\$245.0 million, as compared to HK\$10.3 million for the previous financial year. Such increases were primarily due to the one-off gains on disposals of the Group's interests in subsidiaries and associate.

Packaging Business

The revenue of the packaging business for the year decreased by 14.0% to HK\$341.4 million (2014: HK\$397.0 million), mainly due to the disposal of a non-wholly owned subsidiary, Theme Production House Limited ("TPHL") during the year. Hong Kong and Mainland China were still the largest markets and accounted for 45.6% of the total revenue (2014: 43.2%) while sales to Europe and North and South America accounted for 30.2% (2014: 27.6%) and 16.9% (2014: 18.7%) respectively.

The gross profit margin for the year was 17.8%, an increase of 1.1% as compared to 16.7% for the previous year, resulting from the decrease in material costs and the Group's continuous efforts in enhancing its operational efficiency. The segment profit amounted to HK\$12.8 million (2014: HK\$22.3 million), a decrease of HK\$9.5 million, mainly due to the combined effects of disposal of interest in subsidiaries and properties, and written off bad debts.

Treasury Investment Business

Year 2015 marked the transformation that the Group released its illiquid assets and invested into a broad set of financial assets. During the year under review, the stock market in Hong Kong and elsewhere experienced extreme volatility. The Group's securities portfolio recorded the fair value loss on equity investments at fair value through profit or loss and the gain on disposal of available-for-sale listed equity investments of HK\$57.5 million and HK\$30.6 million respectively. In addition, the Group earned dividend and interest income amounted to HK\$2.1 million.

LIQUIDITY AND FINANCIAL STRUCTURE

As at 31 December 2015, the Group had secured and unsecured short term borrowings amounting to HK\$201.1 million (2014: Nil), with an effective interest rate of 8% per annum. After netting off against cash and bank balances of HK\$36.2 million (2014: HK\$40.1 million), the Group was at a net borrowing position of HK\$164.9 million. The gearing ratio, which was expressed as a percentage of net borrowings over the shareholders equity, was 21.2% as at 31 December 2015 (2014: Zero).

CAPITAL STRUCTURE

During the year, the Company subdivided its issued shares on the basis of one ordinary share into ten new ordinary shares. On 15 January 2015 and 3 June 2015, the Company allotted bonus issue at the total of 2,156,489,895 shares to shareholders. Under the share options scheme, the Company granted and issued 359,414,982 shares to eligible participants at the exercise price of HK\$0.26 per share to increase capital fund of HK\$93.4 million. The Company placed 575,063,972 shares at a subscription price of HK\$0.16 per share to raise net proceeds of approximately HK\$89.2 million. As a result, the total number of issued shares was 4,528,628,779 shares as at 31 December 2015.

PLEDGE OF ASSETS

As at 31 December 2015, the Group's margin loan of HK\$2.6 million (2014: Nil) was secured by the Group's listed equity investments with aggregate carrying values of approximately HK\$542.4 million (2014: Nil).

CONTINGENT LIABILITIES

As at 31 December 2015, the Group did not have any contingent liabilities (2014: HK\$4.5 million).

FOREIGN EXCHANGE RISK

Most of the Group's revenues are conducted in US dollars and Hong Kong dollars while expenses are mainly in US dollars, Hong Kong dollars and Renminbi. In view of the prevailing financial market situation, the Group did not engage in any foreign exchange hedging products for the exposure of currency risk of Renminbi during the year. The Group still monitors fluctuations in exchange rates closely and actively manages the currency risk involved.

MATERIAL DISPOSAL OF SUBSIDIARIES AND ASSOCIATES

The Group completed the sales of three property holding companies and arranged a leaseback of two properties in Hong Kong for its own use. The disposals resulted in a gain of approximately HK\$347.2 million. The sale and leaseback allowed the Group to deploy financial resources for other investment opportunities and realise the hidden value of illiquid assets.

In line with the Group's overall strategy to streamline the manufacturing business, the Group also disposed of its trading businesses of display units and kitchenware by selling all its entire equity interest of 51% and 30% in TPHL and Technical International Holdings Limited respectively. The disposals generated a gain of approximately HK\$11.2 million for the Group.

EMPLOYEES

As at 31 December 2015, the Group employed approximately 930 employees in Hong Kong and Mainland China. The Group's remuneration policy is commensurate with merit, qualification and competence of employees. In addition to salary and year-end bonus, the remuneration packages also comprised of options scheme, provident fund contributions, medical and life insurances.

PROSPECTS

Surrounded by a cloud of uncertainty, for 2016, the consumer market worldwide is likely to remain in a slow growth path in spite of a loose monetary policy in the Eurozone and growing domestic demands in the United States. The packaging business has to face the major challenges in Mainland China which include shortages in workforce, increase in wages and fringe benefits payments.

The equity market performance has been sluggish since the second half of 2015 and continued to be unsatisfactory in early 2016. Market conditions are expected to be tough in the foreseeable future. A weakening local economy, rising interest rates in the United States and further slowdown in the economic growth in China are factors likely to exert pressure on the financial market and performance in the equity trading sector in the year ahead.

In view of the change of its economy to consumption-driven growth from investment-driven mode by China, the Group has been actively diversifying its business, seeking opportunities for expansion which may benefit from the change of macro-environment to establish goals for growth and prosperity.

CORPORATE GOVERNANCE

During the year, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by directors. In response to a specific enquiry by the Company, all directors have confirmed that they have complied with the required standard set out in the Model Code throughout the year.

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

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

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2015 as set out in this announcement have been agreed by the Company's auditors, Ernst & Young ("EY") to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by EY in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by EY on this announcement.

REVIEW OF ANNUAL RESULTS

The Audit Committee has discussed with the management and independent auditors the accounting policies and practices adopted by the Group, and has reviewed the Group's consolidated results for the year ended 31 December 2015.

PUBLICATION OF 2015 ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.chnoe.com. The 2015 Annual Report will also be available on these two websites and despatched to the shareholders of the Company in due course.

By order of the Board
China Optoelectronics Holding Group Co., Limited
Lam How Mun Peter
Chairman

Hong Kong, 21 March 2016

As at the date of this announcement, the Board comprised the following directors:-

Executive Directors

Ms. Poon Ho Yee Agnes (*Managing Director*)
Mr. Lo Yuen Wa Peter
Ms. Sun Dixie Hui

Non-executive Director

Dr. Lam How Mun Peter (*Chairman*)

Independent Non-executive Directors

Mr. Chan Sze Hung
Mr. Cheung Wing Ping
Mr. Ha Kee Choy Eugene
Mr. To Shing Chuen