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**China Optoelectronics Holding Group Co., Limited**

**中國光電控股集團有限公司**

(formerly known as *Qualipak International Holdings Limited* 確利達國際控股有限公司)

(Incorporated in Bermuda with limited liability)

Website: [www.chnoe.com](http://www.chnoe.com)

(Stock Code: 1332)

**INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2015**

The board of directors (the “Board”) of China Optoelectronics Holding Group Co., Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2015 together with comparative figures for the corresponding period in 2014 as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Notes	Six months ended 30 June	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
<b>REVENUE</b>	4	<b>84,859</b>	191,348
Cost of sales		<u>(145,516)</u>	<u>(160,651)</u>
Gross profit/(loss)		<b>(60,657)</b>	30,697
Other income and gains	4	<b>389,526</b>	845
Fair value gain on listed equity investments at fair value through profit or loss, net		<b>41,525</b>	-
Selling and distribution expenses		<b>(6,559)</b>	(7,128)
Administrative expenses		<b>(18,634)</b>	(18,808)
Other expenses		<b>(3,285)</b>	(388)
Share of profits and losses of associates		<u>-</u>	<u>(905)</u>
<b>PROFIT BEFORE TAX</b>	5	<b>341,916</b>	4,313
Income tax expense	6	<u>(598)</u>	<u>(804)</u>
<b>PROFIT FOR THE PERIOD</b>		<u><b>341,318</b></u>	<u>3,509</u>

	<b>Six months ended 30 June</b>	
	<b>2015</b>	<b>2014</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Note	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	42,252	-
Reclassification adjustment for gains included in profit or loss as a result of disposal	(34,953)	-
Exchange differences on translation of foreign operations	(35)	(97)
	<u>7,264</u>	<u>(97)</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<b>7,264</b>	<b>(97)</b>
	<u>7,264</u>	<u>(97)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>348,582</b>	<b>3,412</b>
	<u>348,582</u>	<u>3,412</u>
Profit attributable to:		
Owners of the parent	341,374	2,257
Non-controlling interests	(56)	1,252
	<u>341,318</u>	<u>3,509</u>
	<u>341,318</u>	<u>3,509</u>
Total comprehensive income attributable to:		
Owners of the parent	348,638	2,160
Non-controlling interests	(56)	1,252
	<u>348,582</u>	<u>3,412</u>
	<u>348,582</u>	<u>3,412</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	8	(Restated)
Basic	<u>HK9.50 cents</u>	<u>HK0.06 cents</u>
Diluted	<u>HK9.37 cents</u>	<u>HK0.06 cents</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
	Notes		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		54,552	85,505
Prepaid land lease payments		12,337	12,538
Available-for-sale investments	9	41,370	77,416
Deposit paid		49,625	-
Total non-current assets		157,884	175,459
<b>CURRENT ASSETS</b>			
Prepaid land lease payments		402	402
Inventories		31,807	37,759
Trade and bills receivables	10	40,033	50,361
Prepayments, deposits and other receivables		13,155	7,579
Listed equity investments at fair value through profit or loss		52,355	-
Tax recoverable		24	1,108
Pledged deposits		-	3,023
Cash and cash equivalents		371,903	37,034
		509,679	137,266
Assets of a disposal group classified as held for sale		-	32,817
Total current assets		509,679	170,083
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	11	24,009	37,867
Other payables and accruals		19,054	30,228
Financial liability at fair value through profit or loss		1,029	-
Tax payable		1,403	870
		45,495	68,965
Liabilities directly associated with the assets classified as held for sale		-	580
Total current liabilities		45,495	69,545
<b>NET CURRENT ASSETS</b>		464,184	100,538
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		622,068	275,997
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		375	968
Net assets		621,693	275,029

		<b>30 June 2015 (Unaudited) HK\$'000</b>	31 December 2014 (Audited) HK\$'000
	Note		
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital	12	<b>35,941</b>	14,377
Reserves		<b>585,752</b>	258,678
		<b>621,693</b>	273,055
<b>Non-controlling interests</b>		<b>-</b>	1,974
<b>Total equity</b>		<b>621,693</b>	275,029

Notes:

## 1. CORPORATE INFORMATION

The Company was incorporated in Bermuda under the Companies Act 1981 of Bermuda as an exempted company with limited liability on 24 October 2011. The principal place of business of the Company is located at 7th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong.

The principal activities of the Company are investment holding and provision of corporate management services. The Group is principally engaged in the design, development, manufacture and sale of packaging products and point-of-sales display units; securities investment and trading business as well as money lending business.

The unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2015 were authorised for issue in accordance with a resolution of the directors on 24 August 2015.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial statements of the Group have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2014.

The accounting policies and basis of preparation adopted in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those adopted in the Group’s annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong, except for the adoption of (i) accounting for financial assets at fair value through profit or loss, and revenue recognition; and (ii) the new and revised HKFRSs as disclosed below:

(i) Investments and other financial assets

*Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as other expenses in profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for “Revenue recognition” below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

#### Revenue recognition of financial assets at fair value through profit or loss

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably. Income from the sale of equity and debt securities is recognised on a trade-date basis.

- (ii) The Group has adopted the following revised HKFRSs for the first time for the current period's unaudited interim condensed consolidated financial statements:

Amendments to HKAS 19 <i>Annual Improvements 2010-2012 Cycle</i>	<i>Defined Benefit Plans: Employee Contributions</i> Amendments to a number of HKFRSs
<i>Annual Improvements 2011-2013 Cycle</i>	Amendments to a number of HKFRSs

The adoption of these revised HKFRSs has had no significant financial effect on these unaudited interim condensed consolidated financial statements.

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

### **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 business

During the period, the Board has decided to develop the securities investment and trading business as well as money lending business in order to capture business and investment opportunities on a timely basis and accordingly, the treasury investment business is redesignated by the Board as one of the principal activities of the Group. The results of the treasury investment business are also separately reviewed and evaluated for management reporting purposes. Accordingly, the presentation of segment information for the six months ended 30 June 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 head office and corporate income and expenses are excluded from such measurement.

Information regarding the reportable segments is presented below.

### Reportable segment information

#### For six months ended 30 June 2015 - unaudited

	<b>Manufacturing of packaging products HK\$'000</b>	<b>Treasury investment HK\$'000</b>	<b>Total HK\$'000</b>
Segment revenue	175,176	(90,317)	84,859
Other revenue	<u>5,871</u>	<u>76,112</u>	<u>81,983</u>
	<u>181,047</u>	<u>(14,205)</u>	<u>166,842</u>
Segment results	<u>10,746</u>	<u>(14,498)</u>	(3,752)
Corporate and unallocated income			349,068
Corporate and unallocated expenses			<u>(3,400)</u>
Profit before tax			<u>341,916</u>

#### For six months ended 30 June 2014 - unaudited

	Manufacturing of packaging products HK\$'000	Treasury investment HK\$'000	Total HK\$'000
Segment revenue	191,348	-	191,348
Other revenue	<u>333</u>	<u>-</u>	<u>333</u>
	<u>191,681</u>	<u>-</u>	<u>191,681</u>
Segment results	<u>8,745</u>	<u>-</u>	8,745
Corporate and unallocated income			512
Corporate and unallocated expenses			<u>(4,944)</u>
Profit before tax			<u>4,313</u>

#### 4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts; gain/loss on disposal of listed equity investments at fair value through profit or loss, net; and interest income earned from money lending business.

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

	<b>Six months ended 30 June</b>	
	<b>2015</b>	<b>2014</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue</b>		
Sale of manufacturing products	175,176	191,348
Loss on disposal of listed equity investments at fair value through profit or loss, net	(91,577)	-
Interest income from money lending business	1,260	-
	<u>84,859</u>	<u>191,348</u>
<b>Other income and gains</b>		
Bank interest income	73	53
Sale of scrap materials	177	199
Fair value gain on financial liability at fair value through profit or loss	4,722	-
Foreign exchange differences, net	154	-
Gain on disposal of items of property, plant and equipment	89	40
Gain on disposal of subsidiaries	343,697	-
Gain on disposal of associates	5,744	-
Gain on disposal of available-for-sale investments	34,587	-
Gross rental income	240	480
Others	43	73
	<u>389,526</u>	<u>845</u>



## 5. PROFIT BEFORE TAX

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

	<b>Six months ended 30 June</b>	
	<b>2015</b>	<b>2014</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Depreciation	<b>1,678</b>	2,574
Amortisation of prepaid land lease payments	<b>201</b>	201
Employee benefit expenses (including directors' remuneration):		
Wages and salaries	<b>37,664</b>	41,625
Pension scheme contributions	<b>4,378</b>	5,181
	<b>42,042</b>	46,806
Foreign exchange differences, net	<b>(154)</b>	(316)*
Impairment of trade receivables	<b>3,285*</b>	-
Fair value loss on a derivative financial instrument	<b>-</b>	704 *

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

## 6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in Mainland China.

	<b>Six months ended 30 June</b>	
	<b>2015</b>	<b>2014</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current charge for the period		
Hong Kong	<b>582</b>	744
Mainland China	<b>-</b>	50
Deferred	<b>16</b>	10
Total tax charge for the period	<b>598</b>	804

## 7. DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

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

The calculation of the basic earnings per share amount for the six months ended 30 June 2015 is based on the profit attributable to ordinary equity holders of the parent of HK\$341,374,000 (six months ended 30 June 2014: HK\$2,257,000), and the weighted average number of ordinary shares of 3,594,149,825 (six months ended 30 June 2014: 3,594,149,825, as restated) in issue during the period ended 30 June 2015, as adjusted to reflect the Share Subdivision, the First Bonus Issue and the Second Bonus Issue (as defined in note 12 to this results announcement) during the period.

The calculations of the diluted earnings per share amount for the six months ended 30 June 2015 is based on the profit attributable to ordinary equity holders of the parent, adjusted to reflect the fair value gain on the unlisted warrants. The weighted average number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

The weighted average number of ordinary shares adopted in the calculation of the basic and diluted earnings per share has been retrospectively adjusted to reflect the impact of the Share Subdivision, the First Bonus Issue and the Second Bonus Issue taken place during the period.

The calculations of basic and diluted earnings per share amounts are based on:

	<b>Six months ended 30 June 2015 (Unaudited) HK\$'000</b>	<b>2014 (Unaudited) HK\$'000</b>
<u>Earnings</u>		
Profit attributable to ordinary equity holders of the parent, used in calculation of basic earnings per share calculation	<b>341,374</b>	2,257
Less: Fair value gain on the unlisted warrants	<b>(4,722)</b>	-
	<b>336,652</b>	2,257
<u>Number of shares</u>		
	<b>(Unaudited)</b>	<b>(Unaudited) (Restated)</b>
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	<b>3,594,149,825</b>	3,594,149,825
Effect of dilution – weighted average number of ordinary shares: unlisted warrants	<b>83,609</b>	-
	<b>3,594,233,434</b>	3,594,149,825

## 9. AVAILABLE-FOR-SALE INVESTMENTS

	<b>30 June 2015 (Unaudited) HK\$'000</b>	31 December 2014 (Audited) HK\$'000
Listed equity investments, at fair value:		
Hong Kong	<u><b>41,370</b></u>	<u>77,416</u>

During the period, the gross gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to HK\$42,252,000 (six months ended 30 June 2014: Nil), of which HK\$34,953,000 (six months ended 30 June 2014: Nil) was reclassified from other comprehensive income to the statement of profit or loss for the period.

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

## 10. TRADE AND BILLS RECEIVABLES

	<b>30 June 2015 (Unaudited) HK\$'000</b>	31 December 2014 (Audited) HK\$'000
Trade and bills receivables	<b>43,658</b>	50,701
Impairment	<u><b>(3,625)</b></u>	<u>(340)</u>
	<u><b>40,033</b></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:

	<b>30 June 2015 (Unaudited) HK\$'000</b>	31 December 2014 (Audited) HK\$'000
Within 1 month	<b>20,538</b>	25,566
1 to 2 months	<b>10,540</b>	13,673
2 to 3 months	<b>5,461</b>	6,919
Over 3 months	<u><b>3,494</b></u>	<u>4,203</u>
	<u><b>40,033</b></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:

	<b>30 June 2015 (Unaudited) HK\$'000</b>	31 December 2014 (Audited) HK\$'000
Neither past due nor impaired	<b>30,570</b>	34,469
Less than 1 month past due	<b>5,495</b>	9,858
Over 1 month past due	<b>3,968</b>	6,034
	<b>40,033</b>	50,361

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.

## 11. 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:

	<b>30 June 2015 (Unaudited) HK\$'000</b>	31 December 2014 (Audited) HK\$'000
Within 1 month	<b>20,987</b>	29,160
1 to 2 months	<b>1,962</b>	6,688
2 to 3 months	<b>978</b>	1,843
Over 3 months	<b>82</b>	176
	<b>24,009</b>	37,867

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

## 12. SHARE CAPITAL

Shares

	<b>30 June 2015 (Unaudited) HK\$'000</b>	31 December 2014 (Audited) HK\$'000
Authorised:		
10,000,000,000 (31 December 2014: 1,000,000,000) ordinary shares of HK\$0.01 each (31 December 2014: HK\$0.10 each)	<u><b>100,000</b></u>	<u>100,000</u>
Issued and fully paid:		
3,594,149,825 (31 December 2014: 143,765,993) ordinary shares of HK\$0.01 each (31 December 2014: HK\$0.10 each)	<u><b>35,941</b></u>	<u>14,377</u>

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

	<b>Number of shares in issue</b>	<b>Share capital (Unaudited) HK\$'000</b>	<b>Share premium account (Unaudited) HK\$'000</b>	<b>Total (Unaudited) HK\$'000</b>
At 1 January 2015	<b>143,765,993</b>	<b>14,377</b>	<b>18,733</b>	<b>33,110</b>
Share Subdivision (note (a))	<b>1,293,893,937</b>	-	-	-
First Bonus Issue (note (b))	<b>1,437,659,930</b>	<b>14,376</b>	-	<b>14,376</b>
Second Bonus Issue (note (c))	<u><b>718,829,965</b></u>	<u><b>7,188</b></u>	-	<u><b>7,188</b></u>
At 30 June 2015	<u><b>3,594,149,825</b></u>	<u><b>35,941</b></u>	<u><b>18,733</b></u>	<u><b>54,674</b></u>

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 has been completed on 2 January 2015.
- (b) Pursuant to another 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") of the new subdivided shares on the basis of one bonus share for every one subdivided share 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 has been 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 a bonus issue (the "Second Bonus Issue") of the shares 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 has been completed on 3 June 2015.

- (d) Pursuant to a conditional placing agreement dated 21 April 2015 and three supplemental agreements dated 29 April 2015, 15 May 2015 and 8 June 2015 entered into between the Company and the placing agent, which the Company agreed to grant and the placing agent agreed to procure not less than six places to subscribe for 287,531,980 unlisted warrants with mandatory exercise rights, on a fully-underwritten basis, at the placing price of HK\$0.01 per warrant (the “First Warrant Share”). The subscription price is HK\$0.56 per First Warrant Share. Upon the exercise of the subscription rights attaching to the warrants in full, a maximum of 287,531,980 new shares will be issued and allotted.
- (e) Pursuant to a conditional placing agreement dated 13 May 2015 and a supplemental agreement dated 8 June 2015 entered into between the Company and the placing agent, which the Company agreed to grant and the placing agent agreed to procure not less than six places to subscribe for 287,531,992 unlisted warrants with mandatory exercise rights, on a fully-underwritten basis, at the placing price of HK\$0.01 per warrant (the “Second Warrant Share”). The subscription price is HK\$0.608 per Second Warrant Share. Upon the exercise of the subscription rights attaching to the warrants in full, a maximum of 287,531,992 new shares will be issued and allotted.

## **INTERIM DIVIDEND**

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

During the period under review, the principal activities of the Group were the manufacture and sale of packaging products and point-of-sale display units, and treasury investment. The profit attributable to shareholders for the period was HK\$341.4 million (six months ended 30 June 2014: HK\$2.3 million). The substantial increase was mainly due to gains totalling HK\$349.4 million resulting from the disposals of interests in subsidiaries and associates. Revenue for the Group was HK\$84.9 million (six months ended 30 June 2014: HK\$191.3 million), mainly contributed by the packaging business of HK\$175.2 million but offset by the disposal loss on equity investments at fair value through profit or loss of HK\$91.6 million. This investment loss was also the cause of the Group’s gross loss of HK\$60.7 million (six months ended 30 June 2014: gross profit of HK\$30.7 million) after deducting it significantly from the gross profit generated from the packaging business of HK\$29.7 million.

For the first half of 2015, the global economy grew slowly but still remained weak. Economic growth in the United States had a weak start coupled with progressive European sovereign debt crisis and slowdown in China growth. Faced with uncertainty in the economic outlook, the consumers were likely to reduce their purchases of luxury goods, which in turn caused the weak and unstable demand for packaging products. Nevertheless, the revenue of the Group’s packaging business remained moderately stable through strengthening marketing and promotion strategies in satisfying customers’ requirements.

During the period, the Group has streamlined the manufacturing activities to dispose of its entire interest of 51% in Theme Production House Limited (“TPH”) and 30% in Technical International Holdings Limited with a total gain of HK\$11.2 million. The disposal has enabled the Group to reallocate its available resources to existing and prospective businesses.

In line with the Group’s long-term business plans and strategies to rationalize its assets by increasing their returns, the Group disposed of two office premises by selling the property holding companies to recognize the fair value gains of HK\$338.3 million and redeployed the proceeds in stronger potential opportunities. Furthermore, the Group has recently started treasury investment activities including securities investment and trading and money lending for the purpose of capturing investment opportunities and diversifying the sources of income.

To diversify its core business into environmental protection industry, the Group has entered into a conditional sale and purchase agreement with an independent third party, pursuant to which the Group has agreed to purchase the entire equity interest in a company whose group has principally invested in research, development, production and distribution of light-emitting diode (“LED”) chips and solid-state lighting products in the PRC at a consideration of HK\$496.2 million. A refundable deposit of HK\$49.6 million has been paid and the balance of the consideration in the sum of HK\$446.6 million will be paid by the Group upon completion to be satisfied either by way of cash or the issue of promissory note, or both. As at this reporting date, the acquisition has yet to be completed.

## **FINANCIAL REVIEW**

### **PACKAGING BUSINESS**

The revenue of the packaging business during the period under review decreased by 8.5% to HK\$175.2 million (six months ended 30 June 2014: HK\$191.3 million) by virtue of reduced sales in the point-of-sale display units which were mainly produced by TPH and the restructuring through disposal of this business unit in late-May 2015 as described in the “Business Review” above.

Sales to Hong Kong and Mainland China contributed 43.3% to the revenue while sales to Europe and North and South America accounted for 31.4% and 16.7% respectively.

Despite the increase of labour costs and manufacturing overheads in Mainland China, the gross profit margin improved from 16.0% to 16.9%, mainly due to the decline in material costs and implementation of stringent cost controls.

Profit recorded was HK\$10.7 million, an increase of HK\$2.0 million largely due to the gain on disposal of interest in TPH which amounted to HK\$5.4 million, and was partially set off by the provision for impairment of trade receivables of HK\$3.3 million.

### **TREASURY INVESTMENT**

In view of insignificant interest return on bank deposits and the launch of Shanghai-Hong Kong Stock Connect, the Group has been actively looking for opportunities for diversification since the period under review, and utilizing its surplus fund to treasury investment in seeking better return of assets employed. As at 30 June 2015, the Group held a portfolio of listed securities with a market value of HK\$93.7 million issued by companies listed on The Stock Exchange of Hong Kong Limited. For the six months ended 30 June 2015, the disposal loss and fair value gain on equity investments at fair value through profit or loss were HK\$91.6 million and HK\$41.5 million respectively. Furthermore, the gain on disposal of available-for-sale listed equity investments was HK\$34.6 million and the interest income from provision of finance was HK\$1.3 million.

### **LIQUIDITY AND FINANCIAL RESOURCES**

The Group’s liquidity and financial resources remain strong. As at 30 June 2015, the Group had no outstanding bank borrowing (31 December 2014: Nil) and had cash in hand of HK\$371.9 million (31 December 2014: HK\$40.1 million). The gearing ratio (bank borrowings to shareholders’ equity) was zero as at 30 June 2015 (31 December 2014: Zero).

In June 2015, the Company had issued unlisted 575,063,972 warrants with mandatory exercise rights at the unit price of HK\$0.01, upon which a fair value gain of HK\$4.7 million was recognized. After full exercise of the subscription rights attached to the warrants at respective subscription prices of HK\$0.56 or HK\$0.608 per warrant share within two years, the Company will raise capital up to the maximum of HK\$324.6 million. The net proceeds from the subscription will provide the Group with general working capital requirement, the acquisition of the LED business, and additional investment flexibility.

In respect of the surplus of liquid assets on hand and mandatory exercise of warrants within two years from the issue, the Group has adequate financial resources to meet the funding request for future business development and ongoing operational requirements.

## **PLEDGE OF ASSETS**

As at 30 June 2015, the Group did not have any charge on its assets (31 December 2014: HK\$37.4 million).

## **CONTINGENT LIABILITIES**

As at 30 June 2015, the Group did not have any contingent liabilities (31 December 2014: HK\$4.5 million).

## **FOREIGN EXCHANGE RISK**

Sales and purchases transactions of the Group were primarily denominated in US dollars and Hong Kong dollars. The exposure to foreign exchange risk is thus minimal. However, the Group was indirectly exposed to currency risk of RMB, arising from the payment of manufacturing expenses incurred in Mainland China. The Group monitors fluctuations in exchange rates closely and will consider hedging significant foreign exchange risk where it is necessary.

## **EMPLOYEES**

As at 30 June 2015, the Group had a total workforce of approximately 971 employees in Hong Kong and Mainland China. The Group remunerates the employees based on their merit, qualification and competence. The Group has also established an incentive bonus scheme to reward employees based on their performance. Employees are also eligible to be granted share options under the Company's share option scheme at the discretion of the Board. Other benefits include provident fund contributions, medical and life insurances.

## **PROSPECTS**

Looking forward, the United States has shown signs of constrained economic growth while in Europe economic growth appears to be gaining momentum. Retail spending will benefit from improving consumer confidence, which may have a positive prospect for the global demand of consumer products. However, the Group is still affected by cost pressures in the light of labour shortages, raised minimum wages and other staff fringe benefits in Mainland China. Nevertheless, the Group is actively broadening the customer base, and striving for improved profit margins and cost efficiency in the rest of the year.

Oriented to the Group's business diversification, the contemplated LED business may be a significant addition to the Group's principal activities. To reflect on this new business for the Group, the Company's name has been changed to "China Optoelectronics Holding Group Co., Limited" and the Chinese secondary name "中國光電控股集團有限公司" has been adopted. The acquisition will allow the Group to tap into the LED business which has been expanding rapidly in the PRC. Immediate returns are expected to come from this new business with strong potential growth.

After the reporting period, the Group has acquired 3.45% of the issued share capital of Freewill Holdings Limited ("FHL"), an investment holding company engaged in financial services related business. With this transaction, the Group will utilize FHL's management expertise in the financial sector service which provides an operational platform to integrate and optimize the Group's treasury investment activities.

## **CORPORATE GOVERNANCE**

Throughout the six months ended 30 June 2015, 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. Specific enquiries have been made of all directors who have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2015.

## **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 six months ended 30 June 2015.

## **REVIEW OF INTERIM 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 unaudited interim condensed consolidated financial statements for the six months ended 30 June 2015.

## **PUBLICATION OF 2015 INTERIM RESULTS AND INTERIM REPORT**

This results announcement is published on the Company's website at [www.chnoe.com](http://www.chnoe.com) and the HKExnews website at [www.hkexnews.hk](http://www.hkexnews.hk). The 2015 Interim 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, 24 August 2015

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. Man Wai Chuen  
Mr. To Shing Chuen