CHINA OPTO
HOLDINGS LIMITED

CHINA OPTO HOLDINGS LIMITED

(Formerly known as China Optoelectronics Holding Group Co., Limited)
(Incorporated in Bermuda with limited liability)

Stock Code: 1332

ANNUAL REPORT 2015

CONTENTS

CORPORATE INFORMATION

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

AUDIT COMMITTEE

Mr. Ha Kee Choy Eugene *(Chairman)*
Mr. Chan Sze Hung
Mr. Cheung Wing Ping
Mr. To Shing Chuen

NOMINATION COMMITTEE

Dr. Lam How Mun Peter *(Chairman)*
Ms. Poon Ho Yee Agnes
Mr. Chan Sze Hung
Mr. Cheung Wing Ping
Mr. Ha Kee Choy Eugene
Mr. To Shing Chuen

REMUNERATION COMMITTEE

Mr. Chan Sze Hung *(Chairman)*
Dr. Lam How Mun Peter
Mr. Cheung Wing Ping
Mr. Ha Kee Choy Eugene
Mr. To Shing Chuen

AUTHORISED REPRESENTATIVES

Ms. Poon Ho Yee Agnes
Ms. Sun Dixie Hui

COMPANY SECRETARY

Ms. Fung Pui Ling

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

7th Floor
China United Centre
28 Marble Road
North Point, Hong Kong

INDEPENDENT AUDITORS

Ernst & Young
Certified Public Accountants

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
BNP Paribas, Hong Kong Branch

SHARE REGISTRARS AND TRANSFER OFFICES

Principal share registrar and transfer office
MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

Hong Kong branch share registrar and transfer office
Tricor Secretaries Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

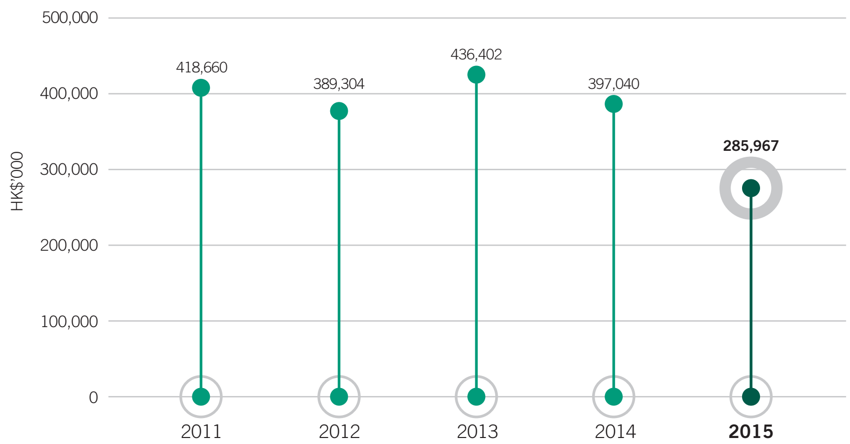
www.chinaopto.com.hk

STOCK CODE

1332

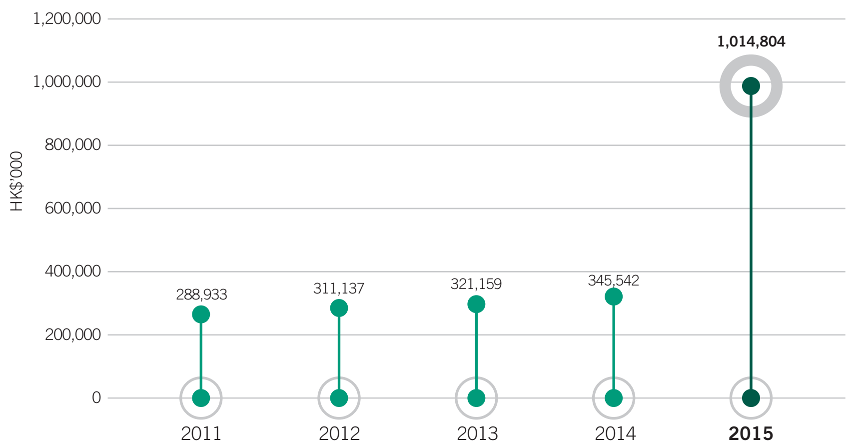
REVENUE

Year ended 31 December



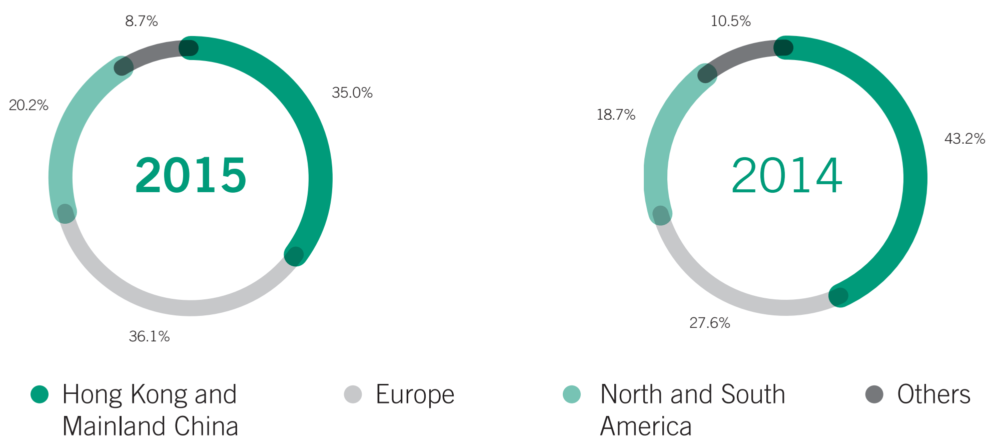
TOTAL ASSETS

As at 31 December



REVENUE BY GEOGRAPHICAL LOCATIONS OF CUSTOMERS

Year ended 31 December



DIRECTORS' PROFILE

EXECUTIVE DIRECTORS

Ms. POON Ho Yee Agnes, aged 48, was appointed Director of the Company on 28 November 2011 and was re-designated as Executive Director and appointed Managing Director both on 18 May 2012. She is a member of the Executive Committee and the Nomination Committee. She also serves as a Director of several subsidiaries of the Company. She has joined the Group since 1990. As Managing Director, Ms. Poon is mainly responsible for the day-to-day management of the Group, recommending strategies to the board of directors (the "Board"), and determining and implementing operational decisions. In addition, she is also in charge of sales and marketing management and manufacturing operations of the Group. Ms. Poon graduated from Simon Fraser University in Canada with a bachelor's degree in business administration in 1990 and from The University of Hong Kong with a master's degree in electronic commerce and internet computing in 2003. She also obtained a master's degree in counseling from The University of South Australia in 2006. Ms. Poon has over 20 years of extensive experience in sales and marketing within the manufacturing industry.

Mr. LO Yuen Wa Peter, aged 54, was appointed Executive Director of the Company on 27 May 2015. He is a member of the Executive Committee and also serves as a Director of several subsidiaries of the Company. He is responsible for overseeing the corporate finance and management of the Group. Mr. Lo graduated from the University of Liverpool and obtained his professional qualification in Accountancy in the United Kingdom. He is a member of the Institute of Chartered Accountants in England and Wales and of the Hong Kong Institute of Certified Public Accountants. He has 29 years' experience in auditing, accounting, investment, financial and corporate management. Mr. Lo was an Executive Director of HengTen Networks Group Limited from July 2008 to March 2014 and an Executive Director, Managing Director and Acting Chairman of Rentian Technology Holdings Limited from April 2014 to April 2015. The shares of these companies are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Ms. SUN Dixie Hui, aged 46, was appointed Executive Director of the Company on 26 November 2014. She is a member of the Executive Committee and also serves as a Director of several subsidiaries of the Company. She is responsible for advising on treasury investment, formulating PRC sales and marketing strategies and overseeing the management of the Group. Ms. Sun graduated from Beijing Second Foreign Language Institute with a bachelor's degree in economics in 1992 and obtained a master's degree in business administration from the University of New South Wales in 1997. She has over 15 years of experience in investment and banking industry.

NON-EXECUTIVE DIRECTOR

Dr. LAM How Mun Peter, aged 68, was appointed Chairman and Non-executive Director of the Company both on 19 June 2012. He is also the Chairman of the Nomination Committee and a member of the Remuneration Committee. Dr. Lam was one of the founders of our Group in 1989. He also serves as a Director of four subsidiaries of the Company. As Chairman, Dr. Lam is mainly responsible for leading the Board and managing its work to ensure that the Board effectively operates and fully discharges its responsibilities. Dr. Lam graduated from The University of Hong Kong with a bachelor's degree in medicine and surgery in 1972. He is a fellow of The Royal College of Surgeons of Edinburgh and the American College of Surgeons. In addition to his extensive experience in medical practice, Dr. Lam has over 20 years of extensive experience in corporate management, real estate and investment. Dr. Lam is the Deputy Chairman, Managing Director and Executive Director of C C Land Holdings Limited, the shares of which are listed on the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAN Sze Hung, aged 63, was appointed Independent Non-executive Director of the Company on 19 June 2012. He is also the Chairman of the Remuneration Committee, a member of the Audit Committee and the Nomination Committee. Mr. Chan received his bachelor's degree in laws from The University of Hong Kong in 1975. He has over 30 years of working experiences in the legal profession. Mr. Chan is currently a consultant of Chan, Lau & Wai, a firm of solicitors in Hong Kong.

Mr. CHEUNG Wing Ping, aged 49, was appointed Independent Non-executive Director of the Company on 11 August 2015. He is also a member of the Audit Committee, the Nomination Committee and the Remuneration Committee. He holds a bachelor's degree in accountancy with honours from City University of Hong Kong. He is a fellow of the Association of Chartered Certified Accountants and an associate of the Hong Kong Institute of Certified Public Accountants. Mr. Cheung has over 20 years of experience in auditing and accounting fields. He was formerly an Executive Director of Eagle Ride Investment Holdings Limited from June 2011 to November 2013 and an Independent Non-executive Director of Mason Financial Holdings Limited ("Mason") from October 2009 to June 2013. He is currently an Executive Director of Mason and an Independent Non-executive Director of Freeman Financial Corporation Limited, Enerchina Holdings Limited and China Innovative Finance Group Limited ("China Innovative"). The shares of these companies are listed on the Stock Exchange.

Mr. HA Kee Choy Eugene, aged 59, was appointed Independent Non-executive Director of the Company on 26 November 2014. He is also the Chairman of the Audit Committee, a member of the Nomination Committee and the Remuneration Committee. Mr. Ha holds a master's degree in business administration and is a fellow of the Association of Chartered Certified Accountants. He has over 20 years of experience in the finance and banking industry and acts or/and acted as director of a number of private and listed companies in Hong Kong. Mr. Ha was an Independent Non-executive Director of China Innovative from October 2005 to April 2015. He is currently an Independent Non-executive Director of Daqing Dairy Holdings Limited, the shares of which are listed on the Stock Exchange. He is also the director of a certified public accountants corporate practice and the director of an advisory services limited in Hong Kong.

Mr. TO Shing Chuen, aged 65, was appointed Independent Non-executive Director of the Company on 26 November 2014. He is also a member of the Audit Committee, the Nomination Committee and the Remuneration Committee. Mr. To holds a bachelor's degree in arts and has over 20 years of experience in trading, garment and leather field. He enjoys excellent relationship with Mainland China companies. He is currently an Independent Non-executive Director of China Innovative.

CHAIRMAN'S STATEMENT

To our shareholders,

I am pleased to present the annual results of China Opto Holdings Limited (formerly known as Qualipak International Holdings Limited and China Optoelectronics Holding Group Co., Limited) and its subsidiaries (collectively the "Group") for the year ended 31 December 2015.

BUSINESS REVIEW

During the year under review, the principal activities of the Group were the manufacture and sale of packaging products and treasury investments. The economic growth of 2015 in China remained slow consecutively from previous years, which had affected the recovery of the United States and Eurozone economies as well. The global luxury goods market was bracing for a tough period, weighted down by the downturn in Mainland China and sharp sales decreases in Hong Kong. Nevertheless, the sale of packaging products of the Group decreased by only 1.2% after excluding the revenue generated from the disposal of a non-wholly owned subsidiary during the year. The Chinese stock crisis and a slump in oil prices had caused a global stock exchange turmoil, causing the Group to incur a loss of treasury investment of HK$59.5 million.

The Group has modified its investment strategies and actively sought opportunities to increase the return of its assets portfolio. The Group disposed of two office premises and three units in an industrial building and realised fair value gains of HK$347.2 million. In response to the decline of industrial growth in PRC, the Group disposed of its entire equity interest of 51% in Theme Production House Limited and its 30% equity interest in Technical International Holdings Limited with a gain of HK$11.2 million.

Coupled with sales proceeds from the disposal of properties, and trading businesses of display units and kitchenware products, the Group enhanced its cash position by entering into a loan agreement of HK$200 million for the provision of investment funds for working capital and treasury activities, including securities investment and trading and money lending. To explore investment opportunities and diversify the source of income, the securities investment portfolio consisted of listed and unlisted securities.

The Group had signed a conditional agreement to acquire a LED lighting business in line with its investment strategy. However, due to a variety of conditions which could not be fulfilled after a considerable period of time and to the significant corporate restructuring of the target company the proposed acquisition had to be terminated on the long stop date before the year end.

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 the macro-environment to establish goals for growth and prosperity.

APPRECIATION

I would like to express, on behalf of the board of directors of the Company, my sincere appreciation to the management and all staff for their dedication and commitment to make valuable contributions to the Group during the year. We are looking forward to overcoming the challenges with our combined efforts and achieving the Group's success in the year to come.

Lam How Mun Peter
Chairman

Hong Kong, 21 March 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).

Available-for-sale Investments Portfolio

As at 31 December 2015, the Group held available-for-sale investments of approximately HK$195.1 million, details of which were set out as follows:

Nature of investments	Number of shares held as at 31 December 2015	Percentage of shareholding as at 31 December 2015 %	Unrealised gain on fair value change for year ended 31 December 2015 HK$'000	Dividends received for year ended 31 December 2015 HK$'000	Fair value/carrying amount as at 31 December 2015 HK$'000	Fair value/carrying amount as at 31 December 2014 HK$'000	Percentage to the Group's net assets as at 31 December 2015 %	Investment cost HK$'000
Listed Investments								
Tack Fiori International Group Limited (928) ("TFI")	7,000,000	0.33	350	–	14,000	13,650	1.80	11,031
G-Resources Group Limited (1051) ("GR")	60,000,000	0.23	–	247	11,040	11,040	1.42	10,599
			350	247	25,040	24,690	3.22	21,630
Unlisted Investments								
Freewill Holdings Limited ("FHL")	14,550,000	2.71	–	–	80,025	–	10.27	80,025
Co-Lead Holdings Limited ("Co-Lead")	225	3.98	–	–	90,000	–	11.55	90,000
			–	–	170,025	–	21.82	170,025
			350	247	195,065	24,690	25.04	191,655

TFI is principally engaged in education software products business and apparel retail business in the PRC and securities trading and investments business in Hong Kong.

GR is principally engaged in exploration and mining, sale of gold and silver products.

FHL is principally engaged in the business of property investment, investment advisory and financial services, investment in securities trading and money lending. On 17 July 2015, the Group had entered into a share subscription agreement, pursuant to which the Group subscribed for 14,550,000 shares of FHL at cash consideration of HK$80.0 million.

Co-Lead is principally engaged in securities trading and investment holding business. Its investment portfolio consists of listed and unlisted securities. On 5 November 2015, the Group had entered into a share subscription agreement, pursuant to which the Group subscribed for 225 shares of Co-Lead at cash consideration of HK$90.0 million.

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 ASSOCIATE

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.

The Company is committed to maintaining a high standard of corporate governance. The board of directors of the Company (the "Board") considers that sound corporate management and governance practices are essential to the Company's healthy growth under all business environments.

CORPORATE GOVERNANCE PRACTICES

During the year, the Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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.

BOARD OF DIRECTORS

During the year under review, the Board was chaired by Dr. Lam How Mun Peter. It consisted of four executive directors and six non-executive directors, five of whom were independent. Their names are set out in the following table. Other biographical details of the existing members of the Board are set out under the heading of "Directors' Profile" on pages 4 to 5. The Board determines and keeps under review the objectives of the Group. It makes decisions on overall strategies and actions necessary for achieving these objectives, monitors and controls financial and operating performance, formulates appropriate policies, and identifies and ensures best practices of corporate governance. The structure and composition of the Board have provided it with an appropriate mix of skills, knowledge, experience and diversity. The Board reviews its structure and composition from time to time to ensure that appropriate expertise and independence are maintained.

The Company has received confirmation from each director that he has given sufficient time and attention to the affairs of the Company during the year. Directors have also disclosed to the Company the changes, if any, in the number and nature of offices they hold in public companies or organizations and other significant commitment, including the identity of the public companies or organizations and an indication of the time involved.

Set out below are details of directors' attendance of board, committees and general meetings in 2015:

	Attendance/Number of meetings held					
Name of directors	**Regular board meeting**	**Audit committee meeting**	**Remuneration committee meeting**	**Nomination committee meeting**	**Annual general meeting**	**Special general meeting**
Executive Directors						
Poon Ho Yee Agnes *(Managing Director)*	4/4	–	–	1/1	1/1	3/3
Lin Ying [1]	1/1	–	–	–	–	–
Lo Yuen Wa Peter [2]	3/3	–	–	–	–	2/2
Sun Dixie Hui	4/4	–	–	–	1/1	3/3
Non-executive Director						
Lam How Mun Peter *(Chairman)*	4/4	–	1/1	1/1	1/1	3/3
Independent Non-executive Directors						
Chan Sze Hung	4/4	3/3	1/1	1/1	0/1	1/3
Cheung Wing Ping [3]	2/2	2/2	–	–	–	–
Ha Kee Choy Eugene	3/4	3/3	1/1	1/1	0/1	0/3
Man Wai Chuen [4]	2/2	2/2	–	–	–	–
To Shing Chuen	4/4	3/3	1/1	1/1	0/1	0/3

Notes:

1 appointed on 29 October 2015 and retired on 28 January 2016
2 appointed on 27 May 2015
3 appointed on 11 August 2015
4 appointed on 11 August 2015 and retired on 28 January 2016

During the year, the non-executive directors (including independent non-executive directors) have met once with the Chairman without the presence of the executive directors, to consider and discuss various matters in respect of the management and corporate governance of the Company.

The Chairman sets the agenda for the Board and takes the lead in the formulation of objectives, strategies and actions at the directorate level. He ensures that members of the Board receive accurate, timely and clear information, and that matters to be taken into consideration are given their due weight, so that sound decisions can be made. With the assistance of the Company Secretary, the Chairman ensures that the Board properly exercises its powers, holds its meetings and implements procedures in compliance with all rules and requirements, and full and proper records are maintained. Procedures are also put in place for each director to have access to supporting papers and relevant information for each scheduled meeting. All directors also have access to the services of the Company Secretary and her team, and may take independent professional advice upon request, at the Company's expense.

The day-to-day management of the Group is delegated by the Board to the Managing Director who is supported by the various committees of the Board and management of the Company for recommending strategies to the Board, and determining and implementing operational decisions. The Managing Director assumes full accountability for the day-to-day management of the Group. All committees of the Board have specific terms of reference clearly defining their respective powers and responsibilities. All committees are required by their terms of reference to report to the Board in relation to their decisions or recommendations. Through participating in the Company's board meetings and committees meetings, attending general meetings, and participating in continuous professional development, all directors are able to make contribution required from them to the Board and to the development of the Company.

The Company provides directors with regular updates on changes to and developments of the Group's business, and on the latest developments in the laws, rules and regulations relating to directors' duties and responsibilities to help them make informed decisions and discharge their duties and responsibilities as directors of the Company.

During the year under review, all directors have participated in continuous professional development to develop and refresh their knowledge and skills as listed company directors. All directors have provided the Company with their records of the training they received for the year. A summary of the records of their training is as follows:

Name of directors	**Type of continuous professional development programmes**
Executive Directors	
Poon Ho Yee Agnes *(Managing Director)*	A and B
Lin Ying [1]	B
Lo Yuen Wa Peter [2]	A and B
Sun Dixie Hui	A and B
Non-executive Director	
Lam How Mun Peter *(Chairman)*	A and B
Independent Non-executive Directors	
Chan Sze Hung	A and B
Cheung Wing Ping [3]	A and B
Ha Kee Choy Eugene	A and B
Man Wai Chuen [4]	A and B
To Shing Chuen	B

Notes:

1 appointed on 29 October 2015 and retired on 28 January 2016
2 appointed on 27 May 2015
3 appointed on 11 August 2015
4 appointed on 11 August 2015 and retired on 28 January 2016
A attending face-to-face courses, seminars or conferences
B reading materials regarding updates on the Group's business and operation, finance, corporate governance or ethics and code of conduct

CHAIRMAN AND MANAGING DIRECTOR

The roles of Chairman and Managing Director are separate. The main responsibility of Chairman is to lead the Board and manage its work to ensure that it effectively operates and fully discharges its responsibilities. Supported by the members of the committees of the Board, Managing Director is responsible for the day-to-day management of the Group, recommending strategies to the Board, and determining and implementing operational decisions.

NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive directors an annual written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Board has reviewed their independence based on such confirmation and considers all of them remaining independent.

All non-executive directors are appointed for a specific term of not more than three years and are subject to retirement by rotation and re-election at the annual general meeting at least once every three years pursuant to the Company's Bye-laws.

BOARD COMMITTEES

The Board has set up the Executive Committee which comprises all executive directors on the Board. Under its terms of reference, the Executive Committee is responsible for overseeing the management and daily operations of the Group and any other matters delegated by the Board. In addition to the Executive Committee, the Board has set up the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board does not have a Corporate Governance Committee and its functions would be carried out by the Board as a whole.

AUDIT COMMITTEE

During 2015, the Audit Committee comprised five independent non-executive directors, Mr. Chan Sze Hung, Mr. Cheung Wing Ping, Mr. Ha Kee Choy Eugene, Mr. Man Wai Chuen and Mr. To Shing Chuen. It is chaired by Mr. Ha Kee Choy Eugene. The major roles and functions of the Audit Committee are set out in the terms of reference which include duties specified in the CG Code and are posted on the Company's website in the section of "Corporate Governance" under the column of "Investor Relations" and on the website of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Audit Committee has reviewed together with the management and independent auditors the accounting policies and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including reviewing the Group's consolidated results for the year ended 31 December 2015. When reviewing the Company's interim and annual reports, the Audit Committee has focused not only on the impact of the changes in accounting policies and practices, but also on the compliance with applicable accounting standards, the Listing Rules and relevant legal requirements. It has also reviewed the financial statements before submission to the Board.

The Audit Committee has reviewed with the management, among other matters, the system of internal control covering all material controls, including financial, operational and compliance controls and risk management functions and the arrangements for employees to raise concerns in confidence about possible improprieties in financial reporting, internal control and other matters. It has also reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. The Audit Committee has reviewed the engagement of independent auditors and the effectiveness of the audit process.

REMUNERATION COMMITTEE

During 2015, the Remuneration Committee comprised one non-executive director, Dr. Lam How Mun Peter, and five independent non-executive directors, Mr. Chan Sze Hung, Mr. Cheung Wing Ping, Mr. Ha Kee Choy Eugene, Mr. Man Wai Chuen and Mr. To Shing Chuen. It is chaired by Mr. Chan Sze Hung. The major roles and functions of the Remuneration Committee are set out in the terms of reference which include duties specified in the CG Code and are posted on the Company's website in the section of "Corporate Governance" under the column of "Investor Relations" and on the Stock Exchange's website.

The Remuneration Policy for executive directors of the Company is determined with reference to the Group's operating results, duties and level of responsibility of the executive directors and the prevailing market conditions which are reviewed annually in order to provide remuneration and compensation packages competitive to attract, retain and motivate high quality executives to serve the Group. The fee for non-executive directors is determined with reference to each of their duties and level of responsibility with the Company and is reviewed on an annual basis.

During 2015, the Remuneration Committee has assessed the performance of the executive directors, reviewed and discussed, among other matters, the remuneration packages of existing directors and directors who were newly appointed during the year ended 31 December 2015, the remuneration of the non-executive directors, the existing share option scheme and the retirement benefit scheme. It has also reviewed the Remuneration Policy and its implementation. Being given the delegated responsibility, the Remuneration Committee has also determined the remuneration packages of the executive directors of the Company.

NOMINATION COMMITTEE

During 2015, the Nomination Committee comprised one executive director, Ms. Poon Ho Yee Agnes, one non-executive director, Dr. Lam How Mun Peter, and five independent non-executive directors, Mr. Chan Sze Hung, Mr. Cheung Wing Ping, Mr. Ha Kee Choy Eugene, Mr. Man Wai Chuen and Mr. To Shing Chuen. It is chaired by Dr. Lam How Mun Peter. The major roles and functions of the Nomination Committee are set out in the terms of reference which include duties specified in the CG Code and are posted on the Company's website in the section of "Corporate Governance" under the column of "Investor Relations" and on the Stock Exchange's website.

The Nomination Policy for directors is formulated with reference to the skills and experience of the Board appropriate for the requirements of the Group's business. The Nomination Committee will review the Board's structure, size and composition (including the skills, knowledge and experience) and diversity. It will assess the independence of independent non-executive directors. It will also make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, and make recommendations on the appointment or re-appointment of directors and succession planning for directors, including the Chairman as appropriate. It is responsible for identifying individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships.

The Company has adopted a Board Diversity Policy setting out the approach to achieve a diverse Board. Taking into account factors including the size of the Board, its composition of executive and non-executive directors, and the Company's principal activities and needs, selection of candidates shall be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

During 2015, the Nomination Committee has reviewed and discussed, among other matters, the structure, size and composition including the skills, knowledge, experience and diversity of the Board and also assessed the independence of independent non-executive directors of the Board and made recommendations on the appointment of directors who were newly appointed in 2015 to the Board. It has also reviewed the Nomination Policy and the Board Diversity Policy and their implementation.

CORPORATE GOVERNANCE FUNCTION

The Board does not have a Corporate Governance Committee. The functions that would be carried out by a Corporate Governance Committee are performed by the Board as a whole and are as follows:

1. to develop and review the Company's policies and practices on corporate governance;
2. to review and monitor the training and continuous professional development of directors and senior management;
3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and
5. to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

The Corporate Governance Policy is formulated with an emphasis on the Board's quality, effective internal control, stringent disclosure practices and transparency and accountability to all shareholders of the Company. The Board strives to comply with the code provisions and reviews its Corporate Governance Policy regularly in order to maintain high standards of business ethics and corporate governance, and to ensure the full compliance of our operations with applicable laws and regulations.

During the year, members of the Board have reviewed and discussed, among other things, the Company's policies and practices on corporate governance at regular board meetings. They have also reviewed and monitored the training and continuous professional development of directors, and the Company's policies and practices on compliance with legal and regulatory requirements as well as its disclosure in the Corporate Governance Report. The Board has reviewed the code of conduct applicable to employees and directors setting out the standards of behaviour that the Company expects from them and the guidelines on how they should handle different situations in business dealings with the Group.

INDEPENDENT AUDITORS' REMUNERATION

During the year under review, the remuneration paid/payable to the Company's independent auditors, Messrs. Ernst & Young amounted to a total of HK$1,878,000, of which HK$1,270,000 was for audit services and HK$608,000 was for non-audit services including review, tax and consultancy services.

In addition, the remuneration paid/payable to the independent auditors of subsidiaries of the Company amounted to a total of HK$76,000 for audit services.

COMPANY SECRETARY

The Company Secretary has undertaken not less than 15 hours of relevant professional training during 2015.

SHAREHOLDERS' RIGHTS

The following is a brief summary of certain rights of shareholders, which are subject to applicable laws and regulations, including without limitation, the Companies Act 1981 of Bermuda (as amended from time to time), the Listing Rules and the Company's Bye-laws.

1. Convening special general meeting

Members of the Company may, by a written requisition, require the directors of the Company to convene a special general meeting ("SGM") for the transaction of any business specified in such requisition. A valid requisition may be made by a member or members of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company which at that date carries the voting rights at general meetings of the Company. The requisition must state the purpose(s) of the requisitioned SGM, and must be signed by the requisitionist(s). The requisition may consist of several documents in like form each signed by one or more requisitionists, which must be deposited at the Company's registered office in Bermuda at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. To ensure that it is received by the Company at the earliest opportunity, a copy of the signed requisition may also be deposited at the Company's principal place of business in Hong Kong at 7th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong, for the attention of the Board or the Company Secretary.

If the directors fail to proceed to convene an SGM within 21 days from the date of deposit of the requisition, the requisitionist(s) (or any of them representing more than one-half of their total voting rights) may himself/themselves convene an SGM, which must be held within 3 months of the date of deposit of the requisition. The SGM must be convened by the requisitionist(s) in the same manner as nearly as possible as that in which the SGM is to be convened by the directors. The requisitionist(s) is/are entitled to be repaid any reasonable expenses he/they incur(s) as a result of the failure of the directors duly to convene an SGM. These expenses will be payable by the Company and any sum so repaid shall be retained by the Company out of any sums due or to become due from the Company by way of fees or other remuneration to such defaulting directors in respect of their services.

2. Putting forward proposals at shareholders' meetings

Members of the Company may by a written requisition and at their expense (unless the Company otherwise resolves) require the Company to:

(a) give to members of the Company entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at the next annual general meeting of the Company; and/or
(b) circulate to members of the Company entitled to receive notice of any general meeting any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that general meeting.

A valid requisition may be made by either:

(a) any number of members of the Company representing not less than one-twentieth of the total voting rights of all the members having at the date of the requisition the right to vote at the meeting to which the requisition relates; or
(b) not less than 100 members of the Company.

The requisition signed by the requisitionists (or two or more copies which between them bear the signatures of all the requisitionists) must be deposited at the Company's registered office in Bermuda at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. To ensure that it is received by the Company at the earliest opportunity, a copy of the signed requisition may also be deposited at the Company's principal place of business in Hong Kong at 7th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong, for the attention of the Board or the Company Secretary and,

(a) in the case of a requisition requiring notice of a resolution to be moved at an annual general meeting, not less than 6 weeks before the annual general meeting; and
(b) in the case of any other requisition, not less than one week before the general meeting.

The requisitionists must deposit or tender with the requisition a sum which is reasonably sufficient to meet the Company's expenses in giving effect to the requisition.

3. Proposing a person for election as director

Shareholders may propose a person for election as director, the procedures for which are available on the Company's website in the section of "Corporate Governance" under the column of "Investor Relations".

4. Sending enquiries to the Board

Shareholders may send any enquiries to the Board by mail, email or telephone to the Company Secretary, whose contact details are as follows:

Address:	7th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong
Email:	chinaopto@chinaopto.com.hk
Telephone:	+852 2165 1373

INVESTOR RELATIONS

The Company has adopted a Shareholders Communication Policy. The use and effectiveness of such policy are monitored and reviewed regularly by the Board. The Company recognises the importance of shareholders' privacy and therefore will not disclose shareholders' information without their consent, unless required by law to do so. To achieve equal access to information on the Company's latest major developments, measures have been taken to ensure all necessary information and appropriate updates are made available to investors in a timely manner through the Company's website under the column of "Investor Relations". In addition to financial reports, all announcements and circulars of the Company including results announcements, notices of general meetings and associated explanatory documents released by the Company to the Stock Exchange are posted on the Company's website. Shareholders should direct their questions about their shareholdings to the Company's share registrars. For enquiries about the information of the Company, shareholders may contact the Company Secretary, whose contact details are set out under the heading of "Sending enquiries to the Board" above. Shareholders are encouraged to participate in the Company's general meetings where members of the Board will be available to answer their questions.

The Company's constitutional documents are made available on the Company's website in the section of "Corporate Governance" under the column of "Investor Relations" and on the Stock Exchange's website. There was no significant change in them during the year under review.

INTERNAL CONTROLS

The Board is responsible for the Group's internal control system and for reviewing its effectiveness. The Company has maintained an internal audit function which forms part of the permanent establishment of the Group and is internally resourced and staffed by qualified accounting personnel with suitable experience.

The internal audit function monitors the adequacy and effectiveness of the internal control system established within the Company and its subsidiaries for safeguarding assets against unauthorized use, for maintaining proper accounting records, and for ensuring the reliability of financial information. Functional reporting and financial reporting procedures appropriate to the business of the Company's subsidiaries are established for application within the Group. These procedures are designed to enable timely and reliable functional and financial reporting by subsidiaries of the Group and to provide reasonable assurance against material misstatement, errors, losses or fraud. The work of the internal audit function is generally focused on identifying, monitoring and reporting on major risks faced by the Group, including those related to business operations, compliance with laws and regulations and financial reporting. The Board is responsible for ensuring that recommendations made by the internal audit function are properly implemented.

The Board recognises that the Group's internal control system plays a key role in both the management of risks and the assurance of continued compliance with laws and regulations by the Group. The Audit Committee has kept under review the Group's internal control system. The Board has also conducted an annual review of the effectiveness of the Group's internal control system. Based on its review, the Audit Committee will advise the Board on the adequacy of the Group's internal control system, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

During the year under review, the Board considers that the Group has complied with the provisions on internal controls as stipulated in the CG Code. The Board is satisfied that the Group's internal control system including financial, operational and compliance controls and risk management functions as appropriate to the Group have been put in place.

RISKS AND UNCERTAINTIES

The Group is generally operating in an ever-changing business and economic environment. Manufacturing business is affected by consumer markets which are volatile and fragile combined with rising labour costs in Mainland China. Volatility in the securities market may also affect the Company's securities investments, resulting in unrealised and realised gain or loss. Market risk for changes in interest rates will affect loans receivable and interest-bearing borrowing. In addition to market risks, the Company is also subject to foreign currency risk, credit risk, liquidity risk and capital risk in the normal course of the Group's business. Particulars of financial risk management of the Company are set out in note 41 to the financial statements.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Group continues to commit to comply with the relevant laws and regulations such as the Companies Act 1981 of Bermuda, Hong Kong Companies Ordinance Cap 622, Listing Rules, and laws and regulations implemented by relevant jurisdictions. The Company believes the existing laws and regulations do not have any significant effect on the Group's activities during the year ended 31 December 2015.

CORPORATE GOVERNANCE REPORT

ENVIRONMENTAL POLICIES

The Group has developed environmental policies for operating safely and reducing our environmental footprint. Ongoing focus on the health, safety and well-being of its employees is the Group's commitment to sustainable future. The Group has fully supported employees who observe the environmental policies and take care of environment.

The Group constantly improves the awareness of employees with respect of energy saving, and reducing resources consumption and recycling of scrap materials. To reduce electricity consumption, lighting equipment are switched off and replaced with energy efficient ones. Staff is reminded that documents are not printed unless it is necessary, printed papers are reused and two-sided printing is encouraged. Scrap materials are undertaken to recycle in use of production. Sewage collection and treatment has been established in the factory to control water pollution.

RELATIONSHIP WITH KEY STAKEHOLDERS

The Group recognises that our employees, customers and business associates are key elements for our commitment to a resilient and sustainable business. The Group endeavours to provide a safe workplace, where employees are treated with respect and have the potential to grow in their careers. The Group also endeavours to provide consistently high quality and large range of products and services to customers delivered in quick response. With the building of partnership atmosphere, the Group has developed a long-term relationship of loyalty and trust with suppliers and professional bodies, leading to improved products and work together to share best practices.

INSIDE INFORMATION

The Company has adopted a Disclosure of Inside Information Policy. It sets out a framework for the release and control of inside information to ensure that the Company is able to meet its legal and regulatory obligations and requirements as a listed corporation. The Board is generally responsible for ensuring that the Group complies with its disclosure obligations regarding inside information and has established a disclosure group comprising certain directors and management to assist it in determining whether any particular information is inside information and overseeing and coordinating disclosure of inside information of the Group. Inside information should be disclosed by way of an announcement in accordance with the requirements of the Securities and Futures Ordinance and the Listing Rules. Before relevant information is fully disclosed to the public, the disclosure group will help the Board to ensure that such information is kept strictly confidential.

DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The Board acknowledges that it is responsible for the preparation of financial statements of the Group and for ensuring that financial statements are prepared in accordance with statutory requirements and applicable accounting standards. The Board also ensures the timely publication of financial statements of the Group. The directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company, Messrs Ernst & Young, about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report on page 27.

The directors present their report and the audited financial statements of the Company and of the Group for the year ended 31 December 2015.

CHANGE OF COMPANY NAME

Pursuant to special resolutions passed at the general meetings held on 11 June 2015 and 15 March 2016 and approved by the Registrar of Companies in Bermuda on 19 June 2015 and 15 March 2016 respectively, the name of the Company was changed from "Qualipak International Holdings Limited" to "China Optoelectronics Holding Group Co., Limited" and to "China Opto Holdings Limited". Its secondary name was changed from "確利達國際控股有限公司" to "中國光電控股集團有限公司" and to "中國新進控股有限公司".

PRINCIPAL ACTIVITIES

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. Its product portfolio is principally packaging products for watches, jewellery and eyewear products, comprising packaging cases, bags and pouches and display units. On 8 January 2015, the board of directors announced its decision to diversify its business to securities investment and trading business as well as money lending business. Details of the principal activities of the Company's subsidiaries are set out in note 1 to the financial statements. Other than this development, there were no significant changes in the nature of the Group's principal activities during the year.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development are provided in the Chairman's Statement on pages 6 to 7 and the Management Discuss and Analysis on pages 8 to 10 of this annual report. Description of possible risks and uncertainties that the Group may be facing can be found in the Corporate Governance Report on page 17. Also, the financial risk management objectives and policies of the Group can be found in note 41 to the financial statements. Particulars of important events affecting the Group that have occurred since the end of the financial year ended 31 December 2015 are provided in note 42 to the financial statements. In addition, discussions on the Group's environmental policies, compliance with relevant laws and regulations and relationship with its key stakeholders which have a significant impact on the Group are contained in the Corporate Governance Report on pages 17 to 18.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2015 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 28 to 87.

The directors do not recommend the payment of any final 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 of the Company to be held on 27 June 2016 (the "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.

SUMMARY OF FINANCIAL INFORMATION

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

SHARE CAPITAL AND WARRANTS

Details of movements in the Company's share capital and warrants during the year are set out in note 29 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no pre-emptive rights provision in the Companies Act 1981 of Bermuda (as amended from time to time) or in the Company's Bye-laws.

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.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 December 2015, the Company's reserves available for distribution to shareholders, calculated in accordance with the Companies Act 1981 of Bermuda (as amended from time to time), amounted to HK$20,182,000, including the Company's contributed surplus account in the amount of HK$13,387,000, may be distributed in form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted in the aggregate for 69.2% of the total sales for the year and sales to the largest customer included therein amounted to 32.9%. Purchases from the Group's five largest suppliers accounted in the aggregate for 65.3% of the total purchases for the year and purchases from the largest supplier included therein amounted to 30.9%.

None of the directors, their close associates or shareholders, who to the knowledge of the directors own more than 5% of the Company's issued share capital, had any interest in any of the Group's five largest customers and suppliers.

DIRECTORS

The directors of the Company during the year and up to the date of this report were as follows:

Executive Directors:
Ms. Poon Ho Yee Agnes *(Managing Director)*
Ms. Lin Ying *(appointed on 29 October 2015 and retired on 28 January 2016)*
Mr. Lo Yuen Wa Peter *(appointed on 27 May 2015)*
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 *(appointed on 11 August 2015)*
Mr. Ha Kee Choy Eugene
Mr. Man Wai Chuen *(appointed on 11 August 2015 and retired on 28 January 2016)*
Mr. To Shing Chuen

In accordance with the Company's Bye-laws, Dr. Lam How Mun Peter and Mr. Chan Sze Hung will retire at the AGM. Dr. Lam How Mun Peter, being eligible, will offer himself for re-election at the AGM, whereas Mr. Chan Sze Hung has indicated to the Company that he will not offer himself for re-election. All other directors will continue to be in office.

The Company has received from each of the Independent Non-executive Directors, Messrs. Chan Sze Hung, Cheung Wing Ping, Ha Kee Choy Eugene, Man Wai Chuen and To Shing Chuen, an annual written confirmation of their independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Board has reviewed their independence based on such confirmations and considers all of them to remain independent during their term of office.

Mr. Man Wai Chuen retired at the special general meeting held on 28 January 2016. During Mr. Man's term of office as director of the Company, he ceased to be an independent non-executive director of Skyway Securities Group Limited (formerly known as Mission Capital Holdings Limited) from 27 November 2015.

DIRECTORS' BIOGRAPHIES

Biographical details of the directors of the Company are set out on pages 4 to 5.

Mr. Ha Kee Choy Eugene was appointed as an independent non-executive director of Daqing Dairy Holdings Limited, the shares of which are listed on the Stock Exchange, on 29 January 2016.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the AGM has a service contract with any company in the Group which is not terminable by such company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

No transaction, arrangement or contract of significance in relation to the business of the Group to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

NON-COMPETITION UNDERTAKINGS

Pursuant to the non-competition deed (the "Deed") entered between the Company and each of its former controlling shareholders, namely Mr. Cheung Chung Kiu, Thrivetrade Limited and Regulator Holdings Limited and another covenantor, C C Land Holdings Limited ("CC Land") (collectively, the "Covenantors") on 21 June 2012 (as set out in the prospectus of the Company dated 28 June 2012 (the "Prospectus") and amended by a supplemental deed dated 13 February 2015), their obligations under the Deed remained binding until the onset of the following event (whichever occurs first):

(a) the date on which the Company's shares cease to be listed on the Stock Exchange; or

(b) in respect of a Covenantor (other than CC Land), the date on which that Covenantor and/or his/its associates collectively ceases to hold 30% or more of the equity interest in the Company; or

(c) in respect of a Covenantor (other than CC Land), the date on which that Covenantor and/or his/its associates, jointly and severally, ceases to be entitled to exercise or control the exercise of 30% or more in aggregate of the voting power at general meetings of the Company; or

(d) in respect of CC Land, the date falling on the last day of the first anniversary from the date on which the obligation of the other Covenantors under the Deed has ceased binding on all of them.

Accordingly, following Thrivetrade Limited disposed all its entire shareholdings in the Company on 29 September 2014, the obligations of each of the former controlling shareholders and CC Land under the Deed ceased on 29 September 2014 and 29 September 2015 respectively.

The Company has received from CC Land an annual confirmation in relation to the non-competition undertakings (the "Undertakings") made to the Company under the Deed. The Independent Non-executive Directors have reviewed the Undertakings and are of the view that CC Land has complied with the terms of the Deed during the period from 1 January 2015 to 29 September 2015.

REMUNERATION DETAILS

Details of the directors' remuneration and the five highest paid employees in the Group are set out in notes 8 and 9 to the financial statements respectively.

REMUNERATION POLICY

The remuneration policy for employees of the Group is formulated based on the merit, qualifications and competence of individual employee which are reviewed regularly in order to provide compensation packages at market rates sufficient to reward successful performance and attract, retain and motivate employees. The Company has adopted a share option scheme as a long-term incentive to eligible employees and directors, details of which are set out in note 30 to the financial statements.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS

As at 31 December 2015, details of the interests and short positions of each of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) required to be recorded in the register kept by the Company under Section 352 of the SFO, or 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"), were as follows:

Interests in shares of the Company (long positions)

Name of directors	Capacity in which interests are held	Number of shares held	Approximate percentage (Note)
Dr. Lam How Mun Peter	Beneficial owner	398,150	0.01
Ms. Poon Ho Yee Agnes	Beneficial owner	130,000	0.00

Note: Approximate percentage refers to the number of shares which a director held expressed as a percentage (rounded to two decimal places) of the issued share capital of the Company as at 31 December 2015.

Save as disclosed above, as at 31 December 2015, the Company had not been notified of any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) required to be recorded in the register kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the sections headed "Directors' and Chief Executive's Interests and Short Positions" above, at no time during the year was the Company, or any of its subsidiaries, a party to any arrangement to enable the directors of the Company 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 any of their associates, had any rights to subscribe for shares of the Company, or had exercised any such rights during the year.

EQUITY-LINKED AGREEMENTS

Placing of Unlisted Warrants

On 21 April 2015, since the Company required funding for general working capital and future business development of the Group, it entered into the First Placing Agreement (as supplemented by three supplemental agreements dated 29 April 2015, 15 May 2015 and 8 June 2015) with the Placing Agent, pursuant to which the Company agreed to issue and the Placing Agent agreed to procure the First Warrantholder to subscribe for 287,531,980 First Warrants with Mandatory Exercise Rights, on a fully-underwritten basis, at an issue price of HK$0.01 per First Warrant. The First Subscription Price was HK$0.56 per First Warrant Share. Upon full exercise of the subscription rights attached to the First Warrants, a total of 287,531,980 ordinary shares with par value of HK$0.01 each will be issued under the First Specific Mandate.

On 13 May 2015, since the Company further required funding for general working capital and future business development of the Group, it entered into the Second Placing Agreement (as supplemented by a supplemental agreement dated 8 June 2015) with the Placing Agent, pursuant to which the Company agreed to issue and the Placing Agent agreed to procure the Second Warrantholder to subscribe for 287,531,992 Second Warrants with Mandatory Exercise Rights, on a fully-underwritten basis, at an issue price of HK$0.01 per Second Warrant. The Second Subscription Price is HK$0.608 per Second Warrant Share. Upon full exercise of the subscription rights attached to the Second Warrants, a total of 287,531,992 ordinary shares with par value of HK$0.01 each will be issued under the Second Specific Mandate.

On 30 November 2015, the Company and (a) the First Warrantholder entered into the First Warrants Deed of Variations and (b) the Second Warrantholder entered into the Second Warrants Deed of Variations respectively, pursuant to each of which the Company and each of the First Warrantholder and the Second Warrantholder agreed to amend certain terms of the First Warrants and the Second Warrants by, inter alia, (i) lowering the subscription price of the First Warrants from HK$0.56 to HK$0.16 and the subscription price of the Second Warrants from HK$0.608 to HK$0.16 respectively; (ii) the First Warrantholder and the Second Warrantholder having agreed to exercise the subscription rights attaching to First Warrants and Second Warrants respectively at the new subscription price immediately within 5 Business Days after the amendments taking effect; and (iii) the First Warrantholder and the Second Warrantholder having agreed to surrender part of the First Warrants and the Second Warrants subject to and upon the terms and conditions stipulated in the First Warrants Deed of Variations and the Second Warrants Deed of Variations.

On 2 December 2015, the Company, in view of the fluctuation of the economic environment and immediate inflow of the funds, entered into the Subscription and Cancellation Agreement with the First Warrantholder and the Second Warrantholder, pursuant to which (i) the Company and the Subscriber (in the capacity of the First Warrantholder and the Second Warrantholder) agreed to terminate the First Warrants Deed of Variations and the Second Warrants Deed of Variations with immediate effect; (ii) in consideration of the Company's acceptance of the cancellation of all of the First Warrants and the Second Warrants, the Subscriber conditionally agreed to subscribe for the 575,063,972 Subscription Shares of the Company at the Subscription Price of HK$0.16 per Subscription Share; and (iii) in consideration of the Subscriber's subscription of the Subscription Shares, the Company conditionally agreed to cancel the whole of the First Warrants and the Second Warrants, upon and in accordance with the terms of the Subscription and Cancellation Agreement.

As at the date of this annual report, the total number of 575,063,972 First Warrants and Second Warrants were cancelled and 575,063,972 Subscription Shares under the Subscription and Cancellation Agreement were issued. The subscription money of HK$92,010,235.52 was received by the Company.

Details of the above events and the capitalised terms in the above paragraphs were set out and defined in the circulars of the Company dated 9 June 2015 and 13 January 2016.

Placing of New Shares under General Mandate

On 30 November 2015, since the Company was of the view that (i) the Placing would enlarge the shareholder base and the capital base of the Company and (ii) the net proceeds of the Placing would strengthen the Group's financial position for future development of the Group, it and the Placing Agent entered into the Placing Agreement (as supplemented by a supplemental agreement dated 1 December 2015), pursuant to which the Placing Agent has conditionally agreed to procure, on a best effort basis, the Placees to subscribe for 575,063,972 Placing Shares at the Placing Price of HK$0.16 per Placing Share during the Placing Period.

As at the date of this annual report, a total number of 575,063,972 ordinary shares were fully placed and issued, and the subscription money of HK$89,242,843.66 was received by the Company.

Details of the above event and the capitalised terms in the above two paragraphs were set out and defined in the announcements of the Company dated 30 November 2015 and 2 December 2015.

SHARE OPTIONS

The Company adopted a share option scheme (the "Scheme") on 18 May 2012, details of which were disclosed in the Prospectus and are set out in note 30 to the financial statements. Details of the share options granted under the Scheme and their movements during the year are set out below:

	Number of share options									
Category of participants	At 1 January 2015	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31 December 2015	Date of grant[1] (DD-MM-YYYY)	Exercise period (DD-MM-YYYY)	Exercise price[2] HK$ per share	Closing price immediately before date of grant HK$ per share
Service suppliers	0	239,600,000	(239,600,000)	0	0	0	03-12-2015	03-12-2015 to 02-12-2025	0.26	0.19
Legal advisers	0	89,850,000	(89,850,000)	0	0	0	03-12-2015	03-12-2015 to 02-12-2025	0.26	0.19
Director to affiliate	0	29,964,982	(29,964,982)	0	0	0	03-12-2015	03-12-2015 to 02-12-2025	0.26	0.19
Total	0	359,414,982	(359,414,982)	0	0	0				

Notes:

1. No vesting period of the share options.

2. The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at 31 December 2015, details of the interests and short positions of every person, other than directors or the chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholders	Capacity in which interests are held	Number of shares held (long position)	Approximate percentage[2]
Lo Ki Yan Karen	Interest of controlled corporation	1,459,641,400[1]	32.23
Amazing Bay Limited	Beneficial owner	1,459,641,400[1]	32.23

Notes:

1. 1,459,641,400 of such shares were held through Amazing Bay Limited, a company wholly-owned by Ms. Lo Ki Yan Karen ("Ms. Lo"). Accordingly, Ms. Lo was deemed to be interested in the same number of shares held through Amazing Bay Limited.

2. Approximate percentage refers to the number of shares which a shareholder held expressed as a percentage (rounded to two decimal places) of the issued share capital of the Company as at 31 December 2015.

Save as disclosed above, as at 31 December 2015, the Company had not been notified of any interests or short positions of any other person, other than directors or the chief executive of the Company, in the shares or underlying shares of the Company required to be recorded in the register kept by the Company under Section 336 of the SFO.

PERMITTED INDEMNITY

Pursuant to the Company's Bye-laws, subject to the statues, every director of the Company shall be indemnified out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may sustain or incur in the execution of his/her office or otherwise in relation thereto. The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against directors of the Group.

CONNECTED TRANSACTIONS

During the year and up to the date of this report, the Group had entered into the following connected transactions:

1. On 4 May 2015, Big Focus Limited (the "Vendor", an indirect wholly-owned subsidiary of the Company) entered into an agreement with Mr. Yee Chan Chian (the "Purchaser" who together with his spouse were interested in 49% of the then issued share capital of Theme Production House Limited which was owned as to 51% by the Vendor), pursuant to which the Vendor agreed to sell 510,000 shares of HK$1.00 each in the issued share capital of Theme Production House Limited to the Purchaser at a consideration of HK$7,500,000.

2. Details of the related party transactions undertaken by the Group for the year are set out in note 38 to the financial statements. These transactions were exempted continuing connected transactions under the Listing Rules. The Company's directors (including independent non-executive directors) are of the view that these transactions were in the ordinary and usual course of business of the Group, on normal commercial terms, fair and reasonable, and in the interests of the shareholders as a whole.

Save as disclosed above, there were no other transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

MANAGEMENT CONTRACT

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events which took place subsequent to the reporting period are set out in note 42 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained a sufficient public float throughout the year ended 31 December 2015 and up to the date of this report as required under the Listing Rules.

INDEPENDENT AUDITORS

Ernst & Young will retire and a resolution for their re-appointment as independent auditors of the Company will be proposed at the AGM.

On behalf of the Board

Lam How Mun Peter
Chairman

Hong Kong, 21 March 2016

INDEPENDENT AUDITORS' REPORT

To the shareholders of China Optoelectronics Holding Group Co., Limited
(Formerly known as Qualipak International Holdings Limited)
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of China Optoelectronics Holding Group Co., Limited (the "Company") and its subsidiaries set out on pages 28 to 87, 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, the consolidated statement of changes in equity and the 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, 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 auditors' 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 auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their 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.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
21 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
REVENUE	5	**285,967**	397,040
Cost of sales		**(280,722)**	(330,786)
Gross profit		**5,245**	66,254
Other income and gains	5	**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	7	**(422)**	–
Share of losses of an associate		**–**	(1,135)
PROFIT BEFORE TAX	6	**256,263**	13,156
Income tax expense	10	**(1,060)**	(1,766)
PROFIT FOR THE YEAR		**255,203**	11,390
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)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**1,490**	1,505
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**256,693**	12,895
Profit/(loss) attributable to:			
Owners of the parent		**255,259**	10,349
Non-controlling interests		**(56)**	1,041
		255,203	11,390
Total comprehensive income/(loss) attributable to:			
Owners of the parent		**256,749**	11,854
Non-controlling interests		**(56)**	1,041
		256,693	12,895
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		(Restated)
Basic and diluted		**HK6.98 cents**	HK0.29 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	**2015 HK$'000**	2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**6,195**	85,505
Prepaid land lease payments	15	**–**	12,538
Investment in an associate	16	**–**	–
Available-for-sale investments	17	**195,065**	77,416
Prepayments	21	**2,196**	–
Total non-current assets		**203,456**	175,459
CURRENT ASSETS			
Prepaid land lease payments	15	**–**	402
Inventories	18	**27,989**	37,759
Trade and bills receivables	19	**37,932**	50,361
Loan and interest receivables	20	**30,223**	–
Prepayments, deposits and other receivables	21	**9,371**	7,579
Financial assets at fair value through profit or loss	22	**667,376**	–
Tax recoverable		**–**	1,108
Pledged deposits	23	**–**	3,023
Cash and cash equivalents	23	**36,179**	37,034
		809,070	137,266
Assets of a disposal group classified as held for sale	13	**2,278**	32,817
Total current assets		**811,348**	170,083
CURRENT LIABILITIES			
Trade and bills payables	24	**16,343**	37,867
Other payables and accruals	25	**18,014**	30,228
Tax payable		**138**	870
Interest-bearing other borrowings	27	**201,053**	–
		235,548	68,965
Liabilities directly associated with the assets classified as held for sale	13	**–**	580
Total current liabilities		**235,548**	69,545
NET CURRENT ASSETS		**575,800**	100,538
TOTAL ASSETS LESS CURRENT LIABILITIES		**779,256**	275,997
NON-CURRENT LIABILITIES			
Deferred tax liabilities	28	**146**	968
Net assets		**779,110**	275,029
EQUITY			
Equity attributable to owners of the parent			
Share capital	29	**45,286**	14,377
Reserves	31	**733,824**	258,678
		779,110	273,055
Non-controlling interests		**–**	1,974
Total equity		**779,110**	275,029

Lam How Mun Peter
Director

Poon Ho Yee Agnes
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

	Attributable to owners of the parent									
	Issued capital HK$'000	Share premium account HK$'000	Capital reserve HK$'000	Contributed surplus HK$'000	Available-for-sale investment revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2014	14,377	18,733	45,291	(12,861)	–	59	195,602	261,201	933	262,134
Profit for the year	–	–	–	–	–	–	10,349	10,349	1,041	11,390
Other comprehensive income for the year:										
Available-for-sale investments:										
Change in fair value of available-for-sale investments, net of tax	–	–	–	–	1,522	–	–	1,522	–	1,522
Exchange differences on translation of foreign operations	–	–	–	–	–	(17)	–	(17)	–	(17)
Total comprehensive income for the year	–	–	–	–	1,522	(17)	10,349	11,854	1,041	12,895
At 31 December 2014	14,377	18,733*	45,291*	(12,861)*	1,522*	42*	205,951*	273,055	1,974	275,029

		Attributable to owners of the parent											
	Notes	Issued capital HK$'000	Share premium account HK$'000	Capital reserve HK$'000 (note 31(a))	Contributed surplus HK$'000 (note 31(b))	Other equity instrument HK$'000 (note 31(c))	Share option reserve HK$'000 (note 31(d))	Available-for-sale investment revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 31 December 2014 and 1 January 2015		14,377	18,733*	45,291*	(12,861)*	–	–	1,522*	42*	205,951*	273,055	1,974	275,029
Profit for the year		–	–	–	–	–	–	–	–	255,259	255,259	(56)	255,203
Other comprehensive income for the year:													
Available-for-sale investments:													
Change in fair value of available-for-sale investments, net of tax		–	–	–	–	–	–	33,154	–	–	33,154	–	33,154
Reclassification adjustment for gains on disposal included in profit or loss		–	–	–	–	–	–	(31,266)	–	–	(31,266)	–	(31,266)
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	(398)	–	(398)	–	(398)
Total comprehensive income for the year		–	–	–	–	–	–	1,888	(398)	255,259	256,749	(56)	256,693
Disposal of a subsidiary		–	–	–	–	–	–	–	–	–	–	(1,918)	(1,918)
First Bonus Issue	29	14,376	–	–	(14,376)	–	–	–	–	–	–	–	–
Second Bonus Issue	29	7,188	–	–	(7,188)	–	–	–	–	–	–	–	–
Equity-settled share option arrangements	30	–	–	–	–	–	51,700	–	–	–	51,700	–	51,700
Issue of shares upon exercise of share options	29	3,594	141,554	–	–	–	(51,700)	–	–	–	93,448	–	93,448
Placement of new shares	29	5,751	86,259	–	–	–	–	–	–	–	92,010	–	92,010
Equity instrument issued		–	–	–	–	14,915	–	–	–	–	14,915	–	14,915
Share issue expenses		–	(2,767)	–	–	–	–	–	–	–	(2,767)	–	(2,767)
At 31 December 2015		45,286	243,779*	45,291*	(34,425)*	14,915*	–*	3,410*	(356)*	461,210*	779,110	–	779,110

* These reserve accounts comprise the consolidated reserves of HK$733,824,000 (2014: HK$258,678,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**256,263**	13,156
Adjustments for:			
Finance costs	7	**422**	–
Share of losses of an associate		**–**	1,135
Bank interest income	5	**(106)**	(150)
Depreciation	14	**2,805**	4,846
Amortisation of prepaid land lease payments	15	**268**	402
Loss/(gain) on disposal of items of property, plant and equipment and the associated prepaid land lease payments, net	6	**18,227**	(40)
Loss on extinguishment of financial liabilities at fair value through profit or loss	6	**9,164**	–
Gain on disposal of subsidiaries	5	**(352,620)**	–
Gain on disposal of an associate	5	**(5,744)**	–
Fair value gains, net:			
Available-for-sale investments (transfer from equity on disposal)	5	**(30,585)**	–
Equity investments at fair value through profit or loss		**57,484**	–
Impairment of trade receivables, net	6	**3,699**	62
Write-down of inventories to net realisable value	6	**558**	1,034
Equity-settled share option expense	6	**51,700**	–
		11,535	20,445
Decrease in inventories		**8,777**	2,798
Increase in trade and bills receivables, prepayments, deposits and other receivables		**(1,407)**	(3,857)
Increase in loan and interest receivables		**(30,223)**	–
Increase in financial assets at fair value through profit or loss		**(423,110)**	–
Increase/(decrease) in trade and bills payables, and other payables and accruals		**(22,842)**	10,997
Cash generated from/(used in) operations		**(457,270)**	30,383
Bank interest received		**106**	150
Interest paid		**(115)**	–
Hong Kong profits tax paid		**(1,660)**	(2,239)
Net cash flows from/(used in) operating activities		**(458,939)**	28,294
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	14	**(214)**	(434)
Purchases of available-for-sale investments		**(170,025)**	(75,894)
Proceeds from disposal of available-for-sale investments		**84,849**	–
Proceeds from disposal of items of property, plant and equipment and the associated prepaid land lease payments		**32,352**	40
Disposal of subsidiaries	33	**113,247**	–
Disposal of an associate	5	**5,744**	–
Decrease in pledged time deposits		**3,023**	4,519
Net cash flows from/(used in) investing activities		**68,976**	(71,769)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from placement of new shares	29	**92,010**	–
Share issue expenses	29	**(2,767)**	–
Proceeds from issue of share warrants	26	**5,751**	–
Proceeds from issue of shares upon exercise of share options	29	**93,448**	–
New interest-bearing other borrowings		**201,053**	–
Net cash flows from financing activities		**389,495**	–
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(468)**	(43,475)
Cash and cash equivalents at beginning of year		**37,034**	80,502
Effect of foreign exchange rate changes, net		**(387)**	7
CASH AND CASH EQUIVALENTS AT END OF YEAR		**36,179**	37,034

1. CORPORATE AND GROUP INFORMATION

China Optoelectronics Holding Group Co., Limited (the "Company") (formerly known as Qualipak International Holdings Limited) 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 Company and its subsidiaries (collectively referred to as 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

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Big Focus Limited	British Virgin Islands ("BVI")	Ordinary US$1	–	100	Investment holding
Era Bright Limited	Hong Kong	Ordinary HK$1	–	100	Money lending
Genius Spring Limited	BVI/Hong Kong	Ordinary US$100	–	100	Securities investment and trading
Permate Production Inc.*	BVI	Ordinary US$20	–	100	Property holding
Qualipak Development Limited	BVI	Ordinary US$10,000	100	–	Investment holding
Qualipak Manufacturing Limited	Hong Kong	Ordinary HK$100 Non-voting deferred HK$22,303,857^	–	100	Manufacture and sale of watch boxes, jewellery boxes, eyewear cases, bags and pouches and display units
Qualipak Production Inc.	BVI	Ordinary US$10,000	–	100	Property holding
Qualipak Production (Shenzhen) Company Limited**/# (確必達包裝製造(深圳)有限公司)	People's Republic of China (the "PRC")	Registered and paid-up US$1,000,000	–	100	Manufacture and sale of packaging products
Victor Choice Global Limited	BVI	Ordinary US$100	–	100	Investment holding

Notes:

Registered as a wholly-owned foreign enterprise under the PRC law
* Disposed of on 29 February 2016 (note 13(a))
** Direct translation from the Chinese name which is for identification purposes only
^ The non-voting deferred shares have restricted rights on the distribution of profits, capital and voting

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Details of subsidiaries disposed of during the year are summarised in note 33 to the financial statements.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

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 as further explained in note 2.4.

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.

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(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.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[1]

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

[1] Effective for annual periods beginning on or after 1 January 2016
[2] Effective for annual periods beginning on or after 1 January 2018
[3] Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group
[4] No mandatory effective date is determined but is available for early adoption

Further information about those HKFRSs is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard.

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively.

The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1 January 2018. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of an associate and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The Group expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment in an associate and a joint venture

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have right to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investment in an associate and a joint venture is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment in an associate and a joint venture *(Continued)*

The Group's share of the post-acquisition results and other comprehensive income of an associate and a joint venture is included in the consolidated profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate or joint venture is eliminated to the extent of the Group's investment in an associate or a joint venture, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of an associate or joint venture is included as part of the Group's investment in an associate or a joint venture.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its 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 at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement *(Continued)*

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and 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 Group or of a parent of the Group;

or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group 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 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); and

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

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Land and buildings	2% to 5% or over the unexpired terms of the leases, if less than 50 years
Leasehold improvements	20% or over the unexpired terms of the leases, if less than 5 years
Electricity supply system	10%
Furniture, fixtures and equipment	10% to 20%
Motor vehicles	20% to 25%
Plant and machinery	10%
Moulds	15%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

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. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

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 finance costs 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.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised as finance costs in profit or loss for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Financial assets carried at amortised cost *(Continued)*

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals, interest bearing other borrowings and financial liabilities at fair value through profit or loss.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities 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.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and an associate, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and an associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) realised fair value gains or losses on securities trading, on a trade date basis, whilst unrealised fair value gains or losses, on change in fair value at the end of the reporting period;

(c) interest income, on an accruals basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset;

(d) rental income, on a time proportion basis over the lease terms; and

(e) dividend income, when the shareholders' right to receive payment has been established.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group also operates a Mandatory Provident Fund Exempted Occupational Retirement Schemes Ordinance ("ORSO") retirement benefit scheme for those employees who are eligible to participate in the ORSO scheme. This scheme operates in a way similar to the MPF Scheme, except that when an employee leaves the scheme prior to his/her interest in the Group's employee contributions vesting fully, the ongoing contributions payable by the Group are reduced by the relevant amount of forfeited employer's contributions.

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., 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. The capitalisation of such borrowing costs ceases when 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 capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss and other comprehensive income are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

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 described below.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of available-for-sale investments

The Group classifies certain assets as available for sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in profit or loss. At 31 December 2015, no impairment losses have been recognised for available-for-sale investments (2014: Nil).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Provision for obsolete and slow-moving inventories

The Group has a general provision policy on inventories based on ageing. The Group's sales and marketing managers review the inventory ageing listing on a periodical basis for those aged inventories. This involves a comparison of the carrying values of aged inventory items with their respective net realisable values. The purpose is to ascertain whether allowance is required to be made in the financial statements for any obsolete and slow-moving items. In addition, physical counts on all inventories are carried out on a periodical basis in order to determine whether allowance needs to be made in respect of any obsolete and defective inventories identified.

Impairment of loans and receivables

The Group assesses at the end of the reporting period whether there is any objective evidence that a loan and receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

The Group maintains an allowance for estimated impairment of receivables arising from the inability of its debtors to make the required payments. The Group makes its estimates based on the ageing of its receivable balances, debtors' creditworthiness, past repayment history and historical write-off experience. If the financial condition of its debtors was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Details of the amount of unrecognised tax losses are set out in note 28 to the financial statements.

4. 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 of directors of the Company 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 of directors 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.

4. OPERATING SEGMENT INFORMATION *(Continued)*

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	
	2015	2014	**2015**	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000 (Restated)	**HK$'000**	HK$'000 (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)

4. OPERATING SEGMENT INFORMATION *(Continued)*

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.

5. 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	2014
	HK$'000	HK$'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**	–
	285,967	397,040
Other income and gains		
Bank interest income	**106**	150
Sale of scrap materials	**341**	297
Gain on disposal of subsidiaries (note 33)	**352,620**	–
Gain on disposal of an associate (note 16)	**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
	389,847	2,530

* 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).

6. PROFIT BEFORE TAX

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

	Notes	2015 HK$'000	2014 HK$'000
Cost of inventories sold		**280,164**	329,752
Depreciation	14	**2,805**	4,846
Amortisation of prepaid land lease payments	15	**268**	402
Minimum lease payments under operating leases		**3,034**	288
Auditors' remuneration		**1,270**	1,250
Employee benefits expenses (including directors' remuneration (note 8)):			
Wages and salaries		**75,071**	86,610
Pension scheme contributions		**9,377**	10,366
		84,448	96,976
Equity-settled share option expense (note 30)		**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	19	**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	26	**9,164***	–
Write-down of inventories to net realisable value**		**558**	1,034

* 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.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2015 HK$'000	2014 HK$'000
Interests on other borrowings	**422**	–

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2015 HK$'000	2014 HK$'000
Fees	**1,508**	1,299
Other emoluments:		
Salaries, allowances and benefits in kind	**4,410**	3,897
Performance related bonuses*	**–**	400
Pension scheme contributions	**193**	144
	6,111	5,740

* Certain executive directors of the Company are entitled to bonus payments which are determined with reference to the Group's operating results, individual performance of the directors and comparable market practice during the year.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	Notes	**2015 HK$'000**	2014 HK$'000
Mr. Chan Sze Hung		**240**	220
Dr. Leung Wai Keung	(i)	**–**	198
Mr. Tam Kwok Fai Paul	(i)	**–**	198
Mr. Ha Kee Choy Eugene	(ii)	**240**	24
Mr. To Shing Chuen	(ii)	**240**	24
Mr. Cheung Wing Ping	(iii)	**94**	–
Mr. Man Wai Chuen	(iv)	**94**	–
		908	664

Notes:

(i) Resigned on 26 November 2014
(ii) Appointed on 26 November 2014
(iii) Appointed on 11 August 2015
(iv) Appointed on 11 August 2015 and retired on 28 January 2016

There were no other emoluments payable to the independent non-executive directors during the year (2014: Nil).

8. DIRECTORS' REMUNERATION *(Continued)*

(b) Executive directors and non-executive directors

Year ended 31 December 2015	Notes	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Executive directors:						
Ms. Poon Ho Yee Agnes		–	2,470	–	114	2,584
Mr. Lo Yuen Wa Peter	(i)	–	572	–	16	588
Ms. Lin Ying	(ii)	–	68	–	3	71
Ms. Sun Dixie Hui		–	1,300	–	60	1,360
		–	4,410	–	193	4,603
Non-executive director:						
Dr. Lam How Mun Peter		600	–	–	–	600
		600	4,410	–	193	5,203

Year ended 31 December 2014	Notes	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Executive directors:						
Mr. Lam Hiu Lo	(iii)	–	–	–	–	–
Mr. Leung Chun Cheong	(iii)	–	645	–	30	675
Ms. Poon Ho Yee Agnes		–	2,340	400	108	2,848
Mr. Wu Hong Cho	(iii)	–	785	–	–	785
Ms. Sun Dixie Hui	(iv)	–	127	–	6	133
		–	3,897	400	144	4,441
Non-executive directors:						
Dr. Lam How Mun Peter		500	–	–	–	500
Mr. Leung Wai Fai	(iii)	135	–	–	–	135
		635	–	–	–	635
		635	3,897	400	144	5,076

Notes:

(i) Appointed on 27 May 2015
(ii) Appointed on 29 October 2015 and retired on 28 January 2016
(iii) Resigned on 26 November 2014
(iv) Appointed on 26 November 2014

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2014: one director), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2014: four) non-director highest paid employees are as follows:

	2015 HK$'000	2014 HK$'000
Salaries, allowances and benefits in kind	**2,992**	3,814
Performance related bonuses	**–**	214
Pension scheme contributions	**141**	154
	3,133	4,182

The number of non-director highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees 2015	2014
HK$1,000,001 to HK$1,500,000	**3**	4

10. 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 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 (note 28)	**(4)**	20
Total tax charge for the year	**1,060**	1,766

10. INCOME TAX *(Continued)*

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2015 HK$'000	2014 HK$'000
Profit before tax	**256,263**	13,156
Tax at the statutory tax rate	**42,297**	2,256
Income from offshore manufacturing operation not subject to tax	**(908)**	(1,168)
Adjustments in respect of current tax of previous periods	**62**	44
Losses attributable to an associate	**–**	187
Income not subject to tax	**(59,266)**	(116)
Expenses not deductible for tax	**14,115**	863
Tax losses utilised from previous periods	**(39)**	(266)
Tax losses not recognised	**4,818**	46
Others	**(19)**	(80)
Tax charge at the Group's effective tax rate	**1,060**	1,766

11. DIVIDEND

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

12. 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 29 to the financial statements) during the year.

No adjustment has been made to the basic earnings per share presented for the year ended 31 December 2015 in respect of a dilution as the impacts of the Share 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.

13. 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 Permate Production Inc. ("Permate"), 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 Permate, 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 Permate as at 31 December 2015 was included in asset classified as held for sale.

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

	2015 **HK$'000**
Asset	
Property	**2,278**
Asset classified as held for sale	**2,278**

(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
Assets	
Property	29,544
Prepayments, deposits and other receivables	3,236
Tax recoverable	37
Assets classified as held for sale	32,817
Liabilities	
Other payables and accruals	6
Deferred tax liabilities (note 28)	574
Liabilities directly associated with the assets classified as held for sale	580
Net assets directly associated with the disposal group	32,237

14. PROPERTY, PLANT AND EQUIPMENT

	Notes	Land and buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Moulds HK$'000	Total HK$'000
31 December 2015								
At 31 December 2014 and 1 January 2015:								
Cost		108,846	3,622	9,177	3,074	10,720	652	136,091
Accumulated depreciation		(29,096)	(3,097)	(7,694)	(2,404)	(7,747)	(548)	(50,586)
Net carrying amount		79,750	525	1,483	670	2,973	104	85,505
At 1 January 2015, net of accumulated depreciation		79,750	525	1,483	670	2,973	104	85,505
Additions		–	90	97	–	27	–	214
Assets included as held for sale	13	(2,278)	–	–	–	–	–	(2,278)
Disposals		(39,713)	(390)	–	–	–	–	(40,103)
Disposal of subsidiaries	33	(34,129)	(46)	(154)	–	(9)	–	(34,338)
Depreciation provided during the year		(1,342)	(175)	(342)	(267)	(614)	(65)	(2,805)
At 31 December 2015, net of accumulated depreciation		2,288	4	1,084	403	2,377	39	6,195
At 31 December 2015:								
Cost		4,083	129	8,697	3,074	9,849	652	26,484
Accumulated depreciation		(1,795)	(125)	(7,613)	(2,671)	(7,472)	(613)	(20,289)
Net carrying amount		2,288	4	1,084	403	2,377	39	6,195

	Note	Land and buildings HK$'000	Leasehold improvements HK$'000	Electricity supply system HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Moulds HK$'000	Total HK$'000
31 December 2014									
At 1 January 2014:									
Cost		144,154	3,500	2,729	10,069	3,532	11,024	1,294	176,302
Accumulated depreciation		(31,901)	(2,938)	(2,729)	(8,422)	(2,367)	(7,399)	(1,085)	(56,841)
Net carrying amount		112,253	562	–	1,647	1,165	3,625	209	119,461
At 1 January 2014, net of accumulated depreciation		112,253	562	–	1,647	1,165	3,625	209	119,461
Additions		–	122	–	247	–	65	–	434
Assets included as held for sale	13	(29,544)	–	–	–	–	–	–	(29,544)
Depreciation provided during the year		(2,959)	(159)	–	(411)	(495)	(717)	(105)	(4,846)
At 31 December 2014, net of accumulated depreciation		79,750	525	–	1,483	670	2,973	104	85,505
At 31 December 2014:									
Cost		108,846	3,622	–	9,177	3,074	10,720	652	136,091
Accumulated depreciation		(29,096)	(3,097)	–	(7,694)	(2,404)	(7,747)	(548)	(50,586)
Net carrying amount		79,750	525	–	1,483	670	2,973	104	85,505

As at 31 December 2014, certain of the Group's land and buildings with an aggregate amount of HK$34,394,000 were pledged to banks to secure general banking facilities granted to the Group (note 35).

15. PREPAID LAND LEASE PAYMENTS

	2015 HK$'000	2014 HK$'000
Carrying amount at 1 January	**12,940**	13,342
Recognised during the year	**(268)**	(402)
Disposal	**(12,672)**	–
Carrying amount at 31 December	**–**	12,940
Current portion	**–**	(402)
Non-current portion	**–**	12,538

16. INVESTMENT IN AN ASSOCIATE

	2015 HK$'000	2014 HK$'000
Share of net assets	**–**	–
Goodwill on acquisition	**–**	31,438
	–	31,438
Provision for impairment	**–**	(31,438)
	–	–

On 30 March 2015, the Group entered into a conditional agreement with Technical Group Holdings Limited, the majority shareholder of the Technical International Holdings Limited ("TIHL"), to dispose of the Group's 30% equity interest in TIHL and its subsidiaries (collectively referred to as the "TIHL Group"), which are principally engaged in the design and trading of wine openers, knives and kitchenware, at a consideration of HK$6,000,000. The disposal of TIHL Group was completed on 30 March 2015 and a gain on disposal of HK$5,744,000 was recognised by the Group.

The Group discontinued the recognition of its share of losses of TIHL since 2014 because the share of losses of TIHL exceeded the Group's interest in TIHL and the Group has no obligation to take up future losses.

The following table illustrates the financial information of TIHL that is not individually material:

	2015 HK$'000	2014 HK$'000
Share of the associate's loss for the year	**–**	(1,135)
Share of the associate's total comprehensive loss	**–**	(1,135)
Aggregate carrying amount of the Group's investment in the associate	**N/A**	–

The Group's associate had no contingent liability or capital commitment as at 31 December 2014.

17. 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	**170,025**	–
	195,065	77,416

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 (notes 27 and 35).

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.

18. INVENTORIES

	2015 HK$'000	2014 HK$'000
Raw materials	**6,135**	9,327
Work in progress	**7,879**	12,774
Finished goods	**13,975**	15,658
	27,989	37,759

19. TRADE AND BILLS RECEIVABLES

	2015 HK$'000	2014 HK$'000
Trade and bills receivables	**38,352**	50,701
Impairment	**(420)**	(340)
	37,932	50,361

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.

19. TRADE AND BILLS RECEIVABLES *(Continued)*

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
	37,932	50,361

The movements in provision for impairment of trade receivables are as follows:

	2015 HK$'000	2014 HK$'000
At 1 January	**340**	339
Impairment losses recognised	**3,767**	62
Amount written off as uncollectible	**(3,619)**	(61)
Impairment losses reversed	**(68)**	–
	420	340

Included in the above provision for impairment of trade receivables are provisions for individually impaired trade receivables of HK$420,000 (2014: HK$340,000) with a carrying amount before provision of HK$420,000 (2014: HK$340,000).

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default for principal payments.

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
	37,932	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.

20. LOAN AND INTEREST RECEIVABLES

	2015 HK$'000	2014 HK$'000
Loan and interest receivables, unsecured	**30,223**	–

Notes:

(i) The loan receivable is stated at amortised cost at an effective interest rates of 12% per annum and the credit term is 1 year. The carrying amount of the loan receivable approximates to its fair value.

(ii) An aged analysis of the loan and interest receivables that are not individually nor collectively considered to be impaired as at the end of the reporting period, based on the payment due date is as follows:

	2015 HK$'000	2014 HK$'000
Neither past due nor impaired	**30,223**	–

Receivable that was neither past due nor impaired relates to a borrower for whom there was no recent history of default.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015 HK$'000	2014 HK$'000
Prepayments	**9,842**	4,857
Deposits	**1,600**	2,654
Other receivables	**125**	68
	11,567	7,579
Less: Prepayments classified as non-current assets	**(2,196)**	–
Current portion	**9,371**	7,579

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

22. 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**	–
	667,376	–

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 (notes 27 and 35).

Assuming the portfolio of the Group's listed equity investment has remained unchanged, the market value of the Group's listed equity investments at the date of approval of these financial statements was HK$407,844,000.

23. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2015 HK$'000	2014 HK$'000
Cash and bank balances	**36,179**	37,034
Time deposits	**–**	3,023
	36,179	40,057
Less: Pledged time deposits (Note)	**–**	(3,023)
Cash and cash equivalents	**36,179**	37,034

Note: As at 31 December 2014, the time deposits were pledged to a bank to secure general banking facilities granted to the Group's associate (note 35).

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$16,026,000 (2014: HK$15,124,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

24. 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
	16,343	37,867

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

25. OTHER PAYABLES AND ACCRUALS

	2015 HK$'000	2014 HK$'000
Deposits received	**7,696**	18,168
Other payables	**1,010**	177
Accruals	**9,308**	11,883
	18,014	30,228

Other payables are non-interest-bearing and are normally settled within three months.

26. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Derivatives embedded in the Company's unlisted warrants:

	2015 HK$'000	2014 HK$'000
Balance at 1 January	**–**	–
Issuance of warrants	**5,751**	–
Extinguished during the year	**(5,751)**	–
	–	–

On 25 June 2015, the Group issued 287,531,980 and 287,531,992 unlisted warrants, with a mandatory exercise right and at the subscription prices of HK$0.56 and HK$0.608, respectively, per warrant, at a placing price of HK$0.01 per warrant (the "Share Warrants"), to not less than 12 independent placees pursuant to certain conditional placing agreements and supplemental agreements dated 21 April 2015, 29 April 2015, 13 May 2015, 15 May 2015 and 8 June 2015. Details of these transactions are set out in the Company's circular dated 9 June 2015.

Pursuant to an agreement dated 2 December 2015 (the "Subscription and Cancellation Agreement") entered into between the Company and the holders of the Share Warrants, the Company agreed to cancel all the outstanding Share Warrants and the holders of the Share Warrants agreed to subscribe for a total of 575,063,972 new shares of the Company at HK$0.16 per share. The subscription was completed on 4 February 2016.

27. INTEREST-BEARING OTHER BORROWINGS

		2015			2014		
	Note	Contractual interest rate (%)	Maturity	HK$'000	Contractual interest rate (%)	Maturity	HK$'000
Current:							
Other loans – secured	(a)	8.00	on demand	2,553	N/A	N/A	–
Other loans – unsecured		Prime rate + 3.00	2016	198,500	N/A	N/A	–
				201,053			–

	2015 HK$'000	2014 HK$'000
Analysed into:		
Margin loans repayable on demand	2,553	–
Other loans repayable within one year	198,500	–
	201,053	–

Notes:

(a) At 31 December 2015, the Group's margin loan of HK$2,553,000 (2014:Nil) was secured by the Group's listed available-for-sale investments and listed equity investments at fair value through profit or loss with aggregate carrying values of HK$25,040,000 (2014: Nil) (note 17) and HK$517,376,000 (2014: Nil) (note 22), respectively.

(b) All borrowings of the Group as at 31 December 2015 (2014: Nil) were denominated in Hong Kong Dollars.

28. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities during the year are as follows:

	Losses available for offsetting against future taxable profits HK$'000	Unrealised fair value gain on financial assets at fair value through profit or loss HK$'000	Depreciation allowance in excess of related depreciation HK$'000	Total HK$'000
At 1 January 2014	–	–	1,522	1,522
Deferred tax charged to profit or loss during the period (note 10)	–	–	20	20
Transfers to the disposal group (note 13(b))	–	–	(574)	(574)
At 31 December 2014 and 1 January 2015	–	–	968	968
Deferred tax charged/(credited) to profit or loss during the period (note 10)	(13,358)	13,358	(4)	(4)
Disposals of subsidiaries	–	–	(818)	(818)
Deferred tax liabilities at 31 December 2015	(13,358)	13,358	146	146

28. DEFERRED TAX LIABILITIES *(Continued)*

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2015, no deferred tax has been recognised for withholding taxes as the Group's subsidiaries established in Mainland China do not have any unremitted retained earnings as at 31 December 2015.

The Group had tax losses arising in Hong Kong of HK$110,158,000 (2014: HK$359,000) (subject to agreement by the Inland Revenue Department) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of HK$127,000 (2014: HK$306,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have been recognised in respect of HK$80,958,000. Deferred tax assets have not been recognised in respect of the remaining amount of HK$29,200,000 as it is not considered probable that there would be sufficient future taxable profits to utilise such amount.

29. SHARE CAPITAL

Shares

	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)	**100,000**	100,000
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)	**45,286**	14,377

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**

29. SHARE CAPITAL *(Continued)*

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 (note 30), 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.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 30 to the financial statements.

Share Warrants

Details of the Company's share warrants issued during the year are included in note 26 to the financial statements.

Equity-settled forward contract

Pursuant the Subscription and Cancellation Agreement, the Company agreed to cancel all the outstanding Share Warrants and the holders of the Share Warrants agreed to subscribe for a total of the 575,063,972 new shares of the Company at HK$0.16 per share. The transaction was approved at the special general meeting of the Company held on 28 January 2016 and the subscription was completed on 4 February 2016.

30. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include (i) any director, officer, employee, consultant, professional, customer, supplier (whether of goods or services), agent, partner or adviser of or contractor to any member of the Group or its Related Group or a company in which the Group holds an interest or a subsidiary of such company (collectively the "Eligible Group"); or (ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include the Eligible Group; or (iii) a company beneficially owned by the Eligible Group. The Scheme became effective on 18 May 2012 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

30. SHARE OPTION SCHEME *(Continued)*

"Related Group" means (i) each of the substantial shareholders of the Company, and (ii) each associate and substantial shareholder or direct or indirect associated company or jointly-controlled entity of any of the Company or of a substantial shareholder referred to in (i) above, and (iii) each associate or substantial shareholder or direct or indirect associated company or jointly-controlled entity of any of the foregoing entities referred to in (ii) above, and (iv) each associate or substantial shareholder or direct or indirect associated company or jointly-controlled entity of any of the foregoing entities referred to in (iii) above, and (v) each associate or substantial shareholder or direct or indirect associated company or jointly-controlled entity of any of the foregoing entities referred to in (iv) above.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue on the date of approval of the refreshment of the Scheme mandate limit on 11 June 2015. The maximum number of shares issuable under the Scheme to each eligible participant within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director or substantial shareholder of the Company, or to any of their associate, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associate, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 14 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, save that such period shall not be more than 10 years from the date of offer of the share options.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) The Stock Exchange of Hong Kong Limited (the "Stock Exchange") closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of an issued ordinary share of the Company on the date of offer of the share options.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Scheme during the year:

	2015	
	Weighted average exercise price HK$ per share	**Number of options '000**
At 1 January	–	–
Granted during the year	**0.26**	**359,415**
Exercised during the year	**0.26**	**(359,415)**
At 31 December		**–**

There were no share options outstanding as at 31 December 2015.

The fair value of the share options granted during the year was HK$51,700,000, which the Group has recognised as share option expense during the year ended 31 December 2015.

30. SHARE OPTION SCHEME *(Continued)*

The fair value of equity-settled share options granted during the year was estimated as at the date of grant, using the binomial option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	0.0
Historical volatility (%)	68.37
Risk-free interest rate (%)	1.86
Expected life (year)	10
Weighted average share price (HK$ per share)	0.26

The expected life of the options was based on the historical data over the past three years and was not necessarily indicative of the exercise patterns that may occur. The expected volatility reflected the assumption that the historical volatility was indicative of future trends, which may not necessarily be the actual outcome.

At the end of the reporting period and date of approval of these financial statements, the Company had no share options outstanding under the Scheme.

31. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 30.

(a) Capital reserve

The Group's capital reserve represents the deemed capital contribution from the then controlling shareholder pursuant to the reorganisation in 2012.

(b) Contributed surplus

The contributed surplus of the Group represents the capital contributions from the equity holders of the subsidiaries now comprising the Group before the completion of the reorganisation in 2012 and the par value of the Company's shares issued to the then controlling shareholder for the acquisition of a subsidiary pursuant to the reorganisation.

(c) Other equity instrument

Other equity instrument represents the fair value of equity-settled forward contract concluded under the Subscription and Cancellation Agreement and will be transferred to the share premium account upon completion of the relevant share subscription.

(d) Share option reserve

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire after the vesting period.

32. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiary that had material non-controlling interests are set out below:

	2015	2014
Percentage of equity interest held by non-controlling interests of Theme Production House Limited* ("Theme Production House") before the disposal	**49%**	49%

	Up to 26 May 2015 HK$'000	31 December 2014 HK$'000
Profit/(loss) for the period/year allocated to non-controlling interests of Theme Production House	**(56)**	1,041
Accumulated balances of non-controlling interests of Theme Production House at the reporting date	**N/A***	1,974

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before inter-company eliminations:

	Up to 26 May 2015* HK$'000	31 December 2014 HK$'000
Revenue	**28,412**	82,424
Total expenses	**(28,526)**	(80,299)
Profit/(loss) and total comprehensive income/(loss) for the period/year	**(114)**	2,125
Current assets	**14,718**	15,712
Non-current assets	**199**	139
Current liabilities	**(11,002)**	(11,822)
Net cash flows used in operating activities	**(1,872)**	(183)
Net cash flows used in investing activities	**(81)**	(89)
Net decrease in cash and cash equivalents	**(1,953)**	(272)

* The Group disposed of its 51% equity interest in Theme Production House during the year (note 33(b)) and accordingly, its summarised financial information only included the results up to the date of disposal.

33. DISPOSALS OF SUBSIDIARIES

Year ended 31 December 2015

Details of the net assets of the subsidiaries disposed of and their financial impacts are summarised as follows:

	Note	King Place HK$'000 (note 13(b))	Empire New Assets HK$'000 (note a)	Theme Production House HK$'000 (note b)	Top Concept Group HK$'000 (note c)	Total HK$'000
Net assets disposed of:						
Property, plant and equipment		29,544	29,272	182	4,884	63,882
Deferred tax assets		–	–	17	–	17
Inventories		–	–	343	–	343
Trade and bills receivables		–	–	5,058	–	5,058
Prepayments, deposits and other receivables		3,111	3,065	322	32	6,530
Tax recoverable		37	–	1,038	–	1,075
Cash and cash equivalents		–	–	7,957	–	7,957
Trade and bills payables		–	–	(9,235)	–	(9,235)
Other payables and accruals		(2)	(2)	(1,767)	(129)	(1,900)
Tax payable		–	(66)	–	(1)	(67)
Deferred tax liabilities		(573)	(627)	–	(208)	(1,408)
Non-controlling interests		–	–	(1,918)	–	(1,918)
		32,117	31,642	1,997	4,578	70,334
Professional fees and expenses		1,121	699	77	249	2,146
Gain on disposal of subsidiaries	5	58,762	279,509	5,426	8,923	352,620
		92,000	311,850	7,500	13,750	425,100
Satisfied by:						
Cash		92,000	10,100	7,500	13,750	123,350
Consideration shares (classified as financial assets at fair value through profit or loss)		–	301,750	–	–	301,750
		92,000	311,850	7,500	13,750	425,100

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	King Place HK$'000 (note 13(b))	Empire New Assets HK$'000 (note a)	Theme Production House HK$'000 (note b)	Top Concept Group HK$'000 (note c)	Total HK$'000
Cash consideration	92,000	10,100	7,500	13,750	123,350
Cash and bank balances disposed of	–	–	(7,957)	–	(7,957)
Professional fees and expenses	(1,121)	(699)	(77)	(249)	(2,146)
Net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries	90,879	9,401	(534)	13,501	113,247

33. DISPOSALS OF SUBSIDIARIES *(Continued)*

Notes:

(a) Empire New Assets Limited ("Empire New Assets")

On 16 February 2015, the Group entered into a conditional agreement with Million Brilliance Limited, an independent third party and an indirect wholly-owned subsidiary of Skyway Securities Group Limited ("Skyway Securities", formerly known as Mission Capital Holdings Limited), to dispose of the Group's entire equity interest in Empire New Assets, which is 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 Empire New Assets, at an aggregate consideration of HK$90,000,000. The consideration was satisfied as to HK$10,100,000 in cash and HK$79,900,000 by the issuance of 850,000,000 consideration shares by Skyway Securities at an issue price of HK$0.094 per share (the "Consideration Shares"). The Consideration Shares were issued on 20 May 2015 with a total market value of HK$301,750,000 (HK$0.355 per share) and therefore, the fair value of the total consideration for this disposal was HK$311,850,000.

(b) Theme Production House

On 4 May 2015, the Group entered into a conditional agreement with the non-controlling shareholder of Theme Production House to dispose of the Group's 51% equity interest in Theme Production House, which is principally engaged in the trading of display units, at a consideration of HK$7,500,000. The disposal of Theme Production House was completed on 26 May 2015.

(c) Top Concept Limited ("Top Concept")

On 31 August 2015, the Group entered into a conditional agreement with Future Master Investments Limited, an independent third party, to dispose of the Group's entire equity interest in Top Concept, together with its subsidiary, Wisdom Way Limited, (collectively the "Top Concept Group"), which is 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 Manufacturing Limited, the then immediate holding company of Top Concept, at a consideration of HK$13,750,000. The disposal of Top Concept was completed on 9 September 2015.

34. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	2014 HK$'000
Guarantees given to banks in connection with facilities granted to an associate	4,500

35. PLEDGE OF ASSETS

Details of the Group's assets which were pledged to secure the Group's interest-bearing other borrowings and/or facilities granted by certain banks and a licensed securities company at the end of the reporting period are included in notes 14, 17, 22 and 23 to the financial statements.

36. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leased its properties under an operating lease arrangement, with the lease negotiated for a term of three years. The term of the lease generally also required the tenant to pay security deposits and provides for periodic rent adjustments according to the then prevailing market conditions. These properties were disposed of during the year ended 31 December 2015 (note 13(b)).

At 31 December 2014, the Group had total future minimum lease receivable under a non-cancellable operating lease with its tenant falling due as follows:

	HK$'000
Within one year	508

(b) As lessee

The Group leases certain of its office premises, manufacturing plants and car parks under operating lease arrangements. The leases for the office premises are negotiated for a term of two years, and those for the manufacturing plants and car parks are negotiated for a term of one year.

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

	2015 HK$'000	2014 HK$'000
Within one year	**154**	241
In the second to fifth years, inclusive	**2,450**	–
	2,604	241

37. COMMITMENTS

In addition to the operating lease commitments detailed in note 36(b) above, the Group had the following capital commitments at the end of the reporting period:

	2015 HK$'000	2014 HK$'000
Contracted, but not provided for:		
Capital contribution to a joint venture (note)	**150,000**	–

Note: On 30 December 2015, the Group entered into a joint venture agreement (the "JV Agreement") with Freeman Financial Investment Corporation ("FFIC"), a wholly-owned subsidiary of Freeman Financial Corporation Limited, pursuant to which the Group and FFIC agreed to set-up a joint venture, FreeOpt Holdings Limited ("FreeOpt"), for the purpose of carrying out the business for the provision of finance and money lending, and each will contribute HK$150 million as initial share capital of FreeOpt. The Group's capital contribution was made on 5 January 2016.

At the end of the reporting period, the Company did not have any other significant commitments.

38. RELATED PARTY TRANSACTIONS

(a) Operating lease arrangement with a related party

	2015 **HK$'000**	2014 HK$'000
Rental income receivable from an entity which was under common control of the then controlling shareholder of the Company	–	717

Note:

On 20 June 2012, a subsidiary of the Group entered into a three-year agreement ended 11 July 2015 with C C Land Management Limited ("CC Land Management"), a company under common control of the then controlling shareholder of the Company, to lease office premises in Hong Kong.

On 29 September 2014, CC Land Management ceased to be a related party of the Group, as Mr. Cheung Chung Kiu, the then controlling shareholder, had disposed of his entire shareholding in the Company, and this transaction ceased to constitute a related party transaction from 29 September 2014 onwards. As a result, only the relevant rental income amounting to HK$717,000 for the period between 1 January 2014 and 29 September 2014 constituted a related party transaction during the year ended 31 December 2014.

(b) Compensation of key management personnel of the Group

Details of directors' emoluments are included in note 8 to the financial statements.

All of the above related party transactions do not constitute any connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

39. FINANCIAL INSTRUMENTS BY CATEGORY AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Except for available-for-sale investments and financial assets at fair value through profit or loss which are measured at fair value, the financial assets and liabilities of the Company and the Group as at 31 December 2015 and 2014 are loans and receivables and financial liabilities at amortised cost, respectively.

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals and interest-bearing other borrowings, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by a director is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the directors and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the directors. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amounts at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(Continued)

The following methods and assumptions were used to estimate the fair values:

The fair values of listed equity investments classified as available-for-sale investments and financial assets at fair value through profit or loss are based on quoted market prices. The directors believe that the estimated fair values, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in profit or loss and other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

As at 31 December 2015

Assets measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Available-for-sale investments:				
Listed equity investments	**25,040**	**–**	**–**	**25,040**
Financial assets at fair value through profit or loss:				
Listed equity instruments	**517,376**	**–**	**–**	**517,376**
Unlisted convertible notes	**–**	**150,000**	**–**	**150,000**
	542,416	**150,000**	**–**	**692,416**

As at 31 December 2014

Assets measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Available-for-sale investments:				
Listed equity investments	77,416	–	–	77,416

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers or out of Level 3 for both financial assets and financial liabilities (2014: None).

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments include cash and cash equivalents, trade and bills receivables, deposits and other receivables, available-for-sale investments, financial assets at fair value through profit or loss, interest-bearing other borrowings, trade and bills payables and other payables and accruals. Details of the major financial instruments and the Group's relevant accounting policies are disclosed in note 2.4 to the financial statements.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to changes in market interest rates relates primarily to the Group's interest-bearing other borrowings with floating interest rates. The Group has not used any interest rate swaps to hedge its interest rate risk, and will consider hedging significant interest rate risk should the need arise.

The following table demonstrates the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Group's profit before tax. There is no material impact on other components of the Group's equity.

	Group	
	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax HK$'000**
2015		
HK$	**100**	**(1,985)**
HK$	**(100)**	**1,985**
2014		
HK$	100	–
HK$	(100)	–

Foreign currency risk

The Group has currency exposure as the majority of its sales of packaging products were denominated in US$, which is pegged to HK$. On the other hand, the expenses or expenditures incurred in the operations of the manufacturing plants were mainly denominated in RMB, which expose the Group to foreign currency risk.

RMB is not a freely convertible currency. Future exchange rates of RMB could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally, and the demand and supply of RMB. The appreciation or depreciation of RMB against US$ and HK$ may have impact on the operating results of the Group.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Foreign currency risk *(Continued)*

There are limited hedging instruments available to the Group to reduce the Group's exposure to exchange rate fluctuations between RMB and other currencies. The Group may decide to enter into hedging transactions in the future and management monitors the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The following table demonstrates the sensitivity to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's profit before tax.

	Increase/ (decrease) in RMB rate %	Increase/ (decrease) in profit before tax HK$'000
2015		
If HK$ weakens against RMB	**3**	**163**
If HK$ strengthens against RMB	**(3)**	**(163)**
2014		
If HK$ weakens against RMB	3	145
If HK$ strengthens against RMB	(3)	(145)

Credit risk

The Group trades only with recognised and creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, trade and other receivable balances are monitored on an ongoing basis to ensure that follow-up action is taken to recover overdue debts and the Group's exposure to bad debts is not significant. The Group's maximum exposures to credit risk are the carrying amounts of trade and bills receivables, loan and interest receivables and other receivables as disclosed in notes 19, 20 and 21 to the financial statements, respectively. In addition, the Group reviews the recoverable amount of each individual debtor at the end of the reporting period to ensure that adequate impairment losses have been made for irrecoverable amounts.

Liquidity risk

The Group's liquidity risk is minimal in the current year and the Group managed the risk by matching the raising of loans or equity funding to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	On demand or within 1 year HK$'000
At 31 December 2015	
Trade and bills payables	**16,343**
Other payables and accruals	**10,318**
Interest-bearing other borrowings	**201,053**
	227,714

	On demand or within 1 year HK$'000
At 31 December 2014	
Trade and bills payables	37,867
Other payables and accruals	12,060
	49,927

Equity price risk

Equity price risk is the risk that the fair values of equity investments decrease as a result of changes in the levels of equity indices and the values of individual securities. The Group was exposed to equity price risk arising from individual equity investments classified as available-for-sale investments (note 17), and financial assets at fair value through profit or loss (note 22).

The Group's listed equity investments are listed on the Stock Exchange and are valued at quoted market prices at the end of the reporting period.

The market equity index for the Stock Exchange, at the close of business of the nearest trading day in the year to the end of the reporting period, and its respective highest and lowest points during the year were as follows:

	31 December 2015	**High/low 2015**	1 January 2015
Hong Kong – Hang Seng Index	**21,914**	**28,589/20,368**	23,605

The Group manages its exposure by closely monitoring the price movements and the changes in market conditions that may affect the value of these equity investments.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Equity price risk *(Continued)*

The following table demonstrates the sensitivity to a reasonably possible change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period.

	Carrying amount of financial investments HK$'000	**Increase/ (decrease) in price %**	**Increase/ (decrease) in equity HK$'000**
2015			
Equity securities listed in Hong Kong:			
Available-for-sale	**25,040**	**40.36**	**10,106**
Available-for-sale	**25,040**	**(40.36)**	**(10,106)**
Equity securities listed in Hong Kong:			
Held-for-trading	**517,376**	**40.36**	**208,809**
Held-for-trading	**517,376**	**(40.36)**	**(208,809)**
2014			
Equity securities listed in Hong Kong:			
Available-for-sale	77,416	19.52	15,112
Available-for-sale	77,416	(19.52)	(15,112)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern in order to provide returns to the shareholders, to procure adequate financial resources from shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2015 and 2014.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management *(Continued)*

The Group monitors capital using a net debt-to-adjusted capital ratio, which is net debt divided by adjusted capital. Net debt includes trade and bills payables, other payables and accruals and interest– bearing other borrowings, less cash and cash equivalents and excludes assets of a disposal group classified as held for sale and liabilities directly associated with the assets classified as held for sale. Adjusted capital includes equity attributable to owners of the parent and net debt. The net debt-to-adjusted capital ratios as at the end of the reporting periods were as follows:

	Group	
	2015	2014
	HK$'000	HK$'000
Trade and bills payables	**16,343**	37,867
Other payables and accruals	**18,014**	30,228
Interest-bearing other borrowings	**201,053**	–
Less: Cash and cash equivalents	**(36,179)**	(37,034)
Net debt	**199,231**	31,061
Equity attributable to owners of the parent	**779,110**	273,055
Adjusted capital	**978,341**	304,116
Net debt-to-adjusted capital ratio	**0.20**	0.10

42. EVENTS AFTER REPORTING PERIOD

(a) Pursuant to the JV Agreement, 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 the Share Warrants and allot 575,063,972 new shares of the Company to the holders of the Share 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 share 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 17 February 2016. The change of name was approved by both the Company's shareholders at the special general meeting and the Registrar of Companies in Bermuda on 15 March 2016.

42. EVENTS AFTER REPORTING PERIOD *(Continued)*

(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, 橋登（北京）商貿有限公司 and Tre 29 Group (Hong Kong) Limited, 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.

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**47,890**	47,890
CURRENT ASSETS		
Prepayments and other receivables	**515**	275
Due from subsidiaries	**477,974**	59,667
Tax recoverable	**–**	65
Cash and cash equivalents	**121**	199
Total current assets	**478,610**	60,206
CURRENT LIABILITIES		
Other payables and accruals	**2,087**	1,518
Due to subsidiaries	**1,751**	–
Interest-bearing other borrowings	**198,500**	–
Total current liabilities	**202,338**	1,518
NET CURRENT ASSETS	**276,272**	58,688
Net assets	**324,162**	106,578
EQUITY		
Issued capital	**45,286**	14,377
Reserves (note)	**278,876**	92,201
Total equity	**324,162**	106,578

Lam How Mun Peter
Director

Poon Ho Yee Agnes
Director

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium account HK$'000	Contributed surplus HK$'000 (note 31(b))	Other equity instrument HK$'000 (note 31 (c))	Share option reserve HK$'000 (note 31(d))	Retained profits HK$'000	Total HK$'000
Balance as at 1 January 2014	18,733	34,951	–	–	585	54,269
Total comprehensive income for the year	–	–	–	–	37,932	37,932
At 31 December 2014 and 1 January 2015	**18,733**	**34,951**	**–**	**–**	**38,517**	**92,201**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**(31,722)**	**(31,722)**
Equity-instrument issued	**–**	**–**	**14,915**	**–**	**–**	**14,915**
First Bonus Issue	**–**	**(14,376)**	**–**	**–**	**–**	**(14,376)**
Second Bonus Issue	**–**	**(7,188)**	**–**	**–**	**–**	**(7,188)**
Equity-settled share option arrangements	**–**	**–**	**–**	**51,700**	**–**	**51,700**
Issue of shares upon exercise of share options	**141,554**	**–**	**–**	**(51,700)**	**–**	**89,854**
Placement of new shares	**86,259**	**–**	**–**	**–**	**–**	**86,259**
Share issue expenses	**(2,767)**	**–**	**–**	**–**	**–**	**(2,767)**
At 31 December 2015	**243,779**	**13,387**	**14,915**	**–**	**6,795**	**278,876**

The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the reorganisation on 29 December 2011 over the previous nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda, a company may make distributions to its members out of the contributed surplus in certain circumstances.

44. COMPARATIVE AMOUNTS

As further explained in notes 2.2 and 4 to the financial statements, due to the implementation of the Hong Kong Companies Ordinance (Cap. 622) and the changes in the designation of principal activities and segment composition during the year, the presentation and disclosures of certain items and balances in the financial statements have been revised and restated to conform with the current year's presentation and disclosures.

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 21 March 2016.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years is set out below.

RESULTS

	Years ended 31 December				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**285,967**	397,040	436,402	389,304	418,660
PROFIT BEFORE TAX	**256,263**	13,156	19,712	26,171	46,421
Income tax expense	**(1,060)**	(1,766)	(2,780)	(3,256)	(4,931)
PROFIT FOR THE YEAR	**255,203**	11,390	16,932	22,915	41,490
Attributable to:					
Owners of the parent	**255,259**	10,349	13,435	20,341	37,828
Non-controlling interests	**(56)**	1,041	3,497	2,574	3,662
	255,203	11,390	16,932	22,915	41,490

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**1,014,804**	345,542	321,159	311,137	288,933
Total liabilities	**(235,694)**	(70,513)	(59,025)	(61,829)	(122,439)
Non-controlling interests	**–**	(1,974)	(933)	(1,601)	(2,457)
	779,110	273,055	261,201	247,707	164,037

The summary of the consolidated results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, has been extracted from the published audited financial statements and the Company's prospectus.