EYANG HOLDINGS (GROUP) CO., LIMITED
宇陽控股(集團)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 117)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

The board of directors (the "Board") of EYANG Holdings (Group) Co., Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2014, together with the comparative results for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Revenue	5	**466,584**	513,150
Cost of sales		**(431,230)**	(429,103)
Gross profit		**35,354**	84,047
Other revenue and other net income	6	**15,836**	15,786
Selling and distribution costs		**(22,052)**	(19,178)
Administrative expenses		**(41,635)**	(39,217)
Other expenses		**(4,964)**	(6,296)
Research and development costs	7(c)	**(32,424)**	(21,601)
(Loss)/profit from operations		**(49,885)**	13,541
Finance costs	7(a)	**(4,005)**	(4,500)
(Loss)/profit before taxation		**(53,890)**	9,041
Income tax	8	**7,001**	(8,132)
(Loss)/profit for the year from continuing operation		**(46,889)**	909
Discontinued operations			
Loss for the year from discontinued operations	9	**–**	(6,282)
Loss for the year		**(46,889)**	(5,373)

	Note	2014 RMB'000	2013 RMB'000
Other comprehensive (loss)/income for the year, net of nil tax			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(1,448)**	2,304
Total comprehensive loss for the year		**(48,337)**	(3,069)
(Loss)/profit for the year attributable to owners of the Company arising from:			
Continuing operation		**(46,889)**	909
Discontinued operations		**–**	(6,282)
		(46,889)	(5,373)
Total comprehensive (loss)/income attributable to owners of the Company arising from:			
Continuing operation		**(48,337)**	3,213
Discontinued operations		**–**	(6,282)
		(48,337)	(3,069)
(Loss)/earnings per share	*11*	***RMB Cents***	*RMB Cents*
From continuing and discontinued operations			
Basic and diluted		**(11.6)**	(1.3)
From continuing operation			
Basic and diluted		**(11.6)**	0.2
From discontinued operations			
Basic and diluted		**–**	(1.5)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Note	**2014** *RMB'000*	2013 *RMB'000*
Non-current assets			
Property, plant and equipment		**226,512**	261,167
Investment properties		**24,324**	18,296
Prepaid land lease payments		**19,365**	19,853
Other intangible assets		**2,151**	1,170
Deferred tax assets		**9,145**	3,771
		281,497	304,257
Current assets			
Inventories		**88,040**	76,907
Trade and bills receivables	*12*	**188,228**	227,129
Prepayments, deposits and other receivables		**15,454**	12,823
Due from related parties		**5,410**	5,474
Pledged deposits		**24,691**	128,411
Cash and bank balances		**27,746**	53,941
		349,569	504,685
Current liabilities			
Trade and bills payables	*13*	**93,071**	108,336
Deferred income, accruals and other payables		**32,086**	36,211
Due to related parties		**–**	2,400
Tax payable		**17,194**	22,732
Bank loans		**67,364**	170,275
Dividends payable		**84**	254
		209,799	340,208
Net current assets		**139,770**	164,477
Total assets less current liabilities		**421,267**	468,734
Non-current liabilities			
Deferred income		**23,999**	20,732
Deferred tax liabilities		**3,634**	6,031
		27,633	26,763
NET ASSETS		**393,634**	441,971
CAPITAL AND RESERVES			
Share capital		**3,824**	3,824
Reserves		**389,810**	438,147
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**393,634**	441,971

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2014

	Attributable to owners of the Company							
	Share capital *RMB'000*	**Share premium account** *RMB'000*	**Contributed surplus** *RMB'000*	**Share option reserve** *RMB'000*	**Exchange fluctuation reserve** *RMB'000*	**Statutory reserve** *RMB'000*	**Retained profits** *RMB'000*	**Total equity** *RMB'000*
At 1 January 2013	3,824	104,657	208,407	4,560	2,948	37,935	83,359	445,690
Loss for the year	–	–	–	–	–	–	(5,373)	(5,373)
Exchange differences on translation of foreign operations	–	–	–	–	2,304	–	–	2,304
Total comprehensive loss for the year	–	–	–	–	2,304	–	(5,373)	(3,069)
Transfer to reserve	–	–	–	–	–	2,833	(2,833)	–
Deemed distribution to the shareholders	–	–	(650)	–	–	–	–	(650)
Transfer to retained profits upon forfeiture of share options	–	–	–	(370)	–	–	370	–
At 31 December 2013 and 1 January 2014	3,824	104,657	207,757	4,190	5,252	40,768	75,523	441,971
Loss for the year	–	–	–	–	–	–	(46,889)	(46,889)
Exchange differences on translation of foreign operations	–	–	–	–	(1,448)	–	–	(1,448)
Total comprehensive loss for the year	–	–	–	–	(1,448)	–	(46,889)	(48,337)
Transfer to retained profits upon forfeiture of share opinions	–	–	–	(267)	–	–	267	–
At 31 December 2014	3,824	104,657	207,757	3,923	3,804	40,768	28,901	393,634

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. GENERAL INFORMATION

EYANG Holdings (Group) Co., Limited (the "Company") was incorporated in the Cayman Islands on 6 March 2007 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised). The Company's registered office address is the office of Codon Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands, and the head office and the principal place of business of the Company are located at EYANG Building, No.3 Qimin Street, No. 2 Langshan Road, North Area, Hi-Tech Industrial Park, Nanshan District, Shenzhen, the PRC.

During the year ended 31 December 2014, the principal activity of the Company is investment holding. The principal activities of subsidiaries are mainly involved in manufacture and sale of multi-layer ceramic capacitor ("MLCC").

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB"), and the International Accounting Standards and Standing Interpretations Committee Interpretations approved by the International Accounting Standards Committee that remain in effect. The financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The IASB has issued certain new and revised IFRSs which are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from the initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as "the Group").

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB") and the functional currency of the Company is RMB.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

The Group has applied the following new and revised IFRSs issued by the IASB.

— Amendments to IFRS 10, HKFRS 12 and HKAS 27, Investment entities

— Amendments to IAS 32, Offsetting financial assets and financial liabilities

— Amendments to IAS 36, Recoverable amount disclosures of non-financial assets

— Amendments to IAS 39, Novation of derivatives and continuation of hedge accounting

— IFRIC 21, Levies

The Group has not applied any new IFRS that is not yet effective for the current accounting period. Except as described below, the application of new and revised IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or CGU whose recoverable amount is based on fair value less costs of disposal. The disclosures about the Group's impaired non-financial assets in the annual report have conformed to the amended disclosure requirements.

4. SEGMENT REPORTING

Operating segments are identified on the basis of internal reports which provide information about components of the Group. These information are reported to and reviewed by the chief operating decision marker ("CODM") for the purposes of resources allocation and performance assessment. The identity of CODM is the board of directors. The CODM considers the business from a business activity perspective. Each of the Group's segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of the other segments.

The Group has presented the following reportable segments. No operating segments have been aggregated to form the reportable segments.

Continuing operation:

— the multi-layer ceramic chips ("MLCC") segment engages in the manufacture and sale of MLCC and the trading of MLCC;

Discontinued operations:

— the trading of mobile phone segment engages in the trading of mobile phones; and

— the batteries segment engages in the manufacture and sale of batteries.

Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's CODM monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets, intangible assets, non-current assets and current assets that are directly managed by the segments. Segment liabilities include all current liabilities and non-current liabilities attributable to the activities of the individual segments and including bank borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. To arrive at segment results, the Group allocated income and expense to those segments but excluded interest income and finance costs.

In addition to receiving segment information concerning segment result, the Group's CODM is provided with segment information concerning revenue (including inter-segment sales), interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the prevailing market prices.

Subsequent to the discontinued operations in trading of mobile phone segment and the batteries segment, the multi-layer ceramic chips ("MLCC") segment became the only major continuing reportable operating segment of the Group, which engages in the manufacture and sale of MLCC and the trading of MLCC. Accordingly, no further operating segment information is provided for the year ended 31 December 2014.

Information regarding the Group's reportable segments and the reconciliation to the corresponding consolidated totals in the financial statement for the year ended 31 December 2013 are shown below.

Year ended 31 December 2013

	Continuing operation	Discontinued operations			Inter-segment elimination	
	MLCC	Trading of mobile phone	Battery	Sub-total		Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue						
Sales to external customers	513,150	–	38,612	38,612	–	551,762
Inter-segment revenue	–	–	–	–	–	–
	513,150	–	38,612	38,612	–	551,762
Segment results	12,309	–	(6,316)	(6,316)	–	5,993
Reconciliation:						
Interest income	1,232	–	35	35	–	1,267
Finance costs	(4,500)	–	–	–	–	(4,500)
Profit before taxation	9,041	–	(6,281)	(6,281)	–	2,760
Segment assets and total assets	808,942	–	–	–	–	808,942
Segment liabilities and total liabilities	366,971	–	–	–	–	366,971
Other segment information:						
Write-down of inventories	6,296	–	–	–	–	6,296
Reversal of impairment loss of trade receivables	(2,731)	–	–	–	–	(2,731)
Impairment loss of property, plant and equipment	2,326	–	–	–	–	2,326
Loss on disposal of property, plant and equipment	1,054	–	–	–	–	1,054
Depreciation and amortisation	33,440	–	22	22	–	33,462
Additions to non-current segment assets during the year	12,915	–	6	6	–	12,921
Research and development costs	21,601	–	–	–	–	21,601
Interest income	(1,232)	–	(35)	(35)	–	(1,267)
Finance costs	4,500	–	–	–	–	4,500

(a) Geographical segments

(i) Revenue from external customers

The geographical analysis of the Group's revenue from external customers by geographical location based on where the goods are sold and delivered and services are rendered, is as follows:

Continuing operation:

	2014 *RMB'000*	2013 *RMB'000*
Mainland China	**352,512**	412,449
Regions other than Mainland China	**114,072**	100,701
	466,584	513,150

Discontinued operations:

	2014 *RMB'000*	2013 *RMB'000*
Mainland China	–	30,451
Regions other than Mainland China	–	8,161
	–	38,612

(ii) Non-current assets

No non-current assets and capital expenditure information is presented for the Group's geographical location, as over 90% of the Group's assets are located in Mainland China.

(b) Information about major customers

No single customer contributed 10% or more to the Group's revenue for 2014 and 2013.

(c) Revenue from major products and services

The analysis of the Group's revenue from its major products and services is the same as that set out in note 5.

5. REVENUE

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of revenue is as follows:

	2014	2013
	RMB'000	*RMB'000*
Continuing operation		
Sale of MLCC	**466,584**	513,150
Discontinued operations		
Sale of battery	**–**	38,612

6. OTHER REVENUE AND OTHER NET INCOME

		2014	2013
	Note	**RMB'000**	RMB'000
Continuing operation:			
Other revenue			
Interest income on financial assets not at fair value through profit or loss — bank interest income		**2,549**	1,232
Rental income	*7(c)*	**6,672**	6,820
Government grants		**1,331**	257
Release of government grant as income		**1,005**	1,055
Sale of materials		**207**	1,054
Commission income		**–**	337
Management fee income		**615**	–
Sundry income		**1,134**	110
		13,513	10,865
Other net income			
Exchange gain		**356**	2,190
Reversal of forfeiture of deposit paid		**1,100**	–
Reversal of impairment loss for trade receivables		**27**	2,731
Over-provided accrued expenses in prior years		**840**	–
		2,323	4,921
		15,836	15,786
Discontinued operations:			
Other revenue			
Interest income on financial assets not at fair value through profit or loss — bank interest income		**–**	35
Sundry income		**–**	75
		–	110

7. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation from continuing and discontinued operations is arrived at after charging/(crediting) the following:

(a) Finance costs

	2014	2013
	RMB'000	*RMB'000*
Continuing operation:		
Total interest expense on financial liabilities not at fair value through profit or loss:		
Interest on bank loans wholly repayable within five years	**4,005**	4,500

(b) Staff costs (including directors' emoluments)

	2014	2013
	RMB'000	*RMB'000*
Continuing operation:		
Contributions to defined contribution retirement plan	**4,484**	3,427
Salaries, wages and other benefits *(note i and ii)*	**68,807**	56,084
	73,291	59,511
Discontinued operations:		
Contributions to defined contribution retirement plan	**–**	87
Salaries, wages and other benefits *(note i)*	**–**	2,312
	–	2,399

(c) Other items

	Note	2014 RMB'000	2013 RMB'000
Continuing operation:			
Cost of inventories *(note i)*		**436,194**	435,399
Depreciation *(note i and ii)*		**47,681**	32,763
Amortisation of prepaid land lease prepayments		**488**	488
Amortisation of other intangible assets		**362**	189
Research and development costs:			
Current year expenditure *(note ii)*		**32,424**	21,601
Minimum lease payments under operating leases in respect of buildings		**648**	687
Auditors' remuneration		**673**	1,436
Foreign exchange differences, net		**(356)**	(2,190)
Reversal of impairment loss for trade receivables		**(27)**	(2,731)
Loss on disposal of property, plant and equipment		**1,436**	1,054
Impairment loss of property, plant and equipment		**6,571**	2,326
Rental income on investment properties less direct outgoings of RMB458,000 (2013: RMB473,000)	6	**(6,214)**	(6,347)
Discontinued operations:			
Cost of inventories *(note i)*		**–**	37,035
Depreciation *(note i and ii)*		**–**	22
Minimum lease payments under operating leases in respect of buildings		**–**	160
Foreign exchange differences, net		**–**	71

Notes:

(i) For continuing operation, cost of inventories includes RMB84,086,000 (2013: RMB70,342,000) relating to staff costs and depreciation, which are also included in the respective total amounts disclosed separately above.

For discontinued operations, cost of inventories includes RMB nil (2013: RMB819,000) relating to staff costs and depreciation, which are also included in the respective total amounts disclosed separately above.

(ii) Included in research and development costs are depreciation of RMB1,773,000 (2013: RMB137,000) and staff costs of RMB5,559,000 (2013: RMB3,938,000), which are also included in the respective total amounts disclosed separately above.

8. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Income tax in the consolidated statement of profit or loss and other comprehensive income represents:

	2014	2013
	RMB'000	*RMB'000*
Continuing operation:		
Current tax		
— PRC Enterprise Income Tax for the year	**2,215**	10,430
— Overprovision in prior years	**(1,445)**	(1,439)
Deferred taxation		
— Origination and reversal of temporary differences	**(7,771)**	(859)
Income tax for the year	**(7,001)**	8,132
Discontinued operations:		
Current tax		
— PRC Enterprise Income Tax for the year	**–**	1
Income tax for the year	**–**	1

(i) The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

(ii) No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the year.

(iii) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI respectively.

(iv) On 31 October 2010, Shenzhen Eyang Technology Development Co., Ltd. ("SZ Eyang") (深圳市宇陽科技發展有限公司), a subsidiary of the Company in Mainland China, was recognised as a high technology enterprise again and was subject to enterprise income tax ("EIT") at the rate of 15% from 2011 to 2013.

Except for SZ Eyang mentioned above that was entitled to a preferential tax rate of 15%, the subsidiaries of the Company in Mainland China were required to pay EIT at the standard rate of 25% during the year ended 31 December 2013.

(v) For the year ended 31 December 2014, all PRC subsidiaries were subject to EIT rate of 25%.

9. DISCONTINUED OPERATIONS

On 27 December 2013, the Group disposed of its entire equity interest in a wholly owned subsidiary, Shenzhen Eyang Energy Company Limited and its subsidiary (the "Energy Group"), which were engaged in the manufacture and sale of batteries and which was acquired on 12 November 2012. The disposal was completed on 27 December 2013. As a result of the disposal of Energy Group, the Group's business operation in the manufacture and sale of batteries was discontinued.

On 28 June 2013, the Group passed a written resolution for voluntary wind-up of an indirect wholly-owned subsidiary, HK Weichang, which was engaged in the trading of mobile phones and liquidators were appointed. Upon the appointment of liquidators, the directors of the Company considered that the Group ceased to control HK Weichang. As a result of the voluntary winding-up of HK Weichang, the Group's business operation in the trading of mobile phones was discontinued.

Accordingly, the financial results of the Energy Group and HK Weichang were classified and presented as discontinued operations in accordance with IFRS 5 "Non-Current Assets Held for Sale and Discontinued operations".

The results of the discontinued operations for the year ended 31 December 2013 are set out below:

		2013		
		Battery	Trading of mobile phones	Total
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	*5*	38,612	–	38,612
Cost of sales		(37,035)	–	(37,035)
Gross profit		1,577	–	1,577
Other revenue	*6*	110	–	110
Selling and distribution costs		(1,667)	–	(1,667)
Administrative and other expenses		(6,301)	–	(6,301)
Loss before taxation	*7*	(6,281)	–	(6,281)
Income tax	*8*	(1)	–	(1)
Loss for the year from discontinued operations attributable to owners of the Company		(6,282)	–	(6,282)

10. DIVIDEND

No dividend was paid or proposed during the years ended 31 December 2014 and 2013, nor has any dividend been proposed since the end of the reporting period.

11. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

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

The Group's (loss)/profit attributable to owners of the Company:

	2014	2013
	RMB'000	*RMB'000*
From continuing operation	**(46,889)**	909
From discontinued operations	**–**	(6,282)
Total	**(46,889)**	(5,373)
Number of shares:		
Weighted average number of shares	**405,500,000**	405,500,000

(b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share for the years ended 31 December 2014 and 2013 were the same as the basic (loss)/earnings per share because the exercise prices of the Company's outstanding share options were higher than the average market prices of the Company's shares during the years.

12. TRADE AND BILLS RECEIVABLES

	2014	2013
	RMB'000	*RMB'000*
Trade receivables	**140,237**	155,516
Bills receivables	**53,874**	77,523
	194,111	233,039
Less: Impairment	**(5,883)**	(5,910)
	188,228	227,129

(a) An aged analysis of the trade receivables as at the end of the reporting period based on the invoice date (or date of revenue recognition) is as follows:

	2014	2013
	RMB'000	*RMB'000*
Within 90 days	**115,748**	134,608
91 to 180 days	**18,545**	13,866
181 to 360 days	**60**	1,844
1 to 2 years	**–**	1,373
2 to 3 years	**1,274**	423
Over 3 years	**4,610**	3,402
	140,237	155,516

(b) An aged analysis of the bills receivables as at the end of the reporting period based on bills issued date is as follows:

	2014	2013
	RMB'000	*RMB'000*
Within 90 days	**40,658**	43,557
91 to 180 days	**13,216**	33,281
181 to 360 days	**–**	685
	53,874	77,523

13. TRADE AND BILLS PAYABLES

	2014	2013
	RMB'000	*RMB'000*
Trade payables	**80,529**	81,165
Bills payables	**12,542**	27,171
	93,071	108,336

(a) An aged analysis of the trade payables as at the end of the reporting period based on the invoice date is as follows:

	2014	2013
	RMB'000	*RMB'000*
Within 90 days	**67,246**	80,587
91 to 180 days	**12,222**	230
181 to 360 days	**872**	148
1 to 2 years	**40**	46
Over 2 years	**149**	154
	80,529	81,165

(b) An aged analysis of the bills payables as at the end of the reporting period based on bills issued date is as follows:

	2014	2013
	RMB'000	*RMB'000*
Within 90 days	**12,542**	18,306
91 to 180 days	**–**	8,865
	12,542	27,171

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's audited consolidated financial statements for the year ended 31 December 2014.

"Basis for Qualified Opinion

As detailed in the auditor's report dated 16 July 2014, we were unable to obtain sufficient appropriate audit evidence about the sales and purchase transactions in relation to the trading of mobile phone business during the year ended 31 December 2012. Any adjustments that might have been found to be necessary in respect of the above would have a consequential effect on the net assets of the Group as at 31 December 2012. Since certain balances at 31 December 2012 formed the basis for the calculation of the loss from discontinued operation for the year ended 31 December 2013 and the corresponding cash flows, we were unable to determine whether the loss from discontinued operation for the year ended 31 December 2013, the net cash flows and the related disclosures were free from material misstatement. Our audit opinion on the consolidated financial statements for the year ended 31 December 2013 was qualified accordingly. Our opinion on the current year's consolidated financial statements is also modified because of the possible effect of the matter on the comparability of the current period's figures and the corresponding figures.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance."

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During 2014, the output of mobile phones in the PRC dropped by 22% compared with last year, the first decrease after years of continuous and rapid growth. As a result, the sale of MLCC, which is mainly targeted at mobile internet, also showed a certain degree of decrease. The concentration of brands in the domestic mobile industry increased further, but we were somewhat lagging behind as we did not change our customer structure in response to the changes in the industry.

The construction of our second base plant in Anhui province is close to completion, but the product costs remain high as a result of instability in production. Going forward, we will focus on restoring our production capacity and enhancing our product quality. We have increased our input for research and development significantly. We have made a partial success in the research and development of super-miniature capacitor 0201 and advanced from pilot-scale experiment to large-scale mass production.

FINANCIAL REVIEW

Revenue from Principal Business

In 2014, the revenue from the Group's MLCC business amounted to RMB466.6 million, representing a 9.07% decrease from that of 2013. This was mainly attributable to a decline in the market demands for mobile internet products and the shrinkage of market share for small brands amid increasing concentration of brands. The Group did not make adjustments to its customer structure in response to market changes, resulting in a decrease in sales volume. In addition, the average selling price of MLCC also fell moderately.

Gross Profit Margin

The gross profit margin of the Group's MLCC business for 2014 was 7.6%, representing a decrease of 8.8% from 16.4% for 2013. This was mainly due to the relocation of part of the Group's production lines from Dongguan to Anhui in 2014. The relocation and restoration to normal production required a relatively long time, resulting in a decrease in production capacity and higher unit product cost. Meanwhile, the average selling price of MLCC also fell moderately due to market changes.

Other Revenue and Other Net Income

Other revenue and other net income of the Group for 2014 were RMB15.8 million, flat compared with that of 2013.

Selling and Distribution Costs

The selling and distribution costs of the Group for 2014 were RMB22.1 million, representing an increase of RMB2.9 million from that of 2013. This was mainly resulted from the increased input made by the Group to address the changes in the mobile internet terminal industry market and maintain its market share.

Management Costs

The management costs of the Group for 2014 were RMB41.6 million, representing an increase of RMB2.4 million from that of 2013. This was mainly a result of an increase in the impairment amount of fixed assets in 2014.

Research and Development Costs

The research and development costs of the Group for 2014 were RMB32.4 million, representing a 50.1% increase from that of 2013. The growth was mainly attributable to the initiative to enhance the core competitiveness of MLCC by increasing input for research and development of MLCC0201 products and new super-miniature products for mobile internet. After two years of research and development, the Group was able to commence large-scale mass production of MLCC0201.

Other Expenses

Other expenses of the Group for 2014 were RMB5.0 million, representing a 21.2% decrease from that of 2013. This was mainly due to a decrease in the amount of new provision for inventories in 2014 compared with 2013.

Finance Costs

The finance costs of the Group for 2014 were RMB4 million, representing a decrease of RMB0.5 million from that of 2013. This was mainly attributable to lower finance costs as the Group implemented effective control of finance costs while maintaining a normal level of liquidity.

Income Tax

Income tax of the Group for 2014 amounted to approximately RMB-7 million, representing a decrease of RMB15.1 million over that of 2013. This was mainly because Shenzhen Eyang Technology Development Co., Ltd. (深圳市宇陽科技發展有限公司), the subsidiary which carries out the main business of the Group, recorded a loss and was not subject to any income tax in 2014. Meanwhile, as a corporate income tax rate of 25% (2013: 15%) was applicable to the subsidiary during the year, the above changes resulted in an increase in deferred tax, reducing income tax expenses.

Gearing Ratio

The Group monitors its capital through gearing ratio, which is net debt divided by capital plus net debt. Net debt is calculated at the sum of bank loans, trade and bills payables and other payables and accruals (excluding deferred income) less cash and cash equivalent. Capital represents equity attributable to the owner of the Company (excluding share capital). As at 31 December 2014 and 2013, the gearing ratio of the Group was approximately 26% and 28% respectively.

Property, Plant and Equipment

The net carrying amount as at 31 December 2014 was RMB226.5 million, representing a decrease of RMB34.7 million from that of 2013. This was mainly due to: (i) depreciation of approximately RMB47 million with respect to the Group's property, plant and equipment in the current period; (ii) impairment of RMB6.6 million with respect to the Group's equipment;(iii) the Group's new MLCC production equipment and construction in process valued at approximately RMB25.6 million; (iv) the transfer of RMB6.6 million to investment properties during the year.

Investment Properties

The Group's investment properties for 2014 amounted to RMB24.3 million, representing an increase of RMB6 million from 2013. This was mainly due to the slight increase in property for lease.

Other Intangible Assets

The other intangible assets of the Group for 2014 amounted to RMB2.2 million, representing an increase of RMB1 million from that of 2013. This was mainly due to the increase by RMB1.3 million of SAP software in 2014 and amortisation of RMB0.4 million in light of intangible assets associated with the Group's SAP management software.

Trade and Bills Receivables

As at 31 December 2014, the net book values of trade and bills receivables were RMB188.2 million, representing a decrease of RMB38.9 million from 2013. That was mainly due to: (i) enhanced control over receivables which ensured timely recovery; and (ii) decrease in revenue from MLCC business.

Prepayments, Deposits and Other Receivables

As at 31 December 2014, prepayments, deposits and other receivables of the Group amounted to RMB15.5 million, representing an increase of RMB2.6 million from 2013, primarily due to: (1) the increase in prepayments to suppliers and prepaid expenses; (2) increase in input VAT subject to deduction for the current period.

Cash and Bank Balances and Pledged Bank Deposits

As at 31 December 2014, cash and bank balances and pledged bank deposits of the Group were RMB52.4 million, representing a decrease of RMB129.9 million from that of 2013. This was mainly attributable to the repayment of secured financing obtained in the previous year which became mature and the decrease in pledged bank deposits arising from the decreased issuance of letter of credits and bills receivables as a result of a change in financing method in 2014.

Trade and Bills Payables

As at 31 December 2014, the balance of trade and bills payables of the Group decreased by approximately RMB15.3 million compared with that at the end of 2013. That was mainly due to enhanced control over payables.

Deferred Income, Accruals and Other Payables

As at 31 December 2014, deferred income, accruals and other payables of the Group amounted to RMB32.1 million, representing a decrease of RMB4.1 million from that of 2013. This was mainly due to a decrease in equipment related payables and other tax.

Bank Loans

As at 31 December 2014, the Group had outstanding bank loans of RMB67.4 million, representing a decrease of RMB102.9 million from that of 2013, which was mainly due to the repayment of secured financing obtained in the previous year which became mature. In addition, the Company recovered receivables in 2014 in a timely manner, improved liquidity and reduced financing moderately.

Contingent Liabilities

As at December 31 2014, the Group had no material contingent liabilities.

Commitments

As at 31 December 2014, the capital commitments of the Group were RMB0.9 million, representing a decrease of RMB2.1 million from that of 2013, which was mainly due to a decrease in the purchase of equipment which had not yet been delivered.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Net Current Assets

As at 31 December 2014, the Group had net current assets of approximately RMB139.8 million, including current assets of RMB349.6 million and current liabilities of RMB209.8 million.

Banking Facilities

As at 31 December 2014, the Group had aggregate banking facilities of approximately RMB200 million, of which approximately RMB120 million had not been utilized.

FOREIGN CURRENCY RISK

In 2014, the Group's sales were mainly denominated in RMB, US dollars and Hong Kong dollars, while its purchases were mainly denominated in RMB, US dollars, Hong Kong dollars and Japanese Yen. The trade receivables denominated in US dollars were less than the trade payables denominated in US dollars, and the trade receivables denominated in Hong Kong dollars were greater than the trade payables denominated in Hong Kong dollars. Meanwhile, the Group is exposed to risks in respect of trade payables denominated in Japanese Yen, but is basically not exposed to risks in respect of trade receivables denominated in Japanese Yen. In the event of vigorous fluctuation of the exchange rate, foreign currencies risk will exist to a certain extent.

As the Group has a certain amount of short-term financing denominated in US dollars which is not hedged, it is also exposed to foreign currencies risk to a certain extent.

STAFF

For the year ended 31 December 2014, the Group had a total of 1,359 staff, whose remunerations and benefits are determined based on the market, state policies and individual performance.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold, redeemed or cancelled any of the Company's listed securities during the year ended 31 December 2014.

CORPORATE GOVERNANCE PRACTICE

The Board has always strived to maintain a high standard of corporate governance and to make every effort to comply with all relevant code provisions as stipulated in 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 Board believes that good corporate governance not only safeguards the values of the Company but also creates value for the Company. The Board reviews the Company's corporate governance practice and opines that the Company has complied with the CG Code during the year ended 31 December 2014, save for the exception as stated and explained below:

1. Code provision A.2.1 of the CG Code states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not have a separate chairman and chief executive officer and Mr. Chen Weirong currently holds both positions. The Board believes that vesting the roles of both chairman and chief executive officer in the same person provides the Group with strong and consistent leadership, and allows for more effective planning and execution of long term business strategies and enhances the efficiency of decision making process in response to the ever changing business environments.

2. The Company did not complied with code provision A.1.8 of the CG Code that requires an issuer to arrange appropriate insurance cover in respect of legal action against its directors. However, the Board actively negotiated with its insurance agent and reached an agreement by the end of the year. The insurance cover subsequently took effect in January 2015.

AUDIT COMMITTEE

The Audit Committee comprises five independent non-executive Directors, namely, Mr. Chu Kin Wang, Peleus (Chairman of the Audit Committee), Mr. Pan Wei, Mr. Liu Huanbin, Mr. Liang Rong and Mr. Mak Ka Wing, Patrick. The main duties of the Committee are to review the financial statements and financial and accounting policies of the Company and oversee the Company's financial reporting system and internal control procedures. The Audit Committee has reviewed and approved the audited consolidated results of the Group for the year ended 31 December 2014.

MODEL CODE FOR DEALING IN SECURITIES BY DIRECTORS

The Company has adopted a code of conduct governing securities transactions by directors on terms no less exacting than that required under the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix 10 to the Listing Rules. Specific enquiry has been made of each Director of the Board, all Directors confirm that they have fully complied with the Model Code throughout the year ended 31 December 2014.

FINAL DIVIDEND

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

PUBLICATION OF INFORMATION ON THE WEBSITES OF STOCK EXCHANGE AND THE COMPANY

This results announcement is published on the Stock Exchange's website (http://www.hkex.com.hk) and the Company's website (http://www.szeyang.com) respectively. The relevant annual report of the Company will be despatched to the shareholders of the Company and available on the same websites in due course.

By order of the Board
EYANG Holdings (Group) Co., Limited
Chen Weirong
Chairman

Hong Kong, 24 March 2015

As at the date of this announcement, the Board comprises Mr. Chen Weirong, Mr. Jing Wenping and Mr. Wang Ye as Executive Directors, Mr. Cheng Wusheng, Mr. Zhang Zhilin and Mr. Chen Hao as Non-executive Directors and Mr. Pan Wei, Mr. Liu Huanbin, Mr. Chu Kin Wang, Peleus, Mr. Liang Rong and Mr. Mak Ka Wing, Patrick as Independent Non-executive Directors.