# HAN TANG INTERNATIONAL HOLDINGS LIMITED
# 漢唐國際控股有限公司

*(Incorporated in the British Virgin Islands and continued in Bermuda with limited liability)*

**(Stock Code: 01187)**

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

The board (the "**Board**") of directors (the "**Directors**") of Han Tang International Holdings Limited (the "**Company**") announces the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2016 together with the comparative figures for the previous year. These results have been reviewed by the Company's audit committee (the "**Audit Committee**") and approved by the Board.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
*For the year ended 31 December 2016*

| | Notes | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|---|
| **Revenue** | 7(a) | **–** | 28,844 |
| **Cost of sales** | | **–** | (25,927) |
| **Gross profit** | | **–** | 2,917 |
| **Other revenue and other net income** | 7(b) | **614** | 724 |
| **Administrative expenses** | | **(25,706)** | (26,288) |
| **Impairment loss on prepayment for acquisition of property, plant and equipment** | | **(10,000)** | – |
| **Impairment loss on trade and other receivables** | | **(33,706)** | – |
| **Impairment loss on property, plant and equipment** | | **–** | (130,932) |
| **Finance costs** | 8 | **(7,769)** | (7,736) |
| **Loss before taxation** | | **(76,567)** | (161,315) |
| **Income tax** | 10 | **–** | – |
| **Loss for the year** | 9 | **(76,567)** | (161,315) |
| **Attributable to:** | | | |
| **Owners of the Company** | | **(76,287)** | (124,871) |
| **Non-controlling interests** | | **(280)** | (36,444) |
| **Loss for the year** | | **(76,567)** | (161,315) |

| | Notes | 2016<br>HK$'000 | 2015<br>HK$'000 |
|---|---|---|---|
| **Items that may be reclassified subsequently to profit or loss:** | | | |
| **Exchange differences on translation of subsidiaries' financial statements** | | **(16,653)** | (16,620) |
| **Total other comprehensive loss** | | **(16,653)** | (16,620) |
| **Total comprehensive loss for the year** | | **(93,220)** | (177,935) |
| **Attributable to:** | | | |
| **Owners of the Company** | | **(88,247)** | (136,935) |
| **Non-controlling interests** | | **(4,973)** | (41,000) |
| **Total comprehensive loss for the year** | | **(93,220)** | (177,935) |
| **Loss per share (Hong Kong cents)** | | | |
| **– Basic** | *11(a)* | **(48.2)** | (79.0) |
| **– Diluted** | *11(b)* | **(48.2)** | (79.0) |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*As at 31 December 2016*

| | Notes | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **249,489** | 270,097 |
| Prepaid land lease payments | | **–** | 11,704 |
| Prepayment for acquisition of property, plant and equipment | | **–** | 10,000 |
| Goodwill | | **378** | 378 |
| **Total non-current assets** | | **249,867** | 292,179 |
| **Current assets** | | | |
| Inventories | | **10,000** | – |
| Trade and other receivables | *13* | **6,389** | 52,017 |
| Cash and cash equivalents | | **5,163** | 1,317 |
| **Total current assets** | | **21,552** | 53,334 |
| **Current liabilities** | | | |
| Trade and other payables | *14* | **18,386** | 12,107 |
| Borrowings | *15* | **18,650** | – |
| Convertible bonds | | **–** | 14,728 |
| Finance lease payables | | **739** | 1,607 |
| **Total current liabilities** | | **37,775** | 28,442 |
| **Net current (liabilities)/assets** | | **(16,223)** | 24,892 |
| Total assets less current liabilities | | **233,644** | 317,071 |

| | Notes | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Other payables | *14* | **1,259** | 993 |
| Borrowings | *15* | **81,480** | 77,708 |
| Finance lease payables | | **434** | 1,532 |
| Amount due to a director | | **6,853** | – |
| **Total non-current liabilities** | | **90,026** | 80,233 |
| **Net assets** | | **143,618** | 236,838 |
| **EQUITY** | | | |
| Share capital | | **1,581** | 1,581 |
| Reserves | | **75,149** | 163,396 |
| Equity attributable to owners of the Company | | **76,730** | 164,977 |
| Non-controlling interests | | **66,888** | 71,861 |
| **Total equity** | | **143,618** | 236,838 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2016*

### 1. CORPORATE INFORMATION

The Company was incorporated in the British Virgin Islands (the "**BVI**") on 17 February 1994 and continued under the laws of Bermuda by migration of its domicile to Bermuda on 21 October 1994. The Company was registered in Hong Kong as an overseas company pursuant to the Hong Kong Companies Ordinance on 24 May 1999.

The registered office and principal place of business in Hong Kong are as follows:

| | | |
|---|---|---|
| Registered office | : | Clarendon House<br>2 Church Street<br>Hamilton HM11<br>Bermuda |
| Principal place of business in Hong Kong | : | Suite 5207, 52/F<br>Central Plaza<br>18 Harbour Road<br>Wanchai<br>Hong Kong |

### 2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding.

During the year ended 31 December 2016, the Group is principally involved in (i) manufacturing of semiconductors; and (ii) the trading of semiconductors/electronic products/components and timber.

### 3. BASIS OF PREPARATION

The Group had incurred loss of approximately HK$76,567,000 for the year ended 31 December 2016 and as at 31 December 2016 the Group had net current liabilities of approximately HK$16,223,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realize its assets and discharge its liabilities in the normal course of business.

As the Company was unable to demonstrate that it had sufficient operations or assets as required under Rule 13.24 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**"), the Stock Exchange placed the Company into the first and second delisting stages on 8 May and 11 November 2015 respectively. At the end of the second delisting stage on 10 May 2016, the Company did not provide a viable resumption proposal. Therefore, the Stock Exchange has placed the Company into the third delisting stage under Practice Note 17 to the Listing Rules, which commenced on 8 June 2016.

The Company submitted the resumption proposal to the Stock Exchange which involves, among others, (i) the proposed acquisition interest in a power and heat supply business in the People's Republic of China with emphasis on energy saving and environmental protection (the "**Acquisition**") and (ii) a proposed disposal of the Group's entire interest in IC Spectrum (Kunshan) Co., Limited, an indirect 72.79%-owned subsidiary of the Company ("**ICSC**"). The Acquisition constitutes a connected transaction, a very substantial acquisition and a reverse takeover of the Company under the Listing Rules and will be subject to the reporting, announcement and independent shareholders' approval requirements pursuant to the Listing Rules and approval of the new listing application of the Company by the Stock Exchange.

On 17 February 2017, the Company received a letter from the Stock Exchange, which stated that the Stock Exchange agreed to allow the Company to submit a new listing application relating to the resumption proposal on or before 30 April 2017. If the Company fails to do so or the Proposal fails to proceed for any reason, the Stock Exchange will proceed with the cancellation of the Company's listing status.

The Directors adopted the going concern basis in the preparation of consolidated financial statements on the assumption that the proposed restructuring of the Company will be successfully completed, and that, following the restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future.

## 4. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2016. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years.

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

## 5. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), rounded to the nearest thousand except for per share data.

These consolidated financial statements have been prepared in accordance with HKFRSs and the applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

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

The preparation of the audited consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the Directors to exercise their judgements in the process of applying the accounting policies.

## 6. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of both business lines and geography. In a manner consistent with the way in which information is reported internally to the Directors for the purposes of resources allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

The Group has presented the following two reportable segments. These segments are managed separately. Each segment offers very different products and services:

1. Trading business
2. Manufacturing of semiconductors

The trading business derives its revenue primarily from the trading of semiconductors/electronic products/components and timber.

The manufacturing of semiconductors segment is still in the construction phase and has not yet started commercial operations.

**(a) Segment results, assets and liabilities**

For the purposes of assessing segment performance and allocating resources between segments, the Directors monitor the results, assets and liabilities attributable to each reportable segment on the following basis:

Segment assets include all tangible, intangible assets and current assets with the exception of other corporate assets. Segment liabilities include trade and other payables, finance lease payables and the liability components of convertible bonds, all of which are attributable to the activities of the individual segments with the exception of other bonds payable, other finance lease payables and other corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arose from the depreciation or amortisation of assets attributable to those segments. There was no inter-segment sale and transfer during the year (2015: Nil).

The measure used for reporting segment profit is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation", where "interest" is regarded as including investment income and "depreciation and amortisation" is regarded as including impairment losses on non-current assets. To arrive at adjusted EBITDA, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as Directors' emoluments and auditor's remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted EBITDA, the executive Directors are provided with segment information concerning revenue (including inter-segment sales, if any), 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 are priced with reference to prices charged to external parties for similar orders.

Information regarding the Group's reportable segments as provided to the executive Directors for the purpose of resources allocation and assessment of segment performance for the years ended 31 December 2016 and 2015 is set out below:

| | 2016 | | | | |
|---|---|---|---|---|---|
| | **Trading business** | **Manufacturing of Semiconductors** | **Sub-total** | **Unallocated** | **Total** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Revenue from external customers** | **–** | **–** | **–** | | **–** |
| **Reportable segment loss (adjusted EBITDA)** | **(35,016)** | **(10,565)** | **(45,581)** | | **(45,581)** |
| Interest income | **3** | **–** | **3** | **–** | **3** |
| Gain/(loss) on disposal of property, plant and equipment, net | **27** | **–** | **27** | **(16)** | **11** |
| Gain on disposal of prepaid land lease payments | **–** | **350** | **350** | **–** | **350** |
| Impairment loss on acquisition of property, plant and equipment | **–** | **(10,000)** | **(10,000)** | **–** | **(10,000)** |
| Impairment loss on trade and other receivables | **(33,706)** | **–** | **(33,706)** | **–** | **(33,706)** |
| Finance costs | **(25)** | **(786)** | **(811)** | **(6,958)** | **(7,769)** |
| Depreciation and amortisation | **(176)** | **(117)** | **(293)** | **(1,719)** | **(2,012)** |
| Written off of property, plant and equipment | **–** | **–** | **–** | **(9)** | **(9)** |
| Income tax expense | **–** | **–** | **–** | **–** | **–** |
| **Reportable segment assets** | **10,023** | **247,480** | **257,503** | **13,916** | **271,419** |
| **Additions to non-current segment assets during the year** | **–** | **–** | **–** | **35** | **35** |
| **Reportable segment liabilities** | **8,748** | **17,562** | **26,310** | **101,491** | **127,801** |

| | 2015 | | | | |
|---|---|---|---|---|---|
| | Trading business | Manufacturing of Semiconductors | Sub-total | Unallocated | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Revenue from external customers** | 28,844 | – | 28,844 | | 28,844 |
| **Reportable segment loss (adjusted EBITDA)** | (2,484) | (2,062) | (4,546) | | (4,546) |
| Interest income | – | 1 | 1 | – | 1 |
| Finance costs | (65) | (2,099) | (2,164) | (5,572) | (7,736) |
| Loss on disposal of property, plant and equipment | – | – | – | (73) | (73) |
| Depreciation and amortisation | (348) | (248) | (596) | (1,983) | (2,579) |
| Impairment loss on property, plant and equipment | – | (130,932) | (130,932) | – | (130,932) |
| Income tax expense | – | – | – | – | – |
| **Reportable segment assets** | 46,318 | 286,485 | 332,803 | 12,710 | 345,513 |
| **Additions to non-current segment assets during the year** | – | 77 | 77 | 5 | 82 |
| **Reportable segment liabilities** | 5,233 | 29,034 | 34,267 | 74,408 | 108,675 |

**(b) Reconciliations of reportable segment loss**

| | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|
| Reportable segment loss | **(45,581)** | (4,546) |
| Finance costs | **(7,769)** | (7,736) |
| Depreciation and amortisation | **(2,012)** | (2,579) |
| Impairment loss on property, plant and equipment | **–** | (130,932) |
| Interest income | **3** | 1 |
| Gain/(loss) on disposal of property, plant and equipment, net | **11** | (73) |
| Gain on disposal of prepaid land lease payments | **350** | – |
| Written off of property, plant and equipment | **(9)** | – |
| Unallocated expenses | **(21,560)** | (15,450) |
| Consolidated loss before taxation | **(76,567)** | (161,315) |

**(c) Geographic information**

The following is an analysis of the geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets. The geographical location of customers refers to the location at which the services were provided or the goods delivered. The Group's non-current assets include property, plant and equipment, prepaid land lease payments, prepayment for acquisition of property, plant and equipment and goodwill. The geographical location of property, plant and equipment, prepayment for acquisition of property, plant and equipment and prepaid land lease payments are based on the physical location of the asset under consideration. In the case of intangible assets, it is based on the location of operation to which these intangibles are allocated.

| | Revenue from external customers | | Specified non-current assets | |
|---|---|---|---|---|
| | 2016 HK$'000 | 2015 HK$'000 | 2016 HK$'000 | 2015 HK$'000 |
| Mainland China | **–** | 28,844 | **247,364** | 288,669 |
| Hong Kong | **–** | – | **2,503** | 3,510 |
| | **–** | 28,844 | **249,867** | 292,179 |

**(d) Information about major customer**

For the year ended 31 December 2016, the revenue from the Group's largest customer was HK$Nil (2015: approximately HK$28,844,000, representing 100% of the Group's total revenue).

## 7. REVENUE, OTHER REVENUE AND OTHER NET INCOME

(a) Revenue represents the invoiced value of goods sold less discounts and returns for each reporting period and is analysed as follows:

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trading of semiconductors/electronic products/components | **–** | 28,844 |

(b) The analysis of other revenue and other net income is as follows:

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Other revenue** | | |
| Interest income on bank deposits | **3** | 1 |
| Waiver of amounts due to former subsidiaries | **–** | 722 |
| | **3** | 723 |
| **Other net income** | | |
| Gain on foreign exchange | **250** | 1 |
| Gain on disposal of prepaid land lease payments | **350** | – |
| Gain on disposal of property, plant and equipment | **11** | – |
| | **611** | 1 |
| | **614** | 724 |

## 8. FINANCE COSTS

| | 2016 | 2015 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Interests on: | | |
| – convertible bonds | **441** | 1,403 |
| – other bonds | **6,710** | 5,434 |
| – other loans | **140** | – |
| – loan from a non-controlling shareholder of a subsidiary (wholly repayable within five years) | **345** | 695 |
| – finance lease | **133** | 204 |
| | **7,769** | 7,736 |

## 9. LOSS FOR THE YEAR

The Group's loss for the year is arrived at after charging/(crediting) the following:

| | 2016 | 2015 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Cost of inventories | **–** | 25,927 |
| Staff costs (including Directors' emoluments) | | |
| – Wages, salaries and other benefits | **7,325** | 8,271 |
| – Retirement benefit scheme contributions | **163** | 277 |
| Auditor's remuneration | **420** | 580 |
| Amortisation of prepaid land lease payments | **117** | 248 |
| Depreciation | **1,895** | 2,331 |
| (Gain)/loss on disposal of property, plant and equipment, net | **(11)** | 73 |
| Gain on disposal of prepaid land lease payments | **(350)** | – |
| Written off of property, plant and equipment | **9** | – |
| Gain on foreign exchange, net | **(250)** | (1) |
| Operating lease charges | **4,490** | 5,875 |

## 10. INCOME TAX

No provision for profits tax in Bermuda, the BVI, the People's Republic of China (the "**PRC**") or Hong Kong has been made as the Group has no assessable profits derived from or earned in these jurisdictions for the years ended 31 December 2016 and 2015.

## 11. BASIC AND DILUTED LOSS PER SHARE

### (a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately HK$76,287,000 (2015: approximately HK$124,871,000) and the weighted average of approximately 158,128,000 ordinary shares (2015: approximately 158,128,000 ordinary shares) in issue during the year.

### (b) Diluted loss per share

For the years ended 31 December 2016 and 2015, the computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in decrease in the loss per share.

## 12. DIVIDEND

The Board does not recommend the payment of any dividend in respect of the year ended 31 December 2016 (2015: Nil).

## 13. TRADE AND OTHER RECEIVABLES

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **30,478** | 31,578 |
| *Less:* allowance for impairment loss | **(30,478)** | – |
| | **–** | 31,578 |
| Deposits paid to suppliers *(note)* | **–** | 13,228 |
| Prepayments and deposits | **6,268** | 6,999 |
| Other receivables | **121** | 212 |
| | **6,389** | 52,017 |

*Note:*

The amounts have been arrived at after deducting impairment losses of HK$3,228,000 (2015: HK$Nil).

**(a) Ageing analysis**

The ageing analysis of trade receivables, based on invoice dates and net of allowances, is as follows:

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Less than one year | – | 14,194 |
| More than one year but less than two years | – | 17,384 |
| | – | 31,578 |

The Group generally requests for full payments upon delivery from its trade customers but also allows certain trade customers a credit period from 30 to 60 days.

**(b) Trade receivables that are not impaired**

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Less than one year past due | – | 14,194 |
| More than one year but less than two years past due | – | 17,384 |
| | – | 31,578 |

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

Receivables that were past due but not impaired as at 31 December 2015 relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary as at 31 December 2015 in respect of these balances as there have not been a significant change in credit quality and the balances are still considered fully recoverable as at 31 December 2015. The Group does not hold any collateral over these balances.

## 14. TRADE AND OTHER PAYABLES

| | 2016 | 2015 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Trade payables | **4,327** | 4,327 |
| Accruals and other payables | **15,318** | 8,773 |
| Financial liabilities measured at amortised cost | **19,645** | 13,100 |
| Less: non-current portion | **(1,259)** | (993) |
| Current portion | **18,386** | 12,107 |

The ageing analysis of trade payables, based on invoice dates, is as follows:

| | 2016 | 2015 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Less than one year | **–** | 4,327 |
| Over one year | **4,327** | – |
| | **4,327** | 4,327 |

## 15. BORROWINGS

| | Notes | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|---|
| Shareholder's loan | | **–** | 1,000 |
| Loan from a non-controlling shareholder of a subsidiary | *(a)* | **–** | 11,943 |
| Other bonds payable | *(b)* | **87,516** | 64,765 |
| Other loans | *(c)* | **12,614** | – |
| | | **100,130** | 77,708 |
| Less: current portion | | **(18,650)** | – |
| Non-current portion | | **81,480** | 77,708 |

The borrowings are repayable as follows:

| | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|
| Within one year | **18,650** | – |
| In the second year | **21,375** | 5,500 |
| In the third to fifth years, inclusive | **54,000** | 12,943 |
| After five years | **6,105** | 59,265 |
| | **100,130** | 77,708 |

*Notes:*

(a) On 8 July 2014, ICSC entered into a loan agreement with 北京中盈世紀投資有限公司 (Beijing Zhongying Century Investment Co., Limited*) ("**Zhongying**"), a shareholder of ICSC holding 27.21% of its equity interest, pursuant to which Zhongying agreed to make available an unsecured 5.6% 5-year loan in the principal amount of RMB10,000,000 to ICSC for the payment of the tender deposit in the amount of RMB10,000,000 as a security for submission of tender for purchase of the land use rights in respect of a parcel of industrial land located at the north of Longfei road and the east of Fuchunjiang road, Kunshan Economic & Technical Development Zone, Kunshan* (昆山市開發區龍飛路北側、富春江路東側), occupying a total site area of approximately 150,481.9 square meters (the "**Land**"). The tender deposit is refunded and the loan is fully repaid during the year ended 31 December 2016.

(b) As at 31 December 2016, the Company issued corporate bonds with total principal amounts of HK$91,411,000 (2015: HK$69,500,000) to several parties. The bonds are unsecured, bearing interest at rates ranging from 5% to 9% per annum and maturity dates ranging from one to seven-and-a half years from the respective dates of issue.

(c) Several loans amounting to HK$3,100,000 from independent third parties were unsecured, non-interest bearing and repayable on demand. As at 31 December 2016, included in other loans was due to an independent third party of HK$5,050,000. The amount is unsecured, non-interest bearing and repayable in 6 months from the date of issue on 21 July 2016. The remaining loan represents a loan with principal amount of RMB4,000,000 (approximately HK$4,464,000) from an independent third party, which is unsecured, non-interest bearing and repayable on 31 December 2018.

* *for identification purpose only*

## SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Group's auditors, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2016. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited on the preliminary announcement.

## EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is extract of the independent auditor's report from the external auditor of the Company:

### Disclaimer of Opinion

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### Basis for Disclaimer of Opinion

*(a) Property, plant and equipment-Construction-in-progress*

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability and the control rights of the construction-in-progress included in the property, plant and equipment of approximately HK$246,880,000 as at 31 December 2016. There are no other satisfactory audit procedures that we could adopt to determine whether any allowance for non-recovery of the amount should be made in the consolidated financial statements.

Any adjustments to above figure might have a significant consequential effect on the consolidated financial performance for the year ended 31 December 2016 and the consolidated financial position as at 31 December 2016.

*(b) Going Concern*

We draw attention to note 3 to the consolidated financial statements which mentions that the Group incurred a loss of approximately HK$76,567,000 for the year ended 31 December 2016 and as at 31 December 2016 the Group has net current liabilities of approximately HK$16,223,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis on the assumption that the proposed restructuring of the Company will be successfully completed, and that, following the restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future. The consolidated financial statements do not include any adjustments that would result from a failure to complete the restructuring. We consider that the disclosures are adequate. However, in view of the extent of the uncertainty relating to the completion of the restructuring, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

## MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW AND OUTLOOK

There was no turnover in the year ended 31 December 2016 (the "**Current Year**"). The results of the Group for the Current Year are set out in the consolidated statement of profit or loss and other comprehensive income.

The Group's strategies are to maintain the Group's sustainable development and maximise shareholders' interest. During the Current Year, the Board has actively seeked and identified potential acquisition targets.

On 22 November 2016, the Company and Mr. Teng Daochun ("**Mr. Teng**") entered into a binding agreement for the acquisition by the Company from Mr. Teng of his interest in a power and heat supply business in the PRC with emphasis on energy saving and environmental protection. The Company submitted the resumption proposal (the "**Proposal**") to the Stock Exchange which involves, among others, (i) the Acquisition; and (ii) a proposed disposal of the Group's entire interest in ICSC. The Acquisition constitutes a connected transaction, a very substantial acquisition and a reverse takeover of the Company under the Listing Rules and will be subject to the reporting, announcement and independent shareholders' approval requirements pursuant to the Listing Rules and approval of the new listing application of the Company by the Stock Exchange.

On 17 February 2017, the Company received a letter from the Stock Exchange, which stated that the Stock Exchange agreed to allow the Company to submit a new listing application relating to the Proposal on or before 30 April 2017. If the Company fails to do so or the Proposal fails to proceed for any reason, the Stock Exchange will proceed with the cancellation of the Company's listing status. The Company is in the process of preparing the submission of new listing application relating to the Proposal. For details, please refer to the Company's announcement dated 28 February 2017.

## FINANCIAL REVIEW

### Operating results

There was no turnover in the Current Year, compared with approximately HK$28.8 million for the year ended 31 December 2015 (the "**Corresponding Year**") which is attributable by trading business. The reason is that the Group put more effort on identifying potential acquisition target, and thus no trading was conducted.

The administrative expenses decreased from approximately HK$26.3 million in the Corresponding Year to approximately HK$25.7 million in the Current Year as a result of tighter control on operating expenses.

During the Current Year, impairment loss on prepayment for acquisition of property, plant and equipment and impairment loss on trade and other receivables amounted to approximately HK$10.0 million and approximately HK$33.7 million respectively. Considering that the possibility of prepayment refund and the past collection history of trade receivables, the management considered that the balances may not be collectible. However, the management are keep going to monitor and use best endeavours to collect the outstanding balances.

The finance costs amounted to approximately HK$7.8 million in the Current Year as compared with the Corresponding Year of approximately HK$7.7 million.

The Group recorded a loss attributable to the owners of the Company amounting to approximately HK$76.3 million, representing a decrease of approximately 38.9% as compared with approximately HK$124.9 million in the Corresponding Year.

Basic loss attributable to the owners of the Company per share amounted to HK48.2 cents as compared with basic loss of HK79.0 cents per share in the Corresponding Year.

## FINANCIAL POSITION

The total assets of the Group decreased from approximately HK$345.5 million as at 31 December 2015 to approximately HK$271.4 million, representing a decrease of approximately 21.4%.

As at 31 December 2016, the total carrying amount of property, plant and equipment of the Group decreased from approximately HK$270.1 million as at 31 December 2015 to approximately HK$249.5 million, representing a decrease of 7.6%. The decrease is mainly due to the exchange loss which result from the depreciation of Renminbi.

On 11 July 2016, the security deposit, which paid for the acquisition of the land use rights of the Land, was refunded by Kunshan State Land Resources Bureau (昆山市國土資源局) to ICSC. As a result, the carrying amount of prepaid land lease payments decreased from HK$11.7 million as at 31 December 2015 to HK$Nil as at 31 December 2016.

Trade and other receivables amounted to approximately HK$6.4 million as at 31 December 2016, representing a decrease of approximately 87.7% as compared with approximately HK$52.0 million as at 31 December 2015. It was mainly attributable to the impairment loss on trade and other receivables with amount of approximately HK$33.7 million.

The carrying amount of prepayment for acquisition of property, plant and equipment decreased from HK$10.0 million as at 31 December 2015 to HK$Nil as at 31 December 2016 after impairment loss was recognised in full.

The net asset value of the Group attributable to owners of the Company amounted to approximately HK$76.7 million as at 31 December 2016, representing a decrease of approximately 53.5% when compared with approximately HK$165.0 million as at 31 December 2015.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2016, the Group had cash and cash equivalents amounted to approximately HK$5.2 million (31 December 2015: HK$1.3 million) mainly denominated in Hong Kong dollars. As at 31 December 2016, total borrowings of the Group amounted to approximately HK$101.3 million (31 December 2015: HK$95.6 million) mainly denominated in Hong Kong dollars. As at 31 December 2016, the Group had net current liabilities of approximately HK$16.2 million as compared with net current assets of approximately HK$24.9 million as at 31 December 2015.

During the Current Year, the Company issued corporate bonds with total principal amounts of approximately HK$22.1 million to several investors, bearing an interest rate of 9% per annum (payable semiannually) and maturity dates ranging from 1 year to 2 years from the respective dates of issue. The net proceeds from the issuance amounted to approximately HK$22.1 million. Such net proceeds were used as to approximately HK$6.6 million for repayments of loans and 3% 3-year convertible bonds issued by the Company which matured on 8 April 2016. The balance of the net proceeds were used for general working capital. For details, please refer to the announcements of the Company dated 6 July 2016 and 9 January 2017.

During the Current Year, the Company has made various loans with independent third parties with interest rates ranging from 0% to 9% in order to better manage its foreign exchange and cash positions.

As at 31 December 2016, the Company's issued share capital amounted to HK$1,581,279.08 and the number of issued ordinary shares was 158,127,908 with nominal value of HK$0.01.

The current ratio of the Group, defined as the total current assets to the total current liabilities, amounted to 0.571 as at 31 December 2016 as compared with 1.875 as at 31 December 2015.

The gearing ratio of the Group, defined as the total borrowings to the shareholders' equity, amounted to 0.541 as at 31 December 2016 as compared with 0.404 as at 31 December 2015. The increase in gearing ratio is attributable to the increase in borrowings including issue of corporate bonds and various loans from third parties.

## SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITION AND DISPOSAL

The Group did not have any significant investments held, material acquisition or disposal of subsidiaries, associates and joint ventures during the year ended 31 December 2016.

## HUMAN RESOURCES

As at 31 December 2016, the Group had a total of 18 employees (including Directors). Total staff costs (including Directors' emoluments) were approximately HK$7.3 million. The remuneration was linked to the financial results of the Group as well as the performance of individual staff. The remuneration policies of the Group's employees are subject to review regularly. On irregular but necessary basis, adequate on-job trainings had been provided to staff in need. The Group has implemented a social insurance scheme for its PRC staff and mandatory provident fund for its Hong Kong staff in compliance with requirements of the relevant employment regulations in the PRC and Hong Kong respectively.

## CONTINGENT LIABILITIES

There was no contingent liability as at 31 December 2016.

## CAPITAL COMMITMENTS

Capital commitments outstanding, which were contracted but not provided for, in the financial statements were approximately HK$6.9 million in respect of the manufacturing of semiconductors segment as at 31 December 2016.

## CHARGES ON THE GROUP'S ASSETS

There were no material charges on the Group's assets as at 31 December 2016.

## FOREIGN EXCHANGE RISK MANAGEMENT

During the year ended 31 December 2016, the Group's monetary assets and transactions are mainly denominated in Hong Kong dollars and Renminbi. The Group did not use any financial instruments for hedging purposes.

## FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2016 (2015: Nil).

## CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the forthcoming annual general meeting of the Company to be held on Monday, 26 June 2017, the register of members of the Company will be closed from Tuesday, 20 June 2017 to Monday, 26 June 2017, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the forthcoming annual general meeting, all transfers of shares of the Company accompanied by the relevant share certificate(s) must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shop 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 19 June 2017.

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

Neither the Company nor any of its subsidiaries, has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2016.

## MODEL CODE FOR 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. Having made specific enquiries of all Directors, the Company confirmed that all Directors had complied with the required standard set out in the Model Code throughout the year under review.

## COMPLIANCE WITH CORPORATE GOVERNANCE PRACTICES

The Board and the management are committed to maintaining and ensuring high standards of corporate governance as good corporate governance can safeguard the interests of all shareholders of the Company and enhance corporate value. The Board continuously reviews and improves the corporate governance practices and standards of the Group from time to time to ensure that business activities and decision making possesses are regulated in a proper manner.

The Company had complied with the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules throughout the year ended 31 December 2016, with the exceptions as follows:

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The roles of the chairman of the Board (the "**Chairman**") and chief executive officer of the Company were not separate and Mr. Yang Liu performed these two roles until his resignation on 25 July 2016. Since the resignation of Mr. Yang Liu as the Chairman, executive Director and chief executive officer of the Company on 25 July 2016, the Company has not appointed a new Chairman. Until the appointment of the new Chairman, the Board collectively focuses on the overall strategic planning and development of the Group and effective functioning of the Board. The Board will review the current situation from time to time and shall make necessary arrangements when the Board considers appropriate.

Code provision A.4.1 of the CG Code provides that non-executive Directors should be appointed for a specific term, subject to re-election. Ms. Gu Yawei, a non-executive Director, Mr. Yao Yongjie, Mr. Ma Jianwei and Mr. Sinn Wai Kin Derek, independent non-executive Directors, Mr. Xu Ming, former non-executive Director who resigned on 17 February 2017, were not appointed for specific terms. However, all existing non-executive Directors are subject to retirement by rotation and re-election at the annual general meeting of the Company at least once every three years in accordance with the bye-laws of the Company. On 20 March 2017, each of the existing non-executive Directors has been appointed for a fixed term of one year commencing on 20 March 2017, which is automatically renewable for successive term of one year upon the expiry of the said term, unless terminated by not less than one month's notice in writing served by either party on the other.

Code provision A.5.1 of the CG Code provides that issuers should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors. Following the retirement of Mr. Liu Hongjun as the independent non-executive Director at the conclusion of the annual general meeting of the Company held on 27 June 2016 ("**2016 AGM**"), he also ceased to be a member of the nomination committee of the Company (the "**Nomination Committee**"). As a result, the number of independent non-executive Directors acting as members of the Nomination Committee decreased from two to one, which is less than the majority of the independent non-executive Directors required under the terms of reference of the Nomination Committee and being deviated from code provision A.5.1 of the CG Code. On 25 July 2016, Mr. Lai Ho Man, Dickson ceased to be the chairman of the Nomination Committee and Mr. Yang Liu ceased to be a member of the Nomination Committee following their resignations as Directors, and Mr. Sinn Wai Kin Derek has been appointed as the chairman of the Nomination Committee and Ms. Zhao Wenjia, Mr. Xu Lei, Mr. Yao Yongjie and Mr. Ma Jianwei have been appointed as members of the Nomination Committee, and therefore the Nomination Committee comprises a majority of independent non-executive Directors with effect from 25 July 2016.

Following the retirement of Mr. Wang Xiao Chuan and Mr. Liu Hongjun as independent non-executive Directors at the conclusion of the 2016 AGM, the number of independent non-executive Directors reduced to two which is below the minimum number required under Rule 3.10(1) of the Listing Rules. Mr. Liu Hongjun also ceased to be a member of the Audit Committee following his retirement. As a result, the Audit Committee comprised two members which is below the minimum number required under Rule 3.21 of the Listing Rules. Following the appointments of Mr. Sinn Wai Kin Derek as independent non-executive Director and, among others, the chairman of the Audit Committee, and Mr. Yao Yongjie and Mr. Ma Jianwei as independent non-executive Directors and among others, members of the Audit Committee on 25 July 2016, the Company has fulfilled the requirement under Rule 3.10(1) and 3.21 of the Listing Rules, which requires at least three independent non-executive Directors and a minimum of three members in the Audit Committee respectively.

**AUDIT COMMITTEE**

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Sinn Wai Kin Derek (as committee chairman), Mr. Yao Yongjie and Mr. Ma Jianwei. The principal duties of the Audit Committee include the review of the Company's financial reporting system, risk management and internal control systems, and interim and annual results of the Group. The consolidated financial statements of the Group for the year ended 31 December 2016 have been reviewed by the Audit Committee.

By Order of the Board
**Han Tang International Holdings Limited**
**Zhao Wenjia**
*Chief Executive Officer*

Hong Kong, 20 March 2017

*As at the date of this announcement, the Board comprises executive Director, namely, Ms. Zhao Wenjia (Chief Executive Officer), non-executive Directors, namely, Mr. Xu Lei and Ms. Gu Yawei, and independent non-executive Directors, namely, Mr. Yao Yongjie, Mr. Ma Jianwei and Mr. Sinn Wai Kin Derek.*