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CHINA JINHAI INTERNATIONAL GROUP LIMITED

中國金海國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 139)

(Stock Code of Warrants: 1436)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2015

The Board of Directors (the “Board”) of China Jinhai International Group Limited (the “Company”) announces the annual results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2015 (the “Year”) together with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2015

		For the year ended 31 March	
	Notes	2015 HK\$'000	2014 HK\$'000
Revenue	2, 3		
Electronic and accessory products		10,743	9,456
Financial investments and services		(4,195)	26,663
		<u>6,548</u>	<u>36,119</u>
Cost of electronic and accessory products sold		(10,197)	(9,434)
Brokerage and commission expenses		(878)	(194)
		<u>(11,075)</u>	<u>(9,628)</u>
Gross profit/(loss)		(4,527)	26,491

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)*For the year ended 31 March 2015*

		For the year ended 31 March	
	Notes	2015 HK\$'000	2014 HK\$'000
Other income	3	2,966	4,480
Selling and distribution expenses		(363)	(277)
Administrative expenses		(83,989)	(41,521)
Research costs		(12,104)	(20,419)
Other operating expenses		(2,178)	(1,337)
Gain on disposal of an available-for-sale equity investments		7,696	–
Fair value gains/(losses), net:			
Investment property		2,083	–
Equity investments at fair value through profit or loss		28,016	31,364
Derivative component of Acquired Convertible Bonds		2,112	–
Derivative component of Issued Convertible Bonds		(206,579)	10,271
Loss arising from modification of Issued Convertible Bonds		(1,000,815)	–
Finance costs	4	(7,291)	(16,958)
LOSS BEFORE TAX	5	(1,274,973)	(7,906)
Income tax expense	6	(166)	–
LOSS FOR THE YEAR		(1,275,139)	(7,906)
Attributable to:			
Owners of the parent		(1,266,154)	5,404
Non-controlling interests		(8,985)	(13,310)
		(1,275,139)	(7,906)
DIVIDEND	7	–	–
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		(Restated)
Basic		HK\$(1.10)	HK1.28 cents
Diluted		HK\$(1.10)	HK0.60 cent

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 March	
	2015	2014
	HK\$'000	HK\$'000
LOSS FOR THE YEAR	(1,275,139)	(7,906)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Equity investments:		
Changes in fair value	2,304	1,862
Release upon disposal of an available-for-sale equity investments	(7,696)	–
Income tax effect	890	(308)
Fair value change in debt component of Acquired Convertible Bonds	2,577	–
	(1,925)	1,554
Exchange differences on translation of foreign operations	(21)	(118)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	(1,946)	1,436
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(1,277,085)	(6,470)
Attributable to:		
Owners of the parent	(1,268,096)	6,891
Non-controlling interests	(8,989)	(13,361)
	(1,277,085)	(6,470)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*31 March 2015*

		As at 31 March	
	<i>Notes</i>	2015	2014
		HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		2,135	1,722
Investment property		92,000	–
Prepaid land lease payment		–	–
Available-for-sale equity investments		153,000	14,461
Debt component of Acquired Convertible Bonds		15,529	–
		<hr/>	<hr/>
Total non-current assets		262,664	16,183
		<hr/>	<hr/>
CURRENT ASSETS			
Derivative component of Acquired Convertible Bonds		4,034	–
Equity investments at fair value through profit or loss	<i>9</i>	338,722	176,617
Loan receivables	<i>10</i>	165,000	–
Trade receivables	<i>11</i>	1,442	1,108
Prepayments, deposits and other receivables		10,242	3,232
Derivative component of Issued Convertible Bonds		–	14,804
Tax recoverable		23	–
Restricted bank balances		3,726	546
Cash and bank balances		529,660	83,223
		<hr/>	<hr/>
Total current assets		1,052,849	279,530
		<hr/>	<hr/>
CURRENT LIABILITIES			
Trade payables	<i>12</i>	3	16
Tax payable		179	12
Other payables and accruals	<i>13</i>	195,044	12,645
Finance lease payables		149	142
		<hr/>	<hr/>
Total current liabilities		195,375	12,815
		<hr/>	<hr/>
NET CURRENT ASSETS		857,474	266,715
		<hr/>	<hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)*31 March 2015*

		As at 31 March	
	<i>Note</i>	2015	2014
		HK\$'000	HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		1,120,138	282,898
NON-CURRENT LIABILITIES			
Finance lease payables		363	512
Issued Convertible Bonds		–	73,386
Issued Bonds		–	79,421
Deferred tax liabilities		1,048	890
Total non-current liabilities		1,411	154,209
Net assets		1,118,727	128,689
EQUITY			
Equity attributable to owners of the parent			
Issued capital	<i>14</i>	41,908	20,337
Reserves		1,123,047	147,459
Non-controlling interests		1,164,955	167,796
		(46,228)	(39,107)
Total equity		1,118,727	128,689

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

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, which, because the Company has not early adopted the revised disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), are those of the predecessor Hong Kong Companies Ordinance (Cap. 32). They have been prepared under the historical cost convention, except for an investment property, listed equity investments, debt component of Acquired Convertible Bonds and derivative financial instruments which have been measured at fair value. 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 (collectively referred to as the “Group”) for the year ended 31 March 2015. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. 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 had directly disposed of the related assets or liabilities.

Changes in accounting policies and disclosures

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	<i>Investment Entities</i>
Amendments to HKAS 32	<i>Offsetting Financial Assets and Financial Liabilities</i>
Amendments to HKAS 36	<i>Recoverable Amount Disclosures for Non-Financial Assets</i>
Amendments to HKAS 39	<i>Novation of Derivatives and Continuation of Hedge Accounting</i>
HK(IFRIC)-Int 21	<i>Levies</i>
Amendment to HKFRS 2 included in <i>Annual Improvements 2010-2012 Cycle</i>	<i>Definition of Vesting Condition¹</i>
Amendment to HKFRS 3 included in <i>Annual Improvements 2010-2012 Cycle</i>	<i>Accounting for Contingent Consideration in a Business Combination¹</i>
Amendment to HKFRS 13 included in <i>Annual Improvements 2010-2012 Cycle</i>	<i>Short-term Receivables and Payables</i>
Amendment to HKFRS 1 included in <i>Annual Improvements 2011-2013 Cycle</i>	<i>Meaning of Effective HKFRSs</i>

¹ Effective from 1 July 2014

Except for the amendment to HKFRS 1 which is only relevant to an entity's first HKFRS financial statements, the nature and the impact of each amendment and interpretation is described below:

- (a) Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The amendments have had no impact on the Group as the Company does not qualify as an investment entity as defined in HKFRS 10.
- (b) The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments have had no impact on the Group as the Group does not have any offsetting arrangement.
- (c) The HKAS 36 Amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments have had no impact on the financial position or performance of the Group.
- (d) The HKAS 39 Amendments provide an exception to the requirement of discontinuing hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly, novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations. For continuance of hedge accounting under this exception, all of the following criteria must be met: (i) the novations must arise as a consequence of laws or regulations, or the introduction of laws or regulations; (ii) the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties; and (iii) the novations do not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing. The amendments have had no impact on the Group as the Group has not novated any derivatives during the current and prior years.

- (e) HK(IFRIC)-Int 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached. The interpretation has had no impact on the Group as the Group applied, in prior years, the recognition principles under HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* which for the levies incurred by the Group are consistent with the requirements of HK(IFRIC)-Int 21.
- (f) The HKFRS 2 Amendment clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including (i) a performance condition must contain a service condition; (ii) a performance target must be met while the counterparty is rendering service; (iii) a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group; (iv) a performance condition may be a market or non-market condition; and (v) if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The amendment has had no impact on the Group.
- (g) The HKFRS 3 Amendment clarifies that contingent consideration arrangements arising from a business combination that are not classified as equity should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of HKFRS 9 or HKAS 39. The amendment has had no impact on the Group.
- (h) The HKFRS 13 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact on the Group.

NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

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	<i>Financial Instruments</i> ⁴
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ²
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i> ²
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i> ²
HKFRS 14	<i>Regulatory Deferral Accounts</i> ⁵
HKFRS 15	<i>Revenue from Contracts with Customers</i> ³
Amendments to HKAS 1	<i>Disclosure Initiative</i> ²
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> ²
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i> ²
Amendments to HKAS 19	<i>Defined Benefit Plans: Employee Contributions</i> ¹
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i> ²
<i>Annual Improvements 2010-2012 Cycle</i>	Amendments to a number of HKFRSs ¹
<i>Annual Improvements 2011-2013 Cycle</i>	Amendments to a number of HKFRSs ¹
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of HKFRSs ²

¹ Effective for annual periods beginning on or after 1 July 2014

² Effective for annual periods beginning on or after 1 January 2016

³ Effective for annual periods beginning on or after 1 January 2017

⁴ Effective for annual periods beginning on or after 1 January 2018

⁵ 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

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Group's results of operations and financial position.

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 March 2016. The Group is in the process of making an assessment of the impact of these changes.

2. OPERATING SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary of details of the operating segments are as follows:

- (a) the electronic and accessory products segment trades electronic and accessory products;
- (b) the financial investments and services segment comprises financial investments and trading; debt and equity investments and money lending business (previously, this segment was named as treasury investments); and
- (c) the corporate and others segment comprises corporate income and expenses items; research and development of integrated circuit technology and property investment.

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/(loss), which is measured consistently with the Group's profit/(loss) before tax except that bank interest income, finance costs, fair value gain on the derivative component of Issued Convertible Bonds, loss arising from modification of Issued Convertible Bonds, head office and corporate expenses are excluded from such measurement.

Segment assets exclude cash and bank balances, the derivative component of Issued Convertible Bonds and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude Issued Convertible Bonds, Issued Bonds, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

There are no intersegment sales and transfers between the segments (2014: Nil).

Group

	Electronic and accessory products		Financial investments and services		Corporate and others		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	10,743	9,456	-	-	-	-	10,743	9,456
Gains/(losses) from financial investments and services	-	-	(4,195)	26,663	-	-	(4,195)	26,663
Total	10,743	9,456	(4,195)	26,663	-	-	6,548	36,119
Segment results	(5,519)	(3,996)	9,133	57,670	(63,796)	(54,812)	(60,182)	(1,138)
<i>Reconciliation</i>								
Bank interest income							16	18
Fair value gain/(loss) on derivative component of Issued Convertible Bonds							(206,579)	10,271
Loss arising from modification of Issued Convertible Bonds							(1,000,815)	-
Unallocated expenses							(122)	(99)
Finance costs							(7,291)	(16,958)
Loss before tax							(1,274,973)	(7,906)
Income tax expense							(166)	-
Loss for the year							(1,275,139)	(7,906)
Assets and liabilities								
Segment assets	2,612	1,920	679,459	191,611	98,846	2,641	780,917	196,172
<i>Reconciliation</i>								
Unallocated assets							534,596	99,541
Total assets							1,315,513	295,713
Segment liabilities	8,554	6,430	5,280	124	9,740	6,712	23,574	13,266
<i>Reconciliation</i>								
Unallocated liabilities							173,212	153,758
Total liabilities							196,786	167,024

	Electronic and accessory products		Financial investments and services		Corporate and others		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other segment information:								
Depreciation	84	84	-	-	650	581	734	665
Impairment losses recognised in the statement of profit or loss	154	-	-	-	1,868	1,005	2,022	1,005
Reversal of inventory provision	-	(107)	-	-	-	-	-	(107)
Write-off of items of property, plant and equipment	59	-	-	-	-	-	59	-
Fair value gains on equity investments at fair value through profit or loss	-	-	(28,016)	(31,364)	-	-	(28,016)	(31,364)
Gain on disposal of available-for-sale equity investments	-	-	(7,696)	-	-	-	(7,696)	-
Fair value gain on an investment property	-	-	-	-	(2,083)	-	(2,083)	-
Fair value gains on derivative component of Acquired Convertible Bonds	-	-	(2,112)	-	-	-	(2,112)	-
Equity-settled share option arrangements, net	(18)	28	-	-	26,008	6,905	25,990	6,933
Capital expenditure*	-	16	-	-	91,124	766	91,124	782

* Capital expenditure consists of additions to property, plant and equipment and an investment property acquired through acquisition of a subsidiary.

Geographical information

The following table represents the Group's revenue and non-current assets information by geographical locations for the years ended 31 March 2015 and 2014.

	People's Republic of China (including Hong Kong)		Europe and South Africa		Consolidated	
	2015	2014	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Electronic and accessory products	7,322	7,459	3,421	1,997	10,743	9,456
Financial investments and services	(4,195)	26,663	-	-	(4,195)	26,663
	3,127	34,122	3,421	1,997	6,548	36,119
Non-current assets	94,135	1,722	-	-	94,135	1,722

The revenue information above is based on the locations of customers and the stock markets.

The non-current asset information above is based on the locations of the assets and excludes financial instruments.

Information about a major customer

Revenue of approximately HK\$4,006,000 (2014: HK\$5,470,000) was derived from sales by the electronic and accessory products segment to a single customer.

3 REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents the aggregate of the net invoiced value of goods sold, after allowances for returns and trade discounts, gains/(losses) on disposal of equity investments at fair value through profit or loss, dividend income from listed equity investments and interest income from money lending business during the year.

An analysis of revenue and other income is as follows:

	For the year ended	
	31 March	
	2015	2014
	HK\$'000	HK\$'000
<u>Revenue</u>		
Sales of goods	10,743	9,456
Gain/(losses) on disposal of equity investments at fair value through profit or loss	(11,064)	25,951
Dividend income from listed equity investments	2,327	712
Interest income from money lending business	4,542	–
	6,548	36,119
	6,548	36,119
<u>Other income</u>		
Bank interest income	16	18
Government grants	1,015	3,223
Service income	1,350	1,185
Others	585	54
	2,966	4,480
	2,966	4,480

4. FINANCE COSTS

An analysis of finance costs is as follows:

	For the year ended	
	31 March	
	2015	2014
	HK\$'000	HK\$'000
Interest on finance leases	28	28
Imputed interest on Issued Convertible Bonds	3,359	8,007
Interest on Issued Bonds	3,745	8,906
Interest on bank overdrafts	70	17
Interest on a promissory note	89	–
	7,291	16,958
	7,291	16,958

5. LOSS BEFORE TAX

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

	For the year ended	
	31 March	
	2015	2014
	HK\$'000	HK\$'000
Cost of inventories sold	10,197	9,541
Depreciation	734	665
Research costs	12,104	20,419
Impairment of trade receivables	154	–
Impairment of other receivables	1,868	1,005
Write-off of items of property, plant and equipment	59	–
Reversal of inventory provision	–	(107)
Foreign exchange differences, net	32	–
	<u>16,148</u>	<u>21,518</u>

6. INCOME TAX EXPENSE

	For the year ended	
	31 March	
	2015	2014
	HK\$'000	HK\$'000
Current – Hong Kong	166	–
Current – elsewhere	–	–
	<u>166</u>	<u>–</u>

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. Taxes on profits assessable in Mainland China in the prior year had been calculated at the rates of tax prevailing in Mainland China in which the Group operated, based on existing legislation, interpretations and practices in respect thereof.

7. DIVIDEND

The Board has resolved not to pay any final dividend for the Year (2014: Nil). In addition, no interim dividend was paid for the Year (2014: Nil).

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amounts is based on the loss for the year attributable to owners of the parent of HK\$1,266,154,000 (2014: profit of HK\$5,404,000) and the weighted average number of 1,152,391,934 (2014: 421,142,215 (restated)). The weighted average number of ordinary shares in issue used in the basic and diluted earnings/(loss) per share calculation for the years ended 31 March 2015 and 2014 have been adjusted for the rights issue and share consolidation in the current year and the rights issue in the prior year, respectively.

No adjustment has been made to the basic loss per share amount presented for the year ended 31 March 2015 as no dilutive events existed for the exercise of share options and warrants during that year had an anti-dilutive effect on the basic loss per share amount presented.

The calculation of the diluted earnings per share amount for the year ended 31 March 2014 was based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the interest and the fair value gains of derivative component on the Issued Convertible Bonds. The weighted average number of ordinary shares used in the calculation was the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share for the year ended 31 March 2014 were based on:

	2014 HK\$'000
Earnings	
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	5,404
Add: Interest on Issued Convertible Bonds	8,007
Less: Fair value gains on the derivative component of Issued Convertible Bonds	<u>(10,271)</u>
Profit attributable to ordinary equity holders of the parent used in diluted earnings per share calculation	<u>3,140</u>
	Number of shares 2014 (restated)
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	421,142,215
Effect of dilution – weighted average number of ordinary shares: * Issued Convertible Bonds	<u>99,361,018</u>
Weighted average number of ordinary shares used in the diluted earnings per share calculation	<u>520,503,233</u>

* Share options were not considered in the effect of dilution as no diluting events existed during the year ended 31 March 2014.

9. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 March	
	2015	2014
	HK\$'000	HK\$'000
Listed equity investments in Hong Kong, at fair value	<u>338,722</u>	<u>176,617</u>

The above equity investments at 31 March 2015 and 2014 were classified as held for trading. The fair values of listed equity investments are based on quoted market prices.

At 31 March 2015 and 2014, the Group did not hold any single equity investments at fair value through profit or loss with carrying amounts exceeding 10% in value of the total assets of the Group.

10. LOAN RECEIVABLES

	As at 31 March	
	2015	2014
	HK\$'000	HK\$'000
Loan receivables	<u>165,000</u>	<u>–</u>

Loan receivables represented loans of HK\$165,000,000 granted by the Group to the independent third parties. The loans bore interest at rates ranging from 6% to 8% per annum and were repayable within one year. The grants of these loans were approved and monitored by the Group's management. The loan balances were neither past due nor impaired for which there was no recent history of default.

The Group does not hold any collateral or other credit enhancement over its loan receivable balances. The carrying amount of the loan receivables approximates their fair value.

11. TRADE RECEIVABLES

	As at 31 March	
	2015	2014
	HK\$'000	HK\$'000
Trade receivables	1,596	1,108
Impairment	<u>(154)</u>	<u>–</u>
	<u>1,442</u>	<u>1,108</u>

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one to two months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management. There is a significant concentration of credit risk as 90% (2014: 100%) of the balances represented receivables from one (2014: two) major customer within the electronic and accessory products segment. Trade receivables are non-interest-bearing. The Group does not hold any collateral or other credit enhancement over its trade receivable balances. The carrying amounts of trade receivables approximate their fair values.

An aged analysis of the Group's trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	As at 31 March	
	2015	2014
	HK\$'000	HK\$'000
Within 1 month	–	1,108
1 to 2 months	<u>1,442</u>	<u>–</u>
	<u>1,442</u>	<u>1,108</u>

12. TRADE PAYABLES

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

	As at 31 March	
	2015 HK\$'000	2014 HK\$'000
Over 3 months	<u>3</u>	<u>16</u>

Trade payables are non-interest-bearing and have a credit period of an average of two months. The carrying amounts of trade payables approximate their fair values.

13. OTHER PAYABLES AND ACCRUALS

As at 31 March 2015, included in other payables and accruals of the Group was excess cash received of HK\$171,871,000 (2014: Nil) for the subscription application of the Company's rights shares during the year.

The Group's payables and accruals are non-interest-bearing and are normally settled within three months.

14. SHARE CAPITAL

	As at 31 March	
	2015 HK\$'000	2014 HK\$'000
Authorised (Note)		
– 80,000,000,000 (2014: 60,000,000,000) ordinary shares of HK\$0.01 each	<u>800,000</u>	<u>600,000</u>
Issued and fully paid		
– 4,190,796,225 (2014: 2,033,737,827) ordinary shares of HK\$0.01 each	<u>41,908</u>	<u>20,337</u>

Note:

Pursuant to an ordinary resolution passed in the special general meeting on 27 February 2015, the authorised share capital of the Company was increased from HK\$600,000,000 divided into 60,000,000,000 ordinary shares of HK\$0.01 each to HK\$800,000,000 divided into 80,000,000,000 ordinary shares of HK\$0.01 each.

A summary of movements of the Company's issued shares capital and share premium account is as follows:

	Notes	Number of shares in issue	Issued share capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 April 2013		677,912,609	6,779	745,229	752,008
Rights issue, net of expenses	(i)	<u>1,355,825,218</u>	<u>13,558</u>	<u>116,994</u>	<u>130,552</u>
At 31 March 2014 and 1 April 2014		2,033,737,827	20,337	862,223	882,560
Rights issue, net of expenses	(i)	3,592,111,050	35,921	486,643	522,564
Placing of new shares, net of expenses	(ii)	1,823,082,287	18,231	249,345	267,576
Share option exercised	(iii)	530,031,642	5,300	129,491	134,791
Conversion of Issued Convertible Bonds	(iv)	1,600,000,000	16,000	1,333,001	1,349,001
Capital reorganisation	(v)	<u>(5,388,166,581)</u>	<u>(53,881)</u>	<u>–</u>	<u>(53,881)</u>
At 31 March 2015		<u>4,190,796,225</u>	<u>41,908</u>	<u>3,060,703</u>	<u>3,102,611</u>

Notes:

- (i) On 19 September 2013, the Company issued and allotted 1,355,825,218 ordinary shares of HK\$0.01 each to the qualifying shareholders pursuant to the rights issue on the basis of two rights shares for every share held by members on the register as at 27 August 2013 at a subscription price of HK\$0.10 per share for a total gross cash consideration of HK\$135,582,000 and the related issue expense were HK\$5,030,000.

On 31 March 2015, the Company issued and allotted 3,592,111,050 ordinary shares of HK\$0.01 each to the qualifying shareholders pursuant to the rights issue on the basis of six rights shares for every share held by members on the register as at 10 March 2015 at an issue price of HK\$0.15 per rights share for a total gross cash consideration of HK\$538,817,000 and the related issue expense were HK\$16,253,000.

- (ii) During the year ended 31 March 2015, an aggregate of 1,823,082,287 new shares were placed to various independent places at the exercise prices ranging from HK\$0.125 to HK\$0.175 per share with total gross proceeds of HK\$275,674,000 and the related issue expenses were HK\$8,098,000.
- (iii) During the year ended 31 March 2015, the subscription rights attaching to 530,031,642 share options were exercised at subscription prices ranging from HK\$0.168 to HK\$0.4822 per ordinary share, resulting in the issue of 530,031,642 ordinary shares for a proceed of HK\$100,124,000. An amount of HK\$34,667,000 was transferred from share option reserve to the share premium account upon exercise of the share options.
- (iv) During the year ended 31 March 2015, the Company issued a total of 1,600,000,000 ordinary shares of HK\$0.01 each at a conversion price of HK\$0.125 for the conversion of the Issued Convertible Bonds with a principal amount of HK\$200,000,000. Upon conversion, the aggregate carrying amount of the Issued Convertible Bond was transferred to the issued share capital of HK\$16,000,000 and the share premium account of HK\$1,333,001,000.
- (v) Pursuant to a special resolution passed in the special general meeting on 27 February 2015, a capital reorganisation (“Capital Reorganisation”) became effective on 2 March 2015. The Capital Reorganisation involved:
- (a) the consolidation of every ten issued shares of HK\$0.01 into one consolidated share (“Consolidated Share(s)”) of HK\$0.10 (the “Share Consolidation”);
- (b) the reduction in issued share capital of the Company whereby the par value of each Consolidated Share was reduced from HK\$0.10 to HK\$0.01 by cancelling HK\$0.09 of the paid-up capital on each Consolidated Share and any fraction of a Consolidated Share in the issued share capital of the Company arising from the Share Consolidation (“Capital Reduction”); and
- (c) the transfer of the entire amount of the credit arising from the Capital Reduction to the contributed surplus account of the Company of HK\$53,881,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group for the year (the “Year”) recorded revenue of HK\$6.5 million, representing a decrease of HK\$29.6 million or 81.9% as compared to that in last year. The decrease in revenue was mainly attributable to the realized losses on the disposal of listed securities of approximately HK\$11.1 million in the financial investments and services segment. The net loss for the Year was approximately HK\$1,275.1 million as compared to the net loss of approximately HK\$7.9 million for the last year. Basic loss per share attributable to ordinary equity holders of the parent for the Year was HK\$1.10 (2014: basic earnings per share of HK1.28 cents (restated)). The Group’s net loss for the Year was mainly attributable to the fair value losses on derivative component of Issued Convertible Bonds of approximately HK\$206.6 million and the loss arising from modification of Issued Convertible Bonds of approximately HK\$1,000.8 million. Such losses are non-cash in nature and has no effect on the cash flow.

Research and Development of Integrated Circuit Technology

The Group has continued to place its efforts on research and development of System-on-chip (SoC) technology. The core architecture in development is a Multi-thread Virtual Pipeline (MVP) on a scalable and programmable stream processor core, which is a new core architecture for computation performance based on multi-processing and parallel computing. The MVP is an independently developed “China Core” featuring the versatility of a unified processor, combining the capabilities of central processing unit (CPU) and graphics processing unit (GPU) in one solution for Mainland China’s vast consumer electronics market. The Group’s development of this new processing architecture has revolutionized mobile computing by unrolling its Harmony Unified Processor Technology, which contains an independently Instruction-Set-Architecture with optimized compiler, the MVP parallel computing core and dynamic load balancing with Agile Switching of simultaneously-multi-threading (SMT) threads.

During the Year, the Group continued to put its efforts in rolling out the MVP based SoC products and introducing its technology into the product applications in the market. With a view to bring in and popularize the finger multi-touch functionality in the huge consumer electronics and home appliances market, the Group has continued to cooperate with reputable electrical and home appliance leaders to jointly develop smart touch control screen used in a range of electrical and home appliance products. In order to secure sales orders from potential customers in the highly competitive consumer electronic market, the Group has put a great deal of product design and engineering efforts in the areas of qualifications for production and demo trials.

Electronic and Accessory Products

Amid the uncertain economic condition and weak customer sentiment in European and United States markets, the sales demand for electronic and accessory products in export markets remained slow and flat. Given the continued keen price competition in the local consumer electronic market, the local sales orders for the electronic accessories were weak and slow. During the Year, the sales from the electronic and accessory products segment was approximately HK\$10.7 million, compared to that of approximately HK\$9.5 million last year. The operating loss for this segment for this Year was approximately HK\$5.5 million (2014: loss of approximately HK\$4.0 million).

Financial Investments and Services

The financial investments and services of the Group comprises securities investment and trading, debt and equity investments and money lending business. During the Year, the Hang Seng Index fluctuated between a narrow range of 22,700 points to 24,900 points. In the first half of the Year, the market sentiment continued to be adversely affected by the economic slowdown in Mainland China. Due to the influx of hot money in July and the mini-stimulus fiscal policies and measures taken by central government of Mainland China, the investor's confidence gradually improved. In November 2014, the People's Bank of China relaxed their monetary policy by cutting interest rate in order to support the economic growth. It had stimulated China A share market in a frenzy and attracted more hot money into both China and local stock market. The Group's securities portfolio recorded an unrealized fair value gains on the equity investments of approximately HK\$28.0 million, gain on disposal of available-for-sale equity investments of approximately of HK\$7.7 million and a realized loss on disposal of equity investments of approximately HK\$11.1 million for the Year. The Group was also taking a cautious approach to operate its money lending business and recorded interest income of approximately HK\$4.5 million during the Year.

Apart from consolidating its existing businesses, the Group has been intensifying its efforts searching for suitable investment opportunities which strategically fit into its diversification moves and generate a steady source of income. During the Year, the launch of Shanghai and Hong Kong Stock Connect program coupled with the bull rally of A- Share of China stock market added support to the local stock market. With a view to capture this opportunity and maximize returns to the shareholders, the Group has expanded its securities investment and trading, and money lending business under financial investments and services segment during the Year and accelerated its momentum moving into new business areas with high growth potential and profit prospects, in particular, the financial service and products business.

Entering into the memorandum of understanding in relation to the proposed acquisition of the third party payment businesses carried on by Jifutong Payment Company Limited in August 2014 signified the first attempt in which the Group is able to expand its integrated circuit business downstream for its SoC technology into applications such as third party payment market in Mainland China. However, the Group was finally informed by the Vendor that the third party payment market in the Mainland China has undergone and is expected to undergo significant changes and reforms. In view of this, the Group terminated the discussions with the Vendor with regards to the proposed acquisition in January 2015.

As motivated by the Shanghai and Hong Kong Stock Connect, the Group has also entered agreements with the subscription shares in Freeman Corporation Limited and HEC Capital Limited, respectively, in September 2014 ("Subscriptions"). The Group expected the Subscriptions were likely to generate further business opportunities, as well as creating synergy for the Group's business development in the financial services industry.

Prospects

For the year to come, the Group will continue to consolidate its existing business and diversify into the new solid business. On 20 May 2015, the Company entered into the subscription agreement with Mr. Wei Zhenyu, the chairman and director of Hubei Lan Ding Holding Company Limited, Shenzhen-listed company (stock code: 971 sz) and conditionally agreed to allot and issue in cash for an aggregate of 4,000,000,000 subscription shares at the subscription price of HK\$0.25 per subscription share (with a total subscription price of HK\$1 billion). The directors of the Company are of the view that the share subscription represents a valuable opportunity for the Group to bring in a solid investor with the financial capability to invest in the Company. The share subscription also represents a good opportunity to raise substantial amounts of additional funds for the Company, improve the financial position and liquidity of the Group and provide the financial flexibility necessary for the Group's future business development and the capability to capture any prospective investment opportunity as and when it arises.

Looking ahead, the Group is cautiously optimistic about the performance in the local stock market and the money lending business due to the positive market expectation of Shenzhen-Hong Kong Stock Connect and signs of steady economic recovery in the United States. However, the uncertain US monetary policies and the potential threat of European debt crisis of Greece, the slowdown of China economy remain key factors dragging on the global economic recovery. As broad macroeconomic challenge persists, the Group will continue to be on the alert and to pursue a prudent investment strategy in developing its existing and new businesses.

Financial Review

The Group for the Year recorded revenue of HK\$6.5 million, representing decrease of HK\$29.6 million or 81.9% as compared to that in last year. The Group's revenue principally comprised the sales of electronic and accessory products of HK\$10.7 million and the realized losses on disposal of listed securities investment of HK\$11.1 million from financial investments and services. During the Year, the revenue from electronic and accessory products increased by HK\$1.3 million or 13.6% to HK\$10.7 million.

The loss for the Year was approximately HK\$1,275.1 million, compared to the net loss of approximately HK\$7.9 million for last year. As at 31 March 2015, the Group's net asset value was HK\$1,118.7 million compared to the net asset value of HK\$128.7 million last year. The consolidated net asset value per share of the Group as at 31 March 2015 was HK\$0.27. The increase was mainly due to net placing proceeds of approximately HK\$266.2 million, which included related issue expense and professional fees, the net proceeds of approximately HK\$519.6 million, which included related issue expense and professional fees, raised from the rights issue on the basis of six rights share for every existing share during the Year. The total comprehensive loss for the Year was HK\$1,277.1 million compared to the total comprehensive loss of HK\$6.5 million last year.

Research costs for the Year decreased to HK\$12.1 million, compared to HK\$20.4 million last year. The research costs were utilized primarily in the development of the Group's MVP based product, IC1. Administrative expenses amounted to HK\$84.0 million, representing an increase of HK\$42.5 million or 102.3% compared with last year.

Liquidity and Financial Resources

During the Year, the Group generally financed its operation with internally generated cash flow, cash reserve and fund raising activities. The Group's cash and bank balance as at 31 March 2015 were HK\$529.7 million (31 March 2014: HK\$83.2 million).

As at 31 March 2015, the Group had no bank overdrafts, short and long term interest-bearing bank borrowings (31 March 2014: Nil).

As at 31 March 2015, the Group's current ratio was 5.4 times (31 March 2014: 21.8 times) based on current assets of HK\$1,052.8 million (31 March 2014: HK\$279.5 million) and current liabilities of HK\$195.4 million (31 March 2014: HK\$12.8 million).

As at 31 March 2015, the Group did not have any significant commitment (31 March 2014: Nil). The Group also had no other contingent liabilities or material commitments.

Capital Structure

As at 31 March 2015, the Group's gearing ratio, being bonds and convertible bonds payable to net worth and bonds and convertible bonds payable was nil (31 March 2014: 54.3%).

The Group's bank deposits and borrowings are mainly denominated in Hong Kong dollars. Most of the Group's sales and purchases are made in United States dollars and Hong Kong dollars. Therefore, the exchange risks that the Group is exposed to are minimal.

On 7 July 2014, the Company placed 406,747,565 new shares at a price of HK\$0.125 per placing share, representing approximately 20.00% of the issued share capital of the Company. The net proceeds of approximately HK\$49 million were used for general working capital of the Group. Details of the above were disclosed in the Company's announcement dated 8 July 2014.

On 31 October 2014, the Company placed 495,192,763 new shares at a price of HK\$0.175 per placing share, representing approximately 12.05% of then share capital of the Company. The net proceeds of approximately HK\$84.2 million will be used for general working capital of the Group. Details of the above were disclosed in the Company's announcement dated 31 October 2014.

On 14 November 2014, the Company placed 921,141,959 new shares at a price of HK\$0.15 per placing share, representing approximately 20.00% of the existing issued share capital. The net proceeds of the placing will be approximately HK\$133 million, which included related issue expense and professional fees, HK\$125 million of the net proceeds from the Placing will be used for the new money lending business of the Group and the remaining proceeds will be used for general working capital of the Group. Details of the above were disclosed in the Company's announcement dated 14 November 2014.

On 5 December 2014 and 7 January 2015, the Company entered an agreement and supplementary agreement with an underwriter respectively for raising approximately net proceed of HK\$519.6 million, which included related issue expense and professional fees, by issuing 3,592,111,050 new shares to the qualifying shareholders by way of the rights issue at subscription price of HK\$0.15 per right share on the basis of six right shares for every share in issue on the record date. The net proceeds of approximately HK\$82.8 million was used on investment property, HK\$406.8 million on securities investment and trading and money lending business and HK\$30 million on working capital. Details of the above were disclosed in the Company's circular dated 23 January 2015, prospectus dated 11 March 2015 and announcement dated 10 April 2015 respectively. Up to 31 March 2015, the use of net proceeds of approximately HK\$82.8 million were utilized for an acquisition of an investment property.

Significant Investments

As at 31 March 2015, the Group maintained a portfolio of equity investments (including available-for-sale equity investments and equity investments at fair value through profit or loss) with total carrying amount of HK\$491.7 million. The related dividend income for the Year was HK\$2.3 million.

Details of Charges on Assets

As at 31 March 2015, the Company had no charges on assets (31 March 2014: Nil).

Material Acquisitions

On 28 November 2014, Sino Green Holdings Limited, an indirect wholly owned subsidiary of the Company acquired the entire issued share capital of King Place Investments Limited (“King Place”) (which is the sole legal and beneficial owner of the commercial property in Hong Kong) together with assignment of the shareholder loan for a consideration of HK\$92 million from Qualipak Development Limited. Further details are set in the Company’s announcement dated 28 November 2014 and 1 April 2015 respectively.

Events after the reporting Period

(a) Disposal of King Place

On 12 May 2015, the Group entered into a sale and purchase agreement to dispose of its entire interest in King Place to an independent third party for a total consideration of HK\$94,000,000. With reference to the original acquisition cost of King Place, the transaction is estimated to result in a gain on disposal before tax of approximately HK\$2,000,000.

(b) Subscription of new shares by an independent third party

On 20 May 2015, the Group entered into a subscription agreement with a subscriber (the “Subscriber”), an independent third party, pursuant to which the Group has conditionally agreed to allot and issue to the Subscriber and the Subscriber has conditionally agreed to subscribe for, in cash, 4,000,000,000 subscription shares at the subscription price of HK\$0.25 each. The gross proceeds of the subscription is estimated to be HK\$1,000,000,000.

The Group intends to use approximately 90% of the proceeds for its long-term and short-term securities investments, money lending business and approximately 10% of the proceeds for the research and development of integrated circuit technology and as general working capital of the Group.

(c) Disposal of Alpha Ease International Limited (“Alpha Ease”)

On 29 May 2015, the Group entered into a sale and purchase agreement to dispose of its entire interest in Alpha Ease to an independent third party for a cash consideration of HK\$13,500,000. With reference to the original acquisition cost of Alpha Ease, the transaction is estimated to result in a loss on disposal before tax of approximately HK\$1,500,000.

Employment, Training and Development

As at 31 March 2015, the Group had a total of 67 employees, of which 34 were based in Hong Kong and 33 based in Mainland China. The Group is committed to staff training and development and structured training programmes for all employees.

Remuneration packages are maintained at a competitive level and reviewed on a periodic basis. Bonuses and share options are awarded to certain employees according to individual performance and industry practice.

CORPORATE GOVERNANCE

The Board is of the view that the Company has met the code provisions set out in the Corporate Governance Code (the “CG Code”) in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited throughout the year ended 31 March 2015 except that there was no separation of the roles of Chairman and Chief Executive Officer as specified in the code provision A.2.1 of the CG Code during the period from 1 April 2014 to 26 February 2015. During the said period, Mr. Wong Howard has acted as the Chairman and the Chief Executive Officer of the Company. The Board considered that such arrangement provided the Group with strong and consistent leadership and allowed for more effective and efficient business planning and decisions as well as execution of long term business strategies.

Detailed disclosure of the Company’s corporate governance practices is included in the annual report of the Company for the year ended 31 March 2015.

AUDIT COMMITTEE

The Audit Committee of the Company meets at least twice a year to monitor and review the integrity and effectiveness of the Company’s financial reporting. The Audit Committee has met with the external auditors of the Company, Messrs Ernst & Young, to review the accounting principles and practices adopted by the Group and the annual results of the Group for the year ended 31 March 2015. The Audit Committee has also discussed auditing, financial and internal control, and financial reporting matters of the Company. The Audit Committee comprises the five independent non-executive directors of the Company, namely, Mr. Tsang Wing Ki (Chairman of the Audit Committee), Mr. Li Chi Ming and Mr. Kwok Chi Kwong, Mr. Chen Youchun and Mr. Frank H. Miu.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITORS

The figures in respect of the Group’s results for the year ended 31 March 2015 as set out in this preliminary announcement have been agreed by the Group’s independent auditors, Ernst & Young, to the amounts set out in the Group’s consolidated financial statements for the year. The work performed by Ernst & Young 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 Ernst & Young on this preliminary announcement.

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.

DIRECTORS OF THE COMPANY

As at the date hereof, the Board comprises 5 executive directors namely, Mr. Wang Haixiong (Chairman), Mr. Wong Howard, Mr. Wong Yat Fai, Ms. Chen Wei and Mr. Zhan Jianzhou and 5 independent non-executive directors namely, Mr. Li Chi Ming, Mr. Kwok Chi Kwong, Mr. Chen Youchun, Mr. Frank H. Miu and Mr. Tsang Wing Ki.

On behalf of the Board
China Jinhai International Group Limited
Wang Haixiong
Chairman of the Board

Hong Kong, 26 June 2015

* *for identification purposes only*