O-NET COMMUNICATIONS (GROUP) LIMITED
昂 納 光 通 信（集 團）有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 877)

ANNUAL RESULTS FOR YEAR ENDED 31 DECEMBER 2014

RESULTS

The Board (the "Board") of Directors (the "Directors") of O-Net Communications (Group) Limited (the "Company") is pleased to announce the preliminary consolidated annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2014. These results have been reviewed by the Company's audit committee (the "Audit Committee").

CONSOLIDATED INCOME STATEMENT

(All amounts in Hong Kong dollar thousands unless otherwise stated)

		Year ended 31 December	
		2014	2013
	Note(s)	***HKD'000***	*HKD'000*
Revenue	*3*	**831,280**	661,502
Cost of sales	*5*	**(542,331)**	(449,724)
Gross profit		**288,949**	211,778
Other gains – net	*4*	**8,506**	6,896
Selling and marketing costs	*5*	**(36,386)**	(30,319)
Research and development expenses	*5*	**(105,952)**	(88,979)
Administrative expenses	*5*	**(107,206)**	(98,129)
Operating profit		**47,911**	1,247
Finance income		**8,511**	16,614
Share of losses of investments accounted for using the equity method		**(5,058)**	(2,822)
Profit before income tax		**51,364**	15,039
Income tax expenses	*6*	**(8,020)**	(1,664)
Profit for the year		**43,344**	13,375
Profit attributable to:			
Equity holders of the Company		**43,344**	13,375
Earnings per share for profit attributable to equity holders of the Company (HKD per share)			
– Basic	*7*	**0.06**	0.02
– Diluted	*7*	**0.06**	0.02

		Year ended 31 December	
		2014	2013
		HKD	*HKD*
Dividend	*8*	**–**	–

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in Hong Kong dollar thousands unless otherwise stated)

	Year ended 31 December	
	2014	2013
	HKD'000	*HKD'000*
Profit for the year	**43,344**	13,375
Other comprehensive income		
Items that may be reclassified to profit or loss		
Share of other comprehensive loss of investment in a joint venture	**(10)**	(23)
Currency translation differences	**(2,294)**	30,233
Other comprehensive income for the year	**(2,304)**	30,210
Total comprehensive income for the year	**41,040**	43,585
Total comprehensive income attributable to:		
Equity holders of the Company	**41,040**	43,585

CONSOLIDATED BALANCE SHEET

(All amounts in Hong Kong dollar thousands unless otherwise stated)

	Note(s)	As at 31 December **2014** *HKD'000*	2013 *HKD'000*
ASSETS			
Non-current assets			
Land use right		**28,353**	29,119
Property, plant and equipment		**638,291**	570,894
Intangible assets		**60**	155
Investments accounted for using the equity method		**40,211**	21,099
Deferred income tax assets		**5,936**	5,836
Available-for-sale financial assets		**11,031**	3,440
Derivative financial instruments		**2,978**	2,451
Other receivables		**29,640**	–
Other non-current assets		**9,874**	10,068
		766,374	643,062
Current assets			
Inventories		**197,226**	163,296
Trade and other receivables	9	**404,376**	317,958
Other current assets		**7,498**	1,776
Pledged bank deposits		**761**	19,539
Term deposits with initial term of over three months		**101,411**	155,662
Cash and cash equivalents		**69,514**	281,828
		780,786	940,059
Total assets		**1,547,160**	1,583,121
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**7,042**	7,239
Share premium		**804,319**	847,424
Treasury shares		**(57,859)**	–
Other reserves		**111,972**	106,520
Retained earnings		**456,006**	412,875
Total equity		**1,321,480**	1,374,058

	Note(s)	As at 31 December **2014** ***HKD'000***	 2013 *HKD'000*
LIABILITIES			
Non-current liabilities			
Deferred government grants		**14,176**	6,118
Current liabilities			
Trade and other payables	*10*	**201,822**	200,863
Current income tax liabilities		**9,682**	2,082
		211,504	202,945
Total liabilities		**225,680**	209,063
Total equity and liabilities		**1,547,160**	1,583,121
Net current assets		**569,282**	737,114
Total assets less current liabilities		**1,335,656**	1,380,176

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

General Information

O-Net Communications (Group) Limited (the "Company") was incorporated in the Cayman Islands on 12 November 2009, as an exempted company with limited liability under the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company is an investment holding company and has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK") since 29 April 2010 (the "IPO"). The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company and its subsidiaries (the "Group") are principally engaged in the design, manufacturing and sale of optical networking subcomponents, components, modules and subsystem used in high-speed telecommunications and data communications (the "Listing Business").

These consolidated financial statements are presented in Hong Kong dollars ("HKD"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 31 March 2015.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit and loss.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2014:

HKAS 32 (Amendment)	Financial instruments: Presentation on asset and liability offsetting
HKFRS 10,12 and HKAS 27 (Amendment)	Investment entities
HKAS 36 (Amendment)	Impairment of assets: recoverable amount disclosures for non-financial assets
HK(IFRIC) 21	Levies

The adoption of the above amended standards and interpretation did not have significant impact on the results or financial position of the Group for the current year.

(b) New and amended standards not yet adopted by the Group

The following new and amended standards that are relevant to the Group have been issued but are not effective for the accounting period beginning on 1 January 2014 and have not been early adopted:

		Effective for annual periods beginning on or after
HKAS 19 (Amendment)	Defined benefit plans: employee contributions	1 July 2014
Annual improvements 2012	Changes from the 2010-2012 cycle of the annual improvements project	1 July 2014
Annual improvements 2013	Changes from the 2011-2013 cycle of the annual improvements project	1 July 2014
HKFRS 14 (Amendment)	Regulatory Deferral Accounts	1 July 2014
HKFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operations	1 January 2016
HKAS 16 and HKAS 38 (Amendment)	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
HKAS 16 and HKAS 41 (Amendment)	Agriculture: bearer plants	1 January 2016
HKFRS10 and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
HKAS 27 (Amendment)	Equity method in separate financial statements	1 January 2016

			Effective for annual periods beginning on or after
	Annual improvements 2014	Changes from the 2012-2014 cycle of the annual improvements project	1 January 2016
	HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment entities: applying the consolidation exception	1 January 2016
	HKAS 1 (Amendment)	The disclosure initiative	1 January 2016
	HKFRS 15	Revenue from contracts with customers	1 January 2017
	HKFRS 9	Financial instruments	1 January 2018

Management is currently assessing the impact of the above new and amended standards to the Group's financial position and performance.

(c) The new Companies Ordinance (Cap. 622) (the"new CO")

The requirements of Part 9, "Accounts and Audit", of the new CO come into operation from the Group's first financial year commencing after 3 March 2014 in accordance with Section 358 of the new CO. The Group is in the process of making an assessment of the expected impact on the consolidated financial statements on the initial application of Part 9 of the new CO. So far management has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements of the Group.

3 SEGMENT REPORTING

The chief operating decision-maker ("CODM") has been identified as the senior executive management of the Company. The CODM reviews the Group's internal reporting in order to assess performance and allocate resources.

All of the reported revenues from sales of goods were made to external customers for the year ended 31 December 2014 (2013: same).

(a) Revenue from external customers in the People's Republic of China ("PRC"), Europe, North America and other Asia countries excluding the PRC, determined by the destinations of shipment, is as follows:

	2014	2013
	HKD'000	*HKD'000*
The PRC	**369,001**	276,803
Europe	**266,657**	178,223
North America	**84,227**	43,876
Other Asian countries excluding the PRC	**111,395**	162,600
	831,280	661,502

(b) The total of non-current assets, other than financial instruments and deferred tax assets, of the Group as at 31 December 2014 and 2013 are as follows:

	2014	2013
	HKD'000	*HKD'000*
The PRC	**672,133**	605,991
Hong Kong	**40,408**	22,803
USA	**4,248**	2,541
	716,789	631,335

(c) During the year ended 31 December 2014, revenue of approximately HKD337,316,000 (2013: HKD309,108,000) was derived from three customers, which comprised 41% (2013: 47%) of the total revenue of the Group.

Revenue of approximately HKD182,538,000 (2013: HKD162,322,000 and HKD96,398,000) were derived from one (2013: two) external customer, which are more than 10% of the Group's total revenue.

4 OTHER GAINS – NET

	2014	2013
	HKD'000	*HKD'000*
Government grants *(a)*	**6,865**	1,552
Rental income	**746**	1,964
Gain on sales of scrapped or surplus raw materials	**1,183**	971
Loss on disposal of property, plant and equipment-net	**–**	(740)
Investment income	**1,269**	3,228
Fair value loss on derivative financial instruments	**(742)**	(124)
Others	**(815)**	45
	8,506	6,896

(a) Included in the government grant are amortisation of deferred government grant of HKD2,698,000, the remaining was mainly cash received from the Finance Committee of Shenzhen Municipality government and was recognized during the year upon receipt.

5 EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing costs, research and development expenses and administrative expenses are analyzed as follows:

	2014	2013
	HKD'000	*HKD'000*
Staff costs-excluding share options granted to directors and employees	**229,152**	198,802
Share option expenses-for options granted to directors and employees	**7,543**	10,721
Raw materials consumed	**421,824**	321,829
Changes in inventories of finished goods and work in progress	**4,089**	9,441
Depreciation	**47,678**	38,581
Amortization	**759**	786
Provision/(Write-down) of trade receivable impairment	**247**	(40)
(Reversal)/Provision for inventory write-down	**(7,124)**	8,375
Sales commissions	**12,476**	13,696
Utilities charges	**32,839**	31,705
Operating lease rental	**2,966**	5,313
Freight charges	**6,968**	5,349
Auditors' remuneration	**2,584**	2,451
Professional expenses	**5,489**	1,642
Travelling expenses	**4,651**	3,224
Advertising costs	**955**	1,296
Other tax levies	**11,163**	6,230
Others	**7,616**	7,750
	791,875	667,151

6 INCOME TAX EXPENSES

	2014	2013
	HKD'000	*HKD'000*
Current income tax		
– Hong Kong profits tax *(b)*	**681**	450
– PRC enterprise income tax *(c)*	**7,455**	2,574
Total current income tax	**8,136**	3,024
Deferred income tax	**(116)**	(1,360)
Income tax expenses	**8,020**	1,664

(a) The Company and O-Net Communication Holding Limited ("O-Net BVI"), the Company's immediate wholly owned subsidiary, are not subject to profits tax in their jurisdictions.

(b) The applicable tax rate for Hong Kong profits is 16.5%.

(c) The applicable tax rate for O-Net Communications (USA). Inc. ("O-Net USA") is 34%.

(d) O-Net Communications (Shenzhen) Limtied ("O-Net Shenzhen") applied to the relevant authorities in the PRC and has successfully been granted the qualification as a High and New Technology Enterprise in the PRC. It is entitled to a concessionary enterprise income tax rate of 15% for a period of 3 years from 2012 to 2014. The applicable tax rate O-Net Automation Technology (Shenzhen) Limited ("O-Net Auto SZ") is 25%.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory tax rates applicable to the entities comprising the Group as follows:

	2014	2013
	HKD'000	*HKD'000*
Profit before income tax	**51,364**	15,039
Tax calculated at statutory tax rates applicable to entities comprising the Group	**4,404**	(1,954)
Tax effect of:	**–**	
Research and development costs eligible for additional deduction	**(5,709)**	(5,256)
Utilisation of previously unrecognised tax loss	**(821)**	–
Tax losses of which no deferred income tax asset was recognised	**8,110**	6,116
Expenses not deductible for tax purposes		
– Share option expenses	**1,473**	2,680
– Others	**563**	78
Income tax expenses	**8,020**	1,664

7 EARNINGS PER SHARE

(a) Basic

Basic earnings per share ("EPS") are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	2014	2013
Profit attributable to equity holders of the Company *(HKD'000)*	**43,344**	13,375
Weighted average number of ordinary shares in issue *(thousands shares)*	**687,295**	741,362
Basic EPS *(HKD per share)*	**0.06**	0.02

(b) Diluted

Diluted EPS are calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from share options granted by the Company (collectively forming the denominator for computing the diluted EPS).

For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2014	2013
Profit attributable to equity holders of the Company *(HKD'000)*	**43,344**	13,375
Weighted average number of ordinary shares in issue *(thousands shares)*	**687,295**	741,362
Adjustments for share options *(thousands shares)*	**2,686**	–
Weighted average number of ordinary shares for the calculation of diluted earnings per share *(thousands shares)*	**689,981**	741,362
Diluted EPS *(HKD per share)*	**0.06**	0.02

8 DIVIDENDS

The Board does not recommend any final dividend for year ended 31 December 2014 (2013: none).

9 TRADE AND OTHER RECEIVABLES

	2014	2013
	HKD'000	*HKD'000*
Trade receivables *(a)*	**304,199**	252,175
Less: provision for impairment of receivables *(b)*	**(727)**	(480)
Trade receivables – net	**303,472**	251,695
Amounts due from related parties *(a)*	**5,427**	3,886
Bills receivable *(c)*	**72,093**	45,199
Prepayments	**12,416**	6,345
Interest receivables	**1,822**	3,056
Other receivables *(d)*	**38,786**	7,777
	434,016	317,958
Less non-current portion: other receivables *(d)*	**(29,640)**	–
Current portion	**404,376**	317,958

All non-current receivables are due within five years from the end of the year.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. Except for the non-current portion of other receivable, the Group does not hold any collateral as security.

At 31 December 2014, the fair value of trade and other receivables of the Group approximated their carrying amounts (2013: same).

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2014	2013
	HKD'000	*HKD'000*
RMB	**222,065**	181,221
USD	**206,875**	127,056
HKD	**3,883**	2,900
JPY	**1,193**	6,781
	434,016	317,958

The credit period generally granted to customers is from 30 to 150 days. The ageing analysis of trade receivables based on invoice date is as follows:

(a) Trade receivables (including amounts due from related parties)

	2014	2013
	HKD'000	*HKD'000*
Within 30 days	**96,777**	95,680
31 to 60 days	**77,969**	69,034
61 to 90 days	**69,885**	54,618
91 to 180 days	**53,002**	27,166
181 to 365 days	**5,393**	5,713
Over 365 days	**6,600**	3,850
	309,626	256,061

At 31 December 2014, trade receivables of HKD100,559,000 (2013: HKD73,805,000) were past due but not impaired. They relate to a number of independent customers that have good reputation and good trading and settlement history maintained with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances since there have not been any significant changes in their credit quality and the balances are considered fully recoverable.

The ageing analysis of these past due trade receivables is as follows:

	2014	2013
	HKD'000	*HKD'000*
Past due 1 to 90 days	**76,964**	58,554
Past due 91 to 180 days	**16,312**	12,343
Past due 181 to 365 days	**4,328**	2,338
Past due over 365 days	**2,955**	570
	100,559	73,805

At 31 December 2014, trade receivables of HKD727,000 (2013: HKD480,000) were impaired. All these balances had been fully provided for impairment losses. The ageing of these trade receivables is based on invoice date as follows:

	2014	2013
	HKD'000	*HKD'000*
Past due over 365 days	**727**	480

(b) Movement of the provision for impairment of trade receivables is as follows:

	2014	2013
	HKD'000	*HKD'000*
At 1 January	**480**	509
Provision/(Write-down) of impairment	**247**	(40)
Translation difference	**–**	11
At 31 December	**727**	480

(c) Bills receivable are with maturity dates between 30 and 180 days. The ageing analysis of bills receivable is as follows:

	2014	2013
	HKD'000	*HKD'000*
Within 30 days	**11,373**	8,772
31 to 90 days	**24,493**	14,550
91 to 180 days	**36,227**	21,877
	72,093	45,199

The other classes within trade and other receivables do not contain impaired assets.

(d) Other receivables

Included in the other receivable is a balance due from Integrated Photonics, Inc. ("IPI"), a third party supplier of the Group pursuant to an agreement signed between O-Net Shenzhen, a subsidiary of the Company, and IPI during the year. Under the agreement, O-Net Shenzhen will ensure stable supply of goods by IPI in coming 5 years. In return, O-Net Shenzhen paid USD3,434,000 (equivalent to HKD29,640,000) to purchase 2,600 troy ounces of platinum ("Platinum") and deliver the Platinum to IPI for production capacity expansion purpose. IPI will keep the Platinum insured against loss or damage at all times during the term until IPI has repaid the full amount of the cost of Platinum to O-Net Shenzhen after 5 years. As security for such receivable, O-Net Shenzhen was granted a first priority lien by IPI over the Platinum.

10 TRADE AND OTHER PAYABLES

	2014	2013
	HKD'000	*HKD'000*
Trade payables *(a)*	**152,067**	118,501
Bills payable *(c)*	**1,522**	1,367
Accrued expenses	**8,986**	12,309
Payroll payables	**20,213**	17,756
Other payables	**15,496**	39,141
Amounts due to related parties	**67**	987
Advance from customers	**2,396**	6,597
Other taxes payable	**1,075**	4,205
	201,822	200,863

At 31 December 2014, the fair value of trade and other payables of the Group and the Company approximated their carrying amounts due to their short maturities (2013: same).

(a) The ageing analysis of trade payables based on invoice date is as follows:

	2014	2013
	HKD'000	*HKD'000*
Within 30 days	**41,735**	36,135
31 days to 60 days	**50,009**	36,758
61 days to 180 days	**53,862**	41,566
181 days to 365 days	**3,319**	367
Over 365 days	**3,142**	3,675
	152,067	118,501

(b) The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	2014	2013
	HKD'000	*HKD'000*
RMB	**140,550**	175,639
USD	**55,094**	10,960
HKD	**5,828**	13,970
EUR	**350**	–
JPY	**–**	294
	201,822	200,863

(c) Bills payable are with maturity dates between 30 and 180 days. The ageing analysis of bills payable is as follows:

	2014	2013
	HKD'000	*HKD'000*
Within 30 days	**1,522**	171
31 to 90 days	**–**	1,196
	1,522	1,367

MANAGEMENT DISCUSSION AND ANALYSIS

The Group has focused on the research, development, manufacture and sale of passive optical networking products which include subcomponents, components, modules and subsystems mainly used in broadband and optical networking systems. With its signature strategy 'Innovation', the Group has started research and development ("R&D") of certain active optical networking products used in the next generation telecommunications and data-communications systems by ongoing expansion of R&D teams in both China and the U.S.A. In executing its new strategy 'Diversify for Growth', the Group has identified certain new businesses, including business related to electronic cigarettes, coating services and machine vision solutions, with promising potential. Based on its core proprietary technologies and vertically integrated business model, the Group aims to become a leading diversified high-tech company.

INDUSTRY AND BUSINESS REVIEW

Optical Networking Business

The global optical components market recorded revenue of USD7,390 million for 2014, rose by 7% as compared to 2013, was principally driven by (i) higher data rates in supporting of the growth of core network bandwidth demand; (ii) increasing demand for data centers due to introduction of cloud services storage; and (iii) optical access network build-out particularly in China. Ovum expected the global optical components market will further develop at a compound annual growth rate of 10% to reach USD12.3 billion by 2019. Despite the global optical components market contracted 5.2% sequentially in the forth quarter of 2014 to USD1,813 million and only grew 7% in 2014 as compared to 2013, the Group has successfully increased its market share. The Group's optical networking components revenue for FY2014 achieved a solid growth at a rate of 19.5% over last year and reaching HKD781.4 million compared to HKD654.0 million during FY2013. The gross profit margin of its optical networking business increased from 31.9% for FY2013 to 35.1% for FY2014.

New Business

The Group's introduction of the new business has proven a success in FY2014. Currently, the Group has established stable business relationships with a number of electronic cigarettes makers and become a leading supplier of the electronic cigarettes industry by supplying heating coils to the major electronic cigarettes manufacturers in China and automated E-liquid Filling & Assembly Machines to several players in the electronic cigarettes industry. The Group's revenue generated from its business related to electronic cigarettes increased from HKD7.4 million for FY2013 to HKD31.4 million for FY2014 and its gross profit margin increased from 39.4% for FY2013 to 39.8% for FY2014.

In addition, leveraging the Group's optical coating and processing technology platform, it has successfully designed and launched a coating machine ("AR & AF coating machine") and entered the coating services business. The AR & AF coating machine created a new coating combination by executing anti-reflective ("AR") and anti-fingerprint ("AF") coating processes simultaneously, a breakthrough for any professional coating application. AR coating is an optical coating applied to the cover glass or camera cover lens of touch devices to reduce reflection which eliminates glare enabling the devices to be used under bright lighting and direct sunlight, while an AF coating is a type of optical coating applied to reduce fingerprint marks. During the year, the Group has launched coating services in the market and generated income of HKD15.2 million during the fourth quarter of FY2014 from its coating services business.

FINANCIAL REVIEW

Revenue

Revenue for FY2014 totaled HKD831.3 million, representing an increase of HKD169.8 million, or 25.7%, compared to that of HKD661.5 million for FY2013. The increase in revenue for FY2014 was primarily due to (i) the increase in the revenue of optical networking business and business related to the electronic cigarettes industry; and (ii) the new revenue source generated from the coating business.

Optical Networking Business

The optical networking business recorded revenue of HKD781.4 million for FY2014, representing an increase of 19.5% as compared to that of HKD654.0 million for FY2013. The increase in revenue for FY2014 was primarily attributable to the increase in revenue from both overseas and domestic markets.

The revenue of optical networking business from the overseas market increased by 20.1% to HKD461.9 million for FY2014, representing 59.1% of its total optical networking revenue, which was attributable to the combined effect of (i) continuous increasing demand on telecommunication network upgrades from 40GbE to 100GbE; and (ii) gain further market share in the overseas market.

The revenue of optical networking business from the domestic market rose by 18.6% to HKD319.5 million for FY2014, representing 40.9% of its total optical networking revenue, which is attributable to the combined effect of (i) implementation of "Boardband China" strategy accelerated the development of 4G LTE network; and (ii) gain further market share in the domestic market.

Business Related To Electronic Cigarettes

Revenue from the business related to electronic cigarettes of HKD31.4 million was recorded for FY2014, rose by 326.6% as compared to that of HKD7.4 million for FY2013. The dramatic increase in revenue for FY2014 was primarily attributable to (i) the increase in demand of heating coils as the Group had established supply relationships with several major electronic cigarettes makers in China during FY2014; and (ii) the launch of newly developed automated E-liquid Filling & Assembly machines for the electronic cigarettes industry.

Coating Services Business

Sales of the coating services business were mainly contributed by the orders from OEM smartphone manufacturers and touch devices cover glass manufacturers in China. The Group had generated a new revenue source of HKD15.2 million from the coating services business as it had successfully designed and launched a coating machine with a new coating process to meet customer demands in FY2014.

Gross Profit and Gross Profit Margin

The Group's gross profit for FY2014 was HKD288.9 million, representing an increase of HKD77.1 million, or 36.4%, from the group's gross profit of HKD211.8 million for FY2013. The gross profit of the optical networking business increased to HKD274.3 million for FY2014 from HKD208.8 million for FY 2013 while the gross profit of business related to electronic cigarettes rose to HKD12.5 million for FY2014 from HKD2.9 million for FY 2013. The increase of gross profit was primarily due to increase in revenue of the overall business of the Group and higher gross profit margin in the optical networking business.

Gross profit as a percentage of total revenue, or gross profit margin, increased to 34.8% for FY2014 as compared with 32.0% for FY2013, which was primarily due to (i) the Group was putting considerably greater effort into cost control measures; (ii) the fixed overheads, such as utilities and depreciation of fixed assets, were shared by a higher production volume for FY2014 as compared to FY2013; and (iii) the improvement in the operating efficiency.

Other Gains

Other gains for FY2014 increased by 23.3% to HKD8.5 million from HKD6.9 million for FY2013, which was primarily due to the net effect of (i) the increase in government subsidies by HKD5.3 million, from HKD1.6 million for FY2013 to HKD6.9 million for FY2014; (ii) the decrease in other income by HKD1.7 million; and (iii) the decrease in investment income by HKD1.9 million, from HKD3.2 million recorded for FY2013 to HKD1.3 million for FY2014.

Selling and Marketing Costs

Selling and marketing costs of HKD36.4 million for FY2014 represents an increase of HKD6.1 million, or 20.0% as compared to HKD30.3 million for FY2013. The increase in selling and marketing costs for FY2014 was primarily attributable to the rise of salary costs, transportation costs, travelling expenses and utilities charges only partially offset by the decrease of sales commissions. However, the selling and marketing costs as a percentage of revenue declined to 4.4% for FY2014 as compared to 4.6% for FY2013. The decline was mainly attributable to the increase in revenue outweighing the higher overall selling and marketing costs.

Salary for FY2014 was HKD9.9 million which represents an increase of HKD3.3 million, or 49.3% as compared with HKD6.6 million for FY2013. The increase was primarily attributable to the new business in China and expansion of overseas optical networking business had led to an overall increase in headcount of sales and marketing teams so in order to further penetrate the business of existing customers and seek for new business opportunities.

Transportation costs for FY2014 were HKD6.2 million, an increase of HKD1.3 million, or 25.3% as compared with HKD4.9 million for FY2013. The increase rose along supported the rising sales revenue during the year under review.

Travelling expenses for FY2014 were HKD1.8 million which represents an increase of HKD0.8 million, or 75.3% as compared with HKD1.0 million for FY2013. The increase was primarily attributable to the higher frequency of business trip for the sales and marketing teams to perform more sales and marketing activities for optical networking business.

Utilities charges for FY2014 were HKD2.2 million which represents an increase of HKD0.6 million, or 36.8% as compared with HKD1.6 million for FY2013. The increase was attributable to the full year impact of utilities charges as the Group had relocated to a new factory in April 2013.

Sales commissions for FY2014 were HKD12.5 million. This represents a decrease of HKD1.2 million, or 8.9% from HKD13.7 million for FY2013. The decrease was mainly attributable to the decrease in commission rate.

Research and Development Expenses

R&D expenses for FY2014 were HKD106.0 million, which was HKD17.0 million, or 19.1% higher when compared to HKD89.0 million incurred for FY2013. The increase in R&D expenses was mainly due to the increase in salary cost, materials consumed, depreciation of fixed assets and other R&D related expenses. However, R&D expenses as a percentage of revenue decreased to 12.7% for FY2014 as compared to 13.5% for FY2013 was mainly due to the increase in revenue outweighing the higher overall R&D expenses.

For FY2014, the salary was HKD44.4 million, an increase of HKD5.8 million, or 14.9% as compared to HKD38.6 million for FY2013. The increase was primarily attributable to the combined effect of (i) the hiring of more R&D engineers for the R&D team located in China; and (ii) overall salary increment within the team.

Raw material consumed in the R&D projects amounted to HKD31.4 million for FY2014, an increase of HKD1.8 million, or 6.1% from HKD29.6 million for FY2013. Meanwhile, depreciation of fixed assets for FY2014 amounted to HKD7.9 million, an increase of HKD2.2 million, or 37.8% from the corresponding figure of HKD5.7 million for FY2013. The increase of raw materials and fixed assets used for R&D projects was primarily attributable to the addition of R&D projects for developing new products in the optical networking business and potential new business.

For the other R&D related expenses, the amounts were HKD8.1 million, an increase of HKD3.7 million compared with FY2013 was primarily due to an expansion of the R&D center located in the U.S.A.

Administrative Expenses

Administrative expenses for FY2014 were HKD107.2 million, or which was HKD9.1 million, 9.3% higher as compared to HKD98.1 million for FY2013. The increase in administrative expenses was primarily attributable to the increase in salary cost and depreciation of fixed assets partially offset by the decrease in the share option costs. However, administrative expenses as a percentage of revenue decreased to 12.9% for

FY2014 as compared to 14.8% for FY2013 was mainly due to the increase in revenue outweighing the higher overall administrative expenses.

Salary for FY2014 was HKD61.5 million and which represents an increase of HKD12.7 million, or 26.2% as compared with HKD48.8 million for FY2013. The increase was primarily attributable to an overall increase in headcount for the new businesses, such as business related to electronic cigarettes, coating services business and machine vision solutions business, had led to an overall increase in headcounts.

The depreciation of fixed assets for FY 2014 was HKD8.3 million, an increase of HKD1.8 million, or 28.4% from HKD6.5 million for FY 2013. The increase was attributable to the full year impact of depreciation of factory as the Group had relocated to a new factory in April 2013.

The share option cost for FY2014 was HKD1.9 million, a decrease of HKD3.6 million, or 64.9% as compared with HKD5.5 million for FY2013. The decrease was primarily attributable to most of the share option costs related to the options granted to the administrative staff already being fullly amortized in previous years.

Finance Income

Net finance income for FY2014 amounted to HKD8.5 million, a decrease of HKD8.1 million from HKD16.6 million for FY2013. The decrease in net finance income was due to the decrease in foreign exchange gain which was driven by a lesser extent of the strengthening of the RMB as the Group held most of the cash in RMB rather than the functional currency of the Group.

Share of Result of an Associate

During 2014, the Group invested in an associate which engaged in the R&D of photonic integrated circuit chips. Share of the result of an associate of HKD1.6 million for FY2014 represents the Group's share of loss which was brought by the associate's operating expenses. No revenue was generated from the associate for FY2014.

Share of Result of a Joint Venture

Share of result of a joint venture ("JV") amounted to HKD3.4 million for FY2014, representing an increase of HKD0.6 million compared with HKD2.8 million for FY2013. The increase of the Group's share of loss of a JV which was primarily attributable to the full year impact of sharing the JV's operating expenses as the JV had set up in June 2013. No revenue were generated from the JV for both FY2013 and FY2014.

Profit Before Tax and Profit Before Tax Margin

Profit before tax of HKD51.4 million was recorded for FY2014 while HKD15.0 million was recorded for FY2013. The increase in profit before tax for FY2014 was primarily due to the increase in both revenue and gross profit from the Group's overall business as well as improvement in gross profit margin in the optical networking business.

Profit before tax as a percentage of total revenues, namely profit before tax margin, increased from 2.3% for FY2013 to 6.2% for FY2014. The increase in profit before tax margin was primarily due to an increase in gross profit margin as well as a decrease in selling expenses, R&D expenses and administrative expenses as a percentage of revenue as described above.

Income Tax Expenses

Currently, income tax expenses of the Group consist of Hong Kong profits tax and PRC Enterprise Income Tax ("PRC EIT").

The applicable tax rate for Hong Kong profits is 16.5%. PRC EIT is based on the assessable income of entities within the Group that are incorporated in the PRC, and adjusted for items which are not assessable or deductible for PRC EIT purposes.

Income tax expenses for FY2014 amounted to HKD8.0 million, representing an increase of HKD6.3 million, from the income tax expense of HKD1.7 million for FY2013. The increase in income tax expenses was primarily due to an increase in net profit before tax for FY2014.

Profit Attributable to Equity Holders of The Company and Net Profit Margin

Profit attributable to equity holders of HKD43.3 million was recorded for FY2014, while HKD13.4 million was recorded for FY2013. The increase in profit attributable to equity holders was primarily due to the increase in both revenue and gross profit from the Group's overall business as well as an improvement in gross profit margin in the optical networking business.

Profit attributable to equity holders as a percentage of total revenue, namely net profit margin, increased from 2.0% for FY2013 to 5.2% for FY2014. The increase in net profit margin was primarily due to the increase in gross profit margin as well as a decrease in selling expenses, R&D expenses and administrative expenses as a percentage of revenue as described above.

NON-GAAP FINANCIAL PERFORMANCE

Non-GAAP Profit Analysis

Reconciliation of Non-GAAP Financial Measures

The Group believes that providing non-GAAP financial measures is helpful to investors that compare our financial performance with most of the comparable companies listed on NASDAQ in the U.S.A., which also provides non-GAAP financial measures. Generally, these non-GAAP financial measures are a numerical measure of a Group's performance and financial position that either excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). A reconciliation of non-GAAP financial measures can be found in the accompanying tables. The Group believes that while these non-GAAP financial measures are not a substitute for results, they provide a basis for evaluating the Company's cash requirements for ongoing operating activities. These non-GAAP financial measures have been reconciled to the nearest comparable measures as required under HKFRS issued by the HKICPA.

	Year ended 31 December	
	2014	2013
	HKD'000	*HKD'000*
Adjustment to Measure Non-GAAP Gross Profit		
Gross Profit	**288,949**	211,778
Adjustment Related to Cost of Sales		
(Reversal)/Provision for Excess and Obsolete Inventory	**(7,124)**	8,375
Non-GAAP Gross Profit	**281,825**	220,153
Adjustment to Measure Non-GAAP Net Profit		
Net Profit	**43,344**	13,375
Adjustment Related to Cost of Sales		
(Reversal)/Provision for Excess and Obsolete Inventory	**(7,124)**	8,375

	Year ended 31 December	
	2014	2013
	HKD'000	*HKD'000*
Adjustments to Measure to Operating expenses		
Share Options Granted to Directors, Employees and Sales Distributors	**7,543**	10,721
Amortization of intangible assets	**759**	786
Adjustments to Other Gains – net		
Investment Income	**(1,269)**	(3,228)
Fair value Loss on Derivative Financial Instruments	**742**	124
Non-GAAP Net Profit	**43,995**	30,153
Non-GAAP EPS		
– Basic	**0.06**	0.04
– Diluted	**0.06**	0.04
Gross Profit Margin	**34.8%**	32.0%
Non-GAAP Gross Profit Margin	**33.9%**	33.3%
Net Profit Margin	**5.2%**	2.0%
Non-GAAP Net Profit Margin	**5.3%**	4.6%

Non-GAAP net profit for FY2014 was HKD44.0 million, or HKD0.06 per share, compared to non-GAAP net profit of HKD30.2 million, or HKD0.04 per share, reported for FY2013. Non-GAAP results for FY2014 exclude HKD7.1 million in reversal of provision for excess and obsolete inventory, HKD7.5 million in share options granted to directors, employees and sales distributors, HKD0.8 million in amortization of intangible assets and HKD0.7 million in fair value loss on derivative financial instruments and include HKD1.3 million in investment income. Non-GAAP results for FY2013 exclude HKD8.4 million in provision for excess and obsolete inventory, HKD10.7 million in share options granted to directors, employees and sales distributors, HKD0.8 million in amortization of intangible assets and HKD0.1 million in fair value loss on derivative financial instruments and include HKD3.2 million in investment income.

FUTURE PROSPECTS

Looking ahead to 2015, the Group's optical networking business will continue to be a key growth driver as the Group expects to launch a series of high-growth next-generation active products for telecommunications and data-communications markets. At the same time, the Group's new businesses have proven a success. Together with the other new business that will be delivered in 2015, these key factors will eventually drive the Group's overall business expansion in the coming years.

Optical Networking Business

Looking ahead, the optical networking business income stream not only will be generated from passive optical networking products, but will also be derived from a series of high-growth next-generation active products for 100GbE telecommunications and 40GbE data-communications applications. An advantage for the Group is that the telecommunications market continues to be driven by 100GbE demand while data centers continued to be a bright spot, so that 40GbE products should also achieve good growth in the data-communications market. In addition, launch of 4G LTE in China was a key factor leading the growth of the optical networking business in China. Driven by the optical network transmission upgrade to 100GbE, new cloud services storage opportunities, 4G LTE penetrations as well as the provision of management services for 3SP Technologies S.A.S. and the acquisition of Avensys Inc. ("Avensys") by the Group, the Group's profitability, revenue, business scales and market share will reach higher levels. The Group is confident that its optical networking business not only will continue to grow and lead the optical networking industry, but also will return to a high-growth track so as to enhance its position as a prominent player in the global optical networking market.

New Businesses

Not only has the Group's business related to electronic cigarettes successfully contributed revenue, but it has also become a leading supplier in the fast-growing electronic cigarettes industry. By leveraging its leading position in the electronic cigarettes industry, the Group will continue to focus on R&D and provide different solutions to meet diverse customer demands. The Group believes that the business related to electronic cigarettes will continue to deliver income in FY2015 and onwards.

Moreover, the Group has tapped the coating services business by applying our technologies of optical coating and its related processing into the AR&AP coating machine. The Group believes that the coating services business will gradually penetrate into the hyper-scale touch devices market, which would eventually improve the Group's overall profitability in 2015 and beyond.

In addition, the Group is expected to complete its development of machine vision solutions by 2015. The Group believes that launching of products from the machine vision solutions business will generate a new revenue source from the second half of 2015, which will also expand its scale of business and aid its growth for many years to come.

In conclusion, efforts in the past few years should very soon start to bring new energy to the Group's top and bottom lines. The Group's entry into the businesses related to electronic cigarettes and new coating services has proven to be a success. This achievement as well as a series of high-growth next-generation active optical networking products and products from the new machine vision solutions business set to be launched in 2015 has prepared the Group well to embark on another fast growth track, which would bring improved returns and enhanced value to the shareholders.

GROUP'S LIABILITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2014, the Company's issued share capital was approximately HKD7.0 million divided into 704,239,240 shares of HKD0.01 each, and the total equity of the Group was approximately HKD1,321.5 million (31 December 2013: HKD1,374.1 million). The Group had current assets of HKD780.8 million and current liabilities of HKD211.5 million and the current ratio was 3.7 times as at 31 December 2014 (31 December 2013: 4.6 times). The Group's net debt-to-equity ratio (calculated as total borrowing net of cash equivalents over shareholders' equity) and gearing ratio (calculated as total borrowings over shareholders' equity) was not applicable as at 31 December 2014 and 2013 since the Group did not have any borrowing.

As at 31 December 2014, the Group had cash and cash equivalents of approximately HKD69.5 million (31 December 2013: HKD281.8 million). The significant decrease was due to purchases of property, plant and equipment and payments for construction-in-progress, investment in an associate, repurchase of own shares, purchase of available-for-sale financial assets, payments for purchase of shares for restricted share award scheme and increase in trade and other receivables. The majority of the Group's funds was deposited in banks in the PRC and licensed banks in Hong Kong and the Group possesses sufficient cash and bank balances to meet its commitment and working capital requirement in the coming financial year.

During the year ended 31 December 2014, the Company repurchased and cancelled its own shares at a total consideration of HKD47.3 million together with its related expenses of HKD0.2 million by its working capital.

PLEDGE ON GROUP ASSETS

As at 31 December 2014, HKD0.8 million bank deposits were pledged as guarantee for payables to contractors and suppliers for the construction of a new factory facility and for bills payables to raw material suppliers of the Group.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

During the year ended 31 December 2014, the Group had committed to the expansion of existing plants and building of new plants to enhance its production capacity. As at 31 December 2014, the Group had contractual capital commitments of approximately HKD47.4 million (31 December 2013: HKD67.5 million). As at 31 December 2014, the Group had not provided any form of guarantee for any company outside the Group and has not been involved in any material legal proceedings for which provision for contingent liabilities was required.

CAPITAL EXPENDITURE

During the year ended 31 December 2014, the Group's capital expenditure on property, plant and equipment consisted primarily of additions to building, plant and machinery, office equipment and construction in progress of approximately HKD116.7 million (31 December 2013: HKD149.7 million).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGE

The Group's costs and revenues are mainly in US dollars and RMB. The Group faces foreign exchange and conversion risks since costs denominated in RMB exceed the sales denominated in RMB. Fluctuations in the exchange rate between RMB and US dollars may adversely affect our business, financial condition and results of operations.

Given that the management is of the opinion that the foreign exchange and conversion risks are not significant, the Group currently does not have a foreign currency hedging policy. However, the management monitors exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The reporting currency of the Group is Hong Kong dollar, as the Directors consider that such presentation is more appropriate for a company that is listed in Hong Kong and for the convenience of the shareholders. The Group has maintained a certain amount of cash denominated in Hong Kong dollars for paying dividends, if declared.

EMPLOYEE BENEFITS

As at 31 December 2014, the Group had a total of 2,520 employees (31 December 2013: 2,354). The Group's staff costs (including Directors' fees) amounted to HKD236.7 million (31 December 2013: HKD209.5 million). The remuneration policy of the Group is reviewed annually by the Remuneration Committee of the Company and is in line with the prevailing market practice. The Group has provided its employees medical insurance, work related personal injury insurance, maternity insurance, and unemployment insurance, each as required by Chinese laws and regulations.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong. The contributions to the MPF Scheme are based on a minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

A share option scheme, which was adopted before the IPO (the "Pre-IPO Share Option Scheme"), and another share option scheme, which was adopted by the Company for issuance of share options after the IPO (the "Post-IPO Share Option Scheme"), are both equity-settled, share-based compensation schemes, under which the entity receives the services from eligible participants as consideration for equity instruments (options). Eligible participants include any Director, employee, consultant, professional, customer, supplier, agent, partner, adviser or contractor to the Company, or a company in which the Company holds an interest or a subsidiary of such company.

Under the Pre-IPO Share Option Scheme, the shares authorized for the issuance of options are the shares of a shareholder of the Company. Under the Post-IPO Share Option Scheme, the shares authorized for issuance of options are the shares of the Company.

The Post-IPO Share Option Scheme was adopted on 9 April 2010 to retain staff members who have made contributions to the success of the Group. During the year ended 31 December 2014, options in aggregate of 1,870,000 shares were granted to 19 eligible participants comprising an independent non-executive Director and employees of the Group (31 December 2013: options in aggregate of 19,550,000 shares were granted to 41 employees of the Group). The Directors believe that the compensation packages offered by the Group to staff member are competitive in comparison with market standards and practices.

The Board adopted a share award scheme ("Share Award Scheme") on 9 May 2014 as an incentive to recognise the contributions by employees and to give incentives in order to retain them for their continuing operation and development and to attract suitable personnel for further development of the Group.

FINAL DIVIDEND

DIVIDEND

The Board does not recommend any final dividend for FY2014 at the upcoming Annual General Meeting of the Company.

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 Thursday, 28 May 2015 ("2015 AGM"), the register of members of the Company will be closed from Wednesday, 27 May 2015 to Thursday, 28 May 2015, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2015 AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 26 May 2015.

SIGNIFICANT INVESTMENTS HELD AND MATERIAL ACQUISITION

The Group did not have any significant investments, material acquisition or disposal of subsidiaries or associates during the year ended 31 December 2014.

FUTURE PLANS FOR MATERIAL INVESTMENTS/CAPITAL ASSETS AND SOURCE OF FUND

As at 31 December 2014, the Group maintained sufficient funds for the capital investment and operations for the coming year.

MATERIAL EVENT SINCE THE END OF THE FINANCIAL PERIOD

On 30 January 2015, the Company and Advance Photonics Investments Limited (the "Vendor") entered into an unconditional sale and purchase agreement ("Sale and Purchase Agreement"), pursuant to which the Company agreed to acquire and the Vendor agreed to sell (1) the entire issued shares of Avensys and its subsidiary for US$1.8 million, and (2) the aggregate principal amount of the interest-bearing loans owing by Avensys and its subsidiary to the Vendor which amounted to approximately CAD$8,696,419 as at the date of the Sale and Purchase Agreement and subsequently purchased by the Company for US$3.2 million, at the total purchase price of US$5.0 million (the "Acquisition"). The Acquisition was simultaneously completed upon signing of the Sale and Purchase Agreement. Details of the Acquisition were set out in the announcement of the Company dated 30 January 2015.

Save as above, there has been no material event since the end of the financial period.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2014, the Company repurchased 21,893,000 shares of HKD0.01 each in the capital of the Company at prices ranging from HKD1.68 to HKD2.50 per share on the SEHK. Details of the repurchases are as follows:

Month/Year	**Number of shares repurchased**	**Purchase price per share**		**Aggregate purchase consideration (excluding expenses)**
		Highest	**Lowest**	
		HKD	*HKD*	*HKD*
January 2014	288,000	1.79	1.74	507,870
March 2014	8,338,000	2.50	2.10	19,462,720
April 2014	7,757,000	2.40	2.14	17,525,740
December 2014	5,510,000	1.89	1.68	9,841,920
	21,893,000			47,338,250

Save as disclosed above and other than those shares purchased by the trustee for the Share Award Scheme, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules") as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry to all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the year ended 31 December 2014.

CORPORATE GOVERNANCE PRACTICE

The Company has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report ("CG Code") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance.

During the year ended 31 December 2014, the Company was in compliance with all the code provisions set out in the CG Code except for the deviation as explained below.

Under code provision A.2.1 of the CG Code, the role of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. The Company has a CEO, Mr. Na Qinglin, and he currently also performs as the Co-Chairman of the Company. The Board believes that vesting the roles of both the Co-Chairman and the CEO in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by current Board which comprises experienced and high caliber individuals with sufficient number thereof being independent non-executive Directors.

Save as those mentioned above, in the opinion of the Directors, the Company has met all the code provisions set out in the CG Code during the year ended 31 December 2014.

AUDITORS' PROCEDURES PERFORMED ON THIS RESULT ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2014 have been agreed by the Group's auditors, PricewaterhouseCoopers, to be the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers 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 HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

AUDIT COMMITTEE

The Company established the Audit Committee on 9 April 2010 with written terms of reference in compliance with CG Code. The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Ong Chor Wei (as chairman), Mr. Deng Xinping and Mr. Zhao Wei. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2014 before they are tabled for the Board's review and approval and are of the opinion that such report complied with the applicable accounting standards, the Listing Rules, other applicable legal requirements and that adequate disclosures have been made.

On behalf of the Board
O-Net Communications (Group) Limited
Na Qinglin
Co-Chairman and Chief Executive Officer

Hong Kong, 31 March 2015

As at the date of this announcement, the executive Director is Mr. Na Qinglin, the non-executive Directors are Mr. Tam Man Chi, Mr. Chen Zhujiang and Mr. Huang Bin, and the independent non-executive Directors are Mr. Deng Xinping, Mr. Ong Chor Wei and Mr. Zhao Wei.